

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 June 30, 2005

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

71-0633135

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

297 West Henri De Tonti Blvd, Tontitown, Arkansas 72770

(Address of principal executive offices)(Zip Code)

Registrants telephone number, including area code: (479) 361-9111

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

Yes No

Indicate by check mark whether the registrant is an accelerated filer (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 July 29, 2005 ----- |
|-------------------------------|---------------------------------------|
| Common Stock, \$.01 Par Value | 10,896,407 |

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

P.A.M. TRANSPORTATION SERVICES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

| | June 30, 2005 ---- (unaudited) | December 31, 2004 ---- (see note) |
|---|---|--|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 3,256 | \$ 19,659 |
| Accounts receivable-net: | | |
| Trade | 60,459 | 47,926 |
| Other | 1,376 | 1,110 |
| Inventories | 749 | 913 |
| Prepaid expenses and deposits | 8,539 | 14,862 |
| Marketable equity securities available-for-sale | 9,611 | 8,792 |
| Income taxes refundable | 632 | 754 |
| | ----- | ----- |
| Total current assets | 84,622 | 94,016 |
| PROPERTY AND EQUIPMENT: | | |
| Land | 2,674 | 2,674 |
| Structures and improvements | 9,308 | 9,299 |
| Revenue equipment | 252,494 | 238,750 |
| Office furniture and equipment | 6,449 | 6,449 |
| | ----- | ----- |
| Total property and equipment | 270,925 | 257,172 |
| Accumulated depreciation | (88,848) | (83,029) |
| | ----- | ----- |
| Net property and equipment | 182,077 | 174,143 |
| OTHER ASSETS: | | |
| Goodwill | 15,413 | 15,413 |
| Non-compete agreements | 517 | 654 |
| Other | 1,111 | 1,123 |
| | ----- | ----- |
| Total other assets | 17,041 | 17,190 |
| | ----- | ----- |
| TOTAL ASSETS | \$ 283,740 | \$ 285,349 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 22,343 | \$ 28,702 |
| Accrued expenses and other liabilities | 11,434 | 9,828 |
| Current maturities of long-term debt | 853 | 2,080 |
| Deferred income taxes-current | 7,316 | 7,162 |
| | ----- | ----- |
| Total current liabilities | 41,946 | 47,772 |
| Long-term debt-less current portion | 24,076 | 23,225 |
| Deferred income taxes-less current portion | 49,125 | 45,375 |
| Other | 334 | 434 |
| | ----- | ----- |
| Total liabilities | 115,481 | 116,806 |
| | ----- | ----- |
| SHAREHOLDERS' EQUITY: | | |
| Preferred stock, \$.01 par value: | | |
| 10,000,000 shares authorized; none issued | | |
| Common stock, \$.01 par value: | | |
| 40,000,000 shares authorized; issued and | | |
| outstanding- 10,896,407 at June 30, 2005, | | |
| 11,303,207 at December 31, 2004 | 113 | 113 |
| Additional paid-in capital | 76,412 | 76,050 |
| Accumulated other comprehensive income | 1,382 | 1,151 |
| Treasury stock, at cost; 445,800 shares | (7,460) | - |
| Retained earnings | 97,812 | 91,229 |
| | ----- | ----- |
| Total shareholders' equity | 168,259 | 168,543 |
| | ----- | ----- |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 283,740 | \$ 285,349 |
| | ===== | ===== |

Note: The balance sheet at December 31, 2004 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. See notes to condensed consolidated financial statements.

P.A.M. TRANSPORTATION SERVICES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except per share data)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-----------|------------------|------------|
| | June 30, | | June 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| | ---- | ---- | ---- | ---- |
| OPERATING REVENUES: | | | | |
| Revenue, before fuel surcharge | \$ 83,321 | \$ 79,071 | \$ 163,430 | \$ 156,744 |
| Fuel surcharge | 7,706 | 3,213 | 13,789 | 5,660 |
| | ----- | ----- | ----- | ----- |
| | 91,027 | 82,284 | 177,219 | 162,404 |
| | ----- | ----- | ----- | ----- |
| OPERATING EXPENSES AND COSTS: | | | | |
| Salaries, wages, and benefits | 31,645 | 29,640 | 62,650 | 60,038 |
| Operating supplies and expenses | 25,114 | 18,588 | 47,768 | 36,964 |
| Rents and purchased transportation | 9,424 | 10,010 | 19,256 | 19,772 |
| Depreciation and amortization | 7,656 | 7,416 | 15,122 | 14,885 |
| Operating taxes and licenses | 4,050 | 3,945 | 8,004 | 7,956 |
| Insurance and claims | 4,532 | 3,904 | 8,631 | 7,892 |
| Communications and utilities | 643 | 658 | 1,342 | 1,366 |
| Other | 1,359 | 1,555 | 2,667 | 2,904 |
| Loss on sale or disposal of equipment | 56 | 18 | 74 | 278 |
| | ----- | ----- | ----- | ----- |
| Total operating expenses and costs | 84,479 | 75,734 | 165,514 | 152,055 |
| | ----- | ----- | ----- | ----- |
| NET OPERATING INCOME | 6,548 | 6,550 | 11,705 | 10,349 |
| NON-OPERATING INCOME | 108 | 93 | 299 | 155 |
| INTEREST EXPENSE | (474) | (442) | (918) | (854) |
| | ----- | ----- | ----- | ----- |
| NET INCOME BEFORE INCOME TAXES | 6,182 | 6,201 | 11,086 | 9,650 |
| FEDERAL AND STATE INCOME TAXES: | | | | |
| Current | 498 | 319 | 750 | 637 |
| Deferred | 2,004 | 2,235 | 3,753 | 3,335 |
| | ----- | ----- | ----- | ----- |
| Total federal and state income taxes | 2,502 | 2,554 | 4,503 | 3,972 |
| | ----- | ----- | ----- | ----- |
| NET INCOME | \$ 3,680 | \$ 3,647 | \$ 6,583 | \$ 5,678 |
| | ===== | ===== | ===== | ===== |
| EARNINGS PER COMMON SHARE: | | | | |
| Basic | \$ 0.33 | \$ 0.32 | \$ 0.59 | \$ 0.50 |
| | ===== | ===== | ===== | ===== |
| Diluted | \$ 0.33 | \$ 0.32 | \$ 0.59 | \$ 0.50 |
| | ===== | ===== | ===== | ===== |
| AVERAGE COMMON SHARES OUTSTANDING: | | | | |
| Basic | 11,114 | 11,296 | 11,209 | 11,296 |
| | ===== | ===== | ===== | ===== |
| Diluted | 11,130 | 11,322 | 11,227 | 11,322 |
| | ===== | ===== | ===== | ===== |

See notes to condensed consolidated financial statements.

P.A.M. TRANSPORTATION SERVICES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

| | Six Months Ended | |
|---|------------------|-----------|
| | June 30, | |
| | 2005 | 2004 |
| | ---- | ---- |
| OPERATING ACTIVITIES: | | |
| Net income | \$ 6,583 | \$ 5,678 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 15,122 | 14,885 |
| Bad debt expense | 257 | 79 |
| Non-compete agreement amortization-net of payments | 38 | - |
| Provision for deferred income taxes | 3,753 | 3,335 |
| Loss on sale or disposal of equipment | 74 | 278 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (13,035) | (6,367) |
| Prepaid expenses, inventories, and other assets | 6,499 | (3,563) |
| Income taxes refundable | 122 | 534 |
| Trade accounts payable | (6,208) | (186) |
| Accrued expenses | 1,607 | 740 |
| | ----- | ----- |
| Net cash provided by operating activities | 14,812 | 15,413 |
| | ----- | ----- |
| INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (30,436) | (19,109) |
| Proceeds from sale or disposal of equipment | 7,448 | 16,900 |
| Purchase of marketable equity securities | (733) | (153) |
| Other | (20) | 35 |
| | ----- | ----- |
| Net cash used in investing activities | (23,741) | (2,327) |
| | ----- | ----- |
| FINANCING ACTIVITIES: | | |
| Borrowings under line of credit | 201,856 | 171,463 |
| Repayments under line of credit | (200,644) | (174,331) |
| Borrowings of long-term debt | - | 2,304 |
| Repayments of long-term debt | (1,587) | (2,585) |
| Repurchases of common stock | (7,460) | - |
| Other | 361 | 17 |
| | ----- | ----- |
| Net cash used in financing activities | (7,474) | (3,132) |
| | ----- | ----- |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (16,403) | 9,954 |
| CASH AND CASH EQUIVALENTS-Beginning of period | 19,659 | 3,064 |
| | ----- | ----- |
| CASH AND CASH EQUIVALENTS-End of period | \$ 3,256 | \$ 13,018 |
| | ===== | ===== |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION- | | |
| Cash paid during the period for: | | |
| Interest | \$ 969 | \$ 873 |
| | ===== | ===== |
| Income taxes | \$ 750 | \$ 518 |
| | ===== | ===== |

See notes to condensed consolidated financial statements.

P.A.M. TRANSPORTATION SERVICES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)
(in thousands)

| | Common Shares | Stock Amount | Additional Paid-In Capital | Other Comprehensive Income(Loss) | Accumulated Other Comprehensive Income(Loss) | Treasury Stock | Retained Earnings | Total |
|---|------------------|-----------------|----------------------------------|--|---|-------------------|----------------------|-----------|
| BALANCE AT DECEMBER 31, 2004 | 11,303 | \$113 | \$76,050 | | \$1,151 | | \$91,229 | \$168,543 |
| Components of comprehensive income: | | | | | | | | |
| Net income | | | | \$ 6,583 | | | 6,583 | 6,583 |
| Other comprehensive income (loss)- | | | | | | | | |
| Unrealized gain on hedge, net of tax of \$120 | | | | 175 | 175 | | | 175 |
| Unrealized gain on marketable securities, net of tax of \$30 | | | | 56 | 56 | | | 56 |
| Total comprehensive income | | | | \$ 6,814 | | | | |
| Treasury stock repurchases | (446) | | | | | \$(7,460) | | (7,460) |
| Exercise of stock options- shares issued including tax benefits | 39 | | 362 | | | | | 362 |
| BALANCE AT JUNE 30, 2005 | 10,896 | \$113 | \$76,412 | | \$1,382 | \$(7,460) | \$97,812 | \$168,259 |

See notes to condensed consolidated financial statements.

P.A.M. TRANSPORTATION SERVICES, INC.
AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2005

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 accruals) necessary for a fair presentation have been included. Operating results for the six-month period ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. 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, 2004.

NOTE B: DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Effective February 28, 2001, the Company entered into an interest rate swap agreement on a notional amount of \$15,000,000. The pay fixed rate under the swap is 5.08%, while the receive floating rate is "1-month" LIBOR. This interest rate swap agreement terminates on March 2, 2006. Effective May 31, 2001, the Company entered into an interest rate swap agreement on a notional amount of \$5,000,000. The pay fixed rate under the swap is 4.83%, while the receive floating rate is "1-month" LIBOR. This interest rate swap agreement terminates on June 2, 2006.

The Company designates both of these interest rate swaps as cash flow hedges of its exposure to variability in future cash flows resulting from interest payments indexed to "1-month" LIBOR. Changes in future cash flows from the interest rate swaps will offset changes in interest rate payments on the first \$20,000,000 of the Company's current revolving credit facility or future "1-month" LIBOR based borrowings that reset on the last London Business Day prior to the start of the next interest period. The hedge locks the interest rate at 5.08% or 4.83% plus the pricing spread (currently 1.15%) for the notional amounts of \$15,000,000 and \$5,000,000, respectively.

These interest rate swap agreements meet the specific hedge accounting criteria. The measurement of hedge effectiveness is based upon a comparison of the floating-rate leg of the swap and the hedged floating-rate cash flows on the underlying liability. The effective portion of the cumulative gain or loss has been reported as a component of accumulated other comprehensive income in shareholders' equity and will be reclassified into current earnings by June 2, 2006, the latest termination date for all current swap agreements. The December 31, 2004 balance of the net after tax deferred hedging loss in accumulated other comprehensive income ("AOCI") related to these swap agreements was approximately \$301,000 and the ending balance as of June 30, 2005 was approximately \$126,000. The change in AOCI related to these swap agreements during the current year was approximately \$175,000. As of June 30, 2005 the fair value of approximately \$213,000 is included in accrued liabilities in the accompanying consolidated financial statements. Ineffectiveness related to these hedges was not significant.

In July 2001, the Company entered into an agreement to obtain price protection and reduce a portion of our exposure to fuel price fluctuations. Under this agreement, we were obligated to purchase a minimum amount of diesel fuel per month, with a price protection component, for the six month period ended February 28, 2002. The agreement also provided that if during the twelve-month period commencing January 2005, the average NY MX HO is below \$.58 per gallon, we will be obligated to pay the contract holder the difference between \$.58 and the average NY MX HO price for such month, multiplied by 1,000,000 gallons. During June 2005, the average NY MX HO price was \$1.62. The value of the agreement is periodically adjusted to fair value, as determined by obtaining an offer from the contract holder of the dollar amount required to terminate all future liability under the contract, and as of June 30, 2005 the estimated fair value of \$250,000 is included in accrued liabilities in the accompanying consolidated financial statements. For the three and six month period ended June 30, 2005 an adjustment of \$125,000 and \$250,000, respectively was made to reflect the decline in fair value of the agreement which had the effect of reducing operating supplies expense and other current liabilities each by \$125,000 and \$250,000 during each respective period in the accompanying consolidated financial statements.

NOTE C: RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123(R), Share-Based Payment, ("SFAS No. 123(R)") which replaces SFAS No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. SFAS No. 123(R) requires compensation costs relating to share-based payment transactions be recognized in financial statements. The pro forma disclosure previously permitted under SFAS No. 123 will no longer be an acceptable alternative to recognition of expenses in the financial statements. SFAS No. 123(R) was originally to be effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005, with early adoption encouraged. In April 2005, the Securities and Exchange Commission announced the adoption of a new rule that amends the effective date of SFAS No. 123(R). The effective date of the new standard under these new rules for our consolidated financial statements is January 1, 2006. Management is currently evaluating the possible future impact on the Company's financial position and results of operations.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 153, Exchanges of Nonmonetary Assets-an amendment to APB Opinion No. 29 ("SFAS No. 153"). This statement amends Accounting Principles Board Opinion No. 29 ("APB No. 29") to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. Adoption of this statement did not have a material effect on the Company's consolidated financial statements.

NOTE D: MARKETABLE SECURITIES

The Company accounts for its marketable securities in accordance with Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities ("SFAS No. 115"). SFAS No. 115 requires companies to classify their investments as either trading, available-for-sale or held-to-maturity. The Company's investments in marketable securities are classified as 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. During the first six months of 2005 there were no sales or reclassifications of marketable securities. These securities 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. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in non-operating income. Realized gains and losses, and declines in value judged to be other-than-temporary on available-for-sale securities, if any, are included in the determination of net income as gains (losses) on the sale of securities.

As of June 30, 2005, these equity securities had a combined original cost of approximately \$7,071,000 and a combined fair market value of approximately \$9,611,000. For the six months ended June 30, 2005, the Company had net unrealized gains in market value of approximately \$56,000, net of deferred income taxes. These securities had gross unrealized gains of approximately \$2,680,000 and gross unrealized losses of approximately \$140,000. As of June 30, 2005, the total unrealized gain, net of deferred income taxes, in accumulated other comprehensive income was approximately \$1,508,000.

NOTE E: STOCK BASED COMPENSATION

The Company adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS No. 123). The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---------------------------------------|----------|------------------------------|----------|
| | 2005 | 2004 | 2005 | 2004 |
| | (in thousands, except per share data) | | | |
| Net income | \$ 3,680 | \$ 3,647 | \$ 6,583 | \$ 5,678 |
| Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | (74) | (74) | (148) | (148) |
| Pro forma net income | \$ 3,606 | \$ 3,573 | \$ 6,435 | \$ 5,530 |
| Earnings per share: | | | | |
| Basic - as reported | \$.33 | \$.32 | \$.59 | \$.50 |
| Basic - pro forma | \$.32 | \$.32 | \$.57 | \$.49 |
| Diluted - as reported | \$.33 | \$.32 | \$.59 | \$.50 |
| Diluted - pro forma | \$.32 | \$.32 | \$.57 | \$.49 |

NOTE F: SEGMENT INFORMATION

The Company considers the guidance provided by Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information ("SFAS No. 131"), in its identification of operating segments. The Company has determined that it has a total of eight 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 SFAS No. 131 the Company has determined that the operations of the eight 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, for the three and six months ending June 30, 2005 and 2004 were as follows:

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|--|-----------------------------|-------|--------------|-------|---------------------------|-------|---------------|-------|
| | 2005 | | 2004 | | 2005 | | 2004 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Truckload Services revenues (1) | \$73,433,867 | 88.1 | \$68,197,240 | 86.2 | \$143,514,242 | 87.8 | \$135,326,616 | 86.3 |
| Brokerage and Logistics Services revenues (1) | 9,887,573 | 11.9 | 10,873,483 | 13.8 | 19,915,673 | 12.2 | 21,417,542 | 13.7 |
| Total revenues (1) | \$83,321,440 | 100.0 | \$79,070,723 | 100.0 | \$163,429,915 | 100.0 | \$156,744,158 | 100.0 |

(1) Before fuel surcharges.

NOTE G: TREASURY STOCK

 On April 11, 2005, the Company announced that its Board of Directors had authorized the Company to repurchase up to 600,000 shares of its common stock during the six month period ending October 11, 2005. During the three months ended June 30, 2005, the Company repurchased 445,800 shares of its common stock. The Company accounts for Treasury stock using the cost method and as of June 30, 2005, 445,800 shares were held in the treasury at an aggregate cost of \$7,459,938.

NOTE H: COMPREHENSIVE INCOME

 Comprehensive income was comprised of net income plus or minus market value adjustments related to our interest rate swap agreements and marketable securities. The components of comprehensive income were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|----------|------------------------------|----------|
| | 2005 | 2004 | 2005 | 2004 |
| | ---- | ---- | ---- | ---- |
| Net income | \$ 3,680 | \$ 3,647 | \$ 6,583 | \$ 5,678 |
| Other comprehensive income (loss): | | | | |
| Reclassification adjustment for losses (gains) on derivative instruments included in net income accounted for as hedges, net of income taxes | 65 | 120 | 143 | 238 |
| Change in fair value of interest rate swap agreements, net of income taxes | (13) | 206 | 32 | 74 |
| Change in fair value of marketable securities, net of income taxes | 184 | (17) | 56 | (9) |
| | ----- | ----- | ----- | ----- |
| Total comprehensive income | \$ 3,916 | \$ 3,956 | \$ 6,814 | \$ 5,981 |
| | ===== | ===== | ===== | ===== |

PART I - FINANCIAL INFORMATION

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

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, referred to from time to time in filings made by the Company with the Securities and Exchange Commission. The Company undertakes no obligation to update or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

CRITICAL ACCOUNTING POLICIES

The Company's management makes estimates and assumptions in preparing the consolidated financial statements that affect reported amounts and disclosures therein. In the opinion of management, the accounting policies that generally have the most significant impact on the financial position and results of operations of the Company include:

Accounts Receivable. We continuously monitor collections and payments from our customers, third parties and vendors and maintain a provision for estimated credit losses based upon our historical experience and any specific collection issues that we have identified. While such credit losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past.

Property and equipment. Management must use its judgment in the selection of estimated useful lives and salvage values for purposes of depreciating tractors and trailers which in some cases do not have guaranteed residual values. Estimates of salvage value at the expected date of trade-in or sale are based on the expected market values of equipment at the time of disposal which, in many cases include guaranteed residual values by the manufacturers.

Self Insurance. The Company is self-insured for health and workers' compensation benefits up to certain stop-loss limits. Such costs are accrued based on known claims and an estimate of incurred, but not reported (IBNR) claims. IBNR claims are estimated using historical lag information and other data either provided by outside claims administrators or developed internally. This estimation process is subjective, and to the extent that future actual results differ from original estimates, adjustments to recorded accruals may be necessary.

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

Prepaid Tires. Tires purchased with revenue equipment are capitalized as a cost of the related equipment. Replacement tires are included in prepaid expenses and deposits and are amortized over a 24-month period. Costs related to tire recapping are expensed when incurred.

Income Taxes. Significant management judgment is required to determine the provision for income taxes and to determine whether deferred income taxes will be realized in full or in part. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. When it is more likely that all or some portion of specific deferred income tax assets will not be realized, a valuation allowance must be established for the amount of deferred income tax assets that are determined not to be realizable. A valuation allowance for deferred income tax assets has not been deemed to be necessary due to the Company's profitable operations. Accordingly, if the facts or financial circumstances were to change, thereby impacting the likelihood of realizing the deferred income tax assets, judgment would need to be applied to determine the amount of valuation allowance required in any given period.

Business Segment and Concentrations of Credit Risk. The Company operates in one reporting segment, motor carrier operations. The Company provides transportation services to customers throughout the United States and portions of Canada and Mexico. The Company performs ongoing credit evaluations and generally does not require collateral from its customers. The Company maintains reserves for potential credit losses. In view of the concentration of the Company's revenues and accounts receivable among a limited number of customers within the automobile industry, the financial health of this industry is a factor in the Company's overall evaluation of accounts receivable.

Business Combinations and Goodwill. Upon acquisition of an entity, the cost of the acquired entity must be allocated to assets and liabilities acquired. Identification of intangible assets, if any, that meet certain recognition criteria is necessary. This identification and subsequent valuation requires significant judgments. The carrying value of goodwill was tested for impairment on December 31, 2004 and the Company determined that there was no impairment.

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 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 tractors or owner-operator owned tractors. Brokerage and logistics services consist of services such as transportation 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 reporting segment.

For both operations, substantially all of our revenue is generated by transporting freight for customers and is predominantly affected by the rates per mile received from our customers, equipment utilization, and our percentage of non-compensated miles. These aspects of our business are carefully managed and efforts are continuously underway to achieve favorable results. For the three and six month period ended June 30, 2005, truckload services revenues, excluding fuel surcharges, represented 88.1% and 87.8% of total revenues, excluding fuel surcharges, with remaining revenues, excluding fuel surcharges, being generated by our brokerage and logistics services. For the three and six month period ended June 30, 2004, truckload services revenues, excluding fuel surcharges, represented 86.2% and 86.3% of total revenues, excluding fuel surcharges, with remaining revenues, excluding fuel surcharges, being generated by our 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 and six months ending June 30, 2005, approximately \$7.7 million and \$13.8 million, respectively, of the Company's total revenue was generated from fuel surcharges. For the three and six months ending June 30, 2004, approximately \$3.2 million and \$5.7 million, respectively, of the Company's total revenue was generated from fuel surcharges.

We also discuss certain changes in our expenses as a percentage of revenue, before fuel surcharge, rather than absolute dollar changes. We do this because we believe the high variable cost nature of certain expenses makes a comparison of changes in expenses as a percentage of revenue more meaningful than absolute dollar changes.

RESULTS OF OPERATIONS - TRUCKLOAD SERVICES

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

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|--------|------------------|--------|
| | June 30, | | June 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| | ---- | ---- | ---- | ---- |
| Operating revenues, before fuel surcharge | 100.0% | 100.0% | 100.0% | 100.0% |
| | ----- | ----- | ----- | ----- |
| Operating expenses: | | | | |
| Salaries, wages, and benefits | 42.4 | 42.6 | 42.9 | 43.5 |
| Operating supplies (1) | 24.0 | 22.7 | 24.0 | 23.3 |
| Rent and purchased transportation | 0.8 | 0.4 | 0.9 | 0.5 |
| Depreciation and amortization | 10.4 | 10.8 | 10.5 | 11.0 |
| Operating taxes and licenses | 5.5 | 5.8 | 5.6 | 5.9 |
| Insurance and claims | 6.2 | 5.7 | 6.0 | 5.8 |
| Communications and utilities | 0.8 | 0.9 | 0.9 | 0.9 |
| Other | 1.6 | 2.1 | 1.6 | 1.9 |
| Loss on sale or disposal of property | 0.1 | 0.0 | 0.1 | 0.2 |
| | ----- | ----- | ----- | ----- |
| Total operating expenses | 91.8 | 91.0 | 92.5 | 93.0 |
| | ----- | ----- | ----- | ----- |
| Operating income | 8.2 | 9.0 | 7.5 | 7.0 |
| Non-operating income | 0.1 | 0.1 | 0.2 | 0.1 |
| Interest expense | (0.6) | (0.5) | (0.6) | (0.5) |
| | ----- | ----- | ----- | ----- |
| Income before income taxes | 7.7 | 8.6 | 7.1 | 6.6 |
| | ----- | ----- | ----- | ----- |

(1) Net of fuel surcharges.

THREE MONTHS ENDED JUNE 30, 2005 VS. THREE MONTHS ENDED JUNE 30, 2004

For the quarter ended June 30, 2005, truckload services revenues, before fuel surcharges, increased 7.7% to \$73.4 million as compared to \$68.2 million for the quarter ended June 30, 2004. The increase was due to a 10.0% increase in the average rate per total mile from \$1.11 during the second quarter of 2004 to \$1.23 during the second quarter of 2005. The revenue growth attributable to the increase in average rate per mile was partially offset by a 2.1% reduction in total miles traveled from 61,235,656 during the second quarter of 2004 to 59,929,150 miles during the second quarter 2005.

Salaries, wages and benefits decreased from 42.6% of revenues, before fuel surcharges, in the second quarter of 2004 to 42.4% of revenues, before fuel surcharges, in the second quarter of 2005. The decrease relates primarily to a decrease in driver lease expense as the average number of owner operators under contract decreased from 94 in the second quarter of 2004 to 70 in the second quarter of 2005. The decrease associated with driver lease expense was partially offset by an increase in amounts paid to the corresponding company driver replacement, and in other costs normally absorbed by the owner operator such as repairs and fuel.

Operating supplies and expenses increased from 22.7% of revenues, before fuel surcharges, in the second quarter of 2004 to 24.0% of revenues, before fuel surcharges in the second quarter of 2005. The increase relates to an increase in fuel costs resulting from a 34.5% increase in the average price per gallon paid by the Company during the second quarter of 2005 as compared to the second quarter of 2004. During periods of rising fuel prices the Company is often able to recoup at least a portion of the increase through fuel surcharges passed along to its customers. Fuel costs, net of fuel surcharges, increased to \$11.9 million in the second quarter of 2005 from \$10.1 million in the second quarter of 2004. The Company collected approximately \$7.5 million in fuel surcharges during the second quarter of 2005 and \$3.1 million during the second quarter of 2004. Fuel costs were also affected by the replacement of owner operators with company drivers as discussed above.

Rent and purchased transportation increased from 0.4% of revenues, before fuel surcharges, in the second quarter of 2004 to 0.8% of revenues, before fuel surcharges in the second quarter of 2005. The increase relates primarily to an increase in amounts paid to third party transportation companies for intermodal services.

Depreciation and amortization decreased from 10.8% of revenues, before fuel surcharges, in the second quarter of 2004 to 10.4% of revenues, before fuel surcharges, in the second quarter of 2005. This decrease as a percentage of revenues is the result of the interaction of higher revenues as a result of an increased rate per mile charged to customers and the fixed cost nature of depreciation expense.

Insurance and claims increased from 5.7% of revenues, before fuel surcharges, in the second quarter of 2004 to 6.2% of revenues, before fuel surcharges, in the second quarter of 2005. The increase was the result of an increase in rates for auto liability insurance coverage.

The truckload services division operating ratio, which measures the ratio of operating expenses, net of fuel surcharges, to operating revenues, before fuel surcharges, increased to 91.8% for the second quarter of 2005 from 91.0% for the second quarter of 2004.

SIX MONTHS ENDED JUNE 30, 2005 VS. SIX MONTHS ENDED JUNE 30, 2004

For the first six months ended June 30, 2005, truckload services revenues, before fuel surcharges, increased 6.1% to \$143.5 million as compared to \$135.3 million for the six months ended June 30, 2004. The increase was due to a 9.9% increase in the average rate per total mile from \$1.11 during the first six months of 2004 to \$1.22 during the first six months of 2005. The revenue growth attributable to the increase in average rate per mile was partially offset by a 4.0% reduction in total miles traveled from 122,364,021 during the first six months of 2004 to 117,448,781 miles during the first six months of 2005.

Salaries, wages and benefits decreased from 43.5% of revenues, before fuel surcharges, in the first six months of 2004 to 42.9% of revenues, before fuel surcharges, in the first six months of 2005. The decrease relates primarily to a decrease in driver lease expense as the average number of owner operators under contract decreased from 96 in the first six months of 2004 to 72 in the first six months of 2005. The decrease associated with driver lease expense was partially offset by an increase in amounts paid to the corresponding company driver replacement, and in other costs normally absorbed by the owner operator such as repairs and fuel.

Operating supplies and expenses increased from 23.3% of revenues, before fuel surcharges, in the first six months of 2004 to 24.0% of revenues, before fuel surcharges, in the first six months of 2005. The primary reason for the increase relates to an increase in fuel costs resulting from a 31.8% increase in the average price per gallon paid by the Company during the first six months of 2005 as compared to the first six months of 2004. During periods of rising fuel prices the Company is often able to recoup at least a portion of the increase through fuel surcharges passed along to its customers. Fuel costs, net of fuel surcharges, increased to \$23.1 million in the first six months of 2005 from \$20.6 million in the first six months of 2004. The Company collected approximately \$13.4 million in fuel surcharges during the first six months of 2005 and \$5.4 million during the first six months of 2004. Fuel costs were also affected by the replacement of owner operators with company drivers as discussed above.

Rent and purchased transportation increased from 0.5% of revenues, before fuel surcharges, in the first six months of 2004 to 0.9% of revenues, before fuel surcharges in the first six months of 2005. The increase relates primarily to an increase in amounts paid to third party transportation companies for intermodal services.

Depreciation and amortization decreased from 11.0% of revenues, before fuel surcharges, in the first six months of 2004 to 10.5% of revenues, before fuel surcharges, in the first six months of 2005. This decrease as a percentage of revenues is the result of the interaction of higher revenues as a result of an increased rate per mile charged to customers and the fixed cost nature of depreciation expense.

The truckload services division operating ratio, which measures the ratio of operating expenses, net of fuel surcharges, to operating revenues, before fuel surcharges, decreased to 92.5% for the first six months of 2005 from 93.0% for the first six months of 2004.

RESULTS OF OPERATIONS - LOGISTICS AND BROKERAGE SERVICES

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

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|--------|------------------|--------|
| | June 30, | | June 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| Operating revenues, before fuel surcharge | 100.0% | 100.0% | 100.0% | 100.0% |
| Operating expenses: | | | | |
| Salaries, wages, and benefits | 5.3 | 5.3 | 5.1 | 5.4 |
| Operating supplies | 0.0 | 0.0 | 0.0 | 0.0 |
| Rent and purchased transportation (1) | 87.4 | 88.7 | 87.8 | 88.0 |
| Depreciation and amortization | 0.3 | 0.3 | 0.3 | 0.3 |
| Operating taxes and licenses | 0.0 | 0.0 | 0.0 | 0.0 |
| Insurance and claims | 0.1 | 0.1 | 0.1 | 0.1 |
| Communications and utilities | 0.3 | 0.3 | 0.4 | 0.4 |
| Other | 1.5 | 1.4 | 1.6 | 1.5 |
| Loss on sale or disposal of property | 0.0 | 0.0 | 0.0 | 0.0 |
| Total operating expenses | 94.9 | 96.1 | 95.3 | 95.7 |
| Operating income | 5.1 | 3.9 | 4.7 | 4.3 |
| Non-operating income | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest expense | (0.6) | (0.6) | (0.6) | (0.6) |
| Income before income taxes | 4.5 | 3.3 | 4.1 | 3.7 |

(1) Net of fuel surcharges.

THREE MONTHS ENDED JUNE 30, 2005 VS. THREE MONTHS ENDED JUNE 30, 2004

For the quarter ended June 30, 2005, logistics and brokerage services revenues, before fuel surcharges, decreased 9.1% to \$9.9 million as compared to \$10.9 million for the quarter ended June 30, 2004. The decrease was primarily due to a 19.0% decrease in the number of loads serviced during the second quarter of 2005 as compared to the second quarter of 2004.

Rent and purchased transportation decreased from 88.7% of revenues, before fuel surcharges, in the second quarter of 2004 to 87.4% of revenues, before fuel surcharges, in the second quarter of 2005. The decrease was caused by an increase in amounts collected from customers for fuel surcharges which helps offset 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, decreased to 94.9% for the second quarter of 2005 from 96.1% for the second quarter of 2004.

SIX MONTHS ENDED JUNE 30, 2005 VS. SIX MONTHS ENDED JUNE 30, 2004

For the six months ended June 30, 2005, logistics and brokerage services revenues, before fuel surcharges, decreased 7.0% to \$19.9 million as compared to \$21.4 million for the six months ended June 30, 2004. The decrease was primarily due to a 12.5% decrease in the number of loads serviced during the first six months of 2005 as compared to the first six months of 2004.

Rent and purchased transportation decreased from 88.0% of revenues, before fuel surcharges, in the first six months of 2004 to 87.8% of revenues, before fuel surcharges, in the first six months of 2005. The decrease was caused by an increase in amounts collected from customers for fuel surcharges which helps offset 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, decreased to 95.3% for the first six months of 2005 from 95.7% for the first six months of 2004.

RESULTS OF OPERATIONS - COMBINED SERVICES

SIX MONTHS ENDED JUNE 30, 2005 VS. SIX MONTHS ENDED JUNE 30, 2004

The increase in the combined income before income taxes to \$11.1 million from \$9.7 million, respectively, for the six month period ended June 30, 2005 and 2004 resulted in an increase in the provision for income taxes from \$4.0 million for the first six months of 2004 to \$4.5 million for the first six months of 2005.

Net income for all divisions increased to \$6.6 million, or 4.0% of revenues, before fuel surcharge in the first six months of 2005 from \$5.7 million, or 3.6% of revenues, before fuel surcharge in the first six months of 2004. The increase in net income resulted in an increase in diluted net income per share to \$.59 in the first six months of 2005 from \$.50 in the first six months of 2004.

LIQUIDITY AND CAPITAL RESOURCES

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

During the first six months of 2005, the Company generated \$14.8 million of cash from operating activities. Investing activities used \$23.7 million in cash in the first six months of 2005. Financing activities used \$7.5 million in the first six months of 2005.

Our primary use of funds is for the purchase of revenue equipment. We typically use our existing lines of credit, 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 six months of 2005, we utilized cash on hand and our lines of credit to finance revenue equipment purchases of approximately \$30.3 million.

Occasionally we finance the acquisition of revenue equipment through installment notes with fixed interest rates and terms ranging from 36 to 48 months, however as of June 30, 2005, we had no outstanding indebtedness under such installment notes.

In order to maintain our tractor fleet count it is often necessary to purchase replacement tractors and place them in service before trade units are removed from service. The timing difference created during this process often requires the Company to pay for new units without any reduction in price for trade units. In this situation, the Company later receives payment for the trade units as they are delivered to the equipment vendor and have passed vendor inspection. During the six months ended June 30, 2005, the Company received approximately \$4.9 million for tractors delivered for trade.

During the remainder of 2005, we expect to purchase approximately 231 new tractors and approximately 450 new trailers while continuing to sell or trade older equipment, which we expect to result in net capital expenditures of approximately \$13.1 million. Management believes we will be able to finance our near term needs for working capital over the next twelve months, as well as acquisitions of revenue equipment 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 maintain a \$20.0 million revolving line of credit and a \$30.0 million revolving line of credit (Line A and Line B, respectively) with separate financial institutions. Amounts outstanding under Line A bear interest at LIBOR, as determined on the first day of each month, plus 1.40% (4.53% at June 30, 2005), are secured by our accounts receivable and mature on May 31, 2007. At June 30, 2005, \$1.5 million, including \$.3 million in letters of credit were outstanding under Line A with availability to borrow \$18.5 million. Amounts outstanding under Line B bear interest at LIBOR, as determined on the last day of the previous month, plus 1.15% (4.30% at June 30, 2005), are secured by revenue equipment and mature on June 30, 2007. At June 30, 2005, \$27.3 million, including \$7.3 million in letters of credit were outstanding under Line B with availability to borrow \$2.7 million. In an effort to reduce interest rate risk associated with these floating rate facilities, we have entered into interest rate swap agreements in an aggregate notional amount of \$20.0 million. For additional information regarding the interest rate swap agreements, see Note B to the condensed consolidated financial statements.

Trade accounts receivable at June 30, 2005 increased approximately \$12.5 million from December 31, 2004. Certain of the Company's largest customers regularly schedule plant shutdowns for various periods during December and the volume of freight we ship is reduced during such scheduled shutdowns. This reduction in freight volume results in a reduction in accounts receivable at the end of each year.

Prepaid expenses and deposits at June 30, 2005 decreased approximately \$6.3 million as compared to December 31, 2004. The decrease reflects the amortization of prepaid tractor and trailer license fees and auto liability insurance premiums. In December 2004, approximately \$3.0 million of the 2005 license fees and approximately \$5.0 million of the 2005 auto liability insurance premiums were paid in advance. These prepaid expenses will be amortized to expense through the remainder of the year.

Accounts payable at June 30, 2005 decreased approximately \$6.4 million as compared to December 31, 2004. The decrease is primarily related to a decrease in the amount of bank drafts outstanding in excess of bank balance as compared to bank drafts outstanding at December 31, 2004. As of June 30, 2005 bank drafts of approximately \$4.8 million were reclassified to accounts payable as compared to approximately \$16.5 million reclassified as of December 31, 2004. The net decrease also reflects the increase of approximately \$2.8 million in amounts accrued for the purchase of revenue equipment but not yet paid for and an increase of approximately \$2.0 million in amounts accrued for fuel purchases and third party equipment repair costs.

NEW ACCOUNTING PRONOUNCEMENTS

See Note C 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, and commodity price risk (the price paid to obtain diesel fuel for our tractors). 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 current market price. The recorded value of marketable equity securities increased to \$9.6 million at June 30, 2005 from \$8.8 million at December 31, 2004. The increase is the result of additional purchases during the first six months of 2005. 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 \$960,000. For additional information with respect to the marketable equity securities, see Note D to our condensed consolidated financial statements.

INTEREST RATE RISK

Our two lines of credit each bear interest at a floating rate equal to LIBOR plus a fixed percentage. Accordingly, changes in LIBOR, which are effected by changes in interest rates, will affect the interest rate on, and therefore our costs under, the lines of credit. In an effort to manage the risks associated with changing interest rates, we entered into interest rate swap agreements effective February 28, 2001 and May 31, 2001, on notional amounts of \$15,000,000 and \$5,000,000, respectively. The "pay fixed rates" under the \$15,000,000 and \$5,000,000 swap agreements are 5.08% and 4.83%, respectively. The "receive floating rate" for both swap agreements is "1-month" LIBOR. These interest rate swap agreements terminate on March 2, 2006 and June 2, 2006, respectively. Assuming \$20.0 million of variable rate debt was outstanding under Line "A" and not covered by the hedge agreement for a full fiscal year, a hypothetical 100 basis point increase in LIBOR would result in approximately \$200,000 of additional interest expense, net of the effect of the swap agreements. For additional information with respect to the interest rate swap agreements, see Note B to our condensed consolidated financial statements.

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 2004 fuel consumption, a 10% increase in the average annual price per gallon of diesel fuel would increase our annual fuel expenses by \$5.6 million.

In July 2001, the Company entered into an agreement to obtain price protection and reduce a portion of our exposure to fuel price fluctuations. Under this agreement, we were obligated to purchase a minimum amount of diesel fuel per month, with a price protection component, for the six month period ended February 28, 2002. The agreement also provided that if during the twelve-month period commencing January 2005, the average NY MX HO is below \$.58 per gallon, we will be obligated to pay the contract holder the difference between \$.58 and the average NY MX HO price for such month, multiplied by 1,000,000 gallons. During June 2005, the average NY MX HO price was \$1.62. The value of the agreement is periodically adjusted to fair value, as determined by obtaining an offer from the contract holder of the dollar amount required to terminate all future liability under the contract, and as of June 30, 2005 the estimated fair value of \$250,000 is included in accrued liabilities in the accompanying consolidated financial statements. For the three and six month period ended June 30, 2005 an adjustment of \$125,000 and \$250,000, respectively was made to reflect the decline in fair value of the agreement which had the effect of reducing operating supplies expense and other current liabilities each by \$125,000 and \$250,000 during each respective period in the accompanying consolidated financial statements. For additional information with respect to this agreement, see Note B to our condensed consolidated financial statements.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures.

In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), the Company's management evaluated, with the participation of the Company's President and Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2005. Based upon that evaluation of these disclosure controls and procedures, the President and Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures were effective as of June 30, 2005 so that material information relating to the Company, including its consolidated subsidiaries, was made known to them by others within those entities, particularly during the period in which this quarterly report on Form 10-Q was being prepared.

Changes in internal controls over financial reporting.

There was no change in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2005 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The nature of the our business routinely results in litigation, primarily involving claims for personal injuries and property damage incurred in the transportation of freight. We believe that an unfavorable outcome in one or more of those cases would not have a material adverse effect on our financial condition.

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

On April 11, 2005, the Company announced that its Board of Directors had authorized the Company to repurchase up to 600,000 shares of its common stock during the six month period ending October 11, 2005. The following table summarizes the Company's common stock repurchases during the second quarter of 2005 made pursuant to this authorization. No shares were purchased during the quarter other than through this program, and all purchases were made by or on behalf of the Company and not by any "affiliated purchaser".

Issuer Purchases of Equity Securities

| Period | Total Number of Shares (or Units) Purchased | Average Price Paid per Share (or Unit) | Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate) Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|------------------|--|--|---|--|
| April 1-30, 2005 | - | - | - | 600,000 |
| May 1-31, 2005 | 367,000 | \$16.6983 | 367,000 | 233,000 |
| June 1-30, 2005 | 78,800 | 16.6756 | 78,800 | 154,200 |
| Total | 445,800 | \$16.6943 | 445,800 | 154,200 |

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

The 2005 Annual Meeting of Stockholders of the Company was held on May 26, 2005. The results of the voting with respect to each matter voted on at the meeting is set forth below:

(1) Proposal to elect eight directors:

| | Votes FOR | Votes WITHHELD | Broker NON-VOTES |
|-----------------------|--------------|-------------------|---------------------|
| Fredrick P. Calderone | 9,652,901 | 1,331,872 | 0 |
| Frank L. Conner | 10,854,588 | 130,185 | 0 |
| Thomas H. Cooke | 10,854,088 | 130,685 | 0 |
| Manuel J. Moroun | 9,776,998 | 1,207,775 | 0 |
| Matthew T. Moroun | 9,652,926 | 1,331,847 | 0 |
| Daniel C. Sullivan | 10,854,588 | 130,185 | 0 |
| Robert W. Weaver | 9,803,739 | 1,181,034 | 0 |
| Charles F. Wilkins | 10,854,088 | 130,685 | 0 |

Item 6. Exhibits.

Exhibits required by Item 601 of Regulations S-K:

- 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 10-Q filed on May 15, 2002.)
- 11.1 - Statement Re: Computation of Diluted Earnings Per Share
- 31.1 - Rule 13a-14(a) Certification of Principal Executive Officer
- 31.2 - Rule 13a-14(a) Certification of Principal Financial Officer
- 32.1 - Section 1350 Certification of Chief Executive Officer
- 32.2 - Section 1350 Certification of Chief Financial Officer

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: August 3, 2005

By: /s/ Robert W. Weaver

Robert W. Weaver
President and Chief Executive Officer
(principal executive officer)

Dated: August 3, 2005

By: /s/ Larry J. Goddard

Larry J. Goddard
Vice President-Finance, Chief Financial
Officer, Secretary and Treasurer
(principal accounting and financial officer)

P.A.M. TRANSPORTATION SERVICES, INC.

INDEX TO EXHIBITS TO FORM 10-Q

| Exhibit Number | Exhibit Description |
|-------------------|--|
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| 31.2 | Rule 13a-14(a) Certification of Principal Financial Officer |
| 32.1 | Section 1350 Certification of Chief Executive Officer |
| 32.2 | Section 1350 Certification of Chief Financial Officer |

EXHIBIT 11.1

STATEMENT RE: COMPUTATION OF DILUTED EARNINGS PER SHARE

Diluted earnings per share computations assume the exercise of stock options to purchase shares of common stock. The shares assumed exercised are based on the weighted average number of shares under options outstanding during the period and only include those options for which the exercise price is less than the average share price during the period. The net additional shares issuable are calculated based on the treasury stock method and are added to the weighted average number of shares outstanding during the period.

| DILUTED EARNINGS PER SHARE FOR THE PERIOD ENDED JUNE 30, 2005 | Three Months | Six Months |
|--|--------------|--------------|
| ----- | ----- | ----- |
| Actual net income (A) | \$ 3,679,592 | \$ 6,582,979 |
| | ===== | ===== |
| Assumed exercise of stock options | 37,538 | 40,354 |
| Application of assumed proceeds (\$339,359 and \$366,435) toward repurchase of outstanding common stock at an average market price of \$15.873 and \$16.856, respectively. | (21,380) | (21,739) |
| | ----- | ----- |
| Net additional shares issuable | 16,158 | 18,615 |
| | ===== | ===== |
| Adjustment of shares outstanding: | | |
| Weighted average common shares outstanding | 11,113,752 | 11,208,851 |
| Net additional shares issuable | 16,158 | 18,615 |
| | ----- | ----- |
| Adjusted shares outstanding (B) | 11,129,910 | 11,227,466 |
| | ===== | ===== |
| Net income per common share (A) divided by (B) | \$ 0.33 | \$ 0.59 |
| | ===== | ===== |

| DILUTED EARNINGS PER SHARE FOR THE PERIOD ENDED JUNE 30, 2004 | Three Months | Six Months |
|--|--------------|--------------|
| ----- | ----- | ----- |
| Actual net income (A) | \$ 3,647,123 | \$ 5,677,940 |
| | ===== | ===== |
| Assumed exercise of stock options | 66,000 | 61,857 |
| Application of assumed proceeds (\$715,860 and \$640,234) toward repurchase of outstanding common stock at an average market price of \$17.870 and \$17.928, respectively. | (40,059) | (35,711) |
| | ----- | ----- |
| Net additional shares issuable | 25,941 | 26,146 |
| | ===== | ===== |
| Adjustment of shares outstanding: | | |
| Weighted average common shares outstanding | 11,296,207 | 11,295,581 |
| Net additional shares issuable | 25,941 | 26,146 |
| | ----- | ----- |
| Adjusted shares outstanding (B) | 11,322,148 | 11,321,727 |
| | ===== | ===== |
| Net income per common share (A) divided by (B) | \$ 0.32 | \$ 0.50 |
| | ===== | ===== |

RULE 13a-14(a) CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, ROBERT W. WEAVER, President and Chief Executive Officer, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of P.A.M. TRANSPORTATION SERVICES, INC., a Delaware corporation (the "registrant");
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2005

/s/ Robert W. Weaver

Robert W. Weaver
President and Chief Executive Officer
(principal executive officer)

RULE 13a-14(a) CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, LARRY J. GODDARD, Chief Financial Officer, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of P.A.M. TRANSPORTATION SERVICES, INC., a Delaware corporation (the "registrant");
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2005

/s/ Larry J. Goddard

Larry J. Goddard
Vice President-Finance, Chief Financial
Officer, Secretary and Treasurer
(principal accounting and financial officer)

SECTION 1350 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

In connection with the Quarterly Report of P.A.M. Transportation Services, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2005, (the "Report") filed with the Securities and Exchange Commission, I, Robert W. Weaver, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2005

By: /s/ Robert W. Weaver

Robert W. Weaver
President and Chief Executive Officer
(chief executive officer)

SECTION 1350 CERTIFICATION OF CHIEF FINANCIAL OFFICER

In connection with the Quarterly Report of P.A.M. Transportation Services, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2005, (the "Report") filed with the Securities and Exchange Commission, I, Larry J. Goddard, Vice President-Finance, Chief Financial Officer, Secretary and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2005

By: /s/ Larry J. Goddard

Larry J. Goddard
Vice President-Finance, Chief Financial
Officer, Secretary and Treasurer
(chief accounting and financial officer)