

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, 2009

or

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, Tontitown, Arkansas 72770

(Address of principal executive offices) (Zip Code)

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

N/A

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

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

Yes

No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class

Common Stock, \$.01 Par Value

Outstanding at July 29, 2009

9,411,607

P.A.M. TRANSPORTATION SERVICES, INC.
Form 10-Q
For The Quarter Ended June 30, 2009
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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)

	June 30, 2009	December 31, 2008
	(unaudited)	(see note)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,545	\$ 858
Accounts receivable-net:		
Trade	38,487	43,815
Other	1,821	1,088
Inventories	805	858
Prepaid expenses and deposits	11,631	9,443
Marketable equity securities	12,648	12,540
Income taxes refundable	506	524
Total current assets	<u>67,443</u>	<u>69,126</u>
Property and equipment:		
Land	4,924	4,916
Structures and improvements	13,650	13,596
Revenue equipment	303,566	320,188
Office furniture and equipment	7,622	7,606
Total property and equipment	329,762	346,306
Accumulated depreciation	(130,311)	(125,742)
Net property and equipment	199,451	220,564
Other assets:		
Other	562	671
TOTAL ASSETS	<u>\$ 267,456</u>	<u>\$ 290,361</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 13,645	\$ 20,269
Accrued expenses and other liabilities	14,975	15,684
Current maturities of long-term debt	11,509	15,928
Deferred income taxes-current	625	157
Total current liabilities	40,754	52,038
Long-term debt-less current portion	32,357	35,492
Deferred income taxes-less current portion	43,875	47,354
Total liabilities	<u>116,986</u>	<u>134,884</u>
SHAREHOLDERS' EQUITY		
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; 9,409,607 and 9,409,607 shares outstanding at June 30, 2009 and December 31, 2008, respectively	114	114
Additional paid-in capital	77,688	77,659
Accumulated other comprehensive income	1,277	611
Treasury stock, at cost; 1,958,600 shares	(29,127)	(29,127)
Retained earnings	100,518	106,220
Total shareholders' equity	<u>150,470</u>	<u>155,477</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 267,456</u>	<u>\$ 290,361</u>

Note: The consolidated balance sheet at December 31, 2008 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 June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
OPERATING REVENUES:				
Revenue, before fuel surcharge	\$ 62,367	\$ 84,680	\$ 122,637	\$ 171,125
Fuel surcharge	6,109	26,250	11,658	45,625
Total operating revenues	<u>68,476</u>	<u>110,930</u>	<u>134,295</u>	<u>216,750</u>
OPERATING EXPENSES AND COSTS:				
Salaries, wages and benefits	24,012	31,616	48,085	66,113
Fuel expense	14,631	43,125	27,636	80,547
Rents and purchased transportation	9,544	10,842	18,620	20,362
Depreciation	8,570	9,298	17,380	18,285
Operating supplies and expenses	6,823	7,452	13,226	15,471
Operating taxes and licenses	3,331	4,164	6,543	8,523
Insurance and claims	3,131	4,103	6,173	8,655
Communications and utilities	638	756	1,336	1,568
Other	1,292	1,118	2,450	2,502
Loss (gain) on disposition of equipment	68	(14)	24	220
Total operating expenses and costs	<u>72,040</u>	<u>112,460</u>	<u>141,473</u>	<u>222,246</u>
OPERATING LOSS	(3,564)	(1,530)	(7,178)	(5,496)
NON-OPERATING INCOME (EXPENSE)	200	(14)	(667)	(219)
INTEREST EXPENSE	(629)	(532)	(1,293)	(1,101)
LOSS BEFORE INCOME TAXES	(3,993)	(2,076)	(9,138)	(6,816)
FEDERAL AND STATE INCOME TAX BENEFIT:				
Current	-	-	-	-
Deferred	(1,637)	(744)	(3,436)	(2,656)
Total federal and state income tax benefit	<u>(1,637)</u>	<u>(744)</u>	<u>(3,436)</u>	<u>(2,656)</u>
NET LOSS	<u>\$ (2,356)</u>	<u>\$ (1,332)</u>	<u>\$ (5,702)</u>	<u>\$ (4,160)</u>
LOSS PER COMMON SHARE:				
Basic	<u>\$ (0.25)</u>	<u>\$ (0.14)</u>	<u>\$ (0.61)</u>	<u>\$ (0.43)</u>
Diluted	<u>\$ (0.25)</u>	<u>\$ (0.14)</u>	<u>\$ (0.61)</u>	<u>\$ (0.43)</u>
AVERAGE COMMON SHARES OUTSTANDING:				
Basic	<u>9,410</u>	<u>9,708</u>	<u>9,410</u>	<u>9,752</u>
Diluted	<u>9,412</u>	<u>9,708</u>	<u>9,412</u>	<u>9,752</u>

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,	
	2009	2008
OPERATING ACTIVITIES:		
Net loss	\$ (5,702)	\$ (4,160)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	17,380	18,285
Bad debt expense (recovery)	486	(40)
Stock compensation-net of excess tax benefits	29	91
Non-compete agreement amortization-net of payments	-	(17)
Provision for deferred income tax expense (benefit)	(3,436)	(2,656)
Reclassification of unrealized loss on marketable equity securities	1,105	573
(Gain) loss on sale or reclass of marketable equity securities	(206)	125
Loss on sale or disposal of equipment	24	220
Changes in operating assets and liabilities:		
Accounts receivable	4,573	(4,904)
Prepaid expenses, inventories, and other assets	(2,026)	6,525
Income taxes refundable	18	1,108
Trade accounts payable	(2,246)	(652)
Accrued expenses	1,203	1,877
Net cash provided by operating activities	<u>11,202</u>	<u>16,375</u>
INVESTING ACTIVITIES:		
Purchases of property and equipment	(8,761)	(24,623)
Proceeds from sale or disposal of equipment	8,092	1,927
Change in restricted cash	(464)	4,049
Net sales (purchases) of marketable equity securities	84	(3,107)
Net cash used in investing activities	<u>(1,049)</u>	<u>(21,754)</u>
FINANCING ACTIVITIES:		
Borrowings under line of credit	164,524	274,663
Repayments under line of credit	(168,268)	(301,021)
Borrowings of long-term debt	6,737	25,178
Repayments of long-term debt	(10,547)	(1,483)
Borrowings under margin account	12,872	11,111
Repayments under margin account	(14,784)	(645)
Repurchases of common stock	-	(2,252)
Net cash (used in) provided by financing activities	<u>(9,466)</u>	<u>5,551</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	687	172
CASH AND CASH EQUIVALENTS-Beginning of period	858	407
CASH AND CASH EQUIVALENTS-End of period	\$ 1,545	\$ 579
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION-		
Cash paid during the period for:		
Interest	\$ 1,320	\$ 1,082
Income taxes	\$ 86	\$ 283
NONCASH INVESTING AND FINANCING ACTIVITIES-		
Purchases of property and equipment included in accounts payable	\$ 65	\$ 7,319

See notes to condensed consolidated financial statements.

P.A.M. TRANSPORTATION SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Shareholders' Equity
(unaudited)
(in thousands)

	Common Stock Shares / Amount	Additional Paid-In Capital	Other Comprehensive Income (Loss)	Accumulated Other Comprehensive Income	Treasury Stock	Retained Earnings	Total
Balance at December 31, 2008	9,410	\$ 114	\$ 77,659	\$ 611	\$ (29,127)	\$ 106,220	\$ 155,477
Components of comprehensive loss:							
Net loss			\$ (5,702)			(5,702)	(5,702)
Other comprehensive loss:							
Unrealized gains on marketable securities, net of tax of \$424			666	666			666
Total comprehensive loss			<u>\$ (5,036)</u>				
Share-based compensation			29				29
Balance at June 30, 2009	<u>9,410</u>	<u>\$ 114</u>	<u>\$ 77,688</u>	<u>\$ 1,277</u>	<u>\$ (29,127)</u>	<u>\$ 100,518</u>	<u>\$ 150,470</u>

See notes to condensed consolidated financial statements.

P.A.M. TRANSPORTATION SERVICES, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (unaudited)
June 30, 2009

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, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. 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, 2008.

NOTE B: RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board ("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 enhances disclosures about fair value measurements required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. In February 2008, the FASB issued FSP FAS 157-2, *Effective Date of FASB Statement No. 157*, which delayed the implementation of the provisions of SFAS No. 157 with regard to non-financial assets and liabilities that are not carried at fair value on a recurring basis in financial statements. On January 1, 2009, the Company adopted SFAS No. 157, as it relates to nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed at fair value in the financial statements on at least an annual basis. The adoption of SFAS No. 157, as it relates to nonfinancial assets and nonfinancial liabilities did not have a material impact on the Company's financial condition, results of operations, or cash flow. See Note J for additional discussion on fair value measurements.

In April 2009, the FASB issued FASB Staff Position ("FSP") FAS 157-4, *Determining Fair Value when the Volume and Level of Activity for the Asset or Liability have Significantly Decreased and Identifying Transactions that are not Orderly* ("FSP 157-4"), which is effective for the Company for the quarterly period beginning April 1, 2009. FSP 157-4 affirms that the objective of fair value when the market for an asset is not active is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The FSP provides guidance for estimating fair value when the volume and level of market activity for an asset or liability have significantly decreased and determining whether a transaction was orderly. This FSP applies to all fair value measurements when appropriate. The adoption of FAS 157-4 did not have a material impact on the Company's financial condition, results of operations, or cash flow.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* ("FSP 115-2"), which is effective for the Company for the quarterly period beginning April 1, 2009. FSP 115-2 amends existing guidance for determining whether an other-than-temporary impairment of debt securities has occurred. Among other changes, the FASB replaced the existing requirement that an entity's management assert it has both the intent and ability to hold an impaired security until recovery with a requirement that management assert (a) it does not have the intent to sell the security, and (b) it is more likely than not it will not have to sell the security before recovery of its cost basis. The adoption of FAS 115-2 did not have a material impact on the Company's financial condition, results of operations, or cash flow.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* ("FSP 107-1"), which is effective for the Company for the quarterly period beginning April 1, 2009. FSP 107-1 requires an entity to provide the annual disclosures required by FASB Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments*, in its interim financial statements. The adoption of FSP 107-1 did not have a material impact on the Company's financial condition, results of operations, or cash flow.

In April 2009, the FASB issued SFAS No. 165, *Subsequent Events* ("SFAS No. 165"). SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. The adoption of SFAS No. 165 did not have a material impact on the Company's financial condition, results of operations, or cash flow.

In June 2009, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 168, *FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (“SFAS No. 168”). SFAS No. 168 replaces SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*, and establishes the FASB Accounting Standards Codification (“Codification”) as the single source of authoritative U.S. generally accepted accounting principles (“U.S. GAAP”) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (“SEC”) under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. SFAS No. 168 and the Codification are effective for financial statements issued for interim and annual periods ending after September 15, 2009. When effective, the Codification will supersede all existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. Following the issuance of SFAS No. 168, the FASB will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, the FASB will issue Accounting Standards Updates, which will serve only to: (a) update the Codification; (b) provide background information about the guidance; and (c) provide the bases for conclusions on the change(s) in the Codification. The adoption of SFAS No. 168 is not expected to have a material effect on the Company’s financial statements.

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 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. Sales of securities during the first six months of 2009 were insignificant.

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. A quarterly evaluation is performed in order to judge whether declines in value below cost should be considered temporary and when losses are deemed to be other-than-temporary. Several factors are considered in this evaluation process including the severity and duration of the decline in value, the financial condition and near-term outlook for the specific issuer and the Company’s ability to hold the securities. There were no securities in a cumulative loss position for twelve months or longer at June 30, 2009. However, based on the severity of declines in certain securities during the first six months of 2009 and the fact that the Company has no evidence that indicates these securities will regain a value equal to or greater than their cost basis, their declines in value have been determined to be other-than-temporary. As a result of this evaluation, the Company recorded an impairment charge of approximately \$109,000 in non-operating expense in its income statement for the quarter ending June 30, 2009. These declines came primarily from our equity securities in the pharmaceutical, financial, and automotive sectors. 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 June 30, 2009, equity securities classified as available-for-sale and equity securities classified as trading had a cost basis of approximately \$9,945,000 and \$505,000, respectively, and fair market values of approximately \$11,991,000 and \$657,000, respectively. For the six months ended June 30, 2009, the Company had net unrealized gains in market value on securities classified as available-for-sale of approximately \$666,000, net of deferred income taxes. Also during this period, the Company recognized gains on trading securities of approximately \$129,000, net of deferred income taxes. During the quarter ending June 30, 2009, the Company recognized gains on trading securities of approximately \$115,000, net of deferred income taxes. As of June 30, 2009, the Company’s marketable securities that are classified as available-for-sale had gross unrealized gains of approximately \$2,990,000 and gross unrealized losses of approximately \$944,000. The Company’s marketable securities that are classified as trading had gross recognized gains of approximately \$155,000 and gross recognized losses of approximately \$3,000. As of June 30, 2009, the total net unrealized gain, net of deferred income taxes, in accumulated other comprehensive income was approximately \$1,277,000.

The following table shows the Company’s investments’ approximate gross unrealized losses and fair value at June 30, 2009 and December 31, 2008. These investments consist of equity securities. As of June 30, 2009 and December 31, 2008 there were no investments that had been in a continuous unrealized loss position for twelve months or longer.

	June 30, 2009		December 31, 2008	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equity securities – Available for sale	\$ 4,370	\$ 944	\$ 4,775	\$ 1,237
Equity securities – Trading	43	3	372	67
Totals	\$ 4,413	\$ 947	\$ 5,147	\$ 1,304

The market value of the Company's equity securities are used as collateral against any outstanding margin account borrowings. As of June 30, 2009, the Company had outstanding borrowings of approximately \$5.0 million under its margin account which were used for the purchase of marketable equity securities and as a source of short-term liquidity.

NOTE D: STOCK BASED COMPENSATION

The Company maintains a stock option plan under which incentive stock options and nonqualified stock options may be granted. On March 2, 2006, the Company's Board of Director's adopted, and shareholders later approved, the 2006 Stock Option Plan (the "2006 Plan"). 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 the first six months of 2009, options for 16,000 shares were issued under the 2006 Plan at an option exercise price of \$3.84 per share, and at June 30, 2009, 686,000 shares were available for granting future options.

Outstanding incentive stock options at June 30, 2009, must be exercised within six years from the date of grant and vest in increments of 20% each year. Outstanding nonqualified stock options at June 30, 2009, 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 June 30, 2009, 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.

The total fair value of options vested during the first six months of 2009 was approximately \$29,000. As of June 30, 2009, the Company did not have any stock-based compensation plans with unrecognized stock-based compensation expense. Total pre-tax stock-based compensation expense, recognized in Salaries, wages and benefits during the first six months of 2009 was approximately \$29,000 which resulted from the annual grant of an option for 2,000 shares to each non-employee director during the first quarter of 2009. Total pre-tax stock-based compensation expense, recognized in Salaries, wages and benefits was approximately \$91,000 during the first six 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 six months ending June 30, 2009 but did not have a recognizable impact on diluted or basic earnings per share reported for the second quarter ending June 30, 2009. The recognition of stock-based compensation expense decreased diluted and basic earnings per common share by approximately \$0.01 during the six months ending June 30, 2008 but did not have a recognizable impact on diluted or basic earnings per share reported for the second quarter ending June 30, 2008. The weighted average grant date fair value of options granted during the first six months of 2009 and 2008 was \$1.84 per share and \$4.98 per share, respectively.

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

	Six Months Ended June 30,	
	2009	2008
Dividend yield	0%	0%
Volatility range	58.07%	36.67% - 38.54%
Risk-free rate range	1.57%	2.50% - 4.38%
Expected life	4.4 years	4.3 years - 5 years
Fair value of options	\$1.84	\$4.98 - \$8.89

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.

Information related to option activity for the three months ended June 30, 2009 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	254,500	\$22.32		
Granted	16,000	3.84		
Exercised	-	-		
Cancelled/forfeited/expired	(8,000)	16.99		
Outstanding at June 30, 2009	<u>262,500</u>	<u>\$21.36</u>	<u>3.2</u>	<u>\$26,080</u>
Exercisable at June 30, 2009	<u>262,500</u>	<u>\$21.36</u>	<u>3.2</u>	<u>\$26,080</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 June 30, 2009, was \$5.47.

The number, weighted average exercise price and weighted average remaining contractual life of options outstanding as of June 30, 2009 and the number and weighted average exercise price of options exercisable as of June 30, 2009 are as follows:

Exercise Price	Shares Under Outstanding Options	Weighted-Average Remaining Contractual Term (in years)	Shares Under Exercisable Options
\$3.84	16,000	4.7	16,000
\$14.98	16,000	3.7	16,000
\$18.27	10,000	0.7	10,000
\$19.88	12,500	3.3	12,500
\$22.92	14,000	2.7	14,000
\$23.22	180,000	3.2	180,000
\$26.73	14,000	1.9	14,000
	<u>262,500</u>	<u>3.2</u>	<u>262,500</u>

There were no option exercises during the six months ended June 30, 2009 or 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 June 30,				Six Months Ended June 30,			
	2009		2008		2009		2008	
	Amount	%	Amount	%	Amount	%	Amount	%
(in thousands, except percentage data)								
Truckload Services revenue	\$ 53,255	85.4	\$ 75,129	88.7	\$ 104,904	85.5	\$ 153,485	89.7
Brokerage and Logistics Services revenue	9,112	14.6	9,551	11.3	17,733	14.5	17,640	10.3
Total revenues	<u>\$ 62,367</u>	<u>100.0</u>	<u>\$ 84,680</u>	<u>100.0</u>	<u>\$ 122,637</u>	<u>100.0</u>	<u>\$ 171,125</u>	<u>100.0</u>

NOTE F: TREASURY STOCK

The Company accounts for Treasury stock using the cost method and as of June 30, 2009, 1,958,600 shares were held in the treasury at an aggregate cost of approximately \$29,127,000.

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 June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(in thousands)			
Net loss	\$ (2,356)	\$ (1,332)	\$ (5,702)	\$ (4,160)
Other comprehensive (loss) income:				
Reclassification adjustment for unrealized losses on marketable securities included in net income, net of income taxes	68	122	715	342
Change in fair value of marketable securities, net of income taxes	1,225	(1,575)	(49)	(2,662)
Total comprehensive loss	\$ (1,063)	\$ (2,785)	\$ (5,036)	\$ (6,480)

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 and six months ended June 30, 2009 and 2008, respectively, is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(in thousands, except per share data)			
Net loss	\$ (2,356)	\$ (1,332)	\$ (5,702)	\$ (4,160)
Basic weighted average common shares outstanding	9,410	9,708	9,410	9,752
Dilutive effect of common stock equivalents	2	-	2	-
Diluted weighted average common shares outstanding	9,412	9,708	9,412	9,752
Basic loss per share	\$ (0.25)	\$ (0.14)	\$ (0.61)	\$ (0.43)
Diluted loss per share	\$ (0.25)	\$ (0.14)	\$ (0.61)	\$ (0.43)

Options to purchase 246,500 and 254,500 shares of common stock were outstanding at June 30, 2009 and 2008, 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 June 30, 2009, 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 2005 through 2008 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 and six months ended June 30, 2009, the Company has not recognized or accrued any interest or penalties related to uncertain income tax positions.

NOTE J: FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The Company 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 June 30, 2009 are summarized below:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
		(in thousands)		
Marketable securities	\$ 12,648	\$ 12,648	\$ -	\$ -

The Company's investments in marketable securities are recorded at fair value based on quoted market prices. The carrying value of other financial instruments, including cash, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to their short maturities.

The carrying amount for the line of credit approximates fair value because the line of credit interest rate is adjusted frequently.

For long-term debt other than the lines of credit, the fair values are estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. The carrying value and estimated fair value of this other long-term debt at June 30, 2009 was as follows:

	<u>Carrying Value</u>	<u>Estimated Fair Value</u>
	(in thousands)	
Long-term debt	\$ 43,866	\$ 43,483

The Company adopted SFAS No. 159 effective January 1, 2008 and did not elect the fair value option for our financial instruments.

NOTE K: NOTES PAYABLE AND LONG-TERM DEBT

During the first six months of 2009, the Company's subsidiaries entered into installment obligations totaling approximately \$6.7 million for the purpose of purchasing revenue equipment. These obligations are each payable in 36 monthly installments at an interest rate of 5.45%.

NOTE L: SUBSEQUENT EVENTS

Subsequent events have been evaluated for recognition and disclosure through the date these financial statements were filed with the Securities and Exchange Commission.

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, 2008.

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. For the three and six month periods ended June 30, 2009, truckload services revenues, excluding fuel surcharges, represented 85.4% and 85.5% of total revenues, excluding fuel surcharges, with remaining revenues, excluding fuel surcharges, being generated from brokerage and logistics services. For the three and six month periods ended June 30, 2008, truckload services revenues, excluding fuel surcharges, represented 88.7% and 89.7% of total revenues, excluding fuel surcharges, 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 and six months ending June 30, 2009, approximately \$6.1 million and \$11.7 million, respectively, of the Company's total revenue was generated from fuel surcharges. During the three and six months ending June 30, 2008 approximately \$26.3 million and \$45.6 million, respectively, of the Company's total revenue was generated from fuel surcharges. We may also discuss certain changes in our expenses as a percentage of revenue, before fuel surcharge, rather than absolute dollar changes. We do this because we believe the 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 June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(percentages)			
Operating revenues, before fuel surcharge	100.0	100.0	100.0	100.0
Operating expenses:				
Salaries, wages and benefits	44.1	41.4	44.9	42.4
Fuel expense, net of fuel surcharge	16.1	22.6	15.3	22.9
Rent and purchased transportation	2.4	2.9	2.5	2.9
Depreciation	16.1	12.4	16.6	11.9
Operating supplies and expenses	12.8	9.9	12.6	10.1
Operating taxes and license	6.2	5.5	6.2	5.6
Insurance and claims	5.9	5.5	5.9	5.6
Communications and utilities	1.1	1.0	1.2	1.0
Other	2.3	1.4	2.2	1.5
Loss on sale or disposal of property	0.1	0.0	0.0	0.1
Total operating expenses	107.1	102.6	107.4	104.0
Operating loss	(7.1)	(2.6)	(7.4)	(4.0)
Non-operating income (expense)	0.4	0.0	(0.6)	(0.2)
Interest expense	(1.2)	(0.7)	(1.2)	(0.7)
Loss before income taxes	(7.9)	(3.3)	(9.2)	(4.9)

THREE MONTHS ENDED JUNE 30, 2009 VS. THREE MONTHS ENDED JUNE 30, 2008

For the quarter ended June 30, 2009, truckload services revenue, before fuel surcharges, decreased 29.1% to \$53.3 million as compared to \$75.1 million for the quarter ended June 30, 2008. The decrease was primarily due to a decrease in the number of miles traveled from 57.6 million miles during the second quarter of 2008 to 42.9 million miles during the second quarter of 2009. The comparative decrease in miles traveled resulted primarily from a decrease in equipment utilization and a decrease in the average number of revenue generating trucks. During the second quarter of 2009, the continued weak demand for our services had a negative impact on our equipment utilization and contributed to a decrease in the average number of miles traveled per truck each work day from 443 miles during the second quarter of 2008 to 392 miles during the second quarter of 2009. Also contributing to the decrease in miles traveled was a decrease in the number of trucks utilized in our operations from 2,031 trucks during the second quarter of 2008 to 1,712 trucks during the second quarter of 2009 as we continue to downsize our operations in response to reduced demand in the truckload freight market. The effect of this reduced demand along with excess industry capacity has also had a negative impact on the average rate we have been able to charge for our services.

Salaries, wages and benefits increased from 41.4% of revenues, before fuel surcharges, in the second quarter of 2008 to 44.1% of revenues, before fuel surcharges, during the second quarter of 2009. The increase, as a percentage of revenue, relates to the interaction of expenses with fixed-cost characteristics, such as general and administrative wages, maintenance wages, operations wages, and payroll taxes, with a decrease in revenues for the periods compared. On a dollar basis, salaries, wages and benefits decreased from \$31.1 million during the second quarter of 2008 to \$23.5 million during the second quarter of 2009 as the number of company driver compensated miles decreased from 57.6 million miles during the second quarter of 2008 to 42.9 million miles during the second quarter of 2009. Also contributing to the decrease on a dollar basis was a decrease in amounts paid for driver lease expense, a gain related to life insurance proceeds, and a pay rate cut for all employees. Driver lease expense, which is a component of salaries, wages and benefits, decreased as the average number of owner-operators under contract decreased from 46 during the second quarter of 2008 to 33 during the second quarter of 2009. During June 2009, the Company recorded a one-time gain related to life insurance proceeds of \$0.8 million due to the death of one of its former officers. Also, during June 2009, the Company implemented an across-the-board 5% employee pay rate reduction.

Fuel expense, net of fuel surcharge, decreased from 22.6% of revenues, before fuel surcharges, during the second quarter of 2008 to 16.1% of revenues, before fuel surcharges, during the second quarter of 2009, which, on a dollar basis, represented a decrease from \$17.0 million during the second quarter of 2008 to \$8.6 million during the second quarter of 2009. The decrease was related to a decrease in the average surcharge-adjusted fuel price paid per gallon of diesel fuel from \$1.81 during the second quarter of 2008 to an average cost of \$1.33 during the second quarter of 2009. 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 decreased from 2.9% of revenues, before fuel surcharges, during the second quarter of 2008 to 2.4% of revenues, before fuel surcharges, during the second quarter of 2009. The decrease relates to a decrease in amounts paid to third party transportation companies for intermodal services for the periods compared.

Depreciation increased from 12.4% of revenues, before fuel surcharges, during the second quarter of 2008 to 16.1% of revenues, before fuel surcharges, during the second quarter of 2009. The increase, as a percentage of revenue, relates to the interaction of lower revenues during the second quarter of 2009 as compared to the second quarter of 2008 and the fixed-cost nature of depreciation expense. On a dollar basis, depreciation decreased from \$9.3 million during the second quarter of 2008 to \$8.6 million during the second quarter of 2009 as the Company continues to reduce the size of its truck fleet in response to reduced demand in the truckload freight market.

Operating supplies and expenses increased from 9.9% of revenues, before fuel surcharges, during the second quarter of 2008 to 12.8% of revenues, before fuel surcharges, during the second quarter of 2009. The increase, as a percentage of revenue, relates to the interaction of expenses with fixed-cost characteristics, such as routine equipment maintenance costs, driver layover payments, drop lot rentals, and new tire amortization, with a decrease in revenues for the periods compared. On a dollar basis, operating supplies and expenses decreased from \$7.4 million during the second quarter of 2008 to \$6.8 million during the second quarter of 2009 primarily due to a decrease in amounts paid for driver recruiting and outside tractor and trailer repairs.

Operating taxes and licenses increased from 5.5% of revenues, before fuel surcharges, during the second quarter of 2008 to 6.2% of revenues, before fuel surcharges, during the second quarter of 2009. As a percentage of revenue, the increase relates to the interaction of expenses with fixed-cost characteristics, such as registration fees, with a decrease in revenues for the periods compared. On a dollar basis, operating taxes and licenses decreased from \$4.2 million during the second quarter of 2008 to \$3.3 million during the second quarter of 2009. The dollar-based decrease relates primarily to a decrease in amounts paid for federal and state fuel taxes as fewer gallons of fuel were purchased and used during the second quarter of 2009 as compared to the second quarter of 2008.

Insurance and claims increased from 5.5% of revenues, before fuel surcharges, during the second quarter of 2008 to 5.9% of revenues, before fuel surcharges, during the second quarter of 2009. On a dollar basis, insurance and claims expense decreased from \$4.1 million during the second quarter of 2008 to \$3.1 million during the second quarter of 2009. The dollar-based decrease relates primarily to a decrease in auto liability insurance premiums for the periods compared. During the second quarter of 2009, the number of miles traveled, which serves as the basis for calculating auto liability insurance premiums, decreased to 42.9 million from 57.6 million miles during the second quarter of 2008. The most recent auto liability insurance policy renewal was also at a rate that represented a 2.6% decrease compared to the previous policy rate and contributed to the dollar-based decrease for the periods compared.

Other expenses increased from 1.4% of revenues, before fuel surcharges, during the second quarter of 2008 to 2.3% of revenues, before fuel surcharges, during the second quarter of 2009. The increase relates primarily to an increase in uncollectible revenue 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 102.6% for the second quarter 2008 to 107.1% for the second quarter of 2009.

SIX MONTHS ENDED JUNE 30, 2009 VS. SIX MONTHS ENDED JUNE 30, 2008

For the first six months ended June 30, 2009, truckload services revenue, before fuel surcharges, decreased 31.7% to \$104.9 million as compared to \$153.5 million for the first six months ended June 30, 2008. The decrease was primarily due to a decrease in the number of miles traveled from 119.7 million miles during the first six months of 2008 to 83.5 million miles during the first six months of 2009 resulting largely from a decrease in the average number of revenue generating trucks from 2,042 during the first six months of 2008 to 1,744 during the first six months of 2009. Also contributing to the decrease in revenues and resulting from the continued weakness in the truckload freight market during the first six months of 2009 as compared to the first six months of 2008 was both a decrease in the average rate per total mile charged to customers from approximately \$1.28 during the first six months 2008 to approximately \$1.26 during the first six months of 2009 and lower equipment utilization as the average miles traveled each work day per truck decreased from 458 miles each work day in the first six months of 2008 to 377 miles each work day in the first six months of 2009.

Salaries, wages and benefits increased from 42.4% of revenues, before fuel surcharges, in the first six months of 2008 to 44.9% of revenues, before fuel surcharges, during the first six months of 2009. The increase, as a percentage of revenue, relates to the interaction of expenses with fixed-cost characteristics, such as general and administrative wages, maintenance wages, operations wages, and payroll taxes with a decrease in revenues for the periods compared. Based on a dollar comparison, salaries, wages and benefits decreased from \$65.1 million during the first six months of 2008 to \$47.1 million during the first six months of 2009 as the number of driver compensated miles decreased from 119.7 million miles during the first six months of 2008 to 83.5 million miles during the first six months of 2009. Also contributing to the decrease on a dollar basis was a decrease in amounts paid for driver lease expense, a gain related to life insurance proceeds, and a pay rate cut for all employees. Driver lease expense, which is a component of salaries, wages and benefits, decreased as the average number of owner-operators under contract decreased from 50 during the first six months of 2008 to 33 during the first six months of 2009. During June 2009, the Company recorded a one-time gain related to life insurance proceeds of \$0.8 million due to the death of one of its former officers. Also, during June 2009, the Company implemented an across-the-board 5% employee pay rate reduction plan.

Fuel expense, net of fuel surcharge, decreased from 22.9% of revenues, before fuel surcharges, during the first six months of 2008 to 15.3% of revenues, before fuel surcharges, during the first six months of 2009 which, on a dollar basis, represented a decrease from \$35.2 million during the first six months of 2008 to \$16.1 million during the first six months of 2009. The decrease was related to a decrease in the average surcharge-adjusted fuel price paid per gallon of diesel fuel from \$1.79 during the first six months of 2008 to an average cost of \$1.26 during the first six months of 2009. 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 declining fuel prices.

Rent and purchased transportation decreased from 2.9% of revenues, before fuel surcharges, during the first six months of 2008 to 2.5% of revenues, before fuel surcharges, during the first six months of 2009. The decrease relates to a decrease in amounts paid to third party transportation companies for intermodal services.

Depreciation increased from 11.9% of revenues, before fuel surcharges, during the first six months of 2008 to 16.6% of revenues, before fuel surcharges, during the first six months of 2009. The increase, as a percentage of revenue, relates to the interaction of lower revenues during the first six months of 2009 as compared to the first six months of 2008 and the fixed-cost nature of depreciation expense. On a dollar basis, depreciation decreased from \$18.3 million during the first six months of 2008 to \$17.4 million during the first six months of 2009 as the Company continues to reduce the size of its truck fleet in response to the continued weak demand in the truckload freight market.

Operating supplies and expenses increased from 10.1% of revenues, before fuel surcharges, during the first six months of 2008 to 12.6% of revenues, before fuel surcharges, during the first six months of 2009. The increase, as a percentage of revenue, relates to the interaction of expenses with fixed-cost characteristics, such as routine equipment maintenance costs, driver layover payments, drop lot rentals, and new tire amortization with a decrease in revenues for the periods compared. On a dollar basis, operating supplies and expenses decreased from \$15.5 million during the first six months of 2008 to \$13.2 million during the first six months of 2009 primarily due to a decrease in amounts paid for driver recruiting and outside tractor and trailer repairs.

Operating taxes and licenses increased from 5.6% of revenues, before fuel surcharges, during the first six months of 2008 to 6.2% of revenues, before fuel surcharges, during the first six months of 2009. As a percentage of revenue, the increase relates to the interaction of expenses with fixed-cost characteristics, such as registration fees, with a decrease in revenues for the periods compared. On a dollar basis, operating taxes and licenses decreased from \$8.5 million during the first six months of 2008 to \$6.5 million during the first six months of 2009. The dollar-based decrease relates primarily to a decrease in amounts paid for federal and state fuel taxes as fewer gallons of fuel were purchased and used during the first six months of 2009 as compared to the first six months of 2008.

Insurance and claims increased from 5.6% of revenues, before fuel surcharges, during the first six months of 2008 to 5.9% of revenues, before fuel surcharges, during the first six months of 2009. On a dollar basis, insurance and claims expense decreased from \$8.6 million during the first six months of 2008 to \$6.2 million during the first six months of 2009. The dollar-based decrease relates primarily to a decrease in auto liability insurance premiums for the periods compared. During the first six months of 2009, the number of miles traveled, which serves as the basis for calculating auto liability insurance premiums, decreased to 83.5 million from 119.7 million miles during the first six months of 2008. The most recent auto liability insurance policy renewal was also at a rate that represented a 2.6% decrease compared to the previous policy rate and contributed to the dollar-based decrease for the periods compared.

Other expenses increased from 1.5% of revenues, before fuel surcharges, during the first six months of 2008 to 2.2% of revenues, before fuel surcharges, during the first six months of 2009. The increase relates primarily to an increase in uncollectible revenue 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 104.0% for the first six months 2008 to 107.4% for the first six months of 2009.

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 June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(percentages)			
Operating revenues, before fuel surcharge	100.0	100.0	100.0	100.0
Operating expenses:				
Salaries, wages and benefits	5.7	5.7	5.8	5.9
Rent and purchased transportation	90.5	89.3	89.8	89.0
Operating supplies and expenses	0.1	0.0	0.1	0.0
Insurance and claims	0.1	0.1	0.1	0.1
Communications and utilities	0.2	0.2	0.2	0.3
Other	0.9	0.4	0.9	0.8
Total operating expenses	97.5	95.7	96.9	96.1
Operating income	2.5	4.3	3.1	3.9
Interest expense	(0.1)	(0.2)	(0.1)	(0.3)
Income before income taxes	2.4	4.1	3.0	3.6

THREE MONTHS ENDED JUNE 30, 2009 VS. THREE MONTHS ENDED JUNE 30, 2008

For the quarter ended June 30, 2009, logistics and brokerage services revenue, before fuel surcharges, decreased 4.6% to \$9.1 million as compared to \$9.6 million for the quarter ended June 30, 2008. The decrease was primarily the result of a decrease in the number of loads brokered during the second quarter of 2009 as compared to the second quarter of 2008.

Rent and purchased transportation increased from 89.3% of revenues, before fuel surcharges, during the second quarter of 2008 to 90.5% of revenues, before fuel surcharges, during the second quarter of 2009. The increase relates to an increase in amounts charged by third party logistics and brokerage service providers.

Other expenses increased from 0.4% of revenues, before fuel surcharges, during the second quarter of 2008 to 0.9% of revenues, before fuel surcharges, during the second quarter of 2009. The increase relates primarily to an increase in uncollectible revenue expense.

The logistics and brokerage services division operating ratio, which measures the ratio of operating expenses, net of fuel surcharges, to operating revenues, before fuel surcharges, increased from 95.7% for the second quarter 2008 to 97.5% for the second quarter of 2009.

SIX MONTHS ENDED JUNE 30, 2009 VS. SIX MONTHS ENDED JUNE 30, 2008

For the first six months ended June 30, 2009, logistics and brokerage services revenue, before fuel surcharges, increased 0.5% to \$17.7 million as compared to \$17.6 million for the first six months ended June 30, 2008. The increase was primarily the result of increased rates charged which were partially offset by a decrease in the number of loads brokered during the first six months of 2009 as compared to the first six months of 2008.

Rent and purchased transportation increased from 89.0% of revenues, before fuel surcharges, during the first six months of 2008 to 89.8% of revenues, before fuel surcharges during the first six months of 2009. 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, increased from 96.1% for the first six months of 2008 to 96.9% for the first six months of 2009.

RESULTS OF OPERATIONS – COMBINED SERVICES

THREE MONTHS ENDED JUNE 30, 2009 VS. THREE MONTHS ENDED JUNE 30, 2008

Net loss for all divisions was approximately \$2.4 million, or 3.8% of revenues, before fuel surcharge for the second quarter of 2009 as compared to net loss of \$1.3 million or 1.6% of revenues, before fuel surcharge for the second quarter of 2008. The increase in loss resulted in an increase in diluted loss per share from \$0.14 for the second quarter of 2008 to a diluted loss per share of \$0.25 for the second quarter of 2009.

SIX MONTHS ENDED JUNE 30, 2009 VS. SIX MONTHS ENDED JUNE 30, 2008

Net loss for all divisions was \$5.7 million, or 4.6% of revenues, before fuel surcharge for the first six months of 2009 as compared to net loss of \$4.2 million or 2.4% of revenues, before fuel surcharge for the first six months of 2008. The increase in loss resulted in an increase in diluted loss per share from \$0.43 for the first six months of 2008 to a diluted loss per share of \$0.61 for the first six months of 2009.

LIQUIDITY AND CAPITAL RESOURCES

The nature 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, borrowings under our line of credit, installment note agreements, and borrowings under our investment margin account.

During the first six months of 2009, we generated \$11.2 million in cash from operating activities. Investing activities used \$1.0 million in cash in the first six months of 2009. Financing activities used \$9.5 million in cash in the first six months of 2009.

Our primary use of funds is typically for the purchase of revenue equipment. We regularly use installment notes, our existing line of credit on an interim basis, proceeds from the sale or trade of equipment, and cash flows from operations, to finance capital expenditures and repay long-term debt.

Occasionally we finance the acquisition of revenue equipment through installment notes with fixed interest rates and terms ranging from 12 to 48 months. During the first six months of 2009, the Company's subsidiaries entered into installment obligations totaling approximately \$6.7 million for the purpose of purchasing revenue equipment. These obligations are payable in 36 monthly installments at an interest rate of 5.45%.

During the remainder of 2009, we do not expect to purchase any new trucks or new trailers but will continue to sell or trade older equipment. Management believes we will be able to finance our near term needs for working capital over the next twelve months, as well as any planned capital expenditures during such period, with cash balances, cash flows from operations, and borrowings believed to be available from financing sources. We will continue to have significant capital requirements over the long-term, which may require us to incur debt or seek additional equity capital. The availability of additional capital will depend upon prevailing market conditions, the market price of our common stock and several other factors over which we have limited control, as well as our financial condition and results of operations. Nevertheless, based on our recent operating results, current cash position, anticipated future cash flows, and sources of financing that we expect will be available to us, we do not expect that we will experience any significant liquidity constraints in the foreseeable future.

During the first six months of 2009 we maintained a \$30.0 million revolving line of credit. Amounts outstanding under the line of credit bear interest at LIBOR (determined as of the first day of each month) plus 1.95% (2.27% at June 30, 2009), are secured by our accounts receivable and mature on May 31, 2010; however, the Company has the intent and ability to extend the terms of this line of credit for an additional one year period until May 31, 2011. At June 30, 2009 outstanding advances on the line of credit were approximately \$1.2 million, consisting entirely of letters of credit, with availability to borrow \$28.8 million.

Trade accounts receivable at June 30, 2009 decreased approximately \$5.3 million as compared to December 31, 2008. The decrease relates to a general decrease in revenue, which flows through the accounts receivable account.

Prepaid expenses and deposits at June 30, 2009 increased approximately \$2.2 million as compared to December 31, 2008. The primary reason for the increase relates to the prepayment of revenue equipment license fees and auto liability insurance premiums paid during the first six months of 2009. These prepaid expenses will be amortized to expense throughout the year.

Revenue equipment, which generally consists of trucks, trailers, and revenue equipment accessories such as Qualcomm™ satellite tracking units, decreased approximately \$16.6 million as compared to December 31, 2008. This decrease relates primarily to the continued process of turning in older trade tractors during the first six months of 2009 for new tractors purchased in December 2008. During the first six months of 2009, the cost basis of revenue equipment sold or traded was approximately \$20.9 million. Partially offsetting the decrease related to trades or sales were purchases of auxiliary power units and the final group of replacement trailers related to the 2008 capital expenditures plan.

Accounts payable at June 30, 2009 decreased approximately \$6.6 million as compared to December 31, 2008. The decrease was primarily related to \$4.4 million of asset purchase accruals for assets purchased in December 2008 for which payment was not due until January 2009. The decrease also reflects a decrease of approximately \$3.0 million in amounts reclassified to accounts payable as bank drafts outstanding at June 30, 2009 as compared to December 31, 2008.

Current maturities of long-term debt at June 30, 2009 decreased approximately \$4.4 million as compared to December 31, 2008. The decrease is related to the payment of scheduled installment note payments during the first six months of 2009.

Long-term debt at June 30, 2009 decreased approximately \$3.1 million as compared to December 31, 2008. The decrease is primarily related to a decrease in the balance due on the Company's line of credit at June 30, 2009 as compared to December 31, 2008. During the first six months of 2009 the Company repaid approximately \$3.7 million more than it borrowed under its line of credit.

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 the current market price of such securities. The recorded value of marketable equity securities increased to \$12.6 million at June 30, 2009 from \$12.5 million at December 31, 2008. The increase during the first six months of 2009 reflects purchases of approximately \$23,000, returns of capital of approximately \$107,000, and an increase in the fair market value of approximately \$192,000. 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 \$1.3 million. For additional information with respect to the marketable equity securities, see Note C to our condensed consolidated financial statements.

Interest Rate Risk

Our line of credit bears interest at a floating rate equal to LIBOR plus a fixed percentage. Accordingly, changes in LIBOR, which are effected by changes in interest rates, will affect the interest rate on, and therefore our costs under, the line of credit. Assuming \$1.0 million of variable rate debt was outstanding; a hypothetical 100 basis point increase in LIBOR for a one year period would result in approximately \$10,000 of additional interest expense.

Commodity Price Risk

Prices and availability of all petroleum products are subject to political, economic and market factors that are generally outside of our control. Accordingly, the price and availability of diesel fuel, as well as other petroleum products, can be unpredictable. Because our operations are dependent upon diesel fuel, significant increases in diesel fuel costs could materially and adversely affect our results of operations and financial condition. Based upon our 2008 fuel consumption, a 10% increase in the average annual price per gallon of diesel fuel would increase our annual fuel expenses by \$14.1 million.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures. Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management’s evaluation, our chief executive officer and chief financial officer concluded that, as of June 30, 2009, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in internal controls over financial reporting. We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes.

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2009 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 4. Submission of Matters to a Vote of Security Holders.

Our annual meeting of stockholders was held on May 28, 2009. The matters voted on at the meeting and the votes cast with respect to each matter were as follows:

<u>Proposal to elect nine directors:</u>	<u>Votes For</u>	<u>Votes Withheld</u>	<u>Abstentions</u>	<u>Broker Non-votes</u>
Frederick P. Calderone	7,250,291	1,973,525	0	0
Frank L. Conner	9,088,251	135,565	0	0
W. Scott Davis	9,171,425	52,391	0	0
Christopher L. Ellis	8,477,911	745,905	0	0
Manual J. Moroun	7,324,224	1,899,592	0	0
Matthew T. Moroun	7,323,824	1,899,992	0	0
Daniel C. Sullivan	9,156,125	67,691	0	0
Robert W. Weaver	7,885,016	1,338,800	0	0
Charles F. Wilkins	8,951,072	272,744	0	0

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.)
- [10.1](#) Employment agreement between Daniel H. Cushman and the Company
- [10.2](#) Relocation agreement between Daniel H. Cushman and the Company
- [10.3](#) P.A.M. Transportation Services, Inc. Incentive Compensation Plan Calendar Year 2010
- [31.1](#) Rule 13a-14(a) Certification of Principal Executive Officer
- [31.2](#) Rule 13a-14(a) Certification of Principal Financial Officer
- [32.1](#) Certifications of Chief Executive Officer and 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 6, 2009

By: /s/ Daniel H. Cushman

Daniel H. Cushman
President and Chief Executive Officer
(principal executive officer)

Dated: August 6, 2009

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

<u>Exhibit Number</u>	<u>Exhibit Description</u>
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.)
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31.1	Rule 13a-14(a) Certification of Principal Executive Officer
31.2	Rule 13a-14(a) Certification of Principal Financial Officer
32.1	Certifications of Chief Executive Officer and Chief Financial Officer

EMPLOYMENT AGREEMENT

This Agreement ("Agreement") is entered into as of June 29, 2009, by and between P.A.M Transportation Services, INC. ("PAM") and Daniel H. Cushman ("EMPLOYEE"), and the parties therefore agree as follows:

Subject to the terms and conditions contained in this Agreement and during the Term of this Agreement (as defined below), PAM hereby employs EMPLOYEE in the position of "President" with such duties and responsibilities as are commensurate with such office and may from time-to-time be assigned to EMPLOYEE by PAM's Board of Directors.

EMPLOYEE hereby accepts such employment as a full time employee, and while employed, shall devote his full business time, skills, energy and attention to the business of PAM, shall perform his duties in a diligent, loyal, businesslike and efficient manner, all for the sole purpose of enhancing the business of PAM, and in a manner consistent with all PAM policies, resolutions and directives from time to time stated or made by the Board of Directors. Moreover, EMPLOYEE shall perform such services and duties as are consistent with EMPLOYEE's position, are necessary or appropriate for the operation and management of PAM, and as are normally expected of persons appointed to chief executive positions in the business in which PAM is engaged.

1. Compensation for Services

PAM shall pay to EMPLOYEE an annual base salary of \$400,000.00 as their President.

Base Salary shall be payable in equal installments pursuant to PAM's payroll system in effect from time to time, less all applicable taxes required to be withheld by PAM pursuant to federal, state or local law.

Employee will be reviewed annually for changes in base compensation and bonus'.

2. Benefits

EMPLOYEE shall be entitled to fringe benefits provided by PAM for its employees in the normal course of business.

3. Business Expenses

PAM shall reimburse EMPLOYEE for all reasonable and necessary business expenses incurred by him in the performance of his duties hereunder with respect to travel, entertainment and other business expenses, subject to PAM's business expense policies in effect from time to time, including its procedures with respect to the manner of incurring, reporting and documenting such expenses

4. Proprietary Information

a. EMPLOYEE shall forever hold in the strictest confidence and not disclose to any person, firm, corporation or other entity any of PAM's Proprietary Information (as defined below) or any of PAM's Records (as defined below) except as such disclosure may be required in connection with EMPLOYEE's work for PAM and as expressly authorized by PAM's Board of Directors in writing.

b. For the purposes of this Agreement, the term "Proprietary Information" shall mean inter company publications, unpublished works, plans, policies, computer and information systems, software and other information and knowledge relating or pertaining to the products, services, sales or other business of PAM or its successor, affiliates and customers in any way which is of a confidential or proprietary nature, the prices it obtains or has obtained from the sale of its services, its manner of operation, its plans, processes or other data, contracts, information about contracts, contract forms, business applications, costs, profits, tax information, marketing information, advertising methods, customers, potential customers, brokers, potential brokers, employees, matters of a technical nature (including inventions, computer programs, concepts, developments, contributions, devices, discoveries, software and documentations, secret processes or machines, including any improvements thereto and know-how related thereto, and research projects, etc.), and other information not generally available to the public, without regard to whether all of the foregoing matters will be deemed confidential, material or important. Anything to the contrary notwithstanding, the parties hereto stipulate that any and all knowledge, data and information gathered by the EMPLOYEE through this Agreement, his employment with PAM and the operation of the business of PAM is deemed important, material or confidential, and gravely affects the effective and successful conduct of the business of PAM and PAM's good will; could not without great expense and difficulty be obtained or duplicated by others who have not been able to acquire such information by virtue of employment with PAM; and that any breach of the terms of this Paragraph 4 shall be deemed a material breach of this Agreement.

c. EMPLOYEE agrees that all creative work, including without limitation, designs, drawings, specifications, techniques, models, processes and software prepared or originated by EMPLOYEE during or within the scope of employment whether or not subject to protection under the federal copyright or other law constitutes work made for hire all rights to which are owned by PAM. Moreover, EMPLOYEE hereby assigns to PAM all right, title and interest whether by way of copyright, trade secret, patent or otherwise, and all such work whether or not subject to protection by copyright or other law.

d. Upon termination of employment with PAM or at any other time requested by PAM, EMPLOYEE shall immediately return to PAM and not retain any copies of, any records, data, lists, plans, policies, publications, computer and information systems, files, diagrams and documentation, data, papers, drawings, memos, customer records, reports, correspondence, note books, service listing and any other business record of any kind or nature (including without limitation records in machine-readable or computer-readable forms) relating to Proprietary Information ("Records").

5. Covenant Not To Compete

a. As a material part of the consideration for this Agreement, EMPLOYEE agrees to the following covenants not to compete with PAM, and with all of its affiliated companies listed in Exhibit A to this Agreement ("Affiliated Companies") during his employment and for a one (1) year period following the termination of EMPLOYEE's employment with PAM for any reason. EMPLOYEE agrees not to interfere with customer contracts or solicit customers for a period of one (1) year. These restrictions shall apply to all PAM Customers and Customers of Affiliated Companies. EMPLOYEE further agrees not to solicit, retain, employ or accept business that is competitive from any PAM employees, agents or owner operators, or the employees, agents or owner operators of any Affiliated Companies. In the event Employee is terminated pursuant to Section 8 subsection (d), the Covenant Not to Compete will be for a period of six (6) months unless the company elects the option to extend the Covenant Not To Compete up to one (1) year provided the separation agreement in Section 8 subsection (d) provides for compensation up to one (1) year. Anything contrary notwithstanding, this Paragraph 5 shall survive after the termination or the earlier cancellation of this Agreement.

b. Both parties agree that the restrictions in this section are fair and reasonable in all respects including the length of time that they shall remain in effect and that PAM 's employment of EMPLOYEE upon the terms and conditions of this Agreement is fully sufficient consideration for EMPLOYEE's obligations under this section.

c. If any provisions of this section are ever held by a Court to be unreasonable, the parties agree that this section shall be enforced to the extent it is deemed to be reasonable.

6. No Interference With Employment Relationships

EMPLOYEE agrees that he will not either before or after termination of his employment with PAM encourage, solicit or otherwise attempt to persuade any other employee of PAM to leave the employment of PAM. In the event EMPLOYEE hires an employee of PAM, PAM shall be compensated at a fee equal to 30% of the employee's first year's gross compensation. This paragraph 6 also applies to employees of companies on Exhibit A.

7. Equitable Relief And Remedies At Law

EMPLOYEE acknowledges that PAM would suffer unique and irreparable injury in the event of a breach of the covenants contained in Sections 4, 5 and 6 of this Agreement, which breach could not be adequately compensated by the payment of damages alone. Accordingly in the event of any such breach by EMPLOYEE, EMPLOYEE agrees that this Agreement may be enforced by a decree of specific performance or an injunction without the necessity of posting a bond in addition to any remedies available at law, including damages arising out of or relating to a breach of those covenants, and that any remedy which PAM might have at law would be inadequate by itself.

8. Termination of Agreement

a. Without limitation of any other remedy available to PAM, whether in law or in equity, EMPLOYEE's employment relationship shall terminate immediately without any further liability of PAM to EMPLOYEE, upon written notice from PAM to EMPLOYEE, for just cause: conviction of a crime, moral turpitude, gross negligence in the performance of duties, intentional failure to perform duties, failure to perform duties as designated in this agreement, insubordination or dishonesty. In the event of EMPLOYEE's termination pursuant to this Section 8(a), PAM shall have no obligation to pay Base Salary and benefits beyond last day worked.

b. EMPLOYEE's employment relationship shall terminate immediately upon death of EMPLOYEE.

c. EMPLOYEE agrees to submit to a medical examination at any time at PAM's request and expense. The medical examination will be related to EMPLOYEE's job and consistent with a business necessity of PAM. This Agreement may be terminated by PAM immediately upon written notice to EMPLOYEE if the examination reveals that EMPLOYEE is unable to perform the essential functions of this Agreement even with a reasonable accommodation. The Agreement may also be terminated if, for a period of three (3) consecutive months, EMPLOYEE is unable to perform the essential functions of the Agreement even with a reasonable accommodation. Upon such termination due to medical disability, EMPLOYEE's compensation shall be continued for six (6) months from the date of disability.

d. Upon the determination by PAM's Board of Directors that the best interests of PAM would be served, PAM shall have the further right to terminate EMPLOYEE's employment relationship immediately or at any time, at its option upon written notice to EMPLOYEE, without just cause. If EMPLOYEE is terminated pursuant to this Section 8(d), EMPLOYEE shall be entitled to receive only Base Salary and benefits (PAM will make Cobra payments) and any earned but unpaid bonus for a period of six (6) months following such termination, provided that Employee signs the provided Separation Agreement (similar to the attached separation agreement). If PAM's Board of Directors elect to extend the Covenant Not To Compete up to one (1) year they agree to extend Base Salary and benefits up to one (1) year. These payments shall not constitute employment for purpose of Section 5.

e. Any compensation payable to EMPLOYEE pursuant to this Section 8 following termination pursuant to subsection (d) of this Section 8 shall be reduced by the amount of any compensation earned by EMPLOYEE in any employment or consulting he may undertake during said period that constitutes a violation of Section 5 respecting non-competition.

f. Upon three months' prior written notice to PAM at any time, EMPLOYEE shall have the right to terminate his employment relationship with PAM at his option. Upon receipt of such notice PAM shall have the option to terminate EMPLOYEE's employment relationship

immediately upon written notice to EMPLOYEE. In the event of termination pursuant to this Section 8(f), EMPLOYEE shall be entitled to receive Base Salary and benefits only through the three month period following EMPLOYEE's notice of termination. The time period on the covenant not to compete shall commence at the end of the three (3) month period, and EMPLOYEE shall also be bound by the covenant not to compete during the three (3) month period he is receiving Base Salary and benefits. EMPLOYEE shall be liable for all costs and expenses incurred by PAM for the failure to give three (3) months' notice.

g. Upon termination of this Agreement by PAM EMPLOYEE shall, without a claim for compensation, provide PAM with written resignations from any and all offices held by him in or at the request of PAM, and in the event of his failure to do so, PAM is hereby irrevocably authorized to be, or designated as EMPLOYEE's attorney in fact, to act in his name and in his behalf to execute such resignations.

9. No Restriction on Performance of Services Contemplated by Agreement

EMPLOYEE represents and warrants to PAM that: (i) he is under no contractual or other restriction which would give a third party a legal right to assert that he would not be legally permitted to perform the services contemplated by this Agreement; and (ii) by entering into this Agreement he has not breached, and by performing the services contemplated by this Agreement, he would not breach, any Agreement or duty relating to proprietary information of another person or entity.

11. Severability

In case any one or more of the provisions hereof shall be held to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. To the extent possible, there shall be deemed substituted such other provision as will most nearly accomplish the intent of the parties, to the extent permitted by applicable law.

12. Entire Agreement

This Agreement embodies all the representations, warranties, covenants and agreements of the parties in relation to the subject matter hereof, and no representations, warranties, covenants, understandings, or agreements, unless expressly set forth herein or in an instrument in writing signed by the party to be bound thereby which makes reference to this Agreement, shall be considered effective.

13. No Rights in Third Parties

Nothing herein expressed or implied is intended to, or shall be construed to confer upon, or give to any person, firm or other entity other than the parties hereto any rights or remedies under this Agreement, except as provided in Section 14.

14. Assignment

PAM may assign its rights and delegate its responsibilities under this Agreement to any affiliated company or to any corporation which acquires all or substantially all of the operating assets of PAM by merger, consolidation, dissolution, liquidation, combination, sale or transfer of assets or stock or otherwise. EMPLOYEE shall not be entitled to assign his rights or delegate his responsibilities under this Agreement to any person.

15. Payment to Estate

No person, firm or entity shall have any right to receive any payments owing to EMPLOYEE hereunder, except that EMPLOYEE's estate/trust shall be entitled to receive a final payment of installment of Base Salary for services rendered to PAM through date of death, deferred executive bonus payouts as they become due and reimbursement for any business expenses previously incurred by EMPLOYEE for which he would have been entitled to reimbursement hereunder.

16. Amendment

No modification or amendment of this Agreement shall be binding unless executed in writing by each of the parties hereto.

17. Survival of Covenants

Without limitation of any other provisions of this Agreement, all representations and warranties set forth in this Agreement and the covenants set forth in Sections 4, 5 and 6 shall survive the termination of this Agreement for any reason for the maximum period permitted by law.

23. Construction

Although this Agreement was drafted by PAM the parties agree that it accurately reflects the intent and understanding of each party and should not be construed against PAM if there is any dispute over the meaning or intent of any provisions.

24. This agreement is not binding or effective until approved by the PAM Board of Directors.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written.

P.A.M. TRANSPORTATION SERVICES, INC.

By: /s/ Peter J. Dwyer

[Witness]

By: /s/ Matthew Moroun

Matthew Moroun
Chairman of the board

By: _____
[Witness]

By: /s/ Daniel H. Cushman

Daniel H. Cushman
(home address)

EXHIBIT A

1. Central Transport International, Inc.
2. Central Transport, Inc.
3. Logistics Insights Corporation, Inc.
4. P.A.M. Transportation Services, Inc.
5. Universal Truckload Services, Inc.

AGREEMENT

P.A.M. agrees to pay Dan Cushman, \$55,000 toward all associated costs of selling his home in (address) and the move of household goods to the Tontitown, Arkansas area. As a condition to this payment, Dan Cushman agrees not to terminate his position as President of P.A.M. within 36 months of his start date with P.A.M. or he will forfeit his entitlement to this payment. This forfeiture will not be triggered by any termination caused by P.A.M., death, or disability. If the payment is forfeited, Dan Cushman agrees to pay P.A.M. in cash within 90 days of the termination.

By: /s/ Daniel H. Cushman

Daniel H. Cushman

By: /s/ Peter J. Dwyer

Peter J. Dwyer

NOTE:

The Company has also agreed to reimburse Mr. Cushman for up to eighteen (18) months and up to \$1,800 per month, for temporary living expenses.

**P.A.M. TRANSPORTATION SERVICES, INC.
INCENTIVE COMPENSATION PLAN
CALENDAR YEAR 2010**

THIS IS THE INCENTIVE COMPENSATION PLAN of P.A.M. Transportation Services, Inc., a Delaware Corporation (the "Company"), under which a bonus may be granted to Daniel H. Cushman subject to the limitations, provisions and requirements hereinafter stated. The Plan is as follows:

1. ADMINISTRATION OF PLAN. This Plan shall be administered by the Compensation Committee of the Company's Board of Directors (the "Committee").

2. MECHANICS OF THE PLAN. The Plan will award Mr. Cushman for profitability as measured by the Company's operating ratio. This Plan is an "annual plan" and incentive award shall be based on audited results of operations for January 1, 2010 through December 31, 2010.

"Annual Base Salary" multiplied by the "Bonus Percentage" per the attached Exhibit A. However, no bonus shall be payable if the Company's Consolidated Operating Ratio exceeds 99%.

- (a) Payment of Awards. Upon review and approval of the bonus calculation by the Committee, payments for the bonus that is awarded for the 2010 calendar year shall be made as follows:
- i. fifty percent (50%) of the bonus shall be paid on or before March 31, 2011;
 - ii. twenty-five percent (25%) of the bonus shall be paid on or before March 31, 2012; and
 - iii. twenty-five percent (25%) of the bonus shall be paid on or before March 31, 2013.

Dan H. Cushman must be an active or retired employee to receive payout.

- (b) Annual Base Salary. For purposes of calculating the bonus award hereunder, "Annual Base Salary" of Mr. Cushman shall mean the annual base salary as of December 31, 2010.

3. NONASSIGNABILITY. Mr. Cushman shall not have the right to assign or transfer any of his benefits or expected benefits under the Plan except by will or by the laws of descent and distribution.

4. Annual Revenue and Expenses: The calendar year 2010 revenues generated and expenses incurred by the Company as reported in the Company's 2010 audited financial statement. Revenue shall not include interest income, other non-operating income or extraordinary items. Expenses shall not include any bonuses expensed hereunder, interest expense or income taxes but shall include loss (gain) on sale of equipment.

Consolidated Operating Ratio: The calendar year expenses divided by calendar year revenue.

Percentage: All percentages shall be determined to the nearest 1/100th.

This Plan has been adopted and approved at a meeting of the Board of Directors of the Company on the 13th day of July, 2009 and shall be effective for the calendar year 2010, unless otherwise amended by the Board of Directors.

This plan shall be limited to calendar year 2010 and any new plan for 2011 or beyond will require further board approval.

EXHIBIT A

P.A.M. TRANSPORTATION SERVICES, INC.
INCENTIVE COMPENSATION PLAN

CONSOLIDATED OPERATING RATIOS AND
CORRESPONDING BONUS PERCENTAGES
FOR 2010 CALENDAR YEAR

<u>Consolidated Operating Ratio</u>	<u>Bonus Percentage</u>
99.0%	20.0%
98.0%	30.0%
97.0%	40.0%
96.0%	50.0%
95.0%	60.0%
94.0%	70.0%
93.0%	80.0%
92.0%	90.0%
91.0% or less	100.0%

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

I, DANIEL H. CUSHMAN, 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;
- (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 6, 2009

/s/ Daniel H. Cushman
Daniel H. Cushman
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;
- (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 6, 2009

/s/ Larry J. Goddard

Larry J. Goddard

Vice President-Finance, Chief Financial

Officer, Secretary and Treasurer

(principal accounting and financial officer)

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND 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, 2009 (the "Report") filed with the Securities and Exchange Commission, each of the undersigned hereby certifies that:

- (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 6, 2009

/s/ Daniel H. Cushman

Daniel H. Cushman
President and Chief Executive Officer
(principal executive officer)

/s/ Larry J. Goddard

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