

PAM TRANSPORTATION SERVICES, INC.
COMPENSATION AND STOCK OPTION COMMITTEE CHARTER

- I. Charge:** The role of the Compensation and Stock Option Committee (the "Committee") is to assist the Board of Directors in discharging the Board's responsibilities relating to compensation of the Company's executive officers, to produce an annual report on executive compensation for inclusion in the Company's proxy statement, to oversee and advise the Board on the adoption of policies that govern the Company's compensation programs, including stock and benefit plans, and to administer stock option plans of the Company to the extent that it qualifies to do so under the plans, and such administration is not performed by the Board of Directors.
- II. Composition:** The membership of the Committee consists of at least three directors, each of whom is to be free of any relationship that, in the opinion of the Board, would interfere with his or her exercise of independent judgment. Each member of the Committee shall be an "independent director" of the Company, as that term is defined in the applicable rules of the Nasdaq Stock Market. The Board appoints the chairperson.
- III. Operating Procedures:** The Committee meets at least two times a year. Additional meetings may occur as the Committee or its chairperson deems advisable. The Committee will cause to be kept adequate minutes of all its proceedings, and will report its actions to the next meeting of the Board. Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous consent. The Committee is governed by the same rules regarding actions taken by the Committee as are applicable to the Board. The Committee is authorized to adopt its own rules of procedure not inconsistent with (a) any provision of this Charter, (b) any provision of the Bylaws of the Company, or (c) any applicable statutes or regulations.
- IV. Responsibilities:** The principal responsibilities and functions of the Committee are as follows:
- A.** Produce an annual report of the Committee on executive compensation for the Company's annual proxy statement in compliance with applicable Securities and Exchange Commission rules and regulations and relevant listing authority.
 - B.** Review trends in management compensation, oversee the development of new compensation plans and, when necessary, approve or recommend that the Board of Directors approve, the revision of existing plans.
 - C.** Review the competitiveness of the Company's executive compensation programs with respect to their ability to (a) attract and retain corporate officers, (b) motivate corporate officers to achieve the Company's business objectives, and (c) align the interest of key leadership with the long-term interests of the Company's shareholders.
 - D.** Evaluate the performance of the Company's Chief Executive Officer.

E. Determine, or recommend for determination by the Board of Directors, the salaries, bonus and other compensation for the Chief Executive Officer and all other executive officers of the Company.

F. Review and make recommendations concerning long-term incentive compensation plans, including the use of stock options and other equity-based plans. To the extent requested by the Board of Directors, and to the extent eligible to do so, the Committee will act as the committee of the Board of Directors that administers equity-based and employee benefit plans, and as such will discharge any responsibilities imposed on the Committee under those plans, including making and authorizing grants, in accordance with the terms of those plans.

G Review, and approve, or recommend to the Board of Directors for approval, compensation packages for new corporate officers and termination packages for corporate officers, as requested by management or deemed appropriate by the Committee.

V. Authority: The Committee will have the resources and authority necessary to discharge its duties and responsibilities, including the authority to retain outside counsel or other experts or consultants, as it deems appropriate. Communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company, and the Committee may take such steps as it deems appropriate to preserve the privileged nature of those communications.

As approved by the Compensation and Stock
Option Committee on February 17, 2004, and the
Board of Directors on March 12, 2004