

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, 2008

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)

71-0633135

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

297 West Henri De Tonti, Tontitown, Arkansas 72770

(Address of principal executive offices) (Zip Code)

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

N/A

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

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

Yes

No

Indicate by check mark whether the registrant 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

Common Stock, \$.01 Par Value

Outstanding at May 2, 2008

9,709,607

P.A.M. TRANSPORTATION SERVICES, INC.  
Form 10-Q  
For The Quarter Ended March 31, 2008  
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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

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

## Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)

	March 31, 2008 (unaudited)	December 31, 2007 (see note)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 643	\$ 407
Accounts receivable-net:		
Trade	64,633	58,397
Other	5,280	5,349
Inventories	792	905
Prepaid expenses and deposits	13,337	14,978
Marketable equity securities	18,060	17,269
Income taxes refundable	857	2,199
Total current assets	<u>103,602</u>	<u>99,504</u>
Property and equipment:		
Land	2,674	2,674
Structures and improvements	9,920	9,795
Revenue equipment	304,571	292,133
Office furniture and equipment	7,570	7,482
Total property and equipment	<u>324,735</u>	<u>312,084</u>
Accumulated depreciation	(113,699)	(107,841)
Net property and equipment	<u>211,036</u>	<u>204,243</u>
Other assets:		
Goodwill	15,413	15,413
Non-compete agreements, net	-	17
Other	722	727
Total other assets	<u>16,135</u>	<u>16,157</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 330,773</u></b>	<b><u>\$ 319,904</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 40,892	\$ 25,346
Accrued expenses and other liabilities	12,314	10,323
Current maturities of long-term debt	1,523	2,065
Deferred income taxes-current	4,290	5,117
Total current liabilities	<u>59,019</u>	<u>42,851</u>
Long-term debt-less current portion	46,209	44,172
Deferred income taxes-less current portion	51,708	53,504
Total liabilities	<u>156,936</u>	<u>140,527</u>
<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; 11,368,207 and 11,368,207 shares issued; 9,709,607 and 9,838,107 shares outstanding at March 31, 2008 and December 31, 2007, respectively	114	114
Additional paid-in capital	77,643	77,557
Accumulated other comprehensive income	1,054	1,921
Treasury stock, at cost; 1,658,600 and 1,530,100 shares, respectively	(27,131)	(25,200)
Retained earnings	122,157	124,985
Total shareholders' equity	<u>173,837</u>	<u>179,377</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>\$ 330,773</u></b>	<b><u>\$ 319,904</u></b>

Note: The consolidated balance sheet at December 31, 2007 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)

	<b>Three Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>OPERATING REVENUES:</b>		
Revenue, before fuel surcharge	\$ 86,445	\$ 87,544
Fuel surcharge	19,375	11,265
Total operating revenues	<u>105,820</u>	<u>98,809</u>
<b>OPERATING EXPENSES AND COSTS:</b>		
Salaries, wages and benefits	34,497	33,705
Fuel expense	37,422	24,592
Rents and purchased transportation	9,520	10,034
Depreciation	8,987	9,349
Operating supplies and expenses	8,019	7,482
Operating taxes and licenses	4,359	4,351
Insurance and claims	4,552	4,536
Communications and utilities	812	768
Other	1,384	1,640
Loss on disposition of equipment	234	18
Total operating expenses and costs	<u>109,786</u>	<u>96,475</u>
OPERATING (LOSS) INCOME	(3,966)	2,334
NON-OPERATING (EXPENSE) INCOME	(206)	241
INTEREST EXPENSE	<u>(568)</u>	<u>(487)</u>
(LOSS) INCOME BEFORE INCOME TAXES	(4,740)	2,088
<b>FEDERAL AND STATE INCOME TAX (BENEFIT) EXPENSE:</b>		
Current	-	512
Deferred	(1,912)	311
Total federal and state income tax (benefit) expense	<u>(1,912)</u>	<u>823</u>
<b>NET (LOSS) INCOME</b>	<b><u>\$ (2,828)</u></b>	<b><u>\$ 1,265</u></b>
<b>(LOSS) EARNINGS PER COMMON SHARE:</b>		
Basic	<b><u>\$ (0.29)</u></b>	<b><u>\$ 0.12</u></b>
Diluted	<b><u>\$ (0.29)</u></b>	<b><u>\$ 0.12</u></b>
<b>AVERAGE COMMON SHARES OUTSTANDING:</b>		
Basic	<b><u>9,795</u></b>	<b><u>10,305</u></b>
Diluted	<b><u>9,795</u></b>	<b><u>10,308</u></b>

See notes to condensed consolidated financial statements.

**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>2008</b>	<b>2007</b>
<b>OPERATING ACTIVITIES:</b>		
Net (loss) income	\$ (2,828)	\$ 1,265
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	8,987	9,349
Bad debt expense	6	136
Stock compensation-net of excess tax benefits	86	107
Non-compete agreement amortization-net of payments	(17)	16
Provision for deferred income taxes	(1,912)	311
Reclassification of unrealized loss on marketable equity securities	369	12
Loss (gain) on sale of marketable equity securities	75	(120)
Loss on sale or disposal of equipment	234	18
Changes in operating assets and liabilities:		
Accounts receivable	(6,444)	(4,653)
Prepaid expenses, inventories, and other assets	1,759	3,842
Income taxes refundable	1,342	498
Trade accounts payable	796	(1,193)
Accrued expenses	2,024	2,670
Net cash provided by operating activities	4,477	12,258
<b>INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(2,973)	(32,294)
Proceeds from sale or disposal of equipment	1,711	3,161
Changes in restricted cash	270	-
Net purchases of marketable equity securities	(2,813)	(1,227)
Net cash used in investing activities	(3,805)	(30,360)
<b>FINANCING ACTIVITIES:</b>		
Borrowings under line of credit	120,738	133,774
Repayments under line of credit	(118,497)	(114,964)
Repayments of long-term debt	(746)	(679)
Repurchases of common stock	(1,931)	-
Exercise of stock options	-	83
Net cash (used in) provided by financing activities	(436)	18,214
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>236</b>	<b>112</b>
<b>CASH AND CASH EQUIVALENTS-Beginning of period</b>	<b>407</b>	<b>1,040</b>
<b>CASH AND CASH EQUIVALENTS-End of period</b>	<b>\$ 643</b>	<b>\$ 1,152</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION-</b>		
Cash paid during the period for:		
Interest	\$ 612	\$ 501
Income taxes	\$ 48	\$ 76
<b>NONCASH INVESTING AND FINANCING ACTIVITIES-</b>		
Purchases of property and equipment included in accounts payable	\$ 14,773	\$ 1,858

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 Stock Shares / Amount	Additional Paid-In Capital	Other Comprehensive Income (Loss)	Accumulated Other Comprehensive Income	Treasury Stock	Retained Earnings	Total
Balance at December 31, 2007	9,838	\$ 114	\$ 77,557	\$ 1,921	\$ (25,200)	\$ 124,985	\$ 179,377
Components of comprehensive loss:							
Net loss			\$ (2,828)			(2,828)	(2,828)
Other comprehensive loss:							
Unrealized loss on marketable securities, net of tax of \$(711)			(867)	(867)			(867)
Total comprehensive loss			<u>\$ (3,695)</u>				
Treasury stock repurchases	(128)				(1,931)		(1,931)
Share-based compensation			86				86
<b>Balance at March 31, 2008</b>	<b>9,710</b>	<b>\$ 114</b>	<b>\$ 77,643</b>	<b>\$ 1,054</b>	<b>\$ (27,131)</b>	<b>\$ 122,157</b>	<b>\$ 173,837</b>

See notes to condensed consolidated financial statements.

**P.A.M. TRANSPORTATION SERVICES, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (unaudited)**  
**March 31, 2008**

**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 three-month period ended March 31, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. 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, 2007.

**NOTE B: RECENT ACCOUNTING PRONOUNCEMENTS**

In March 2008, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment to FASB Statement No. 133* ("SFAS No. 161"). SFAS No. 161 is intended to improve financial standards for derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. Entities are required to provide enhanced disclosures about: (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years beginning after November 15, 2008, with early adoption encouraged. Management does not expect the adoption of SFAS No. 161 to have a material impact on the Company's financial condition, results of operations, or cash flow as the Company presently has no derivative instruments or hedging activities.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements* ("SFAS No. 160"). SFAS No. 160 re-characterizes minority interests in consolidated subsidiaries as non-controlling interests and requires the classification of minority interests as a component of equity. Under SFAS No. 160, a change in control will be measured at fair value, with any gain or loss recognized in earnings. The effective date for SFAS No. 160 is for annual periods beginning on or after December 15, 2008. Early adoption and retroactive application of SFAS No. 160 to fiscal years preceding the effective date are not permitted. Management does not expect the adoption of SFAS No. 160 to have a material impact on the Company's financial condition, results of operations, or cash flow.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R), *Business Combinations* ("SFAS No. 141(R)"). SFAS No. 141(R) expands the definition of transactions and events that qualify as business combinations; requires that the acquired assets and liabilities, including contingencies, be recorded at the fair value determined on the acquisition date and changes thereafter reflected in earnings, not goodwill; changes the recognition timing for restructuring costs; and requires acquisition costs to be expensed as incurred. Adoption of SFAS No. 141(R) is required for combinations occurring in fiscal years beginning after December 15, 2008. Early adoption and retroactive application of SFAS 141(R) to fiscal years preceding the effective date are not permitted. Beginning on January 1, 2009, adoption of SFAS No. 141(R) will impact our accounting for business combinations completed on or after that date.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities— Including an Amendment of FASB Statement No. 115* ("SFAS No. 159"). SFAS No. 159 permits an entity the option to measure many financial instruments and certain other items at fair value on specified election dates. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. The fair value option: (a) may be applied instrument by instrument, with few exceptions, such as investments otherwise accounted for by the equity method; (b) is irrevocable (unless a new election date occurs); and (c) is applied only to entire instruments and not to portions of instruments. Most of the provisions in SFAS No. 159 are elective; however, the amendment to FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, applies to all entities with available-for-sale and trading securities. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007 and was adopted by the Company on January 1, 2008. Adoption of this statement had no impact on the Company's financial condition, results of operations, or cash flow, as the Company has not elected to apply the fair value option to any of its financial instruments.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (“SFAS No. 157”). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. This statement applies under other accounting pronouncements that require or permit fair value measurements. On February 6, 2008, the FASB deferred the effective date of SFAS 157 until January 1, 2009 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and was adopted by the Company on January 1, 2008. The adoption of SFAS No. 157 had no impact on the Company’s financial condition, results of operations, or cash flow. See Note J for additional discussion on fair value measurements.

**NOTE C: MARKETABLE EQUITY 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 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. During the first three months of 2008, there were no sales or reclassifications of marketable securities. Marketable equity 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. 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. The cost of securities sold is based on the specific identification method and interest and dividends on securities are included in non-operating income.

As of March 31, 2008, equity securities classified as available-for-sale and equity securities classified as trading had a cost basis of approximately \$15,706,000 and \$661,000, respectively and fair market values of approximately \$17,474,000 and \$586,000, respectively. For the three months ended March 31, 2008, the Company had net unrealized losses in market value on securities classified as available-for-sale of approximately \$867,000, net of deferred income taxes. Also during this period, the Company recognized losses on trading securities of approximately \$44,000, net of deferred income taxes. The Company’s marketable securities that are classified as available-for-sale had gross unrealized gains of approximately \$4,096,000 and gross unrealized losses of approximately \$2,329,000. The Company’s marketable securities that are classified as trading had gross recognized gains of approximately \$3,000 and gross recognized losses of approximately \$77,000. As of March 31, 2008, the total net unrealized gain, net of deferred income taxes, in accumulated other comprehensive income was approximately \$1,054,000.

The following table shows the Company’s investments’ approximate gross unrealized losses and fair value at March 31, 2008 and December 31, 2007. These investments consist of equity securities. As of March 31, 2008 and December 31, 2007 there were no investments that had been in a continuous unrealized loss position for twelve months or longer.

	March 31, 2008		December 31, 2007	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equity securities – Available for sale	\$ 6,700	\$ 2,329	\$ 5,308	\$ 1,541
Equity securities – Trading	450	77	409	31
Totals	\$ 7,150	\$ 2,406	\$ 5,717	\$ 1,572

**NOTE D: STOCK BASED COMPENSATION**

The Company maintains a stock option plan under which incentive stock options and nonqualified stock options may be granted. On March 2, 2006, the Company’s Board of Director’s adopted, and shareholders later approved, the 2006 Stock Option Plan (the “2006 Plan”). The 2006 Plan replaces the expired 1995 Stock Option Plan which had 263,500 options remaining which were never issued. Under the 2006 Plan 750,000 shares are reserved for the issuance of stock options to directors, officers, key employees and others. The option exercise price under the 2006 Plan is the fair market value of the stock on the date the option is granted. The fair market value is determined by the average of the highest and lowest sales prices for a share of the Company’s common stock, on its primary exchange, on the same date that the option is granted. During 2008, options for 16,000 shares were issued under the 2006 Plan at an option exercise price of \$14.98 per share, and at March 31, 2008, 702,000 shares were available for granting future options.

Outstanding incentive stock options at March 31, 2008, must be exercised within six years from the date of grant and vest in increments of 20% each year. Outstanding nonqualified stock options at March 31, 2008, must be exercised within five to ten years from the date of grant.

In August 2002, the Company granted performance-based variable stock options for 300,000 shares to certain key executives. The exercise price for these awards was fixed at the grant date and was equal to the fair market value of the stock on that date. On the date of grant, options for 60,000 shares vested immediately and vesting of the options for the remaining 240,000 shares was scheduled to occur on a straight-line basis each year from March 15, 2003 through March 15, 2008 upon meeting performance criteria. In order to meet the performance criteria, net income for each fiscal year must have been at least equal to 1.05 times net income for the preceding fiscal year, unless net income for the preceding fiscal year was zero or negative, in which case net income for the fiscal year must have been at least 90% of net income for the most recent year with positive income. As of March 31, 2008, options for 180,000 shares had vested under this 300,000 share option grant (including those options which immediately vested upon grant) while options for 120,000 shares have been forfeited as the performance criteria were not met for the fiscal years 2003, 2004 and 2007.

At March 31, 2008, the Company had stock-based compensation plans with total unrecognized stock compensation expense of approximately \$17,000 which will be amortized on a straight-line basis during the remainder of 2008. As a result, the Company expects to recognize approximately \$17,000 in additional compensation expense related to unvested options awards during the remainder of 2008. Total pre-tax stock-based compensation expense, recognized in Salaries, wages and benefits was approximately \$85,000 during the first three months of 2008 and includes approximately \$80,000 recognized as a result of the annual grant of an option for 2,000 shares to each non-employee director during the first quarter of 2008. The recognition of stock-based compensation expense decreased diluted and basic earnings per common share by approximately \$0.01 during the three months ending March 31, 2008. Total pre-tax stock-based compensation expense, recognized in Salaries, wages and benefits was approximately \$107,000 during the first three months of 2007 and includes approximately \$101,000 recognized as a result of the annual grant of an option for 2,000 shares to each non-employee director during the first quarter of 2007. The recognition of stock-based compensation expense decreased diluted and basic earnings per common share by approximately \$0.01 during the three months ending March 31, 2007. The weighted average grant date fair value of options granted during the first three months of 2008 and 2007 was \$4.98 per share and \$6.32 per share, respectively.

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

	Three Months Ended March 31,	
	2008	2007
Dividend yield	0%	0%
Volatility range	36.67% - 38.54%	37.34% - 38.54%
Risk-free rate range	2.50% - 4.38%	4.38% - 4.48%
Expected life	4.3 years - 5 years	2.5 years - 5 years
Fair value of options	\$4.98 - \$8.89	\$6.32 - \$9.45

The Company has never paid any cash dividends on its common stock and we do not anticipate paying any cash dividends in the foreseeable future. The estimated volatility is based on the historical volatility of our stock. The risk free rate for the periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The expected life of the options was calculated based on the historical exercise behavior. Prior to 2008, the expected life of the options were calculated using temporary guidance provided by the SEC which allowed companies to elect a "simplified method" where the expected life is the average of the vesting period and the original contractual term. This simplified method is generally not available for share option grants after December 31, 2007.

Information related to option activity for the three months ended March 31, 2008 is as follows:

	Shares Under Options	Weighted- Average Exercise Price (per share)	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value*
Outstanding-beginning of year	248,500	\$ 22.81		
Granted	16,000	14.98		
Exercised	-	-		
Cancelled/forfeited/expired	(10,000)	22.68		
Outstanding at March 31, 2008	<u>254,500</u>	<u>\$ 22.32</u>	<u>4.0</u>	<u>\$ 11,360</u>
Exercisable at March 31, 2008	<u>254,500</u>	<u>\$ 22.32</u>	<u>4.0</u>	<u>\$ 11,360</u>

\* 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, 2008, was \$15.69.

The number, weighted average exercise price and weighted average remaining contractual life of options outstanding as of March 31, 2008 and the number and weighted average exercise price of options exercisable as of March 31, 2008 are as follows:

Exercise Price	Shares Under Outstanding Options	Weighted-Average Remaining Contractual Term (in years)	Shares Under Exercisable Options
\$14.98	16,000	5.0	16,000
\$16.99	8,000	0.9	8,000
\$18.27	10,000	1.9	10,000
\$19.88	12,500	0.5	12,500
\$22.92	14,000	4.0	14,000
\$23.22	180,000	4.5	180,000
\$26.73	14,000	3.2	14,000
	<u>254,500</u>	<u>4.0</u>	<u>254,500</u>

During the three months ended March 31, 2007, the Company received cash from option exercises in the amount of approximately \$83,000. There were no option exercises during the three months ended March 31, 2008. The Company issues new shares upon option exercise.

**NOTE E: 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, were as follows:

	Three Months Ended March 31,			
	2008		2007	
	Amount	%	Amount	%
	(in thousands, except percentage data)			
Truckload Services revenue	\$ 78,356	90.6	\$ 78,374	89.5
Brokerage and Logistics Services revenue	8,089	9.4	9,170	10.5
Total revenues	<u>\$ 86,445</u>	<u>100.0</u>	<u>\$ 87,544</u>	<u>100.0</u>

**NOTE F: TREASURY STOCK**

The Company accounts for Treasury stock using the cost method and as of March 31, 2008, 1,658,600 shares were held in the treasury at an aggregate cost of approximately \$27,131,000. During the three months ending March 31, 2008, the Company repurchased 128,500 shares of its common stock at an aggregate cost of approximately \$1,931,000.

**NOTE G: COMPREHENSIVE INCOME**

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

	Three Months Ended March 31,	
	2008	2007
	(in thousands)	
Net (loss) income	\$ (2,828)	\$ 1,265
Other comprehensive income (loss):		
Reclassification adjustment for unrealized losses on marketable securities included in net income, net of income taxes	220	7
Change in fair value of marketable securities, net of income taxes	(1,087)	85
Total comprehensive income	<u>\$ (3,695)</u>	<u>\$ 1,357</u>

**NOTE H: 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.

A reconciliation of the basic and diluted income per share computations for the three months ended March 31, 2008 and 2007 is as follows:

	Three Months Ended March 31,	
	2008	2007
	(in thousands, except per share data)	
Net (loss) income	<u>\$ (2,828)</u>	<u>\$ 1,265</u>
Basic weighted average common shares outstanding	9,795	10,305
Dilutive effect of common stock equivalents	-	3
Diluted weighted average common shares outstanding	<u>9,795</u>	<u>10,308</u>
Basic (loss) earnings per share	<u>\$ (0.29)</u>	<u>\$ 0.12</u>
Diluted (loss) earnings per share	<u>\$ (0.29)</u>	<u>\$ 0.12</u>

Options to purchase 238,500 and 264,000 shares of common stock were outstanding at March 31, 2008 and 2007, respectively, but were not included in the computation of diluted earnings per share because to do so would have an anti-dilutive effect.

**NOTE I: INCOME TAXES**

The Company adopted the provisions of FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"), on January 1, 2007. FIN 48 addressed the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, the Company may recognize the 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. Upon adoption, and as of March 31, 2008, an adjustment to the Company's consolidated financial statements for uncertain tax positions was not 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 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 2004 through 2007 remain open to examination in those jurisdictions. 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, 2008, the Company has not recognized or accrued any interest or penalties related to uncertain income tax positions.

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

The Company adopted SFAS No. 157 effective January 1, 2008 for financial assets and liabilities measured on a recurring basis. SFAS No. 157 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. SFAS No. 157 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.

Assets and liabilities measured at fair value on a recurring basis and subject to the disclosure requirements of SFAS No. 157 as of March 31, 2008 are summarized below:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
		(in thousands)		
Marketable securities	\$ 18,060	\$ 18,060	-	-

The Company's investments in marketable securities are recorded at fair value based on quoted market prices. The Company does not have other financial instruments requiring fair value disclosure. The carrying value of other financial instruments, including cash, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to their short maturities.

We have adopted SFAS No. 159 effective January 1, 2008 and have not elected the fair value option for our financial instruments.

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 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, 2007.

**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 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 90.6% and 89.5% of total revenues, excluding fuel surcharges for the three months ended March 31, 2008 and 2007, respectively with remaining revenues, excluding fuel surcharges, being 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 ending March 31, 2008 and 2007, approximately \$19.4 million and \$11.3 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. Fuel costs are shown net of fuel surcharges.

	Three Months Ended March 31,	
	2008	2007
	(percentages)	
Operating revenues, before fuel surcharge	100.0	100.0
Operating expenses:		
Salaries, wages and benefits	43.4	42.3
Fuel expense, net of fuel surcharge	23.2	17.3
Rent and purchased transportation	2.8	2.2
Depreciation	11.5	11.9
Operating supplies and expenses	10.2	9.6
Operating taxes and licenses	5.6	5.6
Insurance and claims	5.8	5.8
Communications and utilities	1.0	0.9
Other	1.6	1.8
Loss on sale or disposal of property	0.3	0.0
Total operating expenses	105.4	97.4
Operating (loss) income	(5.4)	2.6
Non-operating (expense) income	(0.3)	0.3
Interest expense	(0.7)	(0.6)
Income (loss) before income taxes	(6.4)	2.3

**THREE MONTHS ENDED MARCH 31, 2008 VS. THREE MONTHS ENDED MARCH 31, 2007**

For the quarter ended March 31, 2008, truckload services revenue, before fuel surcharges, remained stable at \$78.4 million as compared to \$78.4 million for the quarter ended March 31, 2007. The average number of trucks decreased from 2,070 to 2,053 for the periods compared, resulting in a slight increase in utilization measured in miles traveled per truck each day. However, the continued weak demand and intense price competition in the truckload freight market has continued to depress freight rates resulting in a decrease in our average rate per total mile, before fuel surcharges, to \$1.26 for the first quarter of 2008 compared to \$1.29 for the first quarter of 2007.

Salaries, wages and benefits increased from 42.3% of revenues, before fuel surcharges, in the first quarter of 2007 to 43.4% of revenues, before fuel surcharges, during the first quarter of 2008. The increase relates primarily to an increase in driver wages as the number of company driver compensated miles increased from 60.6 million miles during the first quarter of 2007 to 62.1 million miles during the first quarter of 2008. Also contributing to the increase was an increase in amounts paid for driver lease expense, which is a component of salaries, wages and benefits, as the average number of owner operators under contract increased from 52 during the first quarter of 2007 to 54 during the first quarter of 2008. Partially offsetting the increases discussed above was a decrease in amounts expensed for employee health benefits for the periods compared.

Fuel expense, net of fuel surcharge, increased from 17.3% of revenues, before fuel surcharges, during the first quarter of 2007 to 23.2% of revenues, before fuel surcharges, during the first quarter of 2008 which represented an increase from \$13.5 million during the first quarter of 2007 to \$18.2 million during the first quarter of 2008. The increase was related to an increase in the average price paid per gallon of diesel fuel from \$2.39 during the first quarter of 2007 to an average cost of \$3.39 during the first quarter of 2008. Partially offsetting the increase related to the increase in average price paid per gallon of diesel fuel was an increase in amounts collected from customers in the form of fuel surcharges from an average of \$0.96 per gallon during the first quarter of 2007 to \$1.62 during the first quarter of 2008. Fuel surcharge collections vary from period to period as they are generally based on changes in fuel prices from period to period so that during periods of rising fuel prices fuel surcharge collections increase while fuel surcharge collections decrease during periods of falling fuel prices.

Rent and purchased transportation increased from 2.2% of revenues, before fuel surcharges, during the first quarter of 2007 to 2.8% of revenues, before fuel surcharges, during the first quarter of 2008. The increase relates to an increase in amounts paid to third party transportation companies for intermodal services.

Depreciation and amortization decreased from 11.9% of revenues, before fuel surcharges, during the first quarter of 2007 to 11.5% of revenues, before fuel surcharges, during the first quarter of 2008. Depreciation expense decreased from \$9.3 million during the first quarter of 2007 to \$9.0 million during the first quarter of 2008 as the Company continues to reduce the size of its truck fleet in response to weak demand in the truckload freight market.

Operating supplies and expenses increased from 9.6% of revenues, before fuel surcharges, during the first quarter of 2007 to 10.2% of revenues, before fuel surcharges, during the first quarter of 2008. The increase relates primarily to an increase in amounts paid for tolls, driver layover pay, and for truck repairs expense.

The truckload services division operating ratio, which measures the ratio of operating expenses, net of fuel surcharges, to operating revenues, before fuel surcharges, increased from 97.4% for the first quarter 2007 to 105.4% for the first quarter of 2008.

#### **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 March 31,	
	2008	2007
	(percentages)	
Operating revenues, before fuel surcharge	100.0	100.0
Operating expenses:		
Salaries, wages and benefits	6.2	6.2
Fuel expense	0.0	0.0
Rent and purchased transportation, net of fuel surcharge	88.6	88.0
Depreciation	0.0	0.0
Operating supplies and expenses	0.0	0.0
Operating taxes and licenses	0.0	0.0
Insurance and claims	0.1	0.1
Communications and utilities	0.3	0.3
Other	1.4	2.2
(Gain) loss on sale or disposal of property	0.0	0.0
Total operating expenses	96.6	96.8
Operating income	3.4	3.2
Non-operating income	0.0	0.0
Interest expense	(0.3)	(0.4)
Income before income taxes	3.1	2.8

#### **THREE MONTHS ENDED MARCH 31, 2008 VS. THREE MONTHS ENDED MARCH 31, 2007**

For the quarter ended March 31, 2008, logistics and brokerage services revenue, before fuel surcharges, decreased 11.8% to \$8.1 million as compared to \$9.2 million for the quarter ended March 31, 2007. The decrease was primarily the result of a 12.7% decrease in the number of loads brokered during the first quarter of 2008 as compared to the first quarter of 2007.

Rent and purchased transportation increased from 88.0% of revenues, before fuel surcharges, during the first quarter of 2007 to 88.6% of revenues, before fuel surcharges during the first quarter of 2008. The increase relates to an increase in amounts charged by third party logistics and brokerage service providers.

The logistics and brokerage services division operating ratio, which measures the ratio of operating expenses, net of fuel surcharges, to operating revenues, before fuel surcharges, decreased from 96.8% for the first quarter 2007 to 96.6% for the first quarter of 2008.

#### **RESULTS OF OPERATIONS – COMBINED SERVICES**

#### **THREE MONTHS ENDED MARCH 31, 2008 VS. THREE MONTHS ENDED MARCH 31, 2007**

Net loss for all divisions was approximately \$2.8 million, or 3.3% of revenues, before fuel surcharge for the first quarter of 2008 as compared to net income of \$1.3 million or 1.4% of revenues, before fuel surcharge for the first quarter of 2007. The decrease in income resulted in a decrease in diluted earnings per share from \$0.12 for the first quarter of 2007 to a diluted loss per share of \$0.29 for the first quarter of 2008.

## **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 lines of credit.

During the first three months of 2008, we generated \$4.5 million in cash from operating activities. Investing activities used \$3.8 million in cash in the first three months of 2008. Financing activities used \$0.4 million in cash in the first three months of 2008.

Our primary use of funds is for the purchase of revenue equipment. We typically use our existing lines 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 2008, we utilized cash on hand and our lines of credit to finance revenue equipment purchases of approximately \$2.9 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 March 31, 2008, we had no outstanding indebtedness under such installment notes.

During the remainder of the year, we expect to purchase approximately 300 new trucks and approximately 200 new trailers while continuing to sell or trade older equipment, which we expect to result in net capital expenditures of approximately \$21.0 million. Management believes we will be able to finance our near term needs for working capital over the next twelve months, as well as 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 two separate \$30.0 million revolving lines of credit (Line A and Line B, respectively) with separate financial institutions. Amounts outstanding under Line A bear interest at LIBOR (determined as of the first day of each month) plus 1.25% (4.37% at March 31, 2008), are secured by our accounts receivable and mature on May 31, 2009. At March 31, 2008 outstanding advances on line A were approximately \$24.7 million, including \$300,000 in letters of credit, with availability to borrow \$5.3 million. Amounts outstanding under Line B bear interest at LIBOR (determined on the last day of the previous month) plus 1.15% (4.26% at March 31, 2008), are secured by revenue equipment and mature on June 30, 2008, however the Company has the intent and ability to extend the terms of this line of credit for an additional one year period until June 30, 2009. At March 31, 2008, \$22.7 million, including \$1.7 million in letters of credit were outstanding under Line B with availability to borrow \$7.3 million.

Trade accounts receivable at March 31, 2008 increased approximately \$6.2 million as compared to December 31, 2007. 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. The remaining increase relates to a general increase in revenue, which flows through the accounts receivable account, during the month of March 2008 as compared to the revenues generated during the month of December 2007.

Prepaid expenses and deposits at March 31, 2008 decreased approximately \$1.6 million as compared to December 31, 2007. The decrease reflects the amortization of prepaid tractor and trailer license fees and auto liability insurance premiums. In December 2007 approximately \$3.0 million of the 2008 license fees and approximately \$3.0 million of the 2008 auto liability insurance premiums were paid in advance. These prepaid expenses will continue to be amortized to expense through the remainder of the year.

Marketable equity securities at March 31, 2008 increased approximately \$0.8 million as compared to December 31, 2007. During the three months ended March 31, 2008, the Company purchased approximately \$2.8 million of equity securities with the remaining increase or decrease attributable to changes in the market value of the investments, net of other-than-temporary write-downs. These securities, combined with equity securities purchased in prior periods, have a combined cost basis of approximately \$16.4 million and a combined fair market value of approximately \$18.1 million. The Company has developed a strategy to invest in securities from which it expects to receive dividends that qualify for favorable tax treatment, as well as, appreciate in value. The Company anticipates that increases in the market value of the investments combined with dividend payments will exceed interest rates paid on borrowings for the same period. During the first three months of 2008 the Company had net unrealized pre-tax losses of approximately \$1.6 million and received dividends of approximately \$190,000. The holding term of these securities depends largely on the general economic environment, the equity markets, borrowing rates and the Company's cash requirements.

Revenue equipment, which generally consists of trucks, trailers, and revenue equipment accessories such as Qualcomm™ satellite tracking units, increased approximately \$12.4 million as compared to December 31, 2007. This increase relates primarily to the purchase of new trucks to replace older trucks which have not yet been retired or are otherwise in the process of being traded or sold. Also contributing to the increase, was the purchase of new trailers as the Company intends to increase its trailer fleet in order to reduce third-party trailer rental expense.

Accounts payable at March 31, 2008 increased approximately \$15.5 million as compared to December 31, 2007. The increase is primarily related to \$14.8 million in truck and trailer purchases made during March 2008 for which payment is not due until April 2008. The net increase also reflects an increase of approximately \$2.2 million in amounts accrued for fuel purchases, an increase of approximately \$3.0 million accrued for auto liability insurance premiums, and a decrease of approximately \$4.3 million in amounts reclassified as bank drafts outstanding at March 31, 2008 as compared to December 31, 2007.

Accrued expenses and other liabilities at March 31, 2008 increased approximately \$2.0 million as compared to December 31, 2007. The increase is primarily related to an increase in amounts accrued at the end of the period for employee wages and benefits which can vary significantly throughout the year depending on many factors, including the timing of the actual date employees are paid in relation to the last day of the reporting period.

Long-term debt at March 31, 2008 increased approximately \$2.0 million as compared to December 31, 2007. The increase is primarily related to an increase in the balance due on the Company's lines of credit at March 31, 2008 as compared to December 31, 2007. During the first three months of 2008 the Company borrowed approximately \$2.2 million more than it repaid under its lines of credit in order to finance the purchase of revenue equipment during the first quarter of 2008.

#### **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, and commodity price risk (the price paid to obtain diesel fuel for our trucks). 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 \$18.1 million at March 31, 2008 from \$17.3 million at December 31, 2007. The increase during the first three months of 2008 reflects additional purchases of \$2.8 million, write-downs of \$0.4 million and a decrease in the fair market value of approximately \$1.6 million. A 10% decrease in the market price of our marketable equity securities would cause a corresponding 10% decrease in the carrying amounts of these securities, or approximately \$1.8 million. For additional information with respect to the marketable equity securities, see Note C to our 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. Assuming \$45.0 million of variable rate debt outstanding, a hypothetical 100 basis point increase in LIBOR for a one year period would result in approximately \$450,000 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 2007 fuel consumption, a 10% increase in the average annual price per gallon of diesel fuel would increase our annual fuel expenses by \$11.4 million.

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 March 31, 2008. 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 March 31, 2008 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 March 31, 2008 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 our business routinely results in litigation, primarily involving claims for personal injuries and property damage incurred in the transportation of freight. We believe that all such routine litigation is adequately covered by insurance and that adverse results in one or more of those cases would not have a material adverse effect on our financial condition.

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

On May 30, 2007, 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 twelve month period following the announcement. The following table summarizes the Company's common stock repurchases during the first quarter of 2008 made pursuant to this authorization. No shares were purchased during the quarter other than through this program, and all purchases were made by or on behalf of the Company and not by any "affiliated purchaser".

## Issuer Purchases of Equity Securities

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
January 1-31, 2008	-	-	-	128,500
February 1-29, 2008	74,000	\$ 15.04	74,000	54,500
March 1-31, 2008	54,500	14.93	54,500	-
Total	<u>128,500</u>	<u>\$ 14.99</u>	<u>128,500</u>	

Item 6. Exhibits.

Exhibits required by Item 601 of Regulation 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 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](#) 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: May 7, 2008

By: /s/ Robert W. Weaver

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

Dated: May 7, 2008

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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<a href="#">32.1</a>	Section 1350 Certification of Chief Executive Officer
<a href="#">32.2</a>	Section 1350 Certification of Chief Financial Officer

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: May 7, 2008

/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: May 7, 2008

/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 March 31, 2008 (the "Report") filed with the Securities and Exchange Commission, I, Robert W. Weaver, 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: May 7, 2008

/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 March 31, 2008 (the "Report") filed with the Securities and Exchange Commission, I, Larry J. Goddard, Chief Financial 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: May 7, 2008

/s/ Larry J. Goddard

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