

PAM TRANSPORTATION SERVICES INC  
Form 10-K  
March 14, 2017  
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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

**Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the Fiscal Year Ended December 31, 2016**

**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 No. 0-15057**

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

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**71-0633135**

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

**297 West Henri De Tonti Blvd, Tontitown, Arkansas 72770**

(Address of principal executive offices) (Zip Code)

**(479) 361-9111**

Registrant's telephone number, including area code

Securities registered pursuant to section 12(b) of the Act:

| <u>Title of each class</u>           | <u>Name of each exchange on which registered</u> |
|--------------------------------------|--|
| <b>Common Stock, \$.01 par value</b> | <b>NASDAQ Global Market</b>                      |

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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

Yes No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 Smaller reporting company

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

Yes No

The aggregate market value of the common stock of the registrant held by non-affiliates of the registrant computed by reference to the average of the closing bid and ask prices of the common stock as of the last business day of the registrant's most recently completed second quarter was \$39,775,800. Solely for the purposes of this response, the registrant has assumed, without admitting for any purpose, that all executive officers and directors of the registrant, and no other persons, are the affiliates of the registrant at that date.

The number of shares outstanding of the registrant's common stock, as of February 23, 2017: 6,400,803 shares of \$.01 par value common stock.

## **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on April 26, 2017, are incorporated by reference in answer to Part III of this report. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the Registrant's fiscal year ended December 31, 2016.

## **FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 10-K (this "Report") contains forward-looking statements, including statements about our operating and growth strategies, our expected financial position and operating results, industry trends, our capital expenditure and financing plans and similar matters. Such forward-looking statements are found throughout this Report, including under Item 1, Business, Item 1A, Risk Factors, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Item 7A, Quantitative and Qualitative Disclosures About Market Risk. In those and other portions of this Report, the words "believe," "may," "will," "estimate," "continue," "anticipate," "inter," "expect," "project", "could", "should", "would" and similar expressions, as they relate to us, our management, and our industry are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting our business. Actual results may differ materially. Some of the risks, uncertainties and assumptions that may cause actual results to differ from these forward-looking statements are described under the headings "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Quantitative and Qualitative Disclosures About Market Risk."

All forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by this cautionary statement.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this Report might not transpire.

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

**FORM 10-K**

**For the fiscal year ended December 31, 2016**

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**PART I**

**Item 1. Business.**

Unless the context otherwise requires, all references in this Annual Report on Form 10-K to “P.A.M.,” the “Company,” “we,” “our,” or “us” mean P.A.M. Transportation Services, Inc. and its subsidiaries.

We are a truckload dry van carrier transporting general commodities throughout the continental United States, as well as in certain Canadian provinces. We also provide transportation services in Mexico under agreements with Mexican carriers. Our freight consists primarily of automotive parts, expedited goods, consumer goods, such as general retail store merchandise, and manufactured goods, such as heating and air conditioning units.

P.A.M. Transportation Services, Inc. is a holding company incorporated under the laws of the State of Delaware in June 1986. We conduct operations principally through the following wholly owned subsidiaries: P.A.M. Transport, Inc., T.T.X., LLC, P.A.M. Cartage Carriers, LLC, Overdrive Leasing, LLC, P.A.M. Logistics Services, Inc., Choctaw Express, LLC, Choctaw Brokerage, Inc., Transcend Logistics, Inc., Decker Transport Co., LLC, East Coast Transport and Logistics, LLC, S & L Logistics, Inc., and P.A.M. International, Inc. Our operating authorities are held by P.A.M. Transport, Inc., P.A.M. Cartage Carriers, LLC, Choctaw Express, LLC, Choctaw Brokerage, Inc., T.T.X., LLC, Decker Transport Co., LLC, and East Coast Transport and Logistics, LLC. Effective on January 1, 2010, the operations of most of the Company’s operating subsidiaries were consolidated under the P.A.M. Transport, Inc. name in an effort to more clearly reflect the Company’s scope and available service offerings.

We are headquartered and maintain our primary terminal, maintenance facilities, and our corporate and administrative offices in Tontitown, Arkansas, which is located in northwest Arkansas, a major center for the trucking industry and where the support services (including warranty repair services) for most major truck and trailer equipment manufacturers are readily available.

**Segment Financial Information**

The Company's operations are all in the motor carrier segment and are aggregated into a single reporting segment in accordance with the aggregation criteria under Generally Accepted Accounting Principles (“GAAP”).

## Operations

Our operations can generally be classified into truckload services or brokerage and logistics services. Truckload services include those transportation services in which we utilize company owned trucks or independent contractor owned trucks for the pickup and delivery of freight. The brokerage and logistics services consists 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 use of company-owned or independent contractor-owned equipment. Both our truckload operations and our brokerage and logistics operations have similar economic characteristics and are impacted by virtually the same economic factors as discussed elsewhere in this Report. Truckload services operating revenues, before fuel surcharges represented 88.4%, 87.6% and 92.5% of total operating revenues for the years ended December 31, 2016, 2015 and 2014, respectively. The remaining operating revenues, before fuel surcharge for the same periods were generated by brokerage and logistics services, representing 11.6%, 12.4%, and 7.5%, respectively.

Approximately 58% of the Company's revenues are derived from domestic shipments while approximately 42% of our revenues are derived from freight originating from or destined to locations in Mexico or Canada.



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**Business and Growth Strategy**

Our strategy focuses on the following elements:

*Providing a Full Suite of Complimentary Truckload Transportation Solutions.* Our objective is to provide our customers with a comprehensive solution to their truckload transportation needs. Our asset-based service offerings consist of dedicated, expedited, regional, automotive, and long-haul truckload services with non-asset based supply chain management, logistics and brokerage solutions rounding out our service offerings. Our range of service offerings also include our complete range of asset-based and non-asset based services to Mexico and Canada.

*Developing Customer Relationships within High Density Traffic Lanes.* We strive to maximize utilization and increase revenue per truck while minimizing our time and empty miles between loads. In this regard, we seek to provide equipment to our customers in defined regions and disciplined traffic lanes. This strategy enables us to:

maintain more consistent equipment capacity;

provide a high level of service to our customers, including time-sensitive delivery schedules;

attract and retain drivers; and

maintain a sound safety record as drivers travel familiar routes.

*Providing Superior and Flexible Customer Service.* Our wide range of services includes expedited services, dedicated fleet services, logistics services, time-definite delivery, two-person driving teams, cross-docking and consolidation programs, specialized trailers, international services to Mexico and Canada, and Internet-based customer access to delivery status. These services allow us to quickly and reliably respond to the diverse needs of our customers, and provide an advantage in securing new business.

Many of our customers depend on us to deliver shipments on a time-definite basis, meaning that parts or raw materials are scheduled for delivery as they are needed on a manufacturer's production line. The need for this service is a product of modern manufacturing and assembly methods that are designed to decrease inventory levels and handling costs. Such requirements place a premium on our delivery performance and reliability.

*Employing Stringent Cost Controls.* Throughout our organization, emphasis is placed on gaining efficiency in our processes with the primary goals of decreasing costs and improving customer satisfaction. Maintaining a high level of efficiency and prioritizing our focus on improvements allows us to minimize the number of non-driving personnel we employ and positively influence other overhead costs. Expenses are intensely scrutinized for opportunities for elimination, reduction or to further leverage our purchasing power to achieve more favorable pricing.

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**Industry**

According to the American Trucking Association's "American Trucking Trends 2016" report, the trucking industry transported approximately 70.1% of the total volume of freight transported in the United States during 2015, which equates to 10.5 billion tons and approximately \$726 billion in revenue. The truckload industry is highly fragmented and is impacted by several economic and business factors, many of which are beyond the control of individual carriers. The state of the economy, coupled with equipment capacity levels, can impact freight rates. Volatility of various operating expenses, such as fuel and insurance, make the predictability of profit levels uncertain. Availability, attraction, retention and compensation of drivers also affect operating costs, as well as equipment utilization. In addition, the capital requirements for equipment, coupled with potential uncertainty of used equipment values, impact the ability of many carriers to expand their operations. The current operating environment is characterized by the following:

Intense competition for freight;

Price increases by truck and trailer equipment manufacturers;

Volatile fuel costs; and

Pressure on less profitable or undercapitalized carriers to consolidate or exit the industry.

**Competition**

The trucking industry is highly competitive and includes thousands of carriers, none of which dominates the market in which the Company operates. The Company's market share is less than 1% and we compete primarily with other irregular route medium- to long-haul truckload carriers, with private carriage conducted by our existing and potential customers, and, to a lesser extent, with the railroads. We compete on the basis of quality of service and delivery performance, as well as price. Many of the other irregular route long-haul truckload carriers have substantially greater financial resources, own more equipment or carry a larger total volume of freight as compared to the Company.

**Marketing and Significant Customers**

Our marketing emphasis is directed to that portion of the truckload market which is generally service-sensitive, as opposed to being solely price competitive. We seek to become a “core carrier” for our customers in order to maintain high utilization and capitalize on recurring revenue opportunities. Our marketing efforts are diversified and designed to gain access to dedicated, expedited, regional, automotive, and long-haul opportunities (including those in Mexico and Canada) and to expand supply chain solutions offerings.

Our marketing efforts are conducted by a sales staff of nine employees who are located in our major markets and supervised from our headquarters. These individuals work to improve profitability by maintaining an even flow of freight traffic (taking into account the balance between originations and destinations in a given geographical area), high utilization, and minimizing movement of empty equipment.

Our five largest customers, for which we provide carrier services covering a number of geographic locations, accounted for approximately 43%, 44% and 48% of our total revenues in 2016, 2015 and 2014, respectively. General Motors Company accounted for approximately 18%, 15% and 20% of our revenues in 2016, 2015, and 2014, respectively. Ford Motor Company accounted for approximately 10%, 11%, and 6% of our revenues in 2016, 2015, and 2014, respectively. Chrysler, accounted for approximately 9%, 11% and 14% of our revenues in 2016, 2015, and 2014, respectively.

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We also provide transportation services to other manufacturers who are suppliers for automobile manufacturers. Approximately 45%, 47% and 48% of our revenues were derived from transportation services provided to the automobile industry during 2016, 2015 and 2014, respectively.

### **Revenue Equipment**

At December 31, 2016, our truck fleet consisted of 1,855 trucks, which included 357 trucks leased under operating leases and 578 independent contractor trucks. At December 31, 2016, our trailer fleet consisted of 5,699 trailers, which included 232 trailers leased under operating leases. Our company-owned trucks and leased trucks are late model, well-maintained, premium trucks, which we believe help to attract and retain drivers, maximize fuel efficiency, promote safe operations, minimize maintenance and repair costs, and improve customer service by minimizing service interruptions caused by breakdowns. The average age of our trucks and trailers as of December 31, 2016 was 1.49 years and 2.71 years respectively. We evaluate our equipment purchasing decisions based on factors such as initial cost, useful life, warranty terms, expected maintenance costs, fuel economy, driver comfort, customer needs, manufacturer support, and resale value.

We contract with independent contractors to provide greater flexibility in responding to fluctuations in consumer demand. Independent contractors provide their own trucks and are contractually responsible for all associated expenses, including financing costs, fuel, maintenance, insurance, and taxes, among other things. They are also responsible for maintaining compliance with the Federal Motor Carrier Safety Administration regulations.

### **Technology**

We have installed Qualcomm display units in all of our trucks. The Qualcomm system is a satellite-based global positioning and communications system that allows fleet managers to communicate directly with drivers. Drivers can provide location, status, and updates directly to our computer system which increases productivity and convenience. This system provides us with accurate estimated time of arrival information, which optimizes load selection and service levels to our customers.

Our information systems manage the data provided by the Qualcomm devices to provide us with real-time information regarding the location, status, and load assignment of our trucks, which permits us to better meet delivery schedules, respond to customer inquiries, and match equipment with the next available load. Our system also provides real-time information electronically to our customers regarding the status of freight shipments and anticipated arrival times. This system provides our customers flexibility and convenience by extending supply chain visibility through electronic data interchange, the Internet, and e-mail.

## **Maintenance**

We have a strictly-enforced, comprehensive preventive maintenance program for our trucks and trailers. Inspections and various levels of preventive maintenance are performed at set intervals on both trucks and trailers. A maintenance and safety inspection is performed on all vehicles each time they return to a terminal.

Our trucks carry full warranty coverage for at least three years or 375,000 miles. Extended truck warranties can be negotiated with the truck manufacturer and manufacturers of major components, such as engine, transmission, and differential manufacturers, for up to four years or 500,000 miles. Our trailers carry full warranties by the manufacturer for up to five years with certain components covered for up to ten years.

## **Employees**

At December 31, 2016, we employed 2,463 persons, of whom 1,802 were drivers, 177 were employed in maintenance, 254 were employed in operations, 47 were employed in marketing, 116 were employed in safety and personnel, and 67 were employed in general administration and accounting. None of our employees are represented by a collective bargaining unit, and we believe that our employee relations are good.

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**Drivers**

At December 31, 2016, we utilized 1,802 company drivers in our operations. We also had 753 independent contractors under contract who were compensated on a per mile basis. Our drivers are compensated on the basis of miles driven, loading and unloading, extra stops, and layovers in transit. Drivers can earn bonuses by recruiting other qualified drivers who become employed by us, and both cash and non-cash prizes are awarded for achieving certain miles-per-gallon goals. All of our drivers are recruited, screened, and drug tested and participate in our driver training program. Our driver training program stresses the importance of safety and reliable, on-time delivery. Drivers are required to report to their driver managers daily and at the earliest possible moment when any condition occurs en route that might delay their scheduled delivery time.

We contract with independent contractors to supply one or more trucks and drivers for our use. Independent contractors must pay their own truck expenses, fuel, maintenance, insurance, and driver costs. They must meet and operate within our guidelines with respect to safety. We have a lease-purchase program whereby we offer independent contractors the opportunity to lease a truck, with the option to purchase the truck at the end of the lease term. We believe our lease-purchase program has contributed to our ability to attract and retain independent contractors. At December 31, 2016, approximately 220 independent contractors were leasing 257 trucks in this program.

In addition to strict application screening and drug testing, before being permitted to operate a vehicle, our drivers must undergo classroom instruction on our policies and procedures, safety techniques as taught by the Smith System of Defensive Driving, and the proper operation of equipment, and must pass both written and road tests. Instruction in defensive driving and safety techniques continues after hiring, with seminars at several of our terminals. At December 31, 2016, we employed 99 persons on a full-time basis in our driver recruiting, training and safety instruction programs.

Intense competition in the trucking industry for qualified drivers has resulted in additional expense to recruit and retain an adequate supply of drivers, and has had a negative impact on the industry. Our operations have also been impacted and from time to time we have experienced under-utilization and increased expenses due to a shortage of qualified drivers. We place a high priority on the recruitment and retention of an adequate supply of qualified drivers.

**Available Information**

The Company maintains a website where additional information concerning its business can be found. The address of that website is [www.pamtransport.com](http://www.pamtransport.com). The Company makes available free of charge on its website its Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or

furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") as soon as reasonably practicable after it electronically files or furnishes such materials to the Securities and Exchange Commission.

### **Seasonality**

Generally, our revenues do not exhibit a significant seasonal pattern; however, revenue is affected by adverse weather conditions, holidays and the number of business days that occur during a given period because revenue is directly related to the available work days of shippers. Operating expenses are typically higher in the winter months primarily due to decreased fuel efficiency and increased maintenance costs associated with inclement weather. In addition, automobile plants for which we transport a large amount of freight typically undergo scheduled shutdowns in July and December and the volume of automotive freight we ship is reduced during such scheduled plant shutdowns.



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**Regulation**

We are a common and contract motor carrier regulated by various United States federal and state, Canadian provincial, and Mexican federal agencies. These regulatory agencies have broad powers, generally governing matters such as authority to engage in motor carrier operations, motor carrier registration, driver hours-of-service (“HOS”), drug and alcohol testing of drivers, and safety, size, and weight of transportation equipment. The primary regulatory agencies affecting the Company’s operations include the Federal Motor Carrier Safety Administration (“FMCSA”), the Pipeline and Hazardous Materials Safety Agency, and the Surface Transportation Board, which are all agencies within the U.S. Department of Transportation (“DOT”). We believe that we are in compliance in all material respects with applicable regulatory requirements relating to our business and operate with a “satisfactory” rating (the highest of three rating categories) from the DOT. In addition, we are subject to compliance with cargo-security and transportation regulations issued by the Transportation Security Administration, a component department within the U.S. Department of Homeland Security. To the extent that we conduct operations outside the United States, we are subject to the Foreign Corrupt Practices Act, which generally prohibits U.S. companies and their intermediaries from offering bribes to foreign officials for the purpose of obtaining or retaining favorable treatment.

In December 2011, the FMCSA released new rules regulating HOS that became effective in July 2013. These rules reduced the maximum hours that could be driven in a consecutive seven day period from 82 to 70, required that a driver take a mandatory thirty minute break during each consecutive eight hour driving period, and required that a driver take a 34 hour rest period, or restart, that included two periods between 1:00 a.m. and 5:00 a.m. that could only be used one time every seven calendar days.

In December 2014 the Consolidated and Further Continuing Appropriations Act of 2015 suspended enforcement of the requirements for use of the 34 hour restart that became effective in July 2013 and replaced them with the previous restart rules that were in effect on June 30, 2013 pending the completion of the Commercial Vehicle Driver Restart Study which is designed to measure and compare the fatigue and safety performance of truck drivers using the two different versions of the HOS restart provisions. As of December 31, 2016, the study was still in progress.

In July 2012 Congress passed legislation renewing the mandate for electronic logging devices and designated authority to the FMCSA to propose a new rule. In December 2015 the FMCSA amended the Federal Motor Carrier Safety Regulations to establish minimum performance and design standards for HOS electronic logging devices (“ELDs”); requirements for the mandatory use of these devices by drivers currently required to prepare HOS records of duty status; requirements concerning HOS supporting documents; and measures to address concerns about harassment resulting from the mandatory use of ELDs. This ruling affects nearly all carriers, including us, and requires ELDs be installed prior to December 2017. Since our trucks are currently ELD equipped, we do not foresee a negative impact to our profitability as a result of this new rule; however, we believe that more effective enforcement of HOS rules on smaller carriers may present challenges for them and may improve our competitive position.

The FMCSA administers carrier safety compliance and enforcement through its Compliance, Safety, Accountability (“CSA”) program that became effective in December 2010. CSA is designed to measure and evaluate the safety performance of carriers and drivers through categorization of inspection and crash results into Behavior Analysis and Safety Improvement Categories (“BASICS”) including unsafe/fatigued driving, driver fitness, controlled substances and alcohol, maintenance, cargo, and crashes. BASIC scores are evaluated relative to carrier peer groups to determine carriers that exceed certain thresholds, identifying them for intervention. Intervention status might include targeted roadside inspections, onsite investigations and the development of cooperative safety plans among other things. Ongoing compliance with CSA may result in additional expenses to the Company or a reduction in the pool of drivers eligible for us to hire. In addition to FMCSA action, a BASIC score that exceeds an intervention threshold might have a negative impact on our ability to attract customers and drivers.

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The Environmental Protection Agency (“EPA”) and the National Highway Traffic Safety Administration (“NHTSA”) jointly developed new standards for various vehicles, including heavy duty trucks, that were adopted in August 2011 and cover model years 2014 through 2018. The standard adopted for heavy duty trucks is intended to achieve a reduction in CO<sub>2</sub> and fuel consumption ranging from 7% to 20% by model year 2017. The EPA and NHTSA are expected to publish additional standards to further reduce greenhouse gas (“GHG”) emissions beyond model year 2018 vehicles. In addition, the state of California has adopted its own fuel efficiency regulations that include the use of special aerodynamic equipment for trucks and 53 foot trailers traveling through the state. Compliance with these federal and state requirements has increased the cost of our equipment and may further increase the cost of replacement equipment in the future.

Our motor carrier operations are also subject to environmental laws and regulations, including laws and regulations dealing with underground fuel storage tanks, the transportation of hazardous materials and other environmental matters, and our operations involve certain inherent environmental risks. We maintain one bulk fuel storage above ground tank and fuel island. Our operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. We have instituted programs to monitor and control environmental risks and assure compliance with applicable environmental laws. As part of our safety and risk management program, we periodically perform internal environmental reviews so that we can achieve environmental compliance and avoid environmental risk. We transport a minimum amount of environmentally hazardous substances and, to date, have experienced no significant claims for hazardous materials shipments. If we should fail to comply with applicable regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

Company operations are often conducted in industrial areas, where truck terminals and other industrial activities are conducted, and where groundwater or other forms of environmental contamination have occurred, which could potentially expose us to claims that we contributed to the environmental contamination.

We believe we are currently in material compliance with applicable laws and regulations and that the cost of compliance has not materially affected results of operations.

**Item 1A. Risk Factors.**

Set forth below, and elsewhere in this Report and in other documents we file with the SEC, are risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this Report.

**Risks Related to Our Business**

*Our business is subject to general economic and business factors that are largely beyond our control, any of which could have a material adverse effect on our operating results.*

Our business is dependent upon a number of general economic and business factors that may adversely affect our results of operations. These factors include significant increases or rapid fluctuations in fuel prices, excess capacity in the trucking industry, surpluses in the market for used equipment, interest rates, fuel taxes, license and registration fees, insurance premiums, self-insurance levels, and difficulty in attracting and retaining qualified drivers, independent contractors, and third party carriers.

We operate in a highly competitive and fragmented industry, and our business may suffer if we are unable to adequately address any downward pricing pressures or other factors that may adversely affect our ability to compete with other carriers.

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Further, we are affected by recessionary economic cycles and downturns in customers' business cycles, particularly in market segments and industries, such as the automotive industry, where we have a significant concentration of customers. Economic conditions may also adversely affect our customers and their ability to pay for our services.

Deterioration in the United States and/or world economies could exacerbate any difficulties experienced by our customers and suppliers in obtaining financing, which, in turn, could materially and adversely impact our business, financial condition, results of operations and cash flows.

*Numerous competitive factors could impair our ability to operate at an acceptable profit. These factors include, but are not limited to, the following:*

we compete with many other truckload carriers of varying sizes and, to a lesser extent, with less-than-truckload carriers and railroads, some of which have more equipment and greater capital resources than we do;

some of our competitors periodically reduce their freight rates to gain business, especially during times of reduced growth rates in the economy, which may limit our ability to maintain or increase freight rates, maintain our margins or maintain significant growth in our business;

many customers reduce the number of carriers they use by selecting so-called "core carriers" as approved service providers, and in some instances we may not be selected;

many customers periodically accept bids from multiple carriers for their shipping needs, and this process may depress freight rates or result in the loss of some of our business to competitors;

the trend toward consolidation in the trucking industry may create other large carriers with greater financial resources and other competitive advantages relating to their size and with whom we may have difficulty competing;

advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher freight rates to cover the cost of these investments;

competition from Internet-based and other logistics and freight brokerage companies may adversely affect our customer relationships and freight rates; and

economies of scale that may be passed on to smaller carriers by procurement aggregation providers may improve their ability to compete with us.

*We are highly dependent on our major customers, the loss of one or more of which could have a material adverse effect on our business.*

A significant portion of our revenue is generated from our major customers. For 2016, our top five customers, based on revenue, accounted for approximately 43% of our revenue, and our three largest customers, General Motors Company, Chrysler, and Ford Motor Company, accounted for approximately 18%, 10%, and 9% of our revenue, respectively. We also provide transportation services to other manufacturers who are suppliers for automobile manufacturers. As a result, the concentration of our business within the automobile industry is greater than the concentration in a single customer. Approximately 45% of our revenues for 2016 were derived from transportation services provided to the automobile industry.

Generally, we do not have long-term contractual relationships with our major customers, and we cannot assure that our customer relationships will continue as presently in effect. A reduction in or termination of our services by our major customers could have a material adverse effect on our business and operating results.

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*We may be adversely impacted by fluctuations in the price and availability of diesel fuel.*

Diesel fuel represents a significant operating expense for the Company and we do not currently hedge against the risk of diesel fuel price increases. An increase in diesel fuel prices or diesel fuel taxes, or any change in federal or state regulations that results in such an increase, could have a material adverse effect on our operating results to the extent we are unable to recoup such increases from customers in the form of increased freight rates or through fuel surcharges. Historically, we have been able to offset, to a certain extent, diesel fuel price increases through fuel surcharges to our customers, but we cannot be certain that we will be able to do so in the future. We continuously monitor the components of our pricing, including base freight rates and fuel surcharges, and address individual account profitability issues with our customers when necessary. While we have historically been able to adjust our pricing to help offset changes to the cost of diesel fuel through changes to base rates and/or fuel surcharges, we cannot be certain that we will be able to do so in the future.

*Difficulty in attracting drivers and independent contractors could affect our profitability and ability to grow.*

The transportation industry often experiences significant difficulty in attracting and retaining qualified drivers and independent contractors. This shortage is exacerbated by several factors, including demand from competing industries, such as manufacturing, construction and farming, other transportation companies, and by the impact of regulations, including CSA and new hours of service rules. Economic conditions affecting operating costs such as fuel, insurance, equipment and maintenance costs can negatively impact the number of qualified independent contractors available for us to contract with. We have from time to time experienced under-utilization and increased expenses due to a shortage of qualified drivers. If we are unable to attract drivers or contract with independent contractors when needed, we could be required to further adjust our driver compensation packages, increase driver recruiting efforts, or let trucks sit idle, any of which could adversely affect our growth and profitability.

*If we are unable to retain our key employees, our business, financial condition and results of operations could be harmed.*

We are highly dependent upon the services of our key employees and executive officers. The loss of any of their services could have a material adverse effect on our operations and future profitability. We must continue to develop and retain a core group of managers if we are to realize our goal of expanding our operations and continuing our growth. We cannot be certain of our ability to retain these key individuals.

*Ongoing insurance and claims expenses could significantly reduce our earnings.*

Our future insurance and claims expenses might exceed historical levels, which could reduce our earnings. The Company is self-insured for health and workers' compensation insurance coverage up to certain limits. If medical costs continue to increase, or if the severity or number of claims increase, and if we are unable to offset the resulting increases in expenses with higher freight rates, our earnings could be materially and adversely affected. Healthcare legislation and inflationary cost increases could also have a negative effect on our results.

*Purchase price increases for new revenue equipment and/or decreases in the value of used revenue equipment could have an adverse effect on our results of operations, cash flows and financial condition.*

During the last decade, the purchase price of new revenue equipment has increased significantly as equipment manufacturers recover increased materials and engine design costs resulting from compliance with increasingly stringent EPA engine emission standards. Additional EPA emission mandates in the future could result in higher purchase prices of revenue equipment which could result in higher than anticipated depreciation expenses. If we were unable to offset any such increase in expenses with freight rate increases, our cash flows and results of operations could be adversely affected. If the market price for used revenue equipment declines, we could incur substantial losses upon disposition of our revenue equipment which could adversely affect our results of operations and financial condition.



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*We have significant ongoing capital requirements that could affect our liquidity and profitability if we are unable to generate sufficient cash from operations or obtain sufficient financing on favorable terms.*

The trucking industry is capital intensive. If we are unable to generate sufficient cash from operations in the future, we may have to limit our growth, enter into unfavorable financing arrangements, or operate our revenue equipment for longer periods, any of which could have a material adverse effect on our profitability.

*We have a substantial amount of debt, which could restrict our growth, place us at a competitive disadvantage or otherwise materially adversely affect our financial health. Our substantial debt levels could have important consequences such as the following:*

impair our ability to obtain additional future financing for working capital, capital expenditures, acquisitions or general corporate expenses;

limit our ability to use operating cash flow in other areas of our business due to the necessity of dedicating a substantial portion of these funds for payments on our indebtedness;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

make it more difficult for us to satisfy our obligations;

increase our vulnerability to general adverse economic and industry conditions; and

place us at a competitive disadvantage compared to our competitors.

Our ability to make scheduled payments on, or to refinance, our debt and other obligations will depend on our financial and operating performance, which, in turn, is subject to our ability to implement our strategic initiatives, prevailing economic conditions and certain financial, business and other factors beyond our control. If our cash flow and capital resources are insufficient to fund our debt service and other obligations, we may be forced to reduce or delay expansion plans and capital expenditures, sell material assets or operations, obtain additional capital or restructure our debt. We cannot provide any assurance that our operating performance, cash flow and capital resources will be sufficient to pay our debt obligations when they become due. We also cannot provide assurance that we would be able to dispose of material assets or operations or restructure our debt or other obligations if necessary or, even if we were able to take such actions, that we could do so on terms that are acceptable to us.

*Disruptions in the credit markets may adversely affect our business, including the availability and cost of short-term funds for liquidity requirements and our ability to meet long-term commitments, which could adversely affect our results of operations, cash flows and financial condition.*

If cash from operations is not sufficient, we may be required to rely on the capital and credit markets to meet our financial commitments and short-term liquidity needs. Disruptions in the capital and credit markets could adversely affect our ability to draw on our bank revolving credit facility. Our access to funds under the credit facility is dependent on the ability of banks to meet their funding commitments. A bank may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from other borrowers within a short period of time.

Longer term disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives, or failures of significant financial institutions could adversely affect our access to liquidity needed for our business. Any disruption could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged, which could adversely affect our growth and profitability.

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*We operate in a highly regulated industry and increased costs of compliance with, or liability for violation of, existing or future regulations could have a material adverse effect on our business.*

Our operations are authorized and regulated by various federal and state agencies in the United States, Mexico and Canada, that generally govern such activities as authorization to engage in motor carrier operations, safety, and financial reporting. Specific standards and regulations such as equipment dimensions, engine emissions, maintenance, drivers' hours of service, drug and alcohol testing, and hazardous materials are regulated by the Department of Transportation, Federal Motor Carrier Administration, the Environmental Protection Agency and various other state and federal agencies. We may become subject to new or more restrictive regulations imposed by these authorities which could significantly impair equipment and driver productivity and increase operating expenses.

The FMCSA administers carrier safety compliance and enforcement through its CSA program that became effective in December 2010. The program places carriers in peer groups and assigns each carrier a relative ranking compared to their peers in various categories. Carriers that exceed allowable thresholds in a particular category are placed in "intervention" status by the FMCSA until the score improves to a level below the threshold. If future roadside inspections or crashes were to result in the Company being placed in intervention status, we may incur additional operating costs to improve our safety program in deficient categories, experience increased roadside inspections, or have onsite visits by the FMCSA. If the intervention category is not remedied, it could affect our ability to attract and retain drivers and customers as they seek competitive carriers with scores below intervention thresholds. In addition the CSA program could increase competition and related compensation and recruitment costs for drivers and independent contractors by reducing the pool of qualified drivers if existing drivers exit the profession, become disqualified due to low scores or as carriers focus recruiting efforts on drivers with the best relative safety scores.

The EPA and the NHTSA jointly developed standards for various vehicles, including heavy duty trucks, that were adopted in August 2011 and cover model years 2014 through 2018. These standards are designed to reduce GHG emissions and improve fuel economy for heavy duty trucks. In August 2016, the EPA and NHTSA finalized the second phase of these standards which will further reduce GHG emissions and fuel consumption for heavy duty trucks through model year 2027. Compliance with these federal and state requirements has increased the cost of our equipment and may further increase the cost of replacement equipment in the future.

The Regulation section in Item 1 of Part I of this Annual Report on Form 10-K discusses several proposed and final regulations that could materially impact our business and operations.

*We are subject to certain risks arising from doing business in Mexico.*

As we continue to grow our business in Mexico, we are subject to greater risks of doing business internationally, including fluctuations in foreign currencies, changes in the economic strength of Mexico, difficulties in enforcing contractual obligations and intellectual property rights, burdens of complying with a wide variety of international and U.S. export and import laws, and social, political, and economic instability. We also face additional risks associated with our Mexico business, including potential restrictive trade policies and imposition of any import or export taxes, duties, fees, etc. If we are unable to address business concerns related to our international operations in a timely and cost efficient manner, our financial position, results of operations or cash flows could be adversely affected. The agreement permitting cross border movements for both United States and Mexican based carriers in the United States and Mexico presents additional risks in the form of potential increased competition and the potential for increased congestion in our lanes that cross the border between countries.

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*A determination by regulators that independent contractors are employees could expose us to various liabilities and additional costs.*

Tax and other regulatory authorities often seek to assert that independent contractors in the transportation service industry are employees rather than independent contractors. There can be no assurance that interpretations and tax laws that support the independent contractor status will not change or that various authorities will not successfully assert a position that re-classifies independent contractors to be employees. If our independent contractors are determined to be our employees, that determination could materially increase our exposure under a variety of federal and state tax, workers' compensation, unemployment benefits, labor, employment and tort laws, as well as our potential liability for employee benefits. In addition, such changes may be applied retroactively, and if so, we may be required to pay additional amounts to compensate for prior periods. Any of the above increased costs would adversely affect our business and operating results.

*Our results of operations may be affected by seasonal factors.*

Our productivity may decrease during the winter season when severe winter weather impedes operations. Also, some shippers may reduce their shipments after the winter holiday season. At the same time, operating expenses may increase and fuel efficiency may decline due to engine idling during periods of inclement weather. Harsh weather conditions generally also result in higher accident frequency, increased freight claims, and higher equipment repair expenditures. In addition, automobile plants for which we transport a large amount of freight typically undergo scheduled shutdowns in July and December which reduces the volume of automotive freight we ship during these plant shutdowns.

*Our business may be disrupted by natural disasters and severe weather conditions causing supply chain disruptions.*

Natural disasters such as earthquakes, tsunamis, hurricanes, tornadoes, floods or other adverse weather and climate conditions, whether occurring in the United States or abroad, could disrupt our operations or the operations of our customers or could damage or destroy infrastructure necessary to transport products as part of the supply chain. Specifically, these events may damage or destroy our assets, disrupt fuel supplies, increase fuel costs, disrupt freight shipments or routes, and affect regional economies. As a result, these events could make it difficult or impossible for us to provide logistics and transportation services; disrupt or prevent our ability to perform functions at the corporate level; and/or otherwise impede our ability to continue business operations in a continuous manner consistent with the level and extent of business activities prior to the occurrence of the unexpected event, which could adversely affect our business and results of operations or make our results more volatile.

*We may incur additional operating expenses or liabilities as a result of potential future requirements to address climate change issues.*

As global warming issues become more prevalent, federal, state and local governments as well as some of our customers, have made efforts to respond to these issues. This increased focus on sustainability may result in new legislation or regulations and customer requirements that could negatively affect us as we may incur additional costs or be required to make changes to our operations in order to comply with any new regulations or customer requirements. Legislation or regulations that potentially impose restrictions, caps, taxes, or other controls on emissions of greenhouse gases such as carbon dioxide, a by-product of burning fossil fuels such as those used in the Company's trucks, could adversely affect our operations and financial results. More specifically, legislative or regulatory actions relating to climate change could adversely impact the Company by increasing our fuel costs and reducing fuel efficiency and could result in the creation of substantial additional capital expenditures and operating costs in the form of taxes, emissions allowances, or required equipment upgrades. Any of these factors could impair our operating efficiency and productivity and result in higher operating costs. In addition, revenues could decrease if we are unable to meet regulatory or customer sustainability requirements. These additional costs, changes in operations, or loss of revenues could have a material adverse effect on our business, financial condition and results of operations.

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*Our operations are subject to various environmental laws and regulations, the violation of which could result in substantial fines or penalties.*

We are subject to various environmental laws and regulations dealing with the handling of hazardous materials, underground fuel storage tanks, and discharge and retention of storm-water. We operate in industrial areas, where truck terminals and other industrial activities are located, and where groundwater or other forms of environmental contamination could occur. In prior years, we also maintained bulk fuel storage and fuel islands at two of our facilities. Our operations may involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. If we are involved in a spill or other accident involving hazardous substances, or if we are found to be in violation of applicable laws or regulations, it could have a materially adverse effect on our business and operating results. If we should fail to comply with applicable environmental regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

*If our employees were to unionize, our operating costs would increase and our ability to compete would be impaired.*

None of our employees are currently represented by a collective bargaining agreement. However, we can offer no assurance that our employees will not unionize in the future, particularly if legislation is passed that facilitates unionization. If our employees were to unionize, our operating costs would increase and our profitability could be adversely affected.

*Our information technology systems are subject to certain cyber security risks that are beyond our control.*

We depend on the proper functioning and availability of our information systems, including communications and data processing systems, in operating our business. Although we have implemented redundant systems and network security measures, our information technology remains susceptible to cyber security risks such as outages, computer viruses, break-ins and similar disruptions that may inhibit our ability to provide services to our customers and the ability of our customers to access our systems. This may result in the loss of customers or a reduction in demand for our services, which could adversely affect our growth and profitability.

*We have substantial fixed costs and, as a result, our operating income fluctuates disproportionately with changes in our net sales.*

A significant portion of our expenses are fixed costs that neither increase nor decrease proportionately with sales. There can be no assurance that we would be able to reduce our fixed costs proportionately in response to a decline in our sales and therefore our competitiveness could be significantly impacted. As a result, a decline in our sales would result in a higher percentage decline in our income from operations and net income.

*Our financial results may be adversely impacted by potential future changes in accounting practices.*

Future changes in accounting standards or practices, and related legal and regulatory interpretations of those changes, may adversely impact public companies in general, the transportation industry or our operations specifically. New accounting standards or requirements, could change the way we account for, disclose and present various aspects of our financial position, results of operations or cash flows and could be costly to implement.



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*Our business may be harmed by terrorist attacks, future war or anti-terrorism measures.*

In order to prevent terrorist attacks, federal, state and municipal authorities have implemented and continue to follow various security measures, including checkpoints and travel restrictions on large trucks. Our international operations in Canada and Mexico may be affected significantly if there are any disruptions or closures of border traffic due to security measures. Such measures may have costs associated with them, which, in connection with the transportation services we provide, we or our independent contractors could be forced to bear. In addition, war or risk of war also may have an adverse effect on the economy. A decline in economic activity could adversely affect our revenue or restrict our future growth. Instability in the financial markets as a result of terrorism or war also could affect our ability to raise capital. In addition, the insurance premiums charged for some or all of the coverage currently maintained by us could increase dramatically or such coverage could be unavailable in the future.

*We may be unable to successfully integrate businesses we acquire into our operations.*

Integrating businesses we acquire may involve unanticipated delays, costs or other operational or financial problems. Successful integration of the businesses we acquire depends on a number of factors, including our ability to transition acquired companies to our information systems. In integrating businesses we acquire, we may not achieve expected economies of scale or profitability or realize sufficient revenues to justify our investment. We also face the risk that an unexpected problem at one of the companies we acquire will require substantial time and attention from senior management, diverting management's attention from other aspects of our business. We cannot be certain that our management and operational controls will be able to support us as we grow.

**Risks Related to Our Common Stock**

*The Chairman of our board of directors holds a controlling interest in the Company; therefore, the influence of our public shareholders over significant corporate actions is limited, and we are not subject to certain corporate governance standards that apply to other publicly traded companies.*

Matthew T. Moroun, the Chairman of our Board of Directors, and a trust of which Mr. Moroun is a co-trustee together own approximately 60.9% of our outstanding common stock. As a result, Mr. Moroun has the power to:

control all matters submitted to our shareholders;

elect our directors;

adopt, extend or remove any anti-takeover provisions that are available to us; and

exercise control over our business, policies and affairs.

This concentration of ownership could limit the price that some investors might be willing to pay for shares of our common stock, and our ability to engage in significant transactions, such as a merger, acquisition or liquidation, will require the consent of Mr. Moroun. Conflicts of interest could arise between us and Mr. Moroun, and any conflict of interest may be resolved in a manner that does not favor us. Accordingly, Mr. Moroun could cause us to enter into transactions or agreements of which our other shareholders would not approve or make decisions with which they may disagree. Because of Mr. Moroun's level of ownership, we have elected to be treated as a controlled company in accordance with the rules of the NASDAQ Stock Market. Accordingly, we are not required to comply with NASDAQ Stock Market rules which would otherwise require a majority of our Board to be comprised of independent directors and require our Board to have a compensation committee and a nominating and corporate governance committee comprised of independent directors.

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Mr. Moroun may continue to retain control of the Company for the foreseeable future and may decide not to enter into a transaction in which shareholders would receive consideration for our common stock that is much higher than the then-current market price of our common stock. In addition, Mr. Moroun could elect to sell a controlling interest in us to a third-party and our other shareholders may not be able to participate in such transaction or, if they are able to participate in such a transaction, such shareholders may receive less than the then-current fair market value of their shares. Any decision regarding ownership of us that Mr. Moroun may make at some future time will be in his absolute discretion, subject to applicable laws and fiduciary duties.

*Our stock trading volume may not provide adequate liquidity for investors.*

Although shares of our common stock are traded on the NASDAQ Global Market, the average daily trading volume in our common stock is less than that of other larger transportation and logistics companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of a sufficient number of willing buyers and sellers of the common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Given the daily average trading volume of our common stock, significant sales of the common stock in a brief period of time, or the expectation of these sales, could cause a decline in the price of our common stock. Additionally, low trading volumes may limit a stockholder's ability to sell shares of our common stock.

*We currently do not intend to pay future dividends on our common stock.*

We currently do not anticipate paying future cash dividends on our common stock. Any determination to pay future dividends and other distributions in cash, stock, or property by the Company in the future will be at the discretion of our Board of Directors and will be dependent on then-existing conditions, including our financial condition and results of operations and contractual restrictions. Therefore, stockholders should not rely on future dividend income from shares of our common stock.

**Item 1B. Unresolved Staff Comments.**

None.



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Our executive offices and primary terminal facilities, which we own, are located in Tontitown, Arkansas. These facilities are located on approximately 49.3 acres and consist of 114,403 square feet of office space and maintenance and storage facilities.

Our subsidiaries lease facilities in Indianapolis, Indiana; Romulus, Michigan; Tahlequah, Oklahoma; and Monterrey, Mexico. Our terminal facilities in North Little Rock, Arkansas; North Jackson, Ohio; Willard, Ohio; and Irving and Laredo, Texas are owned. The leased facilities are leased primarily on contractual terms typically ranging from one to five years. As of December 31, 2016, the following table provides a summary of the ownership and types of activities conducted at each location:

| <u>Location</u>             | Own/ Dispatch Maintenance Safety |               |                 |                 |
|-----------------------------|----------------------------------|---------------|-----------------|-----------------|
|                             | <u>Lease</u>                     | <u>Office</u> | <u>Facility</u> | <u>Training</u> |
| Tontitown, Arkansas         | Own                              | Yes           | Yes             | Yes             |
| North Little Rock, Arkansas | Own                              | No            | Yes             | Yes             |
| Indianapolis, Indiana       | Lease                            | No            | Yes             | No              |
| Romulus, Michigan           | Lease                            | No            | Yes             | No              |
| North Jackson, Ohio         | Own                              | Yes           | Yes             | Yes             |
| Willard, Ohio               | Own                              | Yes           | Yes             | No              |
| Tahlequah, Oklahoma         | Lease                            | No            | No              | No              |
| Irving, Texas               | Own                              | Yes           | Yes             | Yes             |
| Laredo, Texas               | Own                              | Yes           | Yes             | Yes             |
| Monterrey, Mexico           | Lease                            | No            | No              | No              |

We also have access to trailer drop and relay stations in various other locations across the country. We lease certain of these facilities on a month-to-month basis from affiliates of our largest stockholder.

We believe that all of the properties that we own or lease are suitable for their purposes and adequate to meet our needs.

**Item 3. 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 statements.

We are a defendant in a collective-action lawsuit which was re-filed on December 9, 2016, in the United States District Court for the Western District of Arkansas. The plaintiffs, who are former drivers who worked for the Company during the period of December 6, 2013, through the date of the filing, allege violations under the Fair Labor Standards Act and the Arkansas Minimum Wage Law. The plaintiffs, through their attorneys, have filed causes of action alleging “Failure to pay minimum wage during orientation, failure to pay minimum wage to team drivers after initial orientation, failure to pay minimum wage to solo-drivers after initial orientation, failure to pay for compensable travel time, Comdata card fees, unlawful deductions, and breach of contract.” The plaintiffs are seeking actual and liquidated damages to include court costs and legal fees. The lawsuit is currently under preliminary review. We cannot reasonably estimate, at this time, the possible loss or range of loss, if any, that may arise from this lawsuit. Management has determined that any losses under this claim will not be covered by existing insurance policies.

**Item 4. Mine Safety Disclosures.**

Not applicable.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Our common stock is traded on the NASDAQ Global Market under the symbol PTSI. The following table sets forth, for the quarters indicated, the range of the high and low sales prices per share for our common stock as reported on the NASDAQ Global Market.

## Fiscal Year Ended December 31, 2016

|                | <b>High</b> | <b>Low</b> |
|----------------|-------------|------------|
| First Quarter  | \$32.23     | \$22.13    |
| Second Quarter | 30.99       | 14.75      |
| Third Quarter  | 21.32       | 15.60      |
| Fourth Quarter | 28.43       | 18.75      |

## Fiscal Year Ended December 31, 2015

|                | <b>High</b> | <b>Low</b> |
|----------------|-------------|------------|
| First Quarter  | \$63.70     | \$49.77    |
| Second Quarter | 67.61       | 54.01      |
| Third Quarter  | 62.16       | 30.33      |
| Fourth Quarter | 45.65       | 25.65      |

As of February 17, 2017, there were approximately 83 holders of record of our common stock.

**Dividends**

The Company paid cash dividends of \$1.00 per common share during each of the months of April 2012 and December 2012. No dividends were paid during any year prior to 2012 or subsequent to 2012. Future dividend policy and the payment of dividends, if any, will be determined by the Board of Directors in light of circumstances then existing, including our earnings, financial condition and other factors deemed relevant by the Board of Directors. Currently, the Company does not intend to pay dividends in the foreseeable future.

### **Repurchases of Equity Securities by the Issuer**

The Company's stock repurchase program has been extended and expanded several times, most recently in May 2014, when the Board of Directors reauthorized 500,000 shares of common stock for repurchase under the initial September 2011 authorization. Following the reauthorization, the Company repurchased 33,341 shares of its common stock during the remainder of 2014 under this repurchase program. During 2015 and 2016, the Company purchased 31,263 shares and 165,837 shares of its common stock under this repurchase program, respectively. In addition, the Company repurchased 567,413 shares, 298,566 shares, and 571,865 shares during 2016, 2015, and 2014, respectively, through publicly announced Dutch auction tender offers. See "Item 8. Financial Statements and Supplementary Data, Note 7 to the Consolidated Financial Statements – Capital Stock" for additional information regarding these tender offers.



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The following table summarizes the Company's common stock repurchases during the fourth quarter of 2016. No shares were purchased during the quarter other than through the repurchase program described above. All purchases were made by or on behalf of the Company and not by any "affiliated purchaser".

| Period              | Total number of shares purchased | Average price paid per share | Total number of shares purchased as part of publicly announced plans or programs | Maximum number of shares that may yet be purchased under the plans or programs (1) |
|---------------------|----------------------------------|------------------------------|--|--|
| October 1-31, 2016  | 8,421                            | \$ 19.91                     | 8,421  | 277,288  |
| November 1-30, 2016 | 7,729                            | 20.08                        | 7,729  | 269,559  |
| December 1-31, 2016 | -                                | -                            | -  | 269,559  |
| Total               | 16,150                           | \$ 19.99                     | 16,150   |  |

(1) The Company's stock repurchase program does not have an expiration date.

### Securities Authorized for Issuance Under Equity Compensation Plans

See Part III, Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of this Annual Report for a presentation of compensation plans under which equity securities of the Company are authorized for issuance.



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**Performance Graph**

Set forth below is a line graph comparing the yearly percentage change in the cumulative total stockholder return on our common stock against the cumulative total return of the NASDAQ OMX Index for the NASDAQ Stock Market (U.S. companies) and the NASDAQ OMX Index for the NASDAQ Trucking and Transportation Stocks for the period of five years commencing December 31, 2011 and ending December 31, 2016. The graph assumes that the value of the investment in our common stock and in each index was \$100 on December 31, 2011 and that all dividends were reinvested.

**COMPARISON OF CUMULATIVE TOTAL RETURN AMONG OUR COMMON STOCK,  
THE NASDAQ OMX INDEX FOR THE NASDAQ STOCK MARKET (U.S. COMPANIES)  
AND THE NASDAQ TRUCKING AND TRANSPORTATION STOCKS INDEX THROUGH DECEMBER  
31, 2016**



Table of Contents**Item 6. Selected Financial Data.**

The following selected financial and operating data should be read in conjunction with the Consolidated Financial Statements and notes thereto included elsewhere in this Report.

|   | <b>Year Ended December 31,</b>                  |             |             |             |             |
|---|---|-------------|-------------|-------------|-------------|
|   | <b>2016</b>                                     | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|   | <b>(in thousands, except per share amounts)</b> |             |             |             |             |
| <b>Statement of Operations Data:</b>            |   |             |             |             |             |
| Operating revenues:                             |   |             |             |             |             |
| Operating revenues, before fuel surcharge       | \$382,737                                       | \$355,403   | \$316,584   | \$313,117   | \$297,698   |
| Fuel surcharge                                  | 50,115  | 61,647      | 94,353      | 89,696      | 82,935      |
| Total operating revenues                        | 432,852   | 417,050     | 410,937     | 402,813     | 380,633     |
| Operating expenses:                             |   |             |             |             |             |
| Salaries, wages and benefits                    | 112,235   | 105,943     | 108,371     | 107,037     | 108,866     |
| Operating supplies and expenses                 | 82,993  | 89,878      | 126,875     | 137,268     | 155,392     |
| Rent and purchased transportation               | 158,298   | 134,188     | 90,831      | 85,226      | 54,011      |
| Depreciation                                    | 39,114  | 32,346      | 36,296      | 39,088      | 38,298      |
| Insurance and claims                            | 16,632  | 15,315      | 20,274      | 14,586      | 13,744      |
| Other   | 8,352   | 8,904       | 9,871       | 8,956       | 7,585       |
| Gain on sale or disposal of property            | (4,700 )  | (5,754 )    | (4,591 )    | (854 )      | (166 )      |
| Total operating expenses                        | 412,924   | 380,820     | 387,927     | 391,307     | 377,730     |
| Operating income                                | 19,928  | 36,230      | 23,010      | 11,506      | 2,903       |
| Non-operating income                            | 1,485   | 1,516       | 2,099       | 1,540       | 3,288       |
| Interest expense                                | (3,641 )  | (2,818 )    | (2,897 )    | (3,375 )    | (2,596 )    |
| Income before income taxes                      | 17,772  | 34,928      | 22,212      | 9,671       | 3,595       |
| Income tax expense                              | 6,671   | 13,492      | 8,721       | 3,756       | 1,416       |
| Net income                                      | \$11,101  | \$21,436    | \$13,491    | \$5,915     | \$2,179     |
| Earnings per common share:                      |   |             |             |             |             |
| Basic   | \$1.68  | \$2.94      | \$1.69      | \$0.68      | \$0.25      |
| Diluted   | \$1.67  | \$2.93      | \$1.68      | \$0.68      | \$0.25      |
| Average common shares outstanding – Basic       | 6,627   | 7,288       | 7,990       | 8,662       | 8,700       |
| Average common shares outstanding – Diluted (1) | 6,649   | 7,325       | 8,034       | 8,682       | 8,702       |
| Cash dividends declared per common share        | \$-   | \$-         | \$-         | \$-         | \$2.00      |

(1) Diluted income per share for 2016, 2015, 2014, 2013, and 2012 assumes the exercise of stock options to purchase an aggregate of 39,093, 44,755, 71,990, 92,496, and 2,776 shares of common stock, respectively.



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|  | <b>At December 31,</b>         |     |             |     |             |     |             |      |             |      |
|--|--------------------------------|-----|-------------|-----|-------------|-----|-------------|------|-------------|------|
|  | <b>2016</b>                    |     | <b>2015</b> |     | <b>2014</b> |     | <b>2013</b> |      | <b>2012</b> |      |
|  | <b>(in thousands)</b>          |     |             |     |             |     |             |      |             |      |
| <b>Balance Sheet Data:</b>                               |                                |     |             |     |             |     |             |      |             |      |
| Total assets   | \$380,066                      |     | \$357,995   |     | \$324,605   |     | \$329,302   |      | \$317,669   |      |
| Long-term debt, excluding current portion                | 124,391                        |     | 99,223      |     | 52,293      |     | 70,366      |      | 78,583      |      |
| Stockholders' equity                                     | 94,158                         |     | 101,554     |     | 99,985      |     | 115,946     |      | 122,195     |      |
| <br>   |                                |     |             |     |             |     |             |      |             |      |
|  | <b>Year Ended December 31,</b> |     |             |     |             |     |             |      |             |      |
|  | <b>2016</b>                    |     | <b>2015</b> |     | <b>2014</b> |     | <b>2013</b> |      | <b>2012</b> |      |
| <b>Operating Data:</b>                                   |                                |     |             |     |             |     |             |      |             |      |
| Operating ratio (1)                                      | 94.8                           | %   | 89.8        | %   | 92.7        | %   | 96.3        | %    | 99.0        | %    |
| Average number of truckloads per week                    | 6,827                          |     | 6,388       |     | 5,674       |     | 6,120       |      | 5,704       |      |
| Average miles per trip                                   | 684                            |     | 673         |     | 729         |     | 675         |      | 693         |      |
| Total miles traveled (in thousands)                      | 237,266                        |     | 218,418     |     | 209,990     |     | 209,837     |      | 200,765     |      |
| Average miles per truck                                  | 125,471                        |     | 119,419     |     | 117,868     |     | 116,256     |      | 114,071     |      |
| Average revenue, before fuel surcharge per truck per day | \$797                          |     | \$765       |     | \$700       |     | \$683       |      | \$666       |      |
| Average revenue, before fuel surcharge per loaded mile   | \$1.53                         |     | \$1.53      |     | \$1.50      |     | \$1.49      |      | \$1.49      |      |
| Empty mile factor  | 6.8                            | %   | 6.8         | %   | 6.8         | %   | 7.3         | %    | 8.7         | %    |
| <br>   |                                |     |             |     |             |     |             |      |             |      |
| <b>At end of period:</b>                                 |                                |     |             |     |             |     |             |      |             |      |
| Total company-owned/leased trucks                        | 1,855                          | (2) | 1,860       | (3) | 1,761       | (4) | 1,837       | (5)  | 1,800       | (6)  |
| Average age of company-owned trucks (in years)           | 1.49                           |     | 1.32        |     | 1.58        |     | 1.52        |      | 1.63        |      |
| Total company-owned/leased trailers                      | 5,699                          | (7) | 4,983       | (8) | 4,919       | (9) | 5,170       | (10) | 4,943       | (11) |
| Average age of company-owned trailers (in years)         | 2.71                           |     | 3.47        |     | 5.19        |     | 6.34        |      | 6.99        |      |
| Number of employees and independent contract drivers     | 3,216                          |     | 3,049       |     | 2,911       |     | 3,022       |      | 3,031       |      |

(1) Total operating expenses, net of fuel surcharge as a percentage of operating revenues, before fuel surcharge;

(2) Includes 578 independent contractor trucks;

(3) Includes 482 independent contractor trucks;

(4) Includes 325 independent contractor trucks;

(5) Includes 357 independent contractor trucks;

(6) Includes 220 independent contractor trucks;

(7) Includes 232 leased trailers;

(8) Includes 80 leased trailers;

(9) Includes 141 leased trailers;

(10) Includes 91 leased trailers;

(11) Includes 36 leased trailers.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

**Business Overview**

The Company's administrative headquarters are in Tontitown, Arkansas. From this location we manage operations conducted through our wholly owned subsidiaries based in various locations around the United States, Mexico, and Canada. The operations of these subsidiaries can generally be classified into either truckload services or brokerage and logistics services. Truckload services include those transportation services in which we utilize company owned trucks or independent contractor 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 independent contractor owned equipment. Both our truckload operations and our brokerage/logistics operations have similar economic characteristics and are impacted by virtually the same economic factors as discussed elsewhere in this Report. All of the Company's operations are in the motor carrier segment.

For both operations, substantially all of our revenue is generated by transporting freight for customers and is predominantly affected by the rates per mile received from our customers, equipment utilization, and our percentage of non-compensated miles. These aspects of our business are carefully managed and efforts are continuously underway to achieve favorable results. Truckload services revenues, excluding fuel surcharges, represented 88.4%, 87.6% and 92.5% of total revenues, excluding fuel surcharges for the twelve months ended December 31, 2016, 2015 and 2014, respectively.

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.



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In discussing our results of operations we use revenue, before fuel surcharge (and operating supplies and expense, net of fuel 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 2016, 2015 and 2014, approximately \$50.1 million, \$61.6 million and \$94.4 million, respectively, of the Company's total revenue was generated from fuel surcharges. We also discuss certain changes in our expenses as a percentage of revenue, before fuel surcharge, rather than absolute dollar changes. We do this because we believe the high variable cost nature of certain expenses makes a comparison of changes in expenses as a percentage of revenue more meaningful than absolute dollar changes.

**Results of Operations - Truckload Services**

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

|  | <b>Years Ended December</b> |             |             |
|--|-----------------------------|-------------|-------------|
|  | <b>31,</b>                  |             |             |
|  | <b>2016</b>                 | <b>2015</b> | <b>2014</b> |
| Operating revenues, before fuel surcharge              | 100.0%                      | 100.0%      | 100.0%      |
| Operating expenses:                                    |                             |             |             |
| Salaries, wages and benefit                            | 32.6                        | 33.6        | 36.8        |
| Operating supplies and expenses, net of fuel surcharge | 9.7                         | 9.1         | 11.1        |
| Rent and purchased transportation                      | 34.7                        | 29.8        | 23.5        |
| Depreciation   | 11.5                        | 10.4        | 12.4        |
| Insurance and claims                                   | 4.9                         | 4.9         | 6.9         |
| Other  | 2.4                         | 2.8         | 3.3         |
| Gain on sale or disposal of property                   | (1.4 )                      | (1.9 )      | (1.6 )      |
| Total operating expenses                               | 94.4                        | 88.7        | 92.4        |
| Operating income                                       | 5.6                         | 11.3        | 7.6         |
| Non-operating income                                   | 0.4                         | 0.5         | 0.7         |
| Interest expense                                       | (1.0 )                      | (0.9 )      | (1.0 )      |
| Income before income taxes                             | 5.0 %                       | 10.9 %      | 7.3 %       |

**2016 Compared to 2015**

For the year ended December 31, 2016, truckload services revenue, before fuel surcharges, increased 8.7% to \$338.3 million as compared to \$311.2 million for the year ended December 31, 2015. The increase relates primarily to an increase in the number of miles traveled and an increase in equipment utilization. The number of miles traveled

increased from 218.4 million miles during 2015 to 237.3 million miles during 2016 primarily as a result of an increase in the average number of trucks in service, which increased from 1,829 during 2015 to 1,891 during 2016. Also contributing to the increase in miles traveled was an increase in equipment utilization as the average number of miles traveled each work day increased from 470 miles per truck during 2015 to 494 miles per truck during 2016.

Salaries, wages and benefits decreased from 33.6% of revenues, before fuel surcharges, during 2015 to 32.6% of revenues, before fuel surcharges, during 2016. The percentage-based decrease is primarily a result of the interaction of expenses with fixed-cost characteristics, such as general and administrative wages, maintenance wages, operations wages, and payroll taxes with an increase in revenues for the periods compared. On a dollar basis, Salaries, wages and benefits increased from \$104.6 million during 2015 to \$110.2 million during 2016. The increase relates primarily to an increase in group health insurance claims expensed under the Company's self-insured health plan and an increase in workers' compensation costs during 2016 as compared to 2015.

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Operating supplies and expenses increased from 9.1% of revenues, before fuel surcharges, during 2015 to 9.7% of revenues, before fuel surcharges, during 2016. The increase relates primarily to an increase in amounts paid for driver recruiting and training. The Company recruits a significant portion of its drivers from third-party driver training schools and pays a fee for each driver employed by the Company at the end of the training period. Throughout 2015, and continuing into 2016, the per-driver fee charged by the Company's largest provider of recruits increased periodically in accordance with an agreed upon fee schedule arrangement. The scheduled fee increases, along with an increase in the count of drivers recruited and other associated recruiting costs, resulted in an increase of \$4.4 million in recruiting costs during 2016 as compared to 2015.

Rent and purchased transportation increased from 29.8% of revenues, before fuel surcharges, during 2015 to 34.7% of revenues, before fuel surcharges, during 2016. The increase relates primarily to an increase in driver lease expense as the average number of independent contractor trucks under contract increased from 414 during 2015 to 557 during 2016. The increase in costs in this category, as they relate to the increase in independent contractors, are partially offset by a decrease in other cost categories, such as repairs and fuel, which are generally borne by the independent contractor.

Depreciation increased from 10.4% of revenues, before fuel surcharges, during 2015 to 11.5% of revenues, before fuel surcharges, during 2016. The increase relates primarily to an increase in equipment costs, an increase in the size of the Company's owned trailer fleet, and to a change in the estimated residual values of certain equipment. The Company uses a three-year and seven-year equipment replacement cycle for trucks and trailers, respectively, and the cost of new trucks and trailers have increased significantly over the previous three-year and seven-year periods. Depreciating higher cost equipment over the same length of time will result in an increase in depreciation expense during the respective period. During 2016, the company-owned trailer fleet increased by 415 trailers. Also during 2016, the Company reduced the expected residual values of certain groups of trucks due to a prolonged depressed used truck market. The reduction in expected residual values resulted in additional depreciation expense of approximately \$1.3 million during 2016.

Other expenses decreased from 2.8% of revenues, before fuel surcharges, during 2015 to 2.4% of revenues, before fuel surcharges, during 2016. The decrease relates primarily to a decrease in amounts expensed for legal fees and other supplies and expenses. This decrease was partially offset by an increase for amounts expensed for uncollectible revenue.

The truckload services division operating ratio, which measures the ratio of operating expenses, net of fuel surcharges, to operating revenues, before fuel surcharges, increased to 94.4% for 2016 from 88.7% for 2015.

**2015 Compared to 2014**

For the year ended December 31, 2015, truckload services revenue, before fuel surcharges, increased 6.3% to \$311.2 million as compared to \$292.7 million for the year ended December 31, 2014. The increase related primarily to an increase in the number of miles traveled, an increase in equipment utilization, and an increase in the average rate charged to customers. The number of miles traveled increased from 210.0 million miles during 2014 to 218.4 million miles during 2015 primarily as a result of an increase in the average number of trucks in service, which increased from 1,781 during 2014 to 1,829 during 2015. Also contributing to the increase in miles traveled was an increase in equipment utilization as the average number of miles traveled each work day increased from 464 miles per truck during 2014 to 470 miles per truck during 2015. The average rate charged per total mile during 2015 increased \$0.03 as compared to the average rate charged during 2014.

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Salaries, wages and benefits decreased from 36.8% of revenues, before fuel surcharges, during 2014 to 33.6% of revenues, before fuel surcharges, during 2015. The decrease related primarily to a decrease in company driver wages paid during 2015 as compared to company driver wages paid during 2014. Our driver pool consists of both company drivers and third-party independent contractor drivers. Company drivers are employees of the Company and perform services in company-owned equipment while independent contractors provide services, under contract, using their own equipment. While each group is generally compensated on a per-mile basis, independent contractor payments are classified in the Company's financial statements under Rent and purchased transportation. The decrease in Salaries, wages and benefits primarily resulted from a decrease in the proportion of total miles driven by company drivers during 2015 in comparison to the proportion of total miles driven by company drivers during 2014. This proportional decrease was the result of an increase in the average number of independent contractors under contract from 339 during 2014 to 414 during 2015. Also contributing to the decrease was the interaction of expenses with fixed-cost characteristics, such as general and administrative wages, with the increase in revenues for the periods compared.

Operating supplies and expenses decreased from 11.1% of revenues, before fuel surcharges, during 2014 to 9.1% of revenues, before fuel surcharges, during 2015. The decrease related primarily to a decrease in the average surcharge-adjusted fuel price paid per gallon of diesel fuel and to an increase in the average miles-per-gallon ("mpg") experienced during 2015 as compared to 2014. The average surcharge-adjusted fuel price paid per gallon of diesel fuel decreased as a result of more favorable fuel surcharge arrangements made with customers and to an increase in the number of independent contractors in our fleet. Fuel surcharge collections can fluctuate significantly from period to period as they are generally based on changes in fuel prices from period to period so that during periods of rising fuel prices fuel surcharge collections increase while fuel surcharge collections decrease during periods of falling fuel prices. Fuel surcharge revenue generated from transportation services performed by independent contractors is reflected as a reduction in net operating supplies and expenses, while fuel surcharges paid to independent contractors for their services is reported along with their base rate of pay in the Rent and purchased transportation category. These categorizations have the effect of reducing our net operating supplies and expenses while increasing the Rent and purchased transportation category, as discussed below. The average mpg experienced increased during 2015 as compared to the mpg experienced during 2014 as a result of replacing older trucks with newer trucks, which are more fuel efficient. Partially offsetting this decrease was an increase in amounts paid for driver recruiting and driver training schools during 2015 as compared to amounts paid during 2014. The increase in driver recruiting and training costs are a result of heightened competition for qualified drivers as industry demand has increased and increased regulations have forced some drivers to exit the profession.

Rent and purchased transportation increased from 23.5% of revenues, before fuel surcharges, during 2014 to 29.8% of revenues, before fuel surcharges, during 2015. The increase related primarily to an increase in driver lease expense as the average number of independent contractors under contract increased from 339 during 2014 to 414 during 2015. Also contributing to the increase was an increase in operating lease payments associated with the lease of Company trucks as the average number of Company trucks under operating lease agreements increased from 213 during 2014 to 465 during 2015. The increase in costs in this category, as they relate to the increase in independent contractors, are partially offset by a decrease in other cost categories, such as repairs and fuel, which are generally borne by the independent contractor.

Depreciation decreased from 12.4% of revenues, before fuel surcharges, during 2014 to 10.4% of revenues, before fuel surcharges, during 2015. The decrease related primarily to a decrease in the average number of company-owned trucks as a result of leasing arrangements entered into at various times throughout 2014 for the lease of 421 Company trucks, including 97 company-owned trucks which were sold to a third party and then leased back to the Company. During 2015, the Company entered into a lease agreement for the lease of an additional 50 trucks, and as of December 31, 2015, the Company's truck fleet included 462 leased trucks. The lease payments associated with these leases were reported in the Rents and purchased transportation category.

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Insurance and claims decreased from 6.9% of revenues, before fuel surcharges, during 2014 to 4.9% of revenues, before fuel surcharges, during 2015. The decrease related primarily to a decrease in amounts reserved for lawsuit settlements during 2015 as compared to amounts reserved during 2014. During 2014, the Company reserved an estimated amount for the anticipated settlement of a lawsuit, which claimed that the Company was in violation of minimum wage laws with regard to certain activities performed by employee drivers.

Other expenses decreased from 3.3% of revenues, before fuel surcharges, during 2014 to 2.8% of revenues, before fuel surcharges, during 2015. The decrease related primarily to a decrease in amounts expensed for legal fees and uncollectible revenue.

The truckload services division operating ratio, which measures the ratio of operating expenses, net of fuel surcharges, to operating revenues, before fuel surcharges, improved to 88.7% for 2015 from 92.4% for 2014.

**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.

|   | <b>Years Ended December</b> |             |             |
|---|-----------------------------|-------------|-------------|
|   | <b>31,</b>                  |             |             |
|   | <b>2016</b>                 | <b>2015</b> | <b>2014</b> |
| Operating revenues, before fuel surcharge | 100.0%                      | 100.0%      | 100.0%      |
| Operating expenses:                       |                             |             |             |
| Salaries, wages and benefits              | 4.5                         | 3.1         | 2.7         |
| Rent and purchased transportation         | 92.5                        | 94.0        | 93.0        |
| Insurance and claims                      | 0.0                         | 0.0         | 0.4         |
| Other                                     | 0.6                         | 0.6         | 0.4         |
| Total operating expenses                  | 97.6                        | 97.7        | 96.5        |
| Operating income                          | 2.4                         | 2.3         | 3.5         |
| Non-operating income                      | 0.1                         | 0.2         | 0.1         |
| Interest expense                          | (0.5 )                      | (0.4 )      | (0.2 )      |
| Income before income taxes                | 2.0 %                       | 2.1 %       | 3.4 %       |

**2016 Compared to 2015**

For the year ended December 31, 2016, logistics and brokerage services revenues, before fuel surcharges, increased 0.6% to \$44.4 million as compared to \$44.2 million for the year ended December 31, 2015. The increase was primarily the result of an increase in the number of loads brokered during 2016 as compared to 2015. The increase in the number of loads was partially offset by a decrease in the average rates charged to our customers during 2016 as compared to 2015.

Salaries, wages and benefits increased from 3.1% of revenues, before fuel surcharges, in 2015 to 4.5% of revenues, before fuel surcharges, in 2016. The increase relates to an increase in wages paid to employees assigned to the logistics and brokerage division during 2016 as compared to 2015 and to a lesser extent, to an increase in the number of employees assigned to the logistics and brokerage services division.

Rent and purchased transportation decreased from 94.0% of revenues, before fuel surcharges, in 2015 to 92.5% of revenues, before fuel surcharges, in 2016. The decrease relates to a decrease in the negotiated amounts paid to third party logistics and brokerage service providers.



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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, improved to 97.6% for 2016 from 97.7% for 2015.

**2015 Compared to 2014**

For the year ended December 31, 2015, logistics and brokerage services revenues, before fuel surcharges, increased 85.1% to \$44.2 million as compared to \$23.9 million for the year ended December 31, 2014. The increase was primarily the result of an increase in the number of loads brokered during 2015 as compared to 2014.

Salaries, wages and benefits increased from 2.7% of revenues, before fuel surcharges, in 2014 to 3.1% of revenues, before fuel surcharges, in 2015. The increase related to an increase in the number of employees employed by the logistics and brokerage services division as the Company continues its efforts to expand this division.

Rent and purchased transportation increased from 93.0% of revenues, before fuel surcharges, in 2014 to 94.0% of revenues, before fuel surcharges, in 2015. The increase related to an increase in amounts paid to third party logistics and brokerage service providers.

The logistics and brokerage services division operating ratio, which measures the ratio of operating expenses, net of fuel surcharges, to operating revenues, before fuel surcharges, increased to 97.7% for 2015 from 96.5% for 2014.

**Results of Operations - Combined Services**

**2016 Compared to 2015**

Income tax expense was approximately \$6.7 million in 2016 resulting in an effective rate of 37.5%, as compared to an income tax expense of approximately \$13.5 million in 2015 resulting in an effective rate of 38.6%. The effective tax rate differs from the statutory rate primarily due to the existence of partially non-deductible meal and incidental expense per-diem payments to company drivers. Per-diem payments may cause a significant difference in the Company's effective tax rate from period-to-period as the proportion of non-deductible expenses to pre-tax net income increases or decreases.

In determining whether a tax asset valuation allowance is necessary, management, in accordance with the provisions of Accounting Standards Codification (“ASC”) 740-10-30, weighs all available evidence, both positive and negative to determine whether, based on the weight of that evidence, a valuation allowance is necessary. If negative conditions exist which indicate a valuation allowance might be necessary, consideration is then given to what effect the future reversals of existing taxable temporary differences and the availability of tax strategies might have on future taxable income to determine the amount, if any, of the required valuation allowance. As of December 31, 2016, management determined that the future reversals of existing taxable temporary differences and available tax strategies would generate sufficient future taxable income to realize its tax assets and therefore a valuation allowance was not necessary.

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The Company recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities, based on the technical merits of the position. As of December 31, 2016, an adjustment to the Company's consolidated financial statements for uncertain tax positions has not been required as management believes that the Company's tax positions taken in income tax returns filed or to be filed are supported by clear and unambiguous income tax laws. The Company recognizes interest and penalties related to uncertain income tax positions, if any, in income tax expense. During 2016 and 2015, the Company has not recognized or accrued any interest or penalties related to uncertain income tax positions.

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 2013 and forward remain open to examination in those jurisdictions.

The combined net income for all divisions was \$11.1 million, or 2.9% of revenues, before fuel surcharge, for 2016 as compared to the combined net income for all divisions of \$21.4 million or 6.0% of revenues, before fuel surcharge, for 2015. The decrease in net income resulted in a decrease in diluted earnings per share to \$1.67 for 2016 from a diluted earnings per share of \$2.93 for 2015.

**2015 Compared to 2014**

Income tax expense was approximately \$13.5 million in 2015 resulting in an effective rate of 38.6%, as compared to an income tax expense of approximately \$8.7 million in 2014 resulting in an effective rate of 39.3%. The effective tax rate differs from the statutory rate primarily due to the existence of partially non-deductible meal and incidental expense per-diem payments to company drivers. Per-diem payments may cause a significant difference in the Company's effective tax rate from period-to-period as the proportion of non-deductible expenses to pre-tax net income increases or decreases.

As of December 31, 2015, management determined that the future reversals of existing taxable temporary differences and available tax strategies would generate sufficient future taxable income to realize its tax assets and therefore a valuation allowance was not necessary.

As of December 31, 2015, an adjustment to the Company's consolidated financial statements for uncertain tax positions was not required as management believed 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. During 2015 and 2014, the Company had not recognized or accrued any interest or penalties related to uncertain income tax positions.



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The combined net income for all divisions was \$21.4 million, or 6.0% of revenues, before fuel surcharge, for 2015 as compared to the combined net income for all divisions of \$13.5 million or 4.3% of revenues, before fuel surcharge, for 2014. The increase in net income resulted in an increase in diluted earnings per share to \$2.93 for 2015 from a diluted earnings per share of \$1.68 for 2014.

**Quarterly Results of Operations**

The following table presents selected consolidated financial information for each of our last eight fiscal quarters through December 31, 2016. The information has been derived from unaudited consolidated financial statements that, in the opinion of management, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the quarterly information.

|                          | <b>Quarter Ended</b>                                  |                 |                  |                 |                 |                 |                  |                 |
|--------------------------|---|-----------------|------------------|-----------------|-----------------|-----------------|------------------|-----------------|
|                          | <b>Mar. 31,</b>                                       | <b>June 30,</b> | <b>Sept. 30,</b> | <b>Dec. 31,</b> | <b>Mar. 31,</b> | <b>June 30,</b> | <b>Sept. 30,</b> | <b>Dec. 31,</b> |
|                          | <b>2016</b>   | <b>2016</b>     | <b>2016</b>      | <b>2016</b>     | <b>2015</b>     | <b>2015</b>     | <b>2015</b>      | <b>2015</b>     |
|                          | <b>(unaudited)</b>                                    |                 |                  |                 |                 |                 |                  |                 |
|                          | <b>(in thousands, except earnings per share data)</b> |                 |                  |                 |                 |                 |                  |                 |
| Operating revenues       | \$103,589   | \$111,516       | \$109,393        | \$108,354       | \$99,483        | \$108,033       | \$107,110        | \$102,424       |
| Total operating expenses | 98,003  | 104,162         | 104,098          | 106,661         | 90,336          | 96,151          | 96,884           | 97,449          |
| Operating income         | 5,586   | 7,354           | 5,295            | 1,693           | 9,147           | 11,882          | 10,226           | 4,975           |
| Net income               | 2,935   | 3,992           | 3,451            | 723             | 5,369           | 7,039           | 5,795            | 3,233           |
| Income per common share: |   |                 |                  |                 |                 |                 |                  |                 |
| Basic                    | \$0.41  | \$0.61          | \$0.54           | \$0.11          | \$0.72          | \$0.95          | \$0.81           | \$0.45          |
| Diluted                  | \$0.41  | \$0.61          | \$0.53           | \$0.11          | \$0.72          | \$0.94          | \$0.80           | \$0.45          |

**Liquidity and Capital Resources**

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

During 2016, we generated \$47.4 million in cash from operating activities compared to \$61.5 million and \$55.3 million in 2015 and 2014, respectively. Investing activities used \$52.8 million in cash during 2016 compared to \$85.5

million and \$49,000 in 2015 and 2014, respectively. The cash used for investing activities in all three years related primarily to the purchase of revenue equipment such as trucks and trailers or related equipment such as auxiliary power units. Financing activities provided \$5.4 million in cash during 2016 compared to \$3.5 million and \$28.7 million in cash used during 2015 and 2014, respectively. See the Consolidated Statements of Cash Flows in Item 8 of this Report.

Our primary use of funds is for the purchase of revenue equipment. We typically use installment notes, our existing lines of credit on an interim basis, proceeds from the sale or trade of equipment, and cash flows from operations, to finance capital expenditures and repay long-term debt. During 2016 and 2015, we utilized cash on hand, installment notes, and our lines of credit to finance revenue equipment purchases of approximately \$84.1 million and \$122.3 million, respectively.

Occasionally we finance the acquisition of revenue equipment through installment notes with fixed interest rates and terms ranging from 36 to 60 months. At December 31, 2016, the Company's subsidiaries had combined outstanding indebtedness under such installment notes of \$165.3 million. These installment notes are payable in monthly installments, ranging from 36 monthly installments to 60 monthly installments, at a weighted average interest rate of 2.29%. At December 31, 2015, the Company's subsidiaries had combined outstanding indebtedness under such installment notes of \$129.3 million. These installment notes were payable in monthly installments, ranging from 36 to 60 months at a weighted average interest rate of 2.27%.

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In order to maintain our truck and trailer fleet count, it is often necessary to purchase replacement units and place them in service before trade units are removed from service. The timing of this process often requires the Company to pay for new units without any reduction in price for trade units. In this situation, the Company later receives payment for the trade units as they are delivered to the equipment vendor and have passed vendor inspection. During the twelve months ended December 31, 2016 and 2015, the Company received approximately \$27.6 million and \$27.5 million, respectively, for units delivered for trade.

During 2016, the Company maintained a \$40.0 million revolving line of credit. Amounts outstanding under the line bear interest at LIBOR (determined as of the first day of each month) plus 1.50% (2.12% at December 31, 2016), are secured by our trade accounts receivable and mature on July 1, 2018. At December 31, 2016, outstanding advances on the line were approximately \$2.6 million, including letters of credit totaling \$0.7 million, with availability to borrow \$37.4 million.

Trade accounts receivable increased from \$49.3 million at December 31, 2015 to \$56.1 million at December 31, 2016. The increase relates to a general increase in freight revenue and fuel surcharge revenue, which flows through the accounts receivable account, during 2016 as compared to the freight revenue and fuel surcharge revenue generated during 2015.

Marketable equity securities at December 31, 2016 increased approximately \$3.0 million as compared to December 31, 2015. The increase was related to changes in market value of approximately \$3.5 million, sales of marketable equity securities with a combined cost basis of approximately \$0.6 million, other than temporary write downs of approximately \$0.7 million, and returns of capital of approximately \$0.1 million which were partially offset by purchases of marketable equity securities of approximately \$0.9 million. At December 31, 2016, the remaining marketable equity securities have a combined cost basis of approximately \$15.6 million and a combined fair market value of approximately \$27.6 million. The Company has developed a strategy to invest in securities from which it expects to receive dividends that qualify for favorable tax treatment, as well as appreciate in value. The Company anticipates that increases in the market value of the investments combined with dividend payments will exceed interest rates paid on borrowings for the same period. During 2016, the Company had net unrealized pre-tax gains of approximately \$3.5 million and received dividends of approximately \$1.0 million. The holding term of these securities depends largely on the general economic environment, the equity markets, borrowing rates, and the Company's cash requirements.

Revenue equipment, at December 31, 2016, which generally consists of trucks, trailers, and revenue equipment accessories such as Qualcomm™ satellite tracking units and auxiliary power units, increased approximately \$16.5 million as compared to December 31, 2015. The increase relates primarily to the purchase of new trucks and trailers in a greater quantity than the quantity of trucks and trailers sold. The increase is also reflective of the higher purchase price of new trucks and trailers compared to the trucks and trailers which are being replaced and sold.

Income taxes refundable decreased from \$2.9 million at December 31, 2015 to \$0.7 million at December 31, 2016 as a result of receiving an income tax refund of approximately \$2.4 million during the first quarter of 2016.

Accounts payable at December 31, 2016 decreased approximately \$1.7 million as compared to December 31, 2015. The decrease was primarily related to a decrease of approximately \$4.9 million in amounts accrued for fixed asset purchases at the end of 2015 which were not due for payment until 2016. Partially offsetting this decrease was an increase of approximately \$3.0 million in the amount of bank drafts outstanding in excess of the bank balance which had been reclassified as accounts payable at December 31, 2016 as compared to December 31, 2015. Accounts payable accruals can vary significantly at the end of each reporting period depending on the timing of the actual date of payment in relation to the last day of the reporting period.



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Accrued expenses and other liabilities decreased from \$27.1 million at December 31, 2015 to \$22.3 million at December 31, 2016. The decrease was primarily related to the payment of approximately \$3.5 million for a lawsuit which claimed that the Company was in violation of minimum wage laws with regard to certain activities performed by employee drivers. Also contributing to the decrease was a decrease of approximately \$1.6 million in margin account borrowings.

Current maturities of long term-debt and long-term debt fluctuations are reviewed on an aggregate basis as the classification of amounts in each category are typically affected merely by the passage of time. Current maturities of long-term debt and long-term debt, on an aggregate basis, at December 31, 2016, increased approximately \$27.9 million as compared to December 31, 2015. The increase was related to additional borrowings received during 2016, net of the principal portion of scheduled installment note payments made during 2016.

For 2017, we expect to purchase 400 new trucks and 400 new trailers while continuing to sell or trade equipment that has reached the end of its cycle, which we expect to result in net capital expenditures of approximately \$50.1 million. Management believes we will be able to finance our existing needs for working capital over the next twelve months, as well as acquisitions of revenue equipment during such period, with cash balances, cash flows from operations, and borrowings believed to be available from financing sources. We will continue to have significant capital requirements over the long-term, which may require us to incur debt or seek additional equity capital. The availability of additional capital will depend upon prevailing market conditions, the market price of our common stock and several other factors over which we have limited control, as well as our financial condition and results of operations. Nevertheless, based on our 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.

**Contractual Obligations and Commercial Commitments**

The following table sets forth the Company's contractual obligations and commercial commitments as of December 31, 2016:

| Payments due by period |                  |              |              |                   |
|------------------------|------------------|--------------|--------------|-------------------|
| (in thousands)         |                  |              |              |                   |
| Total                  | Less than 1 year | 1 to 3 Years | 3 to 5 Years | More than 5 Years |

|                      |            |           |            |           |      |
|----------------------|------------|-----------|------------|-----------|------|
| Long-term debt (1)   | \$ 186,628 | \$ 46,876 | \$ 119,309 | \$ 20,443 | \$ - |
| Operating leases (2) | 6,452      | 5,912     | 498        | 42        | -    |
| Total                | \$ 193,080 | \$ 52,788 | \$ 119,807 | \$ 20,485 | \$ - |

(1) Including interest.

(2) Represents equipment, building, facilities, and drop yard operating leases.

### Off-Balance Sheet Arrangements

At December 31, 2016, the Company operated 357 trucks under operating lease agreements. These lease agreements do not require any residual value guarantees; however, the trucks must meet certain normal wear and tear conditions upon return to lessor at the end of the lease term.

The trucks held under operating leases are not carried on our balance sheet and the respective lease payments are reflected in our consolidated statements of operations as a component of the caption "Rents and purchased transportation." Rent expense related to the trucks under the operating lease agreements totaled approximately \$9.4 million for the year ended December 31, 2016.

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### **Insurance**

The Company maintains certain insurance coverages for physical damage, auto liability, and cargo loss risks as well as other general business risks. This coverage is provided through insurance policies with various insurance carriers which have per occurrence deductibles of up to \$10,000. During October 2015, the Company began self-insuring its trailer fleet for physical damage losses. The Company maintains workers' compensation coverage in Arkansas, Ohio, Oklahoma, Mississippi, and Florida with a \$500,000 self-insured retention and a \$500,000 per occurrence excess policy. The Company has elected to opt out of workers' compensation coverage in Texas and is providing coverage through the P.A.M. Texas Injury Plan. The Company has reserved for estimated losses to pay such claims as well as claims incurred but not yet reported. The Company has not experienced any adverse trends involving differences in claims experienced versus claims estimates for workers' compensation claims. Letters of credit aggregating approximately \$521,000 and certificates of deposit totaling \$300,000 are held by banks as security for workers' compensation claims. The Company self insures for employee health claims with a stop loss of \$325,000 per covered employee per year and estimates its liability for claims incurred but not reported.

### **Inflation**

Inflation has an impact on most of our operating costs. Over the past three years, the effect of inflation has been minimal.

### **Adoption of Accounting Policies**

See "Item 8. Financial Statements and Supplementary Data, Note 1 to the Consolidated Financial Statements - Recent Accounting Pronouncements."

### **Critical Accounting Policies**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to adopt accounting policies and make significant judgments and estimates that impact the amounts reported in our consolidated financial statements and accompanying notes. Therefore, the reported amounts of assets, liabilities, revenue, expenses, and associated disclosures of contingent assets and liabilities are affected by judgments and estimates. In many cases, there are alternative assumptions, policies, or estimation techniques that could be used. Management evaluates its assumptions, policies, and estimates on an ongoing basis,

utilizing historical experience, and other methods considered reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates and assumptions, and it is possible that materially different amounts would be reported using differing estimates or assumptions. Management considers our critical accounting policies to be those that require more significant judgments and estimates when we prepare our consolidated financial statements. Our critical accounting policies include the following:

*Accounts receivable and allowance for doubtful accounts.* Accounts receivable are presented in the Company's consolidated financial statements net of an allowance for estimated uncollectible amounts. Management estimates this allowance based upon an evaluation of the aging of our customer receivables and historical write-offs, as well as other trends and factors surrounding the credit risk of specific customers. The Company continually updates the history it uses to make these estimates so as to reflect the most recent trends, factors and other information available. In order to gather information regarding these trends and factors, the Company also performs ongoing credit evaluations of its customers. Customer receivables are considered to be past due when payment has not been received by the invoice due date. Write-offs occur when we determine an account to be uncollectible and could differ from the allowance estimate as a result of a number of factors, including unanticipated changes in the overall economic environment or factors and risks surrounding a particular customer. Management believes its methodology for estimating the allowance for doubtful accounts to be reliable; however, additional allowances may be required if the financial condition of our customers were to deteriorate and could have a material effect on the Company's consolidated financial statements.

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*Depreciation of trucks and trailers.* Depreciation of trucks and trailers is calculated by the straight-line method over the assets estimated useful life, which range from three to 12 years, down to an estimated salvage value at the end of the assets estimated useful life. Management must use its judgment in the selection of estimated useful lives and salvage values for purposes of this calculation. In some cases, the Company has agreements in place with certain manufacturers whereby salvage values are guaranteed by the manufacturer. In other cases, where salvage values are not guaranteed, estimates of salvage value are based on the expected market values of equipment at the time of disposal.

The depreciation of trucks and trailers over their estimated useful lives and the determination of any salvage value also require management to make judgments about future events. Therefore, the Company's management periodically evaluates whether changes to estimated useful lives or salvage values are necessary to ensure these estimates accurately reflect the economic reality of the assets. This periodic evaluation may result in changes in the estimated lives and/or salvage values used by the Company to depreciate its assets, which can affect the amount of periodic depreciation expense recognized and, ultimately, the gain or loss on the disposal of an asset. Future changes in our estimated useful life or salvage value estimates, or fluctuations in market value that are not reflected in current estimates, could have a material effect on the Company's consolidated financial statements.

*Impairment of long-lived assets.* Long-lived assets are reviewed for impairment in accordance with ASC Topic 360, "Property, Plant, and Equipment." This authoritative guidance provides that whenever there are certain significant events or changes in circumstances the value of long-lived assets or groups of assets must be tested to determine if their value can be recovered from their future cash flows. In the event that undiscounted cash flows expected to be generated by the asset are less than the carrying amount, the asset or group of assets must be evaluated for impairment. Impairment exists if the carrying value of the asset exceeds its fair value.

Significantly all of the Company's cash flows from operations are generated by trucks and trailers, and as such, the cost of other long-lived assets are funded by those operations. Therefore, management tests for the recoverability of all of the Company's long-lived assets as a single group at the entity level and examines the forecasted future cash flows generated by trucks and trailers, including their eventual disposition, to determine if those cash flows exceed the carrying value of the long-lived assets. Forecasted cash flows are estimated using assumptions about future operations. To the extent that facts and circumstances change in the future, our estimates of future cash flows may also change either positively or negatively. In light of the Company's market capitalization during 2016 and net operating profits of the Company for the years ended December 31, 2016 and 2015, no impairment indicators existed which required management to test the Company's long-lived assets for recoverability as of December 31, 2016. As such, no impairment losses were recorded during 2016.

*Claims accruals.* The Company is self-insured for health and workers' compensation benefits up to certain stop-loss limits. Such costs are accrued based on known claims and an estimate of incurred but not reported (IBNR) claims. IBNR claims are estimated using historical lag information and other data either provided by outside claims administrators or developed internally. Actual claims payments may differ from management's estimates as a result of

a number of factors, including evaluation of severity, increases in legal or medical costs, and other case-specific factors. The actual claims payments are charged against the Company's recorded accrued claims liabilities and have been reasonable with respect to the estimates of the liabilities made under the Company's methodology. However, the estimation process is generally subjective, and to the extent that future actual results materially differ from original estimates made by management, adjustments to recorded accruals may be necessary which could have a material effect on the Company's consolidated financial statements. Based upon our 2016 health and workers' compensation expenses, a 10% increase in both claims incurred and IBNR claims, would increase our annual health and workers' compensation expenses by \$1.1 million.

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

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*Income Taxes.* The Company's deferred tax assets and liabilities represent items that will result in taxable income or a tax deduction in future years for which the Company has already recorded the related tax expense or benefit in its consolidated statements of operations. Deferred tax accounts arise as a result of timing differences between when items are recognized in the Company's consolidated financial statements compared to when they are recognized in the Company's tax returns. In establishing the Company's deferred income tax assets and liabilities, management makes judgments and interpretations based on the enacted tax laws and published tax guidance that are applicable to its operations. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

In determining whether a tax asset valuation allowance is necessary, management, in accordance with the provisions of ASC 740-10-30, weighs all available evidence, both positive and negative to determine whether, based on the weight of that evidence, a valuation allowance is necessary. If negative conditions exist which indicate a valuation allowance might be necessary, consideration is then given to what effect the future reversals of existing taxable temporary differences and the availability of tax strategies might have on future taxable income to determine the amount, if any, of the required valuation allowance. Significant management judgment is required as it relates to future taxable income, future capital gains, tax settlements, valuation allowances, and the Company's ability to utilize tax loss and credit carryforwards. As of December 31, 2016, management determined that the future reversals of existing taxable temporary differences and available tax strategies would generate sufficient future taxable income to realize its tax assets and therefore a valuation allowance was not necessary.

Management believes that future tax consequences have been adequately provided for based on the current facts and circumstances and current tax law. However, should current circumstances change or the Company's tax positions be challenged, different outcomes could result which could have a material effect on the Company's consolidated financial statements.

**Item 7A. Quantitative and Qualitative Disclosures about Market Risk.**

Our primary market risk exposures include equity price risk, interest rate risk, commodity price risk (the price paid to obtain diesel fuel for our trucks), and foreign currency exchange rate risk. The potential adverse impact of these risks are discussed below.

The following sensitivity analyses do not consider the effects that an adverse change may have on the overall economy nor do they consider additional actions we may take to mitigate our exposure to such changes. Actual results of changes in prices or rates may differ materially from the hypothetical results described below.

## Equity Price Risk

We hold certain actively traded marketable equity securities which subjects the Company to fluctuations in the fair market value of its investment portfolio based on current market price. The recorded value of marketable equity securities increased to \$27.6 million at December 31, 2016 from \$24.6 million at December 31, 2015. The increase was related to changes in market value of approximately \$3.5 million, sales of marketable equity securities with a combined cost basis of approximately \$0.6 million, other than temporary write downs of approximately \$0.7 million, and returns of capital of approximately \$0.1 million, which were partially offset by purchases of marketable equity securities of approximately \$0.9 million. A 10% decrease in the market price of our marketable equity securities would cause a corresponding 10% decrease in the carrying amounts of these securities, or approximately \$2.8 million. For additional information with respect to the marketable equity securities, see Note 3 to our consolidated financial statements.



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**Interest Rate Risk**

Our line of credit bears interest at a floating rate equal to LIBOR plus a fixed percentage. Accordingly, changes in LIBOR, which are affected by changes in interest rates, will affect the interest rate on, and therefore our costs under, the line of credit. Assuming \$1.9 million of variable rate debt was outstanding under our line of credit for a full fiscal year, a hypothetical 100 basis point increase in LIBOR would result in approximately \$19,000 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 2016 fuel consumption, a 10% increase in the average annual price per gallon of diesel fuel would increase our annual fuel expenses by approximately \$3.9 million.

**Foreign Currency Exchange Rate Risk**

We are exposed to foreign currency exchange rate risk related to the activities of our branch office located in Mexico. Currently, we do not hedge our exchange rate exposure through any currency forward contracts, currency options, or currency swaps as all of our revenues, and substantially all of our expenses and capital expenditures, are transacted in U.S. dollars. However, certain operating expenditures and capital purchases related to our Mexico branch office are incurred within or exposed to fluctuations in the exchange rate between the U.S. Dollar and the Mexican peso. Based on 2016 expenditures denominated in pesos, a 10% decrease in the exchange rate would increase our annual operating expenses by approximately \$52,000.

**Item 8. Financial Statements and Supplementary Data.**

The following statements are filed with this report:

Report of Independent Registered Public Accounting Firm – Grant Thornton LLP

Consolidated Balance Sheets - December 31, 2016 and 2015

Consolidated Statements of Operations - Years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Comprehensive Income - Years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Stockholders' Equity - Years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Cash Flows - Years ended December 31, 2016, 2015 and 2014

Notes to Consolidated Financial Statements

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders

P.A.M. Transportation Services, Inc.

We have audited the accompanying consolidated balance sheets of P.A.M. Transportation Services, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of P.A.M. Transportation Services, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company adopted new accounting guidance in 2016 and 2015, related to the presentation of deferred income taxes.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 14, 2017 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Tulsa, Oklahoma

March 14, 2017

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

**CONSOLIDATED  
BALANCE SHEETS**

**DECEMBER 31, 2016  
AND 2015**

**(in thousands, except  
share and per share  
data)**

|  | <b>2016</b>  | <b>2015</b>  |
|--|--------------|--------------|
| <b>ASSETS</b>  |              |              |
| <b>CURRENT ASSETS:</b>                                 |              |              |
| Cash and cash equivalents                              | \$ 137       | \$ 157       |
| Accounts receivable—net:                               |              |              |
| Trade, less allowance of \$994 and \$549, respectively | 56,143       | 49,312       |
| Other  | 4,982        | 5,850        |
| Inventories  | 1,900        | 1,890        |
| Prepaid expenses and deposits                          | 8,777        | 8,052        |
| Marketable equity securities                           | 27,621       | 24,575       |
| Income taxes refundable                                | 738          | 2,865        |
| Total current assets                                   | 100,298      | 92,701       |
| <b>PROPERTY AND EQUIPMENT:</b>                         |              |              |
| Land   | 5,374        | 5,374        |
| Structures and improvements                            | 18,861       | 17,858       |
| Revenue equipment                                      | 355,339      | 338,853      |
| Office furniture and equipment                         | 10,402       | 9,854        |
| Total property and equipment                           | 389,976      | 371,939      |
| Accumulated depreciation                               | (112,600)    | (109,087 )   |
| Net property and equipment                             | 277,376      | 262,852      |
| <b>OTHER ASSETS</b>                                    | <b>2,392</b> | <b>2,442</b> |

|              |            |            |
|--------------|------------|------------|
| TOTAL ASSETS | \$ 380,066 | \$ 357,995 |
|--------------|------------|------------|

(Continued)

See notes to consolidated financial statements.

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Table of Contents**CONSOLIDATED  
BALANCE  
SHEETS****DECEMBER 31,  
2016 AND 2015****(in thousands,  
except share and  
per share data)**

|   | <b>2016</b>       | <b>2015</b>       |
|---|-------------------|-------------------|
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                   |                   |
| <b>CURRENT LIABILITIES:</b>   |                   |                   |
| Accounts payable  | \$ 16,088         | \$ 17,791         |
| Accrued expenses and other liabilities  | 22,330            | 27,093            |
| Current maturities of long-term debt  | 42,806            | 40,025            |
| Total current liabilities   | 81,224            | 84,909            |
| Long-term debt—less current portion   | 124,391           | 99,223            |
| Deferred income taxes   | 80,293            | 72,309            |
| Total liabilities   | 285,908           | 256,441           |
| <b>COMMITMENTS AND CONTINGENCIES (Note 15)</b>  |                   |                   |
| <b>STOCKHOLDERS' EQUITY</b>   |                   |                   |
| Preferred stock, \$.01 par value, 10,000,000 shares authorized; none issued   | -                 | -                 |
| Common stock, \$.01 par value, 40,000,000 shares authorized; 11,510,863 and 11,497,471 shares issued; 6,396,803 and 7,116,661 shares outstanding at December 31, 2016 and December 31, 2015, respectively | 115               | 115               |
| Additional paid-in capital  | 80,822            | 80,429            |
| Accumulated other comprehensive income  | 7,476             | 5,310             |
| Treasury stock, at cost; 5,114,060 and 4,380,810 shares at December 31, 2016 and December 31, 2015, respectively  | (122,835)         | (101,779 )        |
| Retained earnings   | 128,580           | 117,479           |
| Total stockholders' equity  | 94,158            | 101,554           |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b>\$ 380,066</b> | <b>\$ 357,995</b> |

(Concluded)

See notes to consolidated financial statements.





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

**CONSOLIDATED  
STATEMENTS OF  
OPERATIONS**

**YEARS ENDED  
DECEMBER 31, 2016,  
2015 AND 2014**

**(in thousands, except  
per share data)**

|  | <b>2016</b>     | <b>2015</b>     | <b>2014</b>     |
|--|-----------------|-----------------|-----------------|
| <b>OPERATING REVENUES:</b>                     |                 |                 |                 |
| Revenue, before fuel surcharge                 | \$382,737       | \$355,403       | \$316,584       |
| Fuel surcharge                                 | 50,115          | 61,647          | 94,353          |
| Total operating revenues                       | 432,852         | 417,050         | 410,937         |
| <b>OPERATING EXPENSES AND COSTS:</b>           |                 |                 |                 |
| Salaries, wages and benefits                   | 112,235         | 105,943         | 108,371         |
| Operating supplies and expenses                | 82,993          | 89,878          | 126,875         |
| Rents and purchased transportation             | 158,298         | 134,188         | 90,831          |
| Depreciation                                   | 39,114          | 32,346          | 36,296          |
| Insurance and claims                           | 16,632          | 15,315          | 20,274          |
| Other  | 8,352           | 8,904           | 9,871           |
| Gain on disposition of equipment               | (4,700 )        | (5,754 )        | (4,591 )        |
| Total operating expenses and costs             | 412,924         | 380,820         | 387,927         |
| <b>OPERATING INCOME</b>                        | <b>19,928</b>   | <b>36,230</b>   | <b>23,010</b>   |
| <b>NON-OPERATING INCOME</b>                    | <b>1,485</b>    | <b>1,516</b>    | <b>2,099</b>    |
| <b>INTEREST EXPENSE</b>                        | <b>(3,641 )</b> | <b>(2,818 )</b> | <b>(2,897 )</b> |
| <b>INCOME BEFORE INCOME TAXES</b>              | <b>17,772</b>   | <b>34,928</b>   | <b>22,212</b>   |
| <b>FEDERAL &amp; STATE INCOME TAX EXPENSE:</b> |                 |                 |                 |
| Current  | 13              | 591             | 1,209           |
| Deferred                                       | 6,658           | 12,901          | 7,512           |

|  |          |          |          |
|--|----------|----------|----------|
| Total federal & state income tax expense | 6,671    | 13,492   | 8,721    |
| NET INCOME                               | \$11,101 | \$21,436 | \$13,491 |
| EARNINGS PER COMMON SHARE:               |          |          |          |
| Basic                                    | \$1.68   | \$2.94   | \$1.69   |
| Diluted                                  | \$1.67   | \$2.93   | \$1.68   |
| AVERAGE COMMON SHARES OUTSTANDING:       |          |          |          |
| Basic                                    | 6,627    | 7,288    | 7,990    |
| Diluted                                  | 6,649    | 7,325    | 8,034    |

See notes to consolidated financial statements.

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

**CONSOLIDATED  
STATEMENTS OF  
COMPREHENSIVE  
INCOME**

**YEARS ENDED  
DECEMBER 31, 2016,  
2015 AND 2014**

**(in thousands)**

|   | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|-------------|
| NET INCOME  | \$11,101    | \$21,436    | \$13,491    |
| Other comprehensive income (loss), net of tax:  |             |             |             |
| Reclassification adjustment for realized gains on marketable securities included in net income (1)    | (543 )      | (646 )      | (630 )      |
| Reclassification adjustment for unrealized losses on marketable securities included in net income (2) | 440         | 516         | 1           |
| Changes in fair value of marketable securities (3)  | 2,269       | (962 )      | 871         |
| COMPREHENSIVE INCOME  | \$13,267    | \$20,344    | \$13,733    |

(1) Net of deferred income taxes of \$(333), \$(396), and \$(385), respectively.

(2) Net of deferred income taxes of \$269, \$316, and \$0, respectively.

(3) Net of deferred income taxes of \$1,390, \$(588), and \$533, respectively.

See notes to  
consolidated  
financial

statements.

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

**CONSOLIDATED  
STATEMENTS OF  
STOCKHOLDERS'  
EQUITY**

**YEARS ENDED  
DECEMBER 31, 2016,  
2015 AND 2014**

**(in thousands, except  
per share data)**

|   | <b>Common<br/>Stock</b>    |        | <b>Additional<br/>Paid-In<br/>Capital</b> | <b>Accumulated<br/>Other<br/>Comprehensive<br/>Income</b> | <b>Treasury<br/>Stock</b> | <b>Retained<br/>Earnings</b> | <b>Total</b> |
|---|----------------------------|--------|---|---|---------------------------|------------------------------|--------------|
|   | <b>Shares /<br/>Amount</b> |        |   |   |                           |                              |              |
| BALANCE— January 1, 2014  | 7,984                      | \$ 114 | \$ 78,811                                 | \$ 6,160  | \$(51,691 )               | \$ 82,552                    | \$ 115,946   |
| Net income  |                            |        |   |   |                           | 13,491                       | 13,491       |
| Other comprehensive income, net of<br>tax of \$148                |                            |        |   | 242   |                           |                              | 242          |
| Exercise of stock options-shares<br>issued including tax benefits | 77                         | 1      | 845                                       |   |                           |                              | 846          |
| Restricted stock issued   | 5                          |        |   |   |                           |                              | -            |
| Treasury stock repurchases  | (643 )                     |        |   |   | (30,810 )                 |                              | (30,810 )    |
| Share-based compensation  |                            |        | 270                                       |   |                           |                              | 270          |
| BALANCE— December 31, 2014  | 7,423                      | 115    | 79,926                                    | 6,402   | (82,501 )                 | 96,043                       | 99,985       |
| Net income  |                            |        |   |   |                           | 21,436                       | 21,436       |
| Other comprehensive income, net of<br>tax of \$(668)              |                            |        |   | (1,092 )  |                           |                              | (1,092 )     |
| Exercise of stock options-shares<br>issued including tax benefits | 21                         |        | 236                                       |   |                           |                              | 236          |
| Restricted stock issued   | 3                          |        |   |   |                           |                              | -            |
| Treasury stock repurchases  | (330 )                     |        |   |   | (19,278 )                 |                              | (19,278 )    |
| Share-based compensation  |                            |        | 267                                       |   |                           |                              | 267          |

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|  |        |        |           |          |             |            |           |
|--|--------|--------|-----------|----------|-------------|------------|-----------|
| BALANCE— December 31, 2015                                     | 7,117  | 115    | 80,429    | 5,310    | (101,779)   | 117,479    | 101,554   |
| Net income   |        |        |           |          |             | 11,101     | 11,101    |
| Other comprehensive (loss), net of tax of \$1,326              |        |        |           | 2,166    |             |            | 2,166     |
| Exercise of stock options-shares issued including tax benefits | 8      |        | 91        |          |             |            | 91        |
| Restricted stock issued  | 5      |        |           |          |             |            |           |
| Treasury stock repurchases                                     | (733 ) |        |           |          | (21,056 )   |            | (21,056 ) |
| Share-based compensation                                       |        |        | 302       |          |             |            | 302       |
| BALANCE— December 31, 2016                                     | 6,397  | \$ 115 | \$ 80,822 | \$ 7,476 | \$(122,835) | \$ 128,580 | \$ 94,158 |

See notes to consolidated financial statements.

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

**CONSOLIDATED  
STATEMENTS OF  
CASH FLOWS**

**YEARS ENDED  
DECEMBER 31, 2016,  
2015 AND 2014**

**(in thousands)**

|   | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|-------------|
| <b>OPERATING ACTIVITIES:</b>  |             |             |             |
| Net income  | \$ 11,101   | \$ 21,436   | \$ 13,491   |
| Adjustments to reconcile net income to net cash provided by operating activities:   |             |             |             |
| Depreciation  | 39,114      | 32,346      | 36,296      |
| Bad debt expense  | 445         | 151         | 456         |
| Stock compensation—net of excess tax benefits                                       | 302         | 267         | 270         |
| Sale leaseback deferred gain amortization   | (131 )      | (224 )      | (205 )      |
| Provision for deferred income taxes   | 6,658       | 12,901      | 7,512       |
| Reclassification of other than temporary impairment in marketable equity securities | 709         | 833         | 1           |
| Recognized gain on marketable equity securities                                     | (1,003 )    | (1,001 )    | (1,040 )    |
| Gain on sale or disposal of equipment   | (4,700 )    | (5,754 )    | (4,591 )    |
| Changes in operating assets and liabilities:  |             |             |             |
| Accounts receivable   | (6,725 )    | 1,128       | 5,109       |
| Prepaid expenses, deposits, inventories, and other assets                           | (685 )      | 1,470       | (3,299 )    |
| Income taxes refundable   | 2,127       | (2,358 )    | (277 )      |
| Trade accounts payable  | 3,231       | 886         | (1,555 )    |
| Accrued expenses and other liabilities  | (3,041 )    | (556 )      | 3,085       |
| Net cash provided by operating activities   | 47,402      | 61,525      | 55,253      |
| <b>INVESTING ACTIVITIES:</b>  |             |             |             |
| Purchases of property and equipment   | (86,128 )   | (125,720)   | (28,588 )   |
| Proceeds from disposition of equipment  | 32,256      | 33,472      | 38,902      |
| Changes in restricted cash  | 317         | 8,012       | (7,873 )    |
| Sales of marketable equity securities   | 1,550       | 1,500       | 1,720       |
| Purchases of marketable equity securities, net of return of capital                 | (810 )      | (2,769 )    | (4,210 )    |
| Net cash used in investing activities   | (52,815 )   | (85,505 )   | (49 )       |

FINANCING ACTIVITIES:

|   |           |           |           |
|---|-----------|-----------|-----------|
| Borrowings under line of credit                     | 520,089   | 549,955   | 469,918   |
| Repayments under line of credit                     | (528,200) | (539,979) | (469,918) |
| Borrowings of long-term debt                        | 83,517    | 88,018    | 42,979    |
| Repayments of long-term debt                        | (47,457 ) | (53,947 ) | (58,247 ) |
| Borrowings under margin account                     | 1,078     | 3,005     | 4,351     |
| Repayments under margin account                     | (2,669 )  | (2,779 )  | (2,645 )  |
| Repurchases of common stock                         | (21,056 ) | (48,021 ) | (16,011 ) |
| Exercise of stock options                           | 91        | 236       | 846       |
| Net cash provided by (used in) financing activities | 5,393     | (3,512 )  | (28,727 ) |

NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS (20 ) (27,492 ) 26,477

CASH AND CASH EQUIVALENTS—Beginning of year 157 27,649 1,172  
 CASH AND CASH EQUIVALENTS—End of year \$137 \$157 \$27,649

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION—

Cash paid during the period for:

|              |         |         |         |
|--------------|---------|---------|---------|
| Interest     | \$3,597 | \$2,821 | \$2,946 |
| Income taxes | \$286   | \$2,950 | \$1,486 |

NONCASH INVESTING AND FINANCING ACTIVITIES—

|  |      |         |          |
|--|------|---------|----------|
| Purchases of revenue equipment included in accounts payable                  | \$97 | \$5,031 | \$1,079  |
| Purchases of common stock included in accrued expenses and other liabilities | \$-  | \$-     | \$28,743 |

See notes to consolidated financial statements.



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**

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**1. ACCOUNTING POLICIES**

**Description of Business and Principles of Consolidation**—P.A.M. Transportation Services, Inc. (the “Company”), through its subsidiaries, operates as a truckload transportation and logistics company.

The consolidated financial statements include the accounts of the Company and its wholly owned operating subsidiaries: P.A.M. Transport, Inc., P.A.M. Cartage Carriers, LLC, Overdrive Leasing, LLC, Choctaw Express, LLC, Decker Transport Co., LLC, T.T.X., LLC, Transcend Logistics, Inc., and East Coast Transport and Logistics, LLC. The following subsidiaries were inactive during all periods presented: P.A.M. International, Inc., P.A.M. Logistics Services, Inc., Choctaw Brokerage, Inc., and S & L Logistics, Inc.

**Use of Estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. The Company periodically reviews these estimates and assumptions. The Company's estimates were based on its historical experience and various other assumptions that management believes to be reasonable under the circumstances. Actual results could differ from those estimates.

**Cash and Cash Equivalents**—The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At times cash held at banks may exceed FDIC insured limits.

**Accounts Receivable and Allowance for Doubtful Accounts**—Accounts receivable are presented in the Company's consolidated financial statements net of an allowance for estimated uncollectible amounts. Management estimates this allowance based upon an evaluation of the aging of our customer receivables and historical write-offs, as well as other trends and factors surrounding the credit risk of specific customers. The Company continually updates the history it uses to make these estimates so as to reflect the most recent trends, factors and other information available. In order to gather information regarding these trends and factors, the Company also performs ongoing credit evaluations of its

customers. Customer receivables are considered to be past due when payment has not been received by the invoice due date. Write-offs occur when management determines an account to be uncollectible and could differ from the allowance estimate as a result of a number of factors, including unanticipated changes in the overall economic environment or factors and risks surrounding a particular customer. Management believes its methodology for estimating the allowance for doubtful accounts to be reliable however, additional allowances may be required if the financial condition of our customers were to deteriorate, and could have a material effect on the Company's consolidated financial statements in future periods.

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**Bank Overdrafts**—The Company classifies bank overdrafts in current liabilities as an accounts payable and does not offset other positive bank account balances located at the same or other financial institutions. Bank overdrafts generally represent checks written that have not yet cleared the Company’s bank accounts. The majority of the Company’s bank accounts are zero balance accounts that are funded at the time items clear against the account by drawings against a line of credit, therefore the outstanding checks represent bank overdrafts. Because the recipients of these checks have generally not yet received payment, the Company continues to classify bank overdrafts as accounts payable. Bank overdrafts are classified as changes in accounts payable in the cash flows from operating activities section of the Company’s Consolidated Statement of Cash Flows. Bank overdrafts as of December 31, 2016 and 2015 were approximately \$3,509,000 and \$467,000, respectively.

**Accounts Receivable Other**—The components of accounts receivable other consist primarily of amounts representing company driver advances, independent contractor advances, equipment manufacturer warranties, and restricted cash. Advances receivable from company drivers as of December 31, 2016 and 2015, were approximately \$628,000 and \$580,000, respectively. Restricted cash consists of cash proceeds from the sale of trucks and trailers under our like-kind exchange (“LKE”) tax program. See Note 11, “Federal and State Income Taxes,” for a discussion of the Company’s LKE tax program. We classify restricted cash as a current asset within “Accounts receivable-other” as the exchange process must be completed within 180 days in order to qualify for income tax deferral treatment. The changes in restricted cash balances are reflected as an investing activity in our Consolidated Statements of Cash Flows as they relate to the sales and purchases of revenue equipment.

**Marketable Equity Securities**—Marketable equity securities are classified by the Company as either available for sale or trading. Securities classified as available for sale are carried at market value with unrealized gains and losses recognized in accumulated other comprehensive income in the statements of stockholders’ equity. Securities classified as trading are carried at market value with unrealized gains and losses recognized in the statements of operations. Realized gains and losses are computed utilizing the specific identification method.

**Impairment of Long-Lived Assets**—The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. An impairment loss would be recognized if the carrying amount of the long-lived asset is not recoverable, and it exceeds its fair value. For long-lived assets classified as held and used, if the carrying value of the long-lived asset exceeds the sum of the future net undiscounted cash flows, it is not recoverable.

**Property and Equipment**—Property and equipment is recorded at historical cost, less accumulated depreciation. For financial reporting purposes, the cost of such property is depreciated principally by the straight-line method. For tax reporting purposes, accelerated depreciation or applicable cost recovery methods are used. Depreciation is recognized over the estimated asset life, considering the estimated salvage value of the asset. Such salvage values are based on estimates using expected market values for used equipment and the estimated time of disposal which, in many cases include guaranteed residual values by the manufacturers. Gains and losses are reflected in the year of disposal. The following is a table reflecting estimated ranges of asset useful lives by major class of depreciable assets:

| <b>Asset Class</b>             | <b>Estimated<br/>Asset Life<br/>(in years)</b> |   |    |
|--------------------------------|--|---|----|
| Service vehicles               | 3  | - | 5  |
| Office furniture and equipment | 3  | - | 7  |
| Revenue equipment              | 3  | - | 12 |
| Structures and improvements    | 5  | - | 40 |

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The Company's management periodically evaluates whether changes to estimated useful lives and/or salvage values are necessary to ensure its estimates accurately reflect the economic use of the assets. During 2016, management adjusted the estimated useful lives and salvage values of certain trucks based on such an evaluation. These changes resulted in an increase in depreciation expense of approximately \$1.3 million during 2016. This increase in depreciation expense reduced the Company's 2016 reported net income by approximately \$0.8 million (\$0.13 per diluted share). During 2015, management determined that an adjustment to the estimated useful lives or salvage values of trucks or trailers was not necessary based on such an evaluation.

**Inventory**—Inventories consist primarily of revenue equipment parts, tires, supplies, and fuel. Inventories are carried at the lower of cost or market with cost determined using the first in, first out method.

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

**Advertising Expense**—Advertising costs are expensed as incurred and totaled approximately \$1,019,000, \$988,000 and \$683,000 for the years ended December 31, 2016, 2015 and 2014, respectively.

**Repairs and Maintenance**—Repairs and maintenance costs are expensed as incurred.

**Self-Insurance Liability**—A liability is recognized for known health, workers' compensation, cargo damage, property damage, and auto liability damage claims. An estimate of the incurred but not reported claims for each type of liability is made based on historical claims made, estimated frequency of occurrence, and considering changing factors that contribute to the overall cost of insurance.

**Income Taxes**—The Company applies the asset and liability method of accounting for income taxes, under which deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is more likely than not that some or all of the deferred tax assets will not be realized.

The application of income tax law to multi-jurisdictional operations such as those performed by the Company, are inherently complex. Laws and regulations in this area are voluminous and often ambiguous. As such, we may be

required to make subjective assumptions and judgments regarding our income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations may change over time which could cause changes in our assumptions and judgments that could materially affect amounts recognized in the consolidated financial statements.

We recognize the impact of tax positions in our financial statements. These tax positions must meet a more-likely-than-not recognition threshold to be recognized and tax positions that previously failed to meet the more-likely-than-not threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met. We recognize potential accrued interest and penalties related to unrecognized tax benefits within the consolidated statements of income as income tax expense.

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In determining whether a tax asset valuation allowance is necessary, management, in accordance with the provisions of ASC 740-10-30, weighs all available evidence, both positive and negative to determine whether, based on the weight of that evidence, a valuation allowance is necessary. If negative conditions exist which indicate a valuation allowance might be necessary, consideration is then given to what effect the future reversals of existing taxable temporary differences and the availability of tax strategies might have on future taxable income to determine the amount, if any, of the required valuation allowance. As of December 31, 2016, management determined that the future reversals of existing taxable temporary differences and available tax strategies would generate sufficient future taxable income to realize its tax assets and therefore a valuation allowance was not necessary.

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

**Share-Based Compensation**—The Company estimates the fair value of stock option awards on the option grant date using the Black-Scholes pricing model and recognizes compensation for stock option awards expected to vest on a straight-line basis over the requisite service period for the entire award. Forfeitures are estimated at grant date based on historical experience. For additional information with respect to share-based compensation, see Note 12 to our consolidated financial statements.

**Earnings Per Share**—The Company computes basic earnings per share (“EPS”) by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS includes the potential dilution that could occur from stock-based awards and other stock-based commitments using the treasury stock or the as if converted methods, as applicable. The difference between the Company's weighted-average shares outstanding and diluted shares outstanding is due to the dilutive effect of stock options for all periods presented. See Note 13 for computation of diluted EPS.

**Fair Value Measurements**—Certain financial assets and liabilities are measured at fair value within the financial statements on a recurring basis. Fair value is defined 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. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For additional information with respect to fair value measurements, see Note 17 to our consolidated financial statements.

**Reporting Segments**—The Company's operations are all in the motor carrier segment and are aggregated into a single reporting segment in accordance with the aggregation criteria under Generally Accepted Accounting Principles (“GAAP”). The Company provides truckload transportation services as well as brokerage and logistics services to customers throughout the United States and portions of Canada and Mexico. Truckload transportation services

revenues, excluding fuel surcharges, represented 88.4%, 87.6% and 92.5% of total revenues, excluding fuel surcharges, for the twelve months ended December 31, 2016, 2015 and 2014, respectively. Remaining revenues, excluding fuel surcharges, for each respective year were generated by brokerage and logistics services.

***Concentrations of Credit Risk***—The Company performs ongoing credit evaluations and generally does not require collateral from its customers. The Company maintains reserves for potential credit losses. In view of the concentration of the Company's revenues and accounts receivable among a limited number of customers within the automobile industry, the financial health of this industry is a factor in the Company's overall evaluation of accounts receivable.



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**Subsequent Events**— We have evaluated subsequent events for recognition and disclosure through the date these financial statements were filed with the United States Securities and Exchange Commission and concluded that no subsequent events or transactions have occurred that require recognition or disclosure in our financial statements.

**Foreign Currency Transactions**—The functional currency of the Company’s foreign branch office in Mexico is the U.S. dollar. The Company remeasures the monetary assets and liabilities of this branch office, which are maintained in the local currency ledgers, at the rates of exchange in effect at the end of the reporting period. Revenues and expenses recorded in the local currency during the period are remeasured using average exchange rates for each period. Non-monetary assets and liabilities are remeasured using historical rates. Any resulting exchange gain or loss from the remeasurement process are included in non-operating income (loss) in the Company’s consolidated statements of operations.

**Recent Accounting Pronouncements**—In May 2014, the FASB issued ASU No. 2014-09, (“ASU 2014-09”), *Revenue from Contracts with Customers*. The objective of ASU 2014-09 and subsequent amendments is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. The core principle of ASU 2014-09 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the new guidance, an entity will (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the contract’s performance obligations; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB Accounting Standards Codification. The new guidance, as amended, is effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2017 for public companies. Early adoption is not permitted prior to annual periods beginning after December 31, 2016. Entities have the option of using either a full retrospective or modified approach to adopt ASU 2014-09.

The Company has performed an analysis of the effects of adopting this guidance. The analysis included the following items:

- identifying what constitutes a contract within the Company’s business practices,
- identifying performance obligations within our contracts,
- determining transaction prices,
- allocating the transaction price to performance obligations,
- determination of when performance obligations are satisfied and revenue is earned,
- disaggregation of revenue by source within segments, and
- principal verses agent considerations.

Based upon this evaluation, the effects of adopting this guidance is not expected to have a significant impact on the Company’s financial condition, results of operations, or cash flows.

In November 2015, the FASB issued ASU No. 2015-17, (“ASU 2015-17”), *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, which simplifies the presentation of deferred income taxes. Under the new accounting standard, deferred tax assets and liabilities are required to be classified as noncurrent, eliminating the prior requirement to separate deferred tax assets and liabilities into current and noncurrent. ASU 2015-17 is effective for annual and interim periods beginning after December 15, 2016, with early adoption permitted. The Company has early adopted ASU 2015-17 effective January 1, 2016 on a retrospective basis. Adoption of this ASU resulted in a reclassification of the Company’s deferred tax liability in its consolidated balance sheet as of December 31, 2015. The reclassification resulted in a \$1.8 million decrease in the current deferred income tax liability and a corresponding increase in the net noncurrent deferred tax liability.

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In January 2016, the FASB issued ASU 2016-01, (“ASU 2016-01”), *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The updated guidance enhances the reporting model for financial instruments, which includes amendments to address aspects of recognition, measurement, presentation and disclosure. ASU 2016-01 is effective for annual and interim periods beginning after December 15, 2017. With certain exceptions, early adoption is not permitted.

The Company has performed a preliminary analysis of the effects of adopting this guidance. This analysis consisted of the following items:

- categorize securities as either equity securities or debt securities,
- determine which securities held by the Company have readily determinable fair values,
- determine that the exit price notion will be used when measuring the fair value of financial instruments for disclosure purposes,
- consider the need for a valuation allowance related to a deferred tax asset on available-for-sale securities in combination with the Company’s other deferred tax assets.

Based upon this evaluation, the effects of adopting this guidance is not expected to have a significant impact on the Company’s financial condition or cash flows but it is expected to have a significant impact on the Company’s results of operations through the recognition of increases or decreases in market value each reporting period rather than recognizing them through comprehensive income.

In February 2016, the FASB issued ASU 2016-02, (“ASU 2016-02”), *Leases (Topic 842)*. This update seeks to increase the transparency and comparability among entities by requiring public entities to recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. To satisfy the standard’s objective, a lessee will recognize a right-of-use asset representing its right to use the underlying asset for the lease term and a lease liability for the obligation to make lease payments. Both the right-of-use asset and lease liability will initially be measured at the present value of the lease payments, with subsequent measurement dependent on the classification of the lease as either a finance or an operating lease. For leases with a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Accounting by lessors will remain mostly unchanged from current U.S. GAAP.

In transition, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that companies may elect to apply. These practical expedients relate to the identification and classification of leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. The transition guidance also provides specific guidance for sale and leaseback transactions, build-to-suit leases, leveraged leases, and amounts previously recognized in accordance with the business combinations guidance for leases. The new standard is effective for public companies for annual periods beginning

after December 15, 2018, and interim periods within those years, with early adoption permitted. The Company is evaluating the new guidance, but does not expect it to have a material impact on its financial condition, results of operations, or cash flows since the Company's current leases will expire prior to the effective date of this guidance.

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In March 2016, the FASB issued ASU No. 2016-08 (“ASU 2016-08”), *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. ASU 2016-08 clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers. The new guidance is effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2017 for public companies. Early adoption is not permitted. The Company has evaluated the effects of adopting this guidance and it is not expected to have a significant impact on the Company’s financial condition, results of operations, or cash flows.

In March 2016, the FASB issued ASU No. 2016-09 (“ASU 2016-09”), *Compensation – Stock Compensation (Topic 718)*. ASU 2016-09 identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liability, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. ASU 2016-09 is effective for annual and interim periods beginning after December 15, 2016, with early adoption permitted. The Company has evaluated the effects of adopting this guidance and it is not expected to have a significant impact on the Company’s financial condition, results of operations, or cash flows.

In June 2016, the FASB issued ASU No. 2016-13 (“ASU 2016-13”), *Accounting for Credit Losses (Topic 326)*. ASU 2016-13 requires the use of an “expected loss” model on certain types of financial instruments. The standard also amends the impairment model for available-for-sale debt securities and requires estimated credit losses to be recorded as allowances instead of reductions to amortized cost of the securities. ASU 2016-13 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019, with early adoption permitted. The Company is evaluating the new guidance, but does not expect it to have a material impact on its financial condition, results of operations, or cash flows.

In August 2016, the FASB issued ASU No. 2016-15 (“ASU 2016-15”), *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 amends the guidance in Accounting Standards Codification 230, Statement of Cash Flows, and clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows with the objective of reducing the existing diversity in practice related to eight specific cash flow issues. The amendments in this update are effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company has evaluated the effects of adopting ASU 2016-15 and does not expect it to have a material impact on its financial condition, results of operations, or cash flows.

In November 2016, the FASB issued ASU No. 2016-18 (“ASU 2016-18”), *Statement of Cash Flows (Topic 230)*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This standard is intended to reduce diversity in practice in how restricted cash or restricted cash equivalents are presented and

classified in the statement of cash flows. ASU No. 2016-18 is effective for fiscal years, and interim periods, beginning after December 15, 2017, with early adoption permitted. The standard requires application using a retrospective transition method. The adoption of ASU No. 2016-18 will change the presentation and classification of restricted cash and restricted cash equivalents in our consolidated statements of cash flows but is not expected to have a material impact on its financial condition, results of operations, or cash flows.

Table of Contents**2. TRADE ACCOUNTS RECEIVABLE**

The Company's receivables result primarily from the sale of transportation and logistics services. The Company performs ongoing credit evaluations of its customers and generally does not require collateral for accounts receivable. Accounts receivable, which consist of both billed and unbilled receivables, are presented net of an allowance for doubtful accounts. Accounts outstanding longer than contractual payment terms are considered past due and are reviewed individually for collectability. Accounts receivable balances consist of the following components as of December 31, 2016 and 2015:

|                                 | <b>2016</b>           | <b>2015</b> |
|---------------------------------|-----------------------|-------------|
|                                 | <b>(in thousands)</b> |             |
| Billed                          | \$48,538              | \$43,502    |
| Unbilled                        | 8,599                 | 6,359       |
| Allowance for doubtful accounts | (994 )                | (549 )      |
| Total accounts receivable—net   | \$56,143              | \$49,312    |

An analysis of changes in the allowance for doubtful accounts for the years ended December 31, 2016, 2015, and 2014 follows:

|                           | <b>2016</b>           | <b>2015</b> | <b>2014</b> |
|---------------------------|-----------------------|-------------|-------------|
|                           | <b>(in thousands)</b> |             |             |
| Balance—beginning of year | \$549                 | \$1,611     | \$1,477     |
| Provision for bad debts   | 445                   | 151         | 456         |
| Charge-offs               | -                     | (1,231)     | (322 )      |
| Recoveries                | -                     | 18          | -           |
| Balance—end of year       | \$994                 | \$549       | \$1,611     |

**3. MARKETABLE EQUITY SECURITIES**

The Company accounts for its marketable securities in accordance with ASC Topic 320, *Investments-Debt and Equity Securities*. ASC Topic 320 requires companies to classify their investments as trading, available-for-sale or held-to-maturity. The Company's investments in marketable securities are classified as either trading or available-for-sale and consist of equity securities. Management determines the appropriate classification of these securities at the time of purchase and re-evaluates such designation as of each balance sheet date. The cost of securities sold is based on the specific identification method and interest and dividends on securities are included in

non-operating income (loss).

Marketable equity securities classified as available-for-sale are carried at fair value, with the unrealized gains and losses, net of tax, included as a component of accumulated other comprehensive income (loss) in stockholders' 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.



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For the years ended December 31, 2016, 2015 and 2014, the evaluation resulted in impairment charges of approximately \$709,000, \$833,000 and \$1,000, respectively, being reported in the Company's non-operating income (loss) in its statements of operations.

The following table sets forth cost, market value and unrealized gain on equity securities classified as available-for-sale as of December 31, 2016 and 2015. The Company had no securities classified as trading securities as of December 31, 2016 or December 31, 2015.

|                               | <b>2016</b>           | <b>2015</b> |
|-------------------------------|-----------------------|-------------|
|                               | <b>(in thousands)</b> |             |
| Available-for-sale securities |                       |             |
| Fair market value             | \$27,621              | \$24,575    |
| Cost                          | 15,569                | 16,015      |
| Unrealized gain               | \$12,052              | \$8,560     |

The following table sets forth the gross unrealized gains and losses on the Company's marketable securities that are classified as available-for-sale as of December 31, 2016 and 2015.

|                               | <b>2016</b>           | <b>2015</b> |
|-------------------------------|-----------------------|-------------|
|                               | <b>(in thousands)</b> |             |
| Available-for-sale securities |                       |             |
| Gross unrealized gains        | \$12,161              | \$9,893     |
| Gross unrealized losses       | 109                   | 1,333       |
| Net unrealized gains          | \$12,052              | \$8,560     |

As of December 31, 2016 and 2015, the total net unrealized gains, net of deferred income taxes, in accumulated other comprehensive income was approximately \$7,476,000 and \$5,310,000, respectively.

For the year ended December 31, 2016 the Company had net unrealized gains in market value on securities classified as available-for-sale of approximately \$2,166,000, net of deferred income taxes. For the year ended December 31, 2015, the Company had net unrealized losses in market value on securities classified as available-for-sale of approximately \$1,092,000, net of deferred income taxes.

For the years ended December 31, 2016, 2015 and 2014, the Company recognized dividends of approximately \$1,024,000, \$1,058,000, and \$896,000 in non-operating income in its statements of operations, respectively.

During 2016, there were no reclassifications of marketable securities between trading and available for sale. During 2015, the Company reclassified the securities which were classified as trading to available-for-sale at their fair market values at the time of transfer.

The following table shows recognized gains (losses) in market value for securities classified as trading during 2015 and 2014. No securities were classified as trading during 2016.

|   | <b>2015</b>               | <b>2014</b> |
|---|---------------------------|-------------|
|   | <b>(in<br/>thousands)</b> |             |
| Trading securities  |                           |             |
| Recognized gain (loss) at beginning of period             | \$ 146                    | \$ 8        |
| Recognized gain at end of period                          | -                         | 146         |
| Securities transferred from trading to available-for-sale | (81 )                     | -           |
| Change in net recognized gain (loss)                      | \$(65 )                   | \$ 138      |

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The following table shows the Company's realized gains during 2016, 2015 and 2014 on certain securities which were held as available-for-sale. The cost of securities sold is based on the specific identification method and interest and dividends on securities are included in non-operating income.

|                              | <b>2016</b>           | <b>2015</b> | <b>2014</b> |
|------------------------------|-----------------------|-------------|-------------|
|                              | <b>(in thousands)</b> |             |             |
| Realized gains               |                       |             |             |
| Sale proceeds                | \$1,550               | \$1,500     | \$1,720     |
| Cost of securities sold      | 547                   | 434         | 818         |
| Realized gains               | \$1,003               | \$1,066     | \$902       |
| Realized gains, net of taxes | \$627                 | \$654       | \$546       |

At December 31, 2016, the Company's investments' approximate fair value of securities in a loss position and related gross unrealized losses were \$1,340,000 and \$109,000, respectively. At December 31, 2015, the Company's investments' approximate fair value of securities in a loss position and related gross unrealized losses were \$5,099,000 and \$1,333,000, respectively. As of December 31, 2016 and 2015, there were no investments that had been in a continuous unrealized loss position for twelve months or longer.

The market value of the Company's equity securities are periodically used as collateral against any outstanding margin account borrowings. As of December 31, 2016 and 2015, the Company had outstanding borrowings of \$10,358,000 and \$11,949,000 under its margin account, respectively. The interest rate on margin account borrowings was 1.30% and 0.94% as of December 31, 2016 and 2015, respectively.

**4. ACCRUED EXPENSES AND OTHER LIABILITIES**

Accrued expenses and other liabilities at December 31 are summarized as follows:

|                         | <b>2016</b>           | <b>2015</b> |
|-------------------------|-----------------------|-------------|
|                         | <b>(in thousands)</b> |             |
| Payroll                 | \$2,427               | \$1,792     |
| Accrued vacation        | 1,862                 | 1,771       |
| Taxes—other than income | 2,062                 | 2,371       |
| Interest                | 102                   | 58          |
| Driver escrows          | 2,245                 | 2,181       |

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|  |          |          |
|--|----------|----------|
| Margin account borrowings                    | 10,358   | 11,949   |
| Self-insurance claims                        | 3,274    | 6,840    |
| Deferred equipment gain – current portion    | -        | 131      |
| Total accrued expenses and other liabilities | \$22,330 | \$27,093 |

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Table of Contents**5. CLAIMS LIABILITIES**

With respect to physical damage for trucks, cargo loss and auto liability, the Company maintains insurance coverage to protect it from certain business risks. These policies are with various carriers and have per occurrence deductibles of \$10,000, \$10,000 and \$2,500, respectively. Prior to October 1, 2013, the Company was self-insured for physical damage losses on its trailers. From October 1, 2013 until September 30, 2015, the Company insured its trailers for physical damage losses with a \$2,500 deductible per occurrence. Beginning October 1, 2015, the Company elected to self-insure trailers for physical damage losses. The Company maintains workers' compensation coverage in Arkansas, Ohio, Oklahoma, Mississippi, and Florida with a \$500,000 self-insured retention and a \$500,000 per occurrence excess policy. The Company has elected to opt out of workers' compensation coverage in Texas and is providing coverage through the P.A.M. Texas Injury Plan. The Company has accrued for estimated losses to pay such claims as well as claims incurred but not yet reported. The Company has not experienced any adverse trends involving differences in claims experienced versus claims estimates for workers' compensation claims. Letters of credit aggregating approximately \$521,000 and certificates of deposit totaling \$300,000 are held by banks as security for workers' compensation claims. The Company self-insures for employee health claims with a stop loss of \$325,000 per covered employee per year and estimates its liability for claims outstanding and claims incurred but not reported.

**6. LONG-TERM DEBT**

Long-term debt at December 31, consists of the following:

|  | <b>2016</b>           | <b>2015</b> |
|--|-----------------------|-------------|
|  | <b>(in thousands)</b> |             |
| Line of credit with a bank—due July 1, 2018, and collateralized by accounts receivable (1) | \$1,866               | \$9,977     |
| Equipment financing (2)  | 165,331               | 129,271     |
| Total long-term debt   | 167,197               | 139,248     |
| Less current maturities  | (42,806 )             | (40,025 )   |
| Long-term debt—net of current maturities   | \$124,391             | \$99,223    |

Line of credit agreement with a bank provides for maximum borrowings of \$40.0 million and contains certain restrictive covenants that must be maintained by the Company on a consolidated basis. Borrowings on the line of credit are at an interest rate of LIBOR as of the first day of the month plus 1.50% (2.12% at December 31, 2016) and are secured by our trade accounts receivable. Monthly payments of interest are required under this agreement.

(1) Also, under the terms of the agreement the Company must maintain a debt to EBITDA (earnings before interest, taxes, depreciation, and amortization) ratio of less than 4.00:1. The Company was in compliance with all provisions under this agreement throughout 2016. At December 31, 2016, outstanding advances on the line were approximately \$2.6 million, including letters of credit totaling \$0.7 million, with availability to borrow \$37.4 million.

Equipment financings consist of installment obligations for revenue equipment purchases, payable in various (2) monthly installments with various maturity dates through December 2021, at a weighted average interest rate of 2.29% as of December 31, 2016 and collateralized by revenue equipment.

The Company has provided letters of credit to third parties totaling approximately \$706,000 at December 31, 2016. The letters are held by these third parties to assist such parties in collection of any amounts due by the Company should the Company default in its commitments to the parties.

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Scheduled annual maturities on long-term debt outstanding at December 31, 2016, are:

|       | <b>(in<br/>thousands)</b> |
|-------|---------------------------|
| 2017  | \$ 42,806                 |
| 2018  | 67,494                    |
| 2019  | 36,943                    |
| 2020  | 13,863                    |
| 2021  | 6,091                     |
| Total | \$ 167,197                |

**7. CAPITAL STOCK**

The Company's authorized capital stock consists of 40,000,000 shares of common stock, par value \$.01 per share, and 10,000,000 shares of preferred stock, par value \$.01 per share. At December 31, 2016, there were 11,510,863 shares of our common stock issued and 6,396,803 shares outstanding. At December 31, 2015, there were 11,497,471 shares of our common stock issued and 7,116,661 shares outstanding. No shares of our preferred stock were issued or outstanding at December 31, 2016 or 2015.

Common Stock

The holders of our common stock, subject to such rights as may be granted to any preferred stockholders, elect all directors and are entitled to one vote per share. All shares of common stock participate equally in dividends when and as declared by the Board of Directors and in net assets on liquidation. The shares of common stock have no preference, conversion, exchange, preemptive, or cumulative voting rights.

Preferred Stock

Preferred stock may be issued from time to time by our Board of Directors, without stockholder approval, in such series and with such preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications or other provisions, as may be fixed by the Board of Directors in the resolution authorizing their issuance. The issuance of preferred stock by the Board of Directors could adversely affect the rights of holders of shares of common stock; for example, the issuance of preferred stock could result in a class of securities outstanding

that would have certain preferences with respect to dividends and in liquidation over the common stock, and that could result in a dilution of the voting rights, net income per share and net book value of the common stock. As of December 31, 2016, we have no agreements or understandings for the issuance of any shares of preferred stock.

#### Treasury Stock

In February 2016, our Board of Directors authorized the repurchase of up to 325,000 shares of our common stock through a Dutch auction tender offer (the “2016 tender offer”). In March 2016, the Company extended the offer and increased the offer from 325,000 shares to 425,000 shares. Subject to certain limitations and legal requirements, the Company could repurchase up to an additional 2% of its outstanding shares which totaled 142,413 shares. The 2016 tender offer began on the date of the announcement, February 18, 2016 and expired on April 5, 2016. Through this tender offer, the Company’s shareholders had the opportunity to tender some or all of their shares at a price within the range of \$31.00 to \$34.00 per share. Upon expiration, 567,413 shares were purchased through this offer at a final purchase price of \$31.00 per share for a total purchase price of approximately \$17.7 million, including fees and commission. The repurchase was settled on April 5, 2016. The Company accounted for the repurchase of these shares as treasury stock on the Company’s consolidated balance sheet as of December 31, 2016.



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In May 2015, our Board of Directors authorized the repurchase of up to 80,000 shares of our common stock through a Dutch auction tender offer (the “2015 tender offer”). In June 2015, the Company extended the offer and increased the offer from 80,000 shares to 150,000 shares. Subject to certain limitations and legal requirements, the Company could repurchase up to an additional 2% of its outstanding shares which totaled 148,566 shares. The 2015 tender offer began on the date of the announcement, May 22, 2015 and expired on July 9, 2015. Through this tender offer, the Company’s shareholders had the opportunity to tender some or all of their shares at a price within the range of \$59.00 to \$63.00 per share. Upon expiration, 298,566 shares were purchased through this offer at a final purchase price of \$59.00 per share for a total purchase price of approximately \$17.8 million, including fees and commission. The repurchase was settled on July 16, 2015. The Company accounted for the repurchase of these shares as treasury stock on the Company’s consolidated balance sheet as of December 31, 2015.

The Company’s stock repurchase program has been extended and expanded several times, most recently in May 2014, when the Board of Directors reauthorized 500,000 shares of common stock for repurchase under the initial September 2011 authorization. The Company repurchased 165,837 and 31,263 shares of its common stock under this program during 2016 and 2015, respectively. Following the reauthorization in 2014, the Company repurchased 33,341 shares of its common stock during the remainder of 2014 under this repurchase program.

The Company accounts for Treasury stock using the cost method and as of December 31, 2016, 5,114,060 shares were held in the treasury at an aggregate cost of approximately \$122,835,000.

**8. COMPREHENSIVE INCOME (LOSS)**

Comprehensive income (loss) was comprised of net income (loss) plus or minus market value adjustments related to marketable securities. The following table summarizes the changes in accumulated balances of other comprehensive income for the years ended December 31, 2016 and 2015:

|  | Unrealized gains<br>and losses on<br>available-for-sale<br>securities<br>(in thousands) |
|--|---|
| Balance at January 1, 2015, net of tax of \$3,918                                      | \$ 6,402  |
| Other comprehensive income before reclassifications, net of tax of \$(588)             | (962 )  |
| Amounts reclassified from accumulated other comprehensive income, net of tax of \$(80) | (130 )  |
| Net other comprehensive income (loss)  | (1,092 )  |

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|  |          |   |
|--|----------|---|
| Balance at December 31, 2015, net of tax of \$3,250                                    | 5,310    |   |
| Other comprehensive income before reclassifications, net of tax of \$1,390             | 2,269    |   |
| Amounts reclassified from accumulated other comprehensive income, net of tax of \$(64) | (103     | ) |
| Net other comprehensive income (loss)  | 2,166    |   |
| Balance at December 31, 2016, net of tax of \$4,576                                    | \$ 7,476 |   |

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The following table provides details about reclassifications out of accumulated other comprehensive income for the years ended December 31, 2016 and 2015:

| Details about Accumulated Other<br>Comprehensive Income Component | Amounts<br>Reclassified<br>from<br>Accumulated<br>Other<br>Comprehensive<br>Income |             | Statement of Operations<br>Classification |
|---|--|-------------|---|
|   | (a)<br>2016  | (a)<br>2015 |   |
|   | (in thousands)   |             |   |
| Unrealized gains and losses on available-for-sale securities:     |  |             |   |
| Unrealized gains and losses on securities sold                    | \$ 876   | \$ 1,043    | Non-operating income                      |
| Impairment expense  | (709 )   | (833 )      | Non-operating income                      |
| Total before tax  | 167  | 210         | Income before income taxes                |
| Tax expense   | (64 )  | (80 )       | Income tax expense                        |
| Total after tax   | \$ 103   | \$ 130      | Net income                                |

(a) Amounts in parentheses indicate debits to profit/loss

## 9. SIGNIFICANT CUSTOMERS AND INDUSTRY CONCENTRATION

In 2016, two customers, who are in the automobile manufacturing industry, accounted for 28% of revenues. In 2015, three customers, who are in the automobile manufacturing industry, accounted for 37% of revenues. In 2014, two customers, who are in the automobile manufacturing industry, accounted for 34% of revenues. The Company also provides transportation services to other manufacturers who are suppliers for automobile manufacturers including suppliers for the Company's largest customer. As a result, concentration of the Company's business within the automobile industry is significant. Of the Company's revenues for 2016, 2015 and 2014, 45%, 47% and 48%, respectively, were derived from transportation services provided to the automobile manufacturing industry. Accounts receivable from the three largest customers totaled approximately \$27,085,000 and \$27,051,000 at December 31, 2016 and 2015, respectively.

## 10. DIVIDENDS

The Company has paid cash dividends in the past, however, the Company currently intends to retain future earnings and does not anticipate paying cash dividends in the near future. Any future determination to pay dividends will be at

the discretion of the Board and will depend on the Company's financial condition, results of operations, capital requirements, any legal or contractual restrictions on the payment of dividends, and other factors the Board deems relevant.

## **11. FEDERAL AND STATE INCOME TAXES**

Under GAAP, deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and for income tax reporting purposes.

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Significant components of the Company's deferred tax liabilities and assets at December 31 are as follows:

|   | <b>2016</b>           | <b>2015</b>     |
|---|-----------------------|-----------------|
|   | <b>(in thousands)</b> |                 |
| Deferred tax liabilities:                   |                       |                 |
| Property and equipment                      | \$85,233              | \$76,362        |
| Unrealized gains on securities              | 4,576                 | 3,250           |
| Prepaid expenses and other                  | 3,230                 | 3,056           |
| <b>Total deferred tax liabilities</b>       | <b>93,039</b>         | <b>82,668</b>   |
| Deferred tax assets:                        |                       |                 |
| Allowance for doubtful accounts             | 378                   | 208             |
| Alternative minimum tax credit carryforward | 1,214                 | 1,378           |
| QAFMV tax credit carryforward               | 864                   | 864             |
| New hire tax credit                         | 124                   | 124             |
| Compensated absences                        | 650                   | 625             |
| Self-insurance allowances                   | 748                   | 2,340           |
| Share-based compensation                    | (54 )                 | 230             |
| Goodwill                                    | 9                     | 19              |
| Marketable equity securities                | 1,244                 | 1,283           |
| Net operating loss carryover                | 7,545                 | 3,258           |
| Non-competition agreement                   | 7                     | 15              |
| Other                                       | 17                    | 15              |
| <b>Total deferred tax assets</b>            | <b>12,746</b>         | <b>10,359</b>   |
| <b>Net deferred tax liability</b>           | <b>\$80,293</b>       | <b>\$72,309</b> |

The reconciliation between the effective income tax rate and the statutory Federal income tax rate for the years ended December 31, 2016, 2015 and 2014 is presented in the following table:

|   | <b>2016</b>           |                | <b>2015</b>     |                | <b>2014</b>    |                |
|---|-----------------------|----------------|-----------------|----------------|----------------|----------------|
|   | <b>(in thousands)</b> |                |                 |                |                |                |
|   | <b>Amount</b>         | <b>Percent</b> | <b>Amount</b>   | <b>Percent</b> | <b>Amount</b>  | <b>Percent</b> |
| Income tax at the statutory federal rate        | \$6,042               | 34.0           | \$11,876        | 34.0           | \$7,552        | 34.0           |
| Nondeductible expenses                          | 130                   | 0.7            | 149             | 0.4            | 154            | 0.7            |
| State income taxes/other—net of federal benefit | 499                   | 2.8            | 1,467           | 4.2            | 1,015          | 4.6            |
| <b>Total income tax expense</b>                 | <b>\$6,671</b>        | <b>37.5</b>    | <b>\$13,492</b> | <b>38.6</b>    | <b>\$8,721</b> | <b>39.3</b>    |

The provision for income taxes consisted of the following:

|                                     | <b>2016</b>           | <b>2015</b> | <b>2014</b> |
|-------------------------------------|-----------------------|-------------|-------------|
|                                     | <b>(in thousands)</b> |             |             |
| <b>Current:</b>                     |                       |             |             |
| Federal                             | \$(225 )              | \$98        | \$814       |
| State                               | 238                   | 493         | 395         |
| Total current income tax provision  | 13                    | 591         | 1,209       |
| <b>Deferred:</b>                    |                       |             |             |
| Federal                             | 5,506                 | 10,782      | 6,111       |
| State                               | 1,152                 | 2,119       | 1,401       |
| Total deferred income tax provision | 6,658                 | 12,901      | 7,512       |
| Total income tax expense            | \$6,671               | \$13,492    | \$8,721     |

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The Company has alternative minimum tax credits of approximately \$1,214,000 at December 31, 2016, which have no expiration date under the current federal income tax laws and general business credits of approximately \$988,000 which begin to expire after the year 2030. The Company also has net operating loss carryovers for federal income purposes of approximately \$19,876,000 which begin to expire after the year 2030.

In determining whether a tax asset valuation allowance is necessary, management, in accordance with the provisions of ASC 740-10-30, weighs all available evidence, both positive and negative to determine whether, based on the weight of that evidence, a valuation allowance is necessary. If negative conditions exist which indicate a valuation allowance might be necessary, consideration is then given to what effect the future reversals of existing taxable temporary differences and the availability of tax strategies might have on future taxable income to determine the amount, if any, of the required valuation allowance. As of December 31, 2016 and 2015, management determined that the future reversals of existing taxable temporary differences and available tax strategies would generate sufficient future taxable income to realize its tax assets and therefore a valuation allowance was not necessary.

The Company recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities, based on the technical merits of the position. As of December 31, 2016, an adjustment to the Company's consolidated financial statements for uncertain tax positions has not been required as management believes that the Company's tax positions taken in income tax returns filed or to be filed are supported by clear and unambiguous income tax laws. The Company recognizes interest and penalties related to uncertain income tax positions, if any, in income tax expense. During 2016 and 2015, the Company has not recognized or accrued any interest or penalties related to uncertain income tax positions.

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 the Company operates generally provide for a deficiency assessment statute of limitation period of three years and as a result, the Company's tax years 2013 and forward remain open to examination in those jurisdictions.

The Company contracts with a third-party qualified intermediary in order to maintain a like-kind exchange tax program. Under the program, dispositions of eligible trucks or trailers and acquisitions of replacement trucks or trailers are made in a form whereby any associated tax gains related to the disposal are deferred. To qualify for like-kind exchange treatment, we exchange, through our qualified intermediary, eligible trucks or trailers being disposed with trucks or trailers being acquired that allows us to generally carryover the tax basis of the trucks or trailers sold. The program is expected to result in a significant deferral of federal and state income taxes. Under the program, the proceeds from the sale of eligible trucks or trailers carry a Company-imposed restriction for the acquisition of replacement trucks or trailers. These proceeds may be disqualified under the program at any time and at the Company's sole discretion; however, income tax deferral would not be available for any sale for which the Company disqualifies the related proceeds. At December 31, 2016 and 2015, the Company had \$167,000 and \$484,000 of restricted cash held by the third-party qualified intermediary. Restricted cash is accounted for in "Accounts receivable-other".





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**12. STOCK-BASED COMPENSATION**

The Company maintains a stock incentive plan under which incentive and nonqualified stock options and other stock awards may be granted. On March 2, 2006, the Company's Board of Directors (the "Board") adopted, and shareholders later approved, the 2006 Stock Option Plan (the "2006 Plan"). Under the 2006 Plan, 750,000 shares were reserved for the issuance of stock options to directors, officers, key employees, and others. The option exercise price under the 2006 Plan is the fair market value of the stock on the date the option is granted. The fair market value is determined by the 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. On March 13, 2014, the Company's Board of Directors adopted, and on May 29, 2014 our shareholders approved, the 2014 Amended and Restated Stock Option and Incentive Plan (the "2014 Plan") which replaced the 2006 Plan. The shares which remained reserved under the 2006 Plan were carried over to the 2014 Plan and are reserved for the issuance of stock awards to directors, officers, key employees, and others. The stock option exercise price and the restricted stock purchase price under the 2014 Plan shall not be less than 85% of the fair market value of the Company's common stock on the date the award is granted. The fair market value is determined by the closing price of the Company's common stock, on its primary exchange, on the same date that the option or award is granted.

Outstanding nonqualified stock options at December 31, 2016, must be exercised within either five or ten years from the date of grant. Outstanding nonqualified stock options granted to members of the Company's Board of Directors vested immediately while outstanding nonqualified stock options issued to employees vest in increments of 20% to 25% each year.

In March 2016, 2,275 shares of common stock were granted to non-employee directors under the 2014 Plan. This stock award has a grant date fair value of \$30.80 per share, based on the closing price of the Company's stock on the date of grant and vests immediately. Also in March 2016, the Board of Directors granted 5,000 restricted shares of the Company's stock to the Company's Chief Executive Officer. This restricted stock award has a grant date fair value of \$30.81, based on the closing price of the Company's stock on the date of grant, with 25% of the award vesting immediately and 25% vesting for each of the next three years.

In March 2015, 1,225 shares of common stock were granted to non-employee directors under the 2014 Plan. This stock award has a grant date fair value of \$57.27 per share, based on the closing price of the Company's stock on the date of grant and vested immediately.

In November 2014, the Board of Directors granted 9,500 restricted shares of the Company's stock to certain key employees. This restricted stock award has a grant date fair value of \$42.65, based on the closing price of the Company's stock on the date of grant, of which 20% of the award vested immediately and the remaining award vests in increments of 20% each year for the next four years.

In March 2014, 3,024 shares of common stock were granted to non-employee directors under the 2014 Plan. This stock award has a grant date fair value of \$19.88 per share, based on the closing price of the Company's stock on the date of grant and vested immediately.

In May 2012, the Company granted to certain key employees, 104,000 nonqualified stock options. 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. These nonqualified stock options vest in increments of 20% each year.

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In November 2010, the Company granted to certain key employees, 50,000 nonqualified stock options and 64,000 performance-based variable nonqualified stock options. 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. The nonqualified stock options vested in increments of 20% each year. The performance-based nonqualified stock options were eligible to be earned in four quarterly installments and one annual installment with vesting to occur in increments of 20% each year for any options earned. In order to meet the performance criteria, certain quarterly and annual “operating ratio” results must have been achieved during 2011. During 2011, 4,442 performance-based variable nonqualified stock options were earned with vesting beginning during the third quarter of 2012. The remaining 59,558 performance-based variable nonqualified stock options expired as the related performance criteria was not met.

During 2016 and 2015, there were no grants of nonqualified stock options. At December 31, 2016, 355,000 shares were available for granting future options or restricted stock.

The grant date fair value of stock and stock options vested during 2016, 2015 and 2014 was approximately \$273,000, \$274,000 and \$263,000, respectively. Total pre-tax stock-based compensation expense, recognized in Salaries, wages and benefits was approximately \$302,000 during 2016 and includes approximately \$70,000 recognized as a result of the grant of 325 shares of stock to each non-employee director during the first quarter of 2016. The Company recognized a total income tax benefit of approximately \$113,000 related to stock-based compensation expense during 2016. The recognition of stock-based compensation expense decreased diluted and basic earnings per common share by approximately \$0.03 and \$0.02, respectively during 2016. As of December 31, 2016, the Company had stock-based compensation plans with total unvested stock-based compensation expense of approximately \$239,000 which is being amortized on a straight-line basis over the remaining vesting period. As a result, the Company expects to recognize approximately \$135,000 in additional compensation expense related to unvested option awards during 2017, \$98,000 in additional compensation expense related to unvested option awards during 2018 and \$6,000 in additional compensation expense related to unvested option awards during 2019.

Total pre-tax stock-based compensation expense, recognized in Salaries, wages and benefits was approximately \$267,000 during 2015 and included approximately \$70,000 recognized as a result of the grant of 175 shares of stock to each non-employee director during the first quarter of 2015. The Company recognized a total income tax benefit of approximately \$103,000 related to stock-based compensation expense during 2015. The recognition of stock-based compensation expense decreased diluted and basic earnings per common share by approximately \$0.02 during 2015.

Total pre-tax stock-based compensation expense, recognized in Salaries, wages and benefits was approximately \$270,000 during 2014 and included approximately \$60,000 recognized as a result of the grant of 504 shares of stock to each non-employee director during the first quarter of 2014 and approximately \$94,000 recognized as a result of the grant of 9,500 shares of stock to certain key employees during the fourth quarter of 2014. The Company recognized a total income tax benefit of approximately \$106,000 related to stock-based compensation expense during 2014. The

recognition of stock-based compensation expense decreased diluted and basic earnings per common share by approximately \$0.02 during 2014.

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Transactions in stock options under these plans are summarized as follows:

|  | <b>Shares<br/>Under<br/>Option</b> | <b>Weighted-<br/>Average<br/>Exercise<br/>Price</b> |
|--|------------------------------------|---|
| Outstanding—January 1, 2014:           | 164,098                            | \$ 10.99  |
| Granted                                | -                                  | -   |
| Exercised                              | (77,708 )                          | 10.88   |
| Canceled                               | (42 )                              | 11.22   |
| Outstanding—December 31, 2014:         | 86,348                             | \$ 11.09  |
| Granted                                | -                                  | -   |
| Exercised                              | (20,250 )                          | 11.65   |
| Canceled                               | -                                  | -   |
| Outstanding—December 31, 2015:         | 66,098                             | \$ 10.92  |
| Granted                                | -                                  | -   |
| Exercised                              | (7,917 )                           | 11.41   |
| Canceled                               | (2,050 )                           | 10.91   |
| Outstanding—December 31, 2016:         | 56,131                             | \$ 10.85  |
| Options exercisable—December 31, 2016: | 43,331                             | \$ 10.84  |

Information related to the Company's option activity as of December 31, 2016, and changes during the year then ended is presented below:

|                                  | <b>Shares<br/>Under<br/>Option</b> | <b>Weighted-<br/>Average<br/>Exercise<br/>Price</b> | <b>Weighted-<br/>Average<br/>Remaining<br/>Contractual<br/>Term</b> | <b>Aggregate<br/>Intrinsic<br/>Value*</b> |
|----------------------------------|------------------------------------|---|---|---|
|                                  |                                    | (per share)   | (in years)  |   |
| Outstanding at January 1, 2016   | 66,098                             | \$ 10.92  |   |   |
| Granted                          | -                                  | -   |   |   |
| Exercised                        | (7,917 )                           | 11.41   |   |   |
| Canceled/forfeited/expired       | (2,050 )                           | 10.91   |   |   |
| Outstanding at December 31, 2016 | 56,131                             | \$ 10.85  | 3.2   | \$ 849,026                                |

|   |        |          |     |            |
|---|--------|----------|-----|------------|
| Fully vested and exercisable at December 31, 2016 | 43,331 | \$ 10.84 | 2.6 | \$ 656,002 |
|---|--------|----------|-----|------------|

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\* 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 December 31, 2016, was \$25.98.

There were no options granted during 2016, 2015, or 2014. The weighted-average grant-date fair value of options either canceled, forfeited, or expired during 2016 was \$6.07. There were no options either canceled, forfeited, or expired during 2015. The weighted-average grant-date fair value of options either canceled, forfeited, or expired during 2014 was \$6.34 per share.

The total intrinsic value of options exercised during the years ended December 31, 2016, 2015 and 2014, were approximately \$101,000, \$940,000 and \$1,355,000, respectively.

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A summary of the status of the Company's nonvested options and restricted stock as of December 31, 2016 and changes during the year ended December 31, 2016, is presented below:

|                                | Stock Options     |  | Restricted Stock |   |
|--------------------------------|-------------------|--|------------------|---|
|                                | Number of Options | Weighted-Average Grant Date Fair Value | Number of Shares | Weighted-Average Grant Date Fair Value* |
| Nonvested at January 1, 2016   | 28,205            | \$ 6.07                                | 5,700            | \$ 42.65                                |
| Granted                        | -                 | -                                      | 7,275            | 30.81                                   |
| Canceled/forfeited/expired     | (2,050 )          | 6.07                                   | (450 )           | 42.65                                   |
| Vested                         | (13,355)          | 6.07                                   | (5,475)          | 35.02                                   |
| Nonvested at December 31, 2016 | 12,800            | \$ 6.06                                | 7,050            | \$ 36.35                                |

\* The weighted-average grant date fair value was based on the closing price of the Company's stock on the date of the grant.

The number, weighted average exercise price and weighted average remaining contractual life of options outstanding as of December 31, 2016 and the number and weighted average exercise price of options exercisable as of December 31, 2016 is as follows:

| Exercise Price | Shares Under Outstanding Options | Weighted-Average Remaining Contractual Term<br>(in years) | Shares Under Exercisable Options |
|----------------|----------------------------------|---|----------------------------------|
| \$10.44        | 15,000                           | 1.2   | 15,000                           |
| \$10.90        | 6,000                            | 0.4   | 6,000                            |
| \$10.90        | 25,600                           | 5.4   | 12,800                           |
| \$11.22        | 5,531                            | 3.9   | 5,531                            |
| \$11.54        | 4,000                            | 0.2   | 4,000                            |
|                | 56,131                           | 3.2   | 43,331                           |

Cash received from option exercises totaled approximately \$91,000, \$236,000 and \$846,000 during the years ended December 31, 2016, 2015 and 2014, respectively. The Company issues new shares upon option exercise.

**13. EARNINGS PER SHARE**

Basic earnings per common share was computed by dividing net income by the weighted average number of shares outstanding during the period. Diluted earnings per common share was calculated as follows:

|  | <b>For the Year Ended<br/>December 31,<br/>2016    2015    2014<br/>(in thousands, except per<br/>share data)</b> |          |          |
|--|---|----------|----------|
| Net income   | \$11,101  | \$21,436 | \$13,491 |
| Basic weighted average common shares outstanding   | 6,627   | 7,288    | 7,990    |
| Dilutive effect of common stock equivalents        | 22  | 37       | 44       |
| Diluted weighted average common shares outstanding | 6,649   | 7,325    | 8,034    |
| Basic earnings per share                           | \$1.68  | \$2.94   | \$1.69   |
| Diluted earnings per share                         | \$1.67  | \$2.93   | \$1.68   |



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**14. BENEFIT PLAN**

The Company sponsors a benefit plan for the benefit of all eligible employees. The plan qualifies under Section 401(k) of the Internal Revenue Code thereby allowing eligible employees to make tax-deductible contributions to the plan. The plan provides for employer matching contributions of 50% of each participant's voluntary contribution up to 3% of the participant's compensation and vests at the rate of 20% each year until fully vested after five years. Total employer matching contributions to the plan were approximately \$161,000, \$171,000 and \$162,000 in 2016, 2015 and 2014, respectively.

**15. COMMITMENTS AND CONTINGENCIES**

Other than the lawsuit discussed below, the Company is not a party to any pending legal proceedings which management believes to be material to the Consolidated financial statements of the Company. The Company maintains liability insurance against risks arising in the normal course of its business.

We are a defendant in a collective-action lawsuit which was re-filed on December 9, 2016, in the United States District Court for the Western District of Arkansas. The plaintiffs, who are former drivers who worked for the Company during the period of December 6, 2013, through the date of the filing, allege unsubstantiated violations under the Fair Labor Standards Act and the Arkansas Minimum Wage Law. The plaintiffs, through their attorneys, have filed causes of action alleging "Failure to pay minimum wage during orientation, failure to pay minimum wage to team drivers after initial orientation, failure to pay minimum wage to solo-drivers after initial orientation, failure to pay for compensable travel time, Comdata card fees, unlawful deductions, and breach of contract." The plaintiffs are seeking actual and liquidated damages to include court costs and legal fees. The lawsuit is currently under preliminary review. We cannot reasonably estimate, at this time, the possible loss or range of loss, if any, that may arise from this lawsuit. Management has determined that any losses under this claim will not be covered by existing insurance policies.

During 2014, the Company's subsidiaries entered into operating leases for the lease of 421 trucks. Revenue equipment held under operating leases is not carried on our balance sheet and the respective lease payments are reflected in our consolidated statements of operations as a component of the Rents and purchased transportation category.

Leases for revenue equipment and certain premises under non-cancellable operating leases expire at various dates through 2021. Future minimum lease payments related to these non-cancellable leases at December 31, 2016 are as follows:

**(in thousands)**

|                     |         |
|---------------------|---------|
| 2017                | \$5,912 |
| 2018                | 431     |
| 2019                | 67      |
| 2020                | 36      |
| 2021 and thereafter | 6       |
| Total               | \$6,452 |

Total rental expense, net of amounts reimbursed, for the years ended December 31, 2016, 2015 and 2014 was approximately \$10,294,000, \$12,057,000, and \$6,239,000, respectively.

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**16. LEASE INCOME**

The Company has a lease-purchase program whereby we offer independent contractors the opportunity to lease a Company-owned truck. The terms associated with these leases require weekly lease payments over the term of the leases which range from 7 to 30 months. The cost and carrying amount of Company-owned trucks in this program at December 31, 2016 were approximately \$44,691,000 and \$16,522,000, respectively. The cost and carrying amount of Company-owned trucks in this program at December 31, 2015 was \$35,199,000 and \$15,382,000, respectively.

Leases in our lease-purchase program expire at various dates through 2018. Payments received under this program are classified in the Company's financial statements under the consolidated statements of operations category Revenue. Future minimum lease receipts related to these leases at December 31, 2016 and 2015 were approximately \$5,935,000 and \$7,970,000.

The Company leases office and shop facilities to a related party. At December 31, 2016, the cost and carrying amount of the facilities leased were approximately \$1,697,000 and \$1,253,000, respectively. At December 31, 2015, the cost and carrying amount of the facilities leased were approximately \$1,697,000 and \$1,310,000, respectively. Future minimum lease receipts related to this lease at December 31, 2016 are approximately \$12,000. See Note 18 to our consolidated financial statements.

**17. 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 guidance effective January 1, 2008 for financial assets and liabilities measured on a recurring basis. This guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date and also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level  
1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 inputs that are either directly or indirectly observable such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable; or other inputs not directly observable, but derived principally from, or corroborated by, observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity.

The Company utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

At December 31, 2016, the following items are measured at fair value on a recurring basis:

|                              | <b>Total</b>          | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
|------------------------------|-----------------------|----------------|----------------|----------------|
|                              | <b>(in thousands)</b> |                |                |                |
| Marketable equity securities | \$27,621              | \$27,621       | -              | -              |

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During 2016 and 2015, there were no transfers of marketable securities between levels of fair value measurement.

The Company's investments in marketable equity securities are recorded at fair value based on quoted market prices. The carrying value of cash and cash equivalents, accounts receivable, trade 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 values and estimated fair values of this other long-term debt at December 31, 2016 and 2015 are summarized as follows:

|                | <b>2016</b>           |                  | <b>2015</b>     |                  |
|----------------|-----------------------|------------------|-----------------|------------------|
|                | <b>Carrying</b>       | <b>Estimated</b> | <b>Carrying</b> | <b>Estimated</b> |
|                | <b>Value</b>          | <b>Fair</b>      | <b>Value</b>    | <b>Fair</b>      |
|                | <b>Value</b>          | <b>Value</b>     | <b>Value</b>    | <b>Value</b>     |
|                | <b>(in thousands)</b> |                  |                 |                  |
| Long-term debt | \$ 165,331            | \$ 163,975       | \$ 129,271      | \$ 129,024       |

The Company has not elected the fair value option for any of our financial instruments.

**18. RELATED PARTY TRANSACTIONS**

In the normal course of business, transactions for transportation and repair services, equipment, property leases and other services are conducted between the Company and companies affiliated with our Chairman and a controlling stockholder. The Company recognized approximately \$4,834,000, \$11,325,000 and \$13,253,000 in operating revenue and approximately \$8,837,000, \$4,834,000 and \$1,440,000 in operating expenses in 2016, 2015, and 2014, respectively. In addition, also in the normal course of business, the Company sold trucks to an affiliated company owned by our Chairman and a controlling stockholder for approximately \$67,500 and \$750,000 during 2015 and 2014, respectively.

The Company purchased physical damage, auto liability, general liability, and workers' compensation insurance through an unaffiliated insurance broker which was written by an insurance company affiliated with our Chairman and a controlling stockholder. Premiums paid for physical damage coverage were approximately \$2,091,000, \$2,467,000 and \$2,597,000 for 2016, 2015, and 2014, respectively. Premiums paid for auto liability coverage during 2016, 2015, and 2014 were approximately \$11,030,000, \$9,605,000 and \$9,464,000, respectively. Premiums paid for general liability coverage during 2016, 2015, and 2014 were approximately \$21,000, \$23,000, and \$22,000, respectively. Premiums paid for workers' compensation coverage during 2016, 2015, and 2014 were approximately \$298,000, \$276,000 and \$267,000, respectively.

Amounts owed to the Company by these affiliates were approximately \$929,000 and \$2,482,000 at December 31, 2016 and 2015, respectively. Of the accounts receivable at December 31, 2016 and 2015, approximately \$925,000 and \$2,370,000 represent freight transportation and approximately \$4,000 and \$5,000 represent revenue resulting from maintenance performed in the Company's maintenance facilities and charges paid by the Company to third parties on behalf of their affiliate and charged back at the amount paid, respectively. Approximately \$106,000 represents property lease charges at December 31, 2015. There were no amounts receivable for property lease charges at December 31, 2016. Amounts representing prepaid insurance premiums at December 31, 2016 and 2015 were approximately \$472,000 and \$481,000, respectively. Amounts payable to affiliates at December 31, 2016 and 2015 were approximately \$1,297,000 and \$1,236,000 respectively.

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The tables below present quarterly financial information for 2016 and 2015:

|                                    | <b>2016</b>                                  |                |                         |                        |
|------------------------------------|--|----------------|-------------------------|------------------------|
|                                    | <b>Three Months Ended</b>                    |                |                         |                        |
|                                    | <b>March<br/>31</b>                          | <b>June 30</b> | <b>September<br/>30</b> | <b>December<br/>31</b> |
|                                    | <b>(in thousands, except per share data)</b> |                |                         |                        |
| Operating revenues                 | \$103,589                                    | \$111,516      | \$109,393               | \$108,354              |
| Operating expenses and costs       | 98,003                                       | 104,162        | 104,098                 | 106,661                |
| Operating income                   | 5,586  | 7,354          | 5,295                   | 1,693                  |
| Non-operating (loss) income        | (22 )  | (10 )          | 1,235                   | 282                    |
| Interest expense                   | (822 )                                       | (910 )         | (927 )                  | (982 )                 |
| Income tax expense                 | (1,807 )                                     | (2,442 )       | (2,152 )                | (270 )                 |
| Net income                         | \$2,935                                      | \$3,992        | \$3,451                 | \$723                  |
| Net income per common share:       |  |                |                         |                        |
| Basic                              | \$0.41                                       | \$0.61         | \$0.54                  | \$0.11                 |
| Diluted                            | \$0.41                                       | \$0.61         | \$0.53                  | \$0.11                 |
| Average common shares outstanding: |  |                |                         |                        |
| Basic                              | 7,121  | 6,551          | 6,439                   | 6,400                  |
| Diluted                            | 7,145  | 6,572          | 6,458                   | 6,425                  |

|                              | <b>2015</b>                                  |                |                         |                        |
|------------------------------|--|----------------|-------------------------|------------------------|
|                              | <b>Three Months Ended</b>                    |                |                         |                        |
|                              | <b>March<br/>31</b>                          | <b>June 30</b> | <b>September<br/>30</b> | <b>December<br/>31</b> |
|                              | <b>(in thousands, except per share data)</b> |                |                         |                        |
| Operating revenues           | \$99,483                                     | \$108,033      | \$107,110               | \$102,424              |
| Operating expenses and costs | 90,336                                       | 96,151         | 96,884                  | 97,449                 |
| Operating income             | 9,147  | 11,882         | 10,226                  | 4,975                  |
| Non-operating income (loss)  | 245  | 272            | (132 )                  | 1,131                  |
| Interest expense             | (617 )                                       | (644 )         | (732 )                  | (825 )                 |
| Income tax expense           | (3,406 )                                     | (4,471 )       | (3,567 )                | (2,048 )               |

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|                                    |         |         |          |          |
|------------------------------------|---------|---------|----------|----------|
| Net income                         | \$5,369 | \$7,039 | \$ 5,795 | \$ 3,233 |
| Net income per common share:       |         |         |          |          |
| Basic                              | \$0.72  | \$0.95  | \$ 0.81  | \$0.45   |
| Diluted                            | \$0.72  | \$0.94  | \$ 0.80  | \$0.45   |
| Average common shares outstanding: |         |         |          |          |
| Basic                              | 7,425   | 7,431   | 7,186    | 7,116    |
| Diluted                            | 7,467   | 7,474   | 7,219    | 7,144    |

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**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. 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 December 31, 2016, 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 Control 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 last quarter of the period covered by this Annual Report on Form 10-K that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2016. Management reviewed the results of its assessment with our Audit Committee. The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in its report which is included below.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders

P.A.M. Transportation Services, Inc.

We have audited the internal control over financial reporting of P.A.M. Transportation Services, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2016, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management’s Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2016, and our report dated March 14, 2017, expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Tulsa, Oklahoma

March 14, 2017

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**Item 9B. Other Information.**

None.

**PART III**

Portions of the information required by Part III of Form 10-K are, pursuant to General Instruction G (3) of Form 10-K, incorporated by reference from our definitive proxy statement to be filed pursuant to Regulation 14A for our Annual Meeting of Stockholders to be held on April 26, 2017. We will, within 120 days of the end of our fiscal year, file with the Securities and Exchange Commission a definitive proxy statement pursuant to Regulation 14A.

**Item 10. Directors, Executive Officers and Corporate Governance.**

The information presented under the captions “Election of Directors”, “Executive Compensation”, “Section 16(a) Beneficial Ownership Reporting Compliance”, “Corporate Governance – Code of Ethics”, “Corporate Governance – Director Nominating Process” and “Corporate Governance – Board Committees,” in the proxy statement is incorporated here by reference.

**Item 11. Executive Compensation.**

The information presented under the captions “Executive Compensation”, “Corporate Governance – Compensation Committee Interlocks and Insider Participation”, and “Compensation Committee Report” in the proxy statement is incorporated here by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The information presented under the caption “Security Ownership of Certain Beneficial Owners and Management” in the proxy statement is incorporated here by reference.

**Equity Compensation Plan Information**

The following table summarizes, as of December 31, 2016, information about compensation plans under which equity securities of the Company are authorized for issuance:

| Plan Category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans |
|--|---|---|--|
| Equity Compensation Plans approved by Security Holders     | 63,181  | \$ 10.85  | (1) 354,526  |
| Equity Compensation Plans not approved by Security Holders | -0-   | -0-   | -0-  |
| Total  | 63,181  | \$ 10.85  | 354,526  |

(1) Excludes shares of restricted stock, which do not require the payment of an exercise price.

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**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information presented under the captions “Transactions with Related Persons” and “Corporate Governance – Director Independence” in the proxy statement is incorporated here by reference.

**Item 14. Principal Accounting Fees and Services.**

The information presented under the caption “Independent Public Accountants – Principal Accountant Fees and Services” in the proxy statement is incorporated here by reference.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules.**

(a) Financial Statements and Schedules.

(1) Financial Statements: See Part II, Item 8 hereof.

Report of Independent Registered Public Accounting Firm - Grant Thornton LLP

Consolidated Balance Sheets - December 31, 2016 and 2015

Consolidated Statements of Operations - Years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Comprehensive Income - Years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Stockholders' Equity - Years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Cash Flows - Years ended December 31, 2016, 2015 and 2014

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules.

All schedules for which provision is made in the applicable accounting regulations of the SEC are omitted as the required information is inapplicable, or because the information is presented in the consolidated financial statements or related notes.



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## (3) Exhibits.

The following exhibits are filed with or incorporated by reference into this Report. The exhibits which are denominated by an asterisk (\*) were previously filed as a part of, and are hereby incorporated by reference from either (i) the Form S-1 Registration Statement under the Securities Act of 1933, as filed with the Securities and Exchange Commission on July 30, 1986, Registration No. 33-7618, as amended on August 8, 1986, September 3, 1986 and September 10, 1986 (“1986 S-1”); (ii) the Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 (“3/31/02 10-Q”); (iii) the Form 8-K filed on May 31, 2006 (“5/31/06 8-K”); (iv) the Form 8-K filed on December 11, 2007 (“12/11/07 8-K”); (v) the Annual Report on Form 10-K for the year ended December 31, 2007 (“2007 10-K”); (vi) the Form 8-K filed on July 16, 2009 (“7/16/09 8-K”); (vii) the Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 (“6/30/09 10-Q”), (viii) the Form 8-K filed on December 3, 2010 (“12/03/10 8-K”); (ix) the Schedule 14A filed on April 23, 2014 (“4/23/14 DEF 14A”); (x) the Form 8-K filed on April 1, 2016 (“04/1/16 8-K”).

| <b>Exhibit #</b> | <b>Description of Exhibit</b>   |
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| *3.1             | Amended and Restated Certificate of Incorporation of the Registrant (Exh. 3.1, 3/31/02 10-Q)  |
| *3.2             | Amended and Restated By-Laws of the Registrant (Exh. 3.2, 12/11/07 8-K)   |
| *4.1             | Specimen Stock Certificate (Exh. 4.1, 1986 S-1)   |
| *4.2             | Amended and Restated Loan Agreement dated March 28, 2016 and among P.A.M. Transport, Inc., First Tennessee Bank National Association and the Company (Exh. 4.1, 04/1/16 8-K)                |
| *4.2.1           | Fourth Amended and Restated Consolidated Revolving Credit Note dated March 28, 2016 by P.A.M. Transport, Inc. in favor of First Tennessee Bank National Association (Exh. 4.2, 04/1/16 8-K) |
| *4.2.2           | Amended and Restated Security Agreement dated March 28, 2016 by and between P.A.M. Transport, Inc. and First Tennessee Bank National Association (Exh. 4.3, 04/1/16 8-K)                    |
| *4.2.3           | Fourth Amended and Restated Guaranty Agreement of the Company, dated March 28, 2016, in favor of First Tennessee Bank National Association (Exh. 4.4, 04/1/16 8-K)                          |
| *10.1            | (1) Employment Agreement between the Registrant and Daniel H. Cushman, dated June 29, 2009 (Exh. 10.1, 6/30/09 10-Q)  |
| *10.2            | (1) 2006 Stock Option Plan (Exh. 10.1, 5/31/06 8-K)   |
| *10.3            | (1) Form of Non-Qualified Stock Option Agreement for Non-Employee Director stock options that are granted under the 2006 Stock Option Plan (Exh. 10.2, 5/31/06 8-K)                         |
| *10.4            | (1) Incentive Compensation Plan (Exh. 10.3, 7/16/09 8-K)  |

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- \*10.5 (1) Consulting Agreement between the Registrant and Manuel J. Moroun, dated December 6, 2007 (Exh. 10.10, 2007 10-K)
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- \*10.8 (1) 2014 Amended and Restated Stock Option and Incentive Plan (Appendix A, 4/23/14 DEF 14A)
- 21.1 Subsidiaries of the Registrant
- 23.1 Consent of Grant Thornton LLP

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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 Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

(1)  
Management  
contract or  
compensatory  
plan or  
arrangement.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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: March 9, 2017 By: /s/ Daniel H. Cushman  
DANIEL H. CUSHMAN  
President and Chief Executive Officer  
(principal executive officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: March 9, 2017 By: /s/ Frederick P. Calderone  
FREDERICK P. CALDERONE, Director

Dated: March 9, 2017 By: /s/ Daniel H. Cushman  
DANIEL H. CUSHMAN  
President and Chief Executive Officer, Director  
(principal executive officer)

Dated: March 9, 2017 By: /s/ W. Scott Davis  
W. SCOTT DAVIS, Director

Dated: March 9, 2017 By: /s/ Norman E. Harned  
NORMAN E. HARNED, Director

Dated: March 9, 2017 By: /s/ Franklin H. McLarty  
FRANKLIN H. MCLARTY, Director

Dated: March 9, 2017 By: /s/ Manuel J. Moroun  
MANUEL J. MOROUN, Director

Dated: March 9, 2017 By: /s/ Matthew T. Moroun  
MATTHEW T. MOROUN, Director and Chairman of the Board

Dated: March 9, 2017 By: /s/ Daniel C. Sullivan  
DANIEL C. SULLIVAN, Director

Dated: March 9, 2017 By: /s/ Allen W. West

ALLEN W. WEST

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

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