USA TRUCK INC
Form S-3/A
August 11, 2005
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As filed with the Securities and Exchange Commission on August 11, 2005

Registration No. 333-126795

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

USA Truck, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**71-0556971**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

3200 Industrial Park Road, Van Buren, Arkansas 72956

(479) 471-2500

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Clifton R. Beckham

USA Truck, Inc.

3200 Industrial Park Road

Van Buren, Arkansas 72956

(479) 471-2500

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies requested to:

Kenn W. Webb, Esq.	**Robert M. LaRose, Esq.**
Carrington, Coleman, Sloman & Blumenthal, L.L.P.	**Thompson Coburn LLP**
200 Crescent Court, Suite 1500	**One U.S. Bank Plaza**
Dallas, Texas 75201	**St. Louis, Missouri 63101**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. ¨

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

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The information in this document is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424(a)

Registration No. 333-126795

SUBJECT TO COMPLETION, DATED AUGUST 11, 2005

PRELIMINARY PROSPECTUS

3,000,000 Shares

Common Stock

We are offering 2,000,000 shares of our common stock, and selling shareholders named in this prospectus are offering 1,000,000 shares of common stock. We will not receive any proceeds from the sale of common stock by the selling shareholders. Our common stock is listed on the Nasdaq National Market under the symbol USAK. The last reported sale price of our common stock on the Nasdaq National Market on August 10, 2005 was $27.25 per share.

Investing in our common stock involves a high degree of risk. Before buying any shares, you should carefully consider the risk factors described in Risk Factors beginning on page 5 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

Proceeds, before expenses, to selling shareholders	$	$

The underwriters may also purchase up to an additional 450,000 shares from one of the selling shareholders, at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares on or about __________, 2005.

A.G. Edwards

Stephens Inc.

BB&T Capital Markets

Morgan Keegan & Company, Inc.

The date of this prospectus is __________, 2005.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our common stock. You should carefully read the entire prospectus, including the documents incorporated by reference into it, particularly the section entitled Risk Factors beginning on page 5, before making a decision to invest in our common stock. In this prospectus, the terms USA Truck, the company, we, our, or us mean USA Truck, Inc. and its subsidiary.

USA Truck

We are a dry van truckload carrier transporting general commodities throughout the continental United States and into and out of Mexico and portions of Canada. We transport many types of freight and provide complementary third party logistics and freight brokerage services for a diverse customer base. During the six months ended June 30, 2005, we served approximately 800 customers in numerous industries. We provide our services for such industries as industrial machinery and equipment, rubber and plastics, retail stores, paper products, durable consumer goods, metals, electronics and chemicals. Approximately 36% of our total revenue in the six months ended June 30, 2005 was derived from Standard & Poor s 500 customers. We conduct our operations through three operating divisions: General Freight, Regional Freight and USA Logistics.

Our General Freight division transports freight over irregular routes, with a medium length of haul, generally defined as between 800 and 1,200 miles per trip. This division accounted for approximately 80% of our base revenue in 2004 and 79% in the six months ended June 30, 2005. Our Regional Freight division provides truckload carrier services with a length of haul of approximately 500 miles. We conduct our Regional Freight operations in the areas around our facilities in Van Buren, Arkansas and Butler Township, Ohio. This division accounted for approximately 3% of our base revenue in 2004 and 5% in the six months ended June 30, 2005. We offer three services through our USA Logistics division: dedicated freight, third party logistics and freight brokerage. We use our own trucks to provide dedicated freight services, whereby we agree to make our equipment available to a specific customer for shipments over particular routes at specified times. Our third party logistics and freight brokerage services do not involve transporting freight with our equipment, and we provide these services primarily as supplemental services to customers who have also engaged us to provide truckload freight services. Our USA Logistics division accounted for 17% of our base revenue in 2004 and 16% in the six months ended June 30, 2005.

We focus on customers and markets that demand premium service so that we can achieve premium rates and develop long-term, service-oriented relationships. Our executive management team has 134 years of combined experience running USA Truck and a total of 176 years of experience in the trucking industry. Our employees have a thorough understanding of the needs of shippers in many industries. These factors allow us to provide reliable, timely services to our customers. In the six months ended June 30, 2005, approximately 94% of our total revenue was derived from customers that were our customers before 2005, and we have provided services to our top 10 customers for an average of more than eight years. Our top 10 customers accounted for approximately 39% of our total revenue for the full year 2004 and approximately 38% of total revenue for the six months ended June 30, 2005, and no single customer accounted for more than 7% of total revenue in either period.

Since 2001, we have dedicated a substantial effort toward reducing or controlling our operating costs, while still providing premium service to our customers. We have set a target operating ratio of 88% or lower. To achieve this goal we have implemented a thorough cost-control and revenue yield management system using benchmarks. Our benchmarks were derived from peak historical performance levels of over 300 expense and operating categories, many of which occurred in 1998. On a weekly basis, we compare our current performance against our benchmarks in such areas as safety, equipment utilization and fleet maintenance costs. Our

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commitment to cost reduction and revenue enhancement has resulted in successively lower operating ratios for the last five consecutive quarters, and our operating ratio was 89.9% in the quarter ended June 30, 2005, the first quarter we have achieved an operating ratio below 90.0% since the second quarter of 1999. Our June 2005 quarter s operating ratio represents an improvement of 1,110 basis points compared to our operating ratio of 101.0% in the fourth quarter of 2000, the last operating ratio we recorded before we began our aggressive benchmarking program.

Growth Strategy

We are committed to controlled, profitable growth. Since our initial public offering, we have increased our base revenue from $63.0 million in 1992 to $335.9 million in 2004, an average compound annual growth rate of 15%. With the exception of one acquisition in 1999, our growth has been internally generated. Our efforts to control expenses, particularly the intensive benchmarking program we have been engaged in since 2001, have contributed to our ability to achieve this growth while maintaining profitability.

We are continuing an aggressive fleet expansion and replacement program. By maintaining disciplined trade-in cycles, we control the average age of our fleet. We have significantly decreased repair and maintenance costs by reducing the average ages of our tractor and trailer fleets to 17 and 38 months, respectively, as of June 30, 2005, compared to their peaks of 33 and 56 months, respectively, as of April 30, 2003. We believe that the expansion of our fleet, together with our disciplined trade-in practices, will also support our growth initiatives and provide additional operational benefits, including improved customer service and higher driver retention. We anticipate that our acquisitions and dispositions in 2005 will result in a net increase of 217 tractors.

We expect future growth to come from the following areas:

Growth with our existing customers and cultivation of new ones. It is our goal to maintain or establish our position as a core carrier for certain high-volume customers and to expand our share of those customers freight needs. We are also constantly cultivating new customers. During the six months ended June 30, 2005, we added more than 50 new customers.

Growth of carefully selected service offerings. We offer an array of services to our customers designed to improve customer satisfaction. Outside of our core General Freight business, we have been growing our Regional Freight division and the complementary services we offer through our USA Logistics division. These services are essential to provide our customers with one-stop shopping, which helps us obtain new customers and additional business from existing customers.

Expanded Mexican cross-border service. We intend to continue to focus on the growth of our Mexican business. Shipments to and from locations into and out of Mexico generated 5.4% of our total revenue during the full year 2004 and 5.9% during the six months ended June 30, 2005.

About Us

We were incorporated in Delaware in September 1986 as a wholly owned subsidiary of ABF Freight System, Inc. The company was purchased by management from ABF Freight System in December 1988. We completed the initial public offering of our common stock in March 1992.

Our principal executive office is located at 3200 Industrial Park Road, Van Buren, Arkansas 72956. Our telephone number is (479) 471-2500. Our website is located at *www.usa-truck.com*. Information on our website is not part of this prospectus.

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The Offering

Common stock offered:

By USA Truck	2,000,000 shares
By the selling shareholders	1,000,000 shares
Common stock outstanding after the offering (1)	11,373,872 shares
Use of proceeds	We estimate that the net proceeds from our sale of common stock in this offering will be approximately $51.6 million based on an assumed public offering price of $27.25 per share, the last reported sale price of our common stock on August 10, 2005. We intend to use these net proceeds for the repayment of outstanding debt under our senior revolving credit facility. We will not receive any proceeds from the sale of shares by the selling shareholders.
Nasdaq National Market symbol	USAK

(1) The number of shares of common stock that will be outstanding after this offering is based on the number of shares outstanding on June 30, 2005 and includes 80,000 shares of restricted stock that are subject to forfeiture in certain circumstances. It does not include 1,053,800 shares issuable under our employee and nonemployee director stock option plans. On June 30, 2005, 451,800 shares were issuable upon exercise of outstanding employee options with a weighted average exercise price of $12.45 per share and 47,000 shares were issuable upon exercise of outstanding nonemployee director options with a weighted average exercise price of $12.10 per share. On that date, 555,000 shares were available for future grants of employee options, nonemployee director options or other equity incentive awards.

Except as otherwise indicated, the information presented in this prospectus assumes that the underwriters will not exercise their over-allotment option. If the underwriters exercise the over-allotment option in full, one of the selling shareholders will sell an additional 450,000 shares of common stock in this offering.

Risk Factors

An investment in our common stock involves a high degree of risk. You should carefully consider the risk factors set forth under Risk Factors beginning on page 5 and the other information contained or incorporated by reference in this prospectus before investing in our common stock.

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Summary Consolidated Financial Data and Operating Information

(In thousands, except per share data, operating ratio and key operating statistics)

You should read the following Summary Consolidated Financial Data and Operating Information along with Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and the accompanying notes included in our annual and quarterly reports incorporated by reference in this prospectus. See Incorporation of Certain Information by Reference. We derived the summary statement of income and balance sheet data as of and for each of the three years ended December 31, 2004 from our audited financial statements. We derived the summary statement of income and balance sheet data as of and for each of the six-month periods ended June 30, 2004 and 2005 from our unaudited financial statements. In our opinion, the unaudited financial information includes all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation of that information. Our results of operations for the six months ended June 30, 2005 are not necessarily indicative of the results that we may achieve for the full year.

	Year Ended December 31,			Six Months Ended June 30,	
	2002	2003	2004	2004	2005
				(Unaudited)	
Statement of Income Data:					
Base revenue	$ 268,510	$ 286,080	$ 335,880	$ 165,306	$ 183,977
Fuel surcharge revenue	5,263	12,583	27,225	9,931	24,478
Total revenue	273,773	298,663	363,105	175,237	208,455
Operating income	9,472	10,850	17,799	6,720	16,006
Net income	$ 2,602	$ 3,355	$ 7,432	$ 2,336	$ 7,069
Diluted earnings per common share	$ 0.28	$ 0.36	$ 0.79	$ 0.25	$ 0.74
Diluted weighted average common shares outstanding	9,348	9,370	9,398	9,385	9,552
Other Financial Data:					
Operating ratio (1)	96.5%	96.2%	94.7%	95.9%	91.3%
Capital expenditures, net (2)	$ 33,058	$ 53,406	$ 89,379	$ 45,210	$ 31,836
Key Operating Statistics:					
Base revenue per total mile	$ 1.209	$ 1.236	$ 1.293	$ 1.289	$ 1.304
Average miles per tractor per week	2,332	2,341	2,361	2,360	2,441
Empty mile factor (3)	9.2%	9.0%	8.4%	8.4%	8.7%
Average number of tractors (4)	1,882	1,961	2,174	2,140	2,293
Total miles (loaded & empty) (in thousands)	222,079	231,389	259,725	128,277	141,049
Average miles per tractor	118,001	117,995	119,469	59,943	61,513
Average miles per trip (5)	859	851	839	839	804
Average unmanned tractor percentage (6)	5.9%	3.9%	4.9%	5.6%	3.0%
Average age of tractors, at end of period (in months)	30	25	18	20	17
Average age of trailers, at end of period (in months)	52	54	39	50	38

	As of June 30, 2005	
	Actual	As Adjusted (7)
	(Unaudited)	
Balance Sheet Data:		
Total assets	$ 309,240	$ 309,240
Long-term debt and capital leases, including current portion	144,055	92,455
Stockholders equity	93,382	144,982

(1) Operating ratio is based upon total operating expenses, net of fuel surcharge revenue, as a percentage of base revenue.
(2) Capital expenditures, net is based upon purchases of property and equipment for cash and under capital lease arrangements less proceeds from the sale of property and equipment.
(3) The empty mile factor is the number of miles traveled between loads as a percentage of total miles traveled.
(4) Average number of tractors includes company-operated tractors plus owner-operator tractors.
(5) Average miles per trip is based upon loaded miles divided by the number of shipments using company-operated and owner-operator tractors (it does not include third party logistics or freight brokerage shipments).
(6) Average unmanned tractor percentage is the average percentage, for each month end during the period, of company-operated tractors to which a driver is not assigned.
(7) As adjusted to give effect to our sale of 2,000,000 shares of common stock in this offering, based on an assumed public offering price of $27.25 per share, the last reported sale price of our common stock on August 10, 2005, less underwriting discounts and estimated offering expenses payable by us. See Use of Proceeds, Capitalization and Selected Consolidated Financial Data and Operating Information included elsewhere in this prospectus.

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RISK FACTORS

You should carefully consider the following risk factors in addition to the other information set forth in this prospectus or incorporated by reference before purchasing shares of our common stock. Each of these factors could adversely affect our business, operating results and financial condition, as well as adversely affect the value of an investment in our common stock.

Our business is subject to economic and business factors affecting the trucking industry that are largely out of our control, any of which could have a material adverse effect on our operating results.

The factors that have negatively affected us, and may do so in the future, include volatile fuel prices, excess capacity in the trucking industry, surpluses in the market for used equipment, higher interest rates, higher license and registration fees, increases in insurance premiums, higher self-insurance levels, increases in accidents and adverse claims, and difficulty in attracting and retaining qualified drivers and independent contractors.

We are also affected by recessionary economic cycles and downturns in customers business cycles. Economic conditions may adversely affect our customers and their ability to pay for our services. It is not possible to predict the effects of armed conflicts or terrorist attacks and subsequent events on the economy or on consumer confidence in the United States, or the impact, if any, on our future results of operations.

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

Numerous competitive factors could impair our ability to maintain our current profitability. These factors include:

- 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 or greater capital resources than we do, or other competitive advantages.

- 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 large carriers with greater financial resources and other competitive advantages relating to their size, and we may have difficulty competing with these larger carriers.

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.

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

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We depend heavily on the availability of fuel, and fuel shortages or increases in fuel costs or fuel taxes could have a material adverse affect on our operating results.

Fuel prices have fluctuated greatly and fuel taxes have generally increased in recent years. In some periods, our operating performance was adversely affected because we were not able to fully offset the impact of higher diesel fuel prices through increased freight rates and fuel surcharges. We do not have any long-term fuel purchase contracts, and we have not entered into any hedging arrangements, that protect us against fuel price increases. Volatile fuel prices and potential increases in fuel taxes will continue to impact us significantly. A significant increase in fuel costs, or a shortage of diesel fuel, would materially and adversely affect our results of operations and financial condition. These costs could also exacerbate the driver shortages our industry experiences by forcing independent contractors to cease operations.

Increased prices for new revenue equipment and decreases in the value of used revenue equipment may adversely affect our earnings and cash flows.

If we are unable to obtain favorable prices for our used equipment, or if the cost of new equipment continues to increase, we will increase our depreciation expense or recognize less gain (or a loss) on the disposition of our tractors and trailers. This has affected and may again adversely affect our earnings and cash flows. In 2002, there was a large supply of used tractors and trailers on the market, which depressed the market value of used equipment to levels significantly below the values we historically received. For this reason, we did not trade a meaningful amount of used equipment during 2002, which caused a significant increase in the average age of our tractors. This extended the use of the fleet and contributed to a significant increase in maintenance costs, negatively affected our utilization and, coupled with a change in salvage values, yielded an increased depreciation charge to pre-tax earnings. Although the condition of the used equipment market has improved, values of used tractors are still below pre-2002 levels.

In addition, manufacturers have recently raised the prices of new equipment significantly, in part to offset their costs of compliance with new Environmental Protection Agency tractor engine design requirements intended to reduce emissions. The initial requirements took effect October 1, 2002, and more restrictive EPA engine design requirements will take effect in 2007. Further equipment price increases may result from the implementation of the 2007 requirements. If new equipment prices increase more than anticipated, we may be required to increase our depreciation and financing costs and/or retain some of our equipment longer, with a resulting increase in maintenance expenses. To the extent we are unable to offset any such increases in expenses with rate increases, our results of operations would be adversely affected.

Ongoing insurance and claims expenses could significantly reduce our earnings.

Our self-insurance retention levels are currently $0.75 million for workers compensation claims per occurrence, $0.05 million for cargo loss and damage claims per occurrence and $1.0 million for bodily injury and property damage claims per occurrence. For medical benefits, we self-insure up to $0.25 million per claim per year with an aggregate claim exposure limit determined by our year-to-date claims experience and our number of covered lives. We maintain insurance for liabilities above the amounts for which we self-insure, to certain limits. We completely self-insure for collision damage to our own equipment. In recent periods, we experienced significant increases in costs associated with adverse claims. If the number or severity of claims increases or does not return to historical levels, or if the costs associated with claims otherwise increase, our operating results will be adversely affected. The timing of the incurrence of these costs may significantly impact our operating results for a particular quarter, as compared to the comparable quarter in the prior year. In addition, if we were to lose our ability to self-insure for any significant period of time, our insurance costs would materially increase. In addition, we could experience difficulty in obtaining adequate levels of coverage in that event.

In the last several years, insurance carriers increased premiums for many trucking companies. This factor, coupled with an increase in coverage, a reduction in our self-insurance retention level and our claims experience,

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resulted in a significant increase in our insurance premiums at October 1, 2004, the beginning of our current policy year. We could experience additional increases in our insurance premiums in the future. If our insurance or claims expenses increase, and we are unable to offset the increase with higher freight rates, our earnings could be materially and adversely affected.

Difficulty in attracting and retaining drivers or increases in compensation could affect our profitability and ability to grow.

Throughout our history, the truckload industry has experienced difficulty attracting and retaining qualified drivers, including independent contractors, and this difficulty has increased over time. As a result, there is intense competition for drivers. If we are unable to continue to attract and retain drivers and contract with independent contractors, we could incur higher driver recruiting and compensation expenses or be required to let trucks sit idle, which could adversely affect our growth and profitability.

We have significant ongoing capital requirements that could affect our profitability if we are unable to generate sufficient cash from operations.

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

We depend on the proper functioning and availability of our information systems.

We depend on the proper functioning and availability of our communications and data processing systems in operating our business. Our information systems are protected through physical and software safeguards. However, they are still vulnerable to fire, storm, flood, power loss, telecommunications failures, physical or software break-ins and similar events. We do not have a catastrophic disaster recovery plan or a fully redundant alternate processing capability. If any of our critical information systems fail or become otherwise unavailable, we would have to perform the functions manually, which could temporarily impact our ability to manage our fleet efficiently, to respond to customers requests effectively, to maintain billing and other records reliably and to bill for services accurately or in a timely manner. Our business interruption insurance may be inadequate to protect us in the event of a catastrophe. Any system failure, security breach or other damage could interrupt or delay our operations, damage our reputation and cause us to lose customers.

Regulations regarding drivers hours of service could materially and adversely affect our operating efficiency and increase costs.

In April 2003, the Federal Motor Carrier Safety Administration issued the first significant revision to the hours-of-service regulations in more than 60 years. These regulations took effect January 4, 2004.

Presently, the Administration once again is re-examining the hours-of-service regulations, responding to a July 16, 2004 decision by the U.S. Court of Appeals for the District of Columbia Circuit that directed the Administration to consider more specifically the 2003 rule s impact on the health of drivers. On January 24, 2005, the Administration published a notice of proposed rulemaking in the Federal Register, beginning a

45-day comment period during which the Administration urged input from truck drivers, motor carriers, law enforcement officials, safety advocates and others on the current hours-of-service regulations. The 2003 hours-of-service rules remain in effect until no later than September 30, 2005 pursuant to the Surface Transportation Extension Act of 2004, by which time the Administration has indicated it intends to complete its re-examination.

In general, the rules that became effective on January 4, 2004, are intended to increase safety by giving drivers more opportunity to rest and sleep during each work cycle by, for example, increasing the minimum off-duty time during each work cycle. Moreover, under the rules, the maximum on-duty period after which a driver

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may no longer drive has been shortened and may no longer be extended by time spent off duty (such as meal stops and other rest breaks) once the on-duty period has begun. Therefore, delays during a driver s on-duty time (such as those caused by loading and unloading) may limit the driver s available hours behind the wheel. Shippers may be unable or unwilling to assist us in managing our drivers on-duty time or to pay higher rates to compensate for our costs of complying with these regulations. This, and other operational issues that these rules may create, could increase our operating costs. Moreover, we cannot predict what impact any new rules that may result from the current re-examination may have on our operating costs.

The engines used in our newer tractors are subject to new emissions control regulations, which may substantially increase our operating expenses.

Tractor engines that comply with the EPA emission-control design requirements that took effect on October 1, 2002 are generally less fuel-efficient than engines in tractors manufactured before October 2002. Compliance with the more stringent EPA requirements that will take effect in 2007 could result in further declines in fuel economy. If we are unable to offset resulting increases in fuel expenses with higher rates or fuel surcharge revenue, our results of operations would be adversely affected.

We depend 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 the first six months of 2005, our top five customers accounted for approximately 22% of our revenue, our top 10 customers accounted for approximately 38% of our revenue and our largest customer accounted for approximately 5% of our revenue. Generally, we do not have long-term contracts with our major customers and we cannot assure you that our customer relationships will continue as presently in effect. A reduction in or termination of our services by one or more of our major customers could have a material adverse effect on our business and operating results.

Seasonality and the impact of weather can affect our profitability.

Our tractor productivity generally decreases during the winter season because inclement weather impedes operations and some shippers reduce their shipments. At the same time, operating expenses generally increase, with fuel efficiency declining because of engine idling and harsh weather creating higher accident frequency, increased claims and more equipment repairs. Historically, many of our customers have closed their plants for maintenance or other reasons during January and July.

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

We are dependent upon the services of Robert M. Powell, our chief executive officer, and Jerry D. Orler, our president. We do not maintain key-man life insurance on either of these executives. The loss 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 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.

The U.S. Department of Transportation and various state agencies exercise broad powers over our business, generally governing such activities as authorization to engage in motor carrier operations, safety, insurance requirements and financial reporting. We may also become subject to new or more restrictive regulations relating to fuel emissions, drivers hours of service and ergonomics. Our Canadian business activities are subject to similar requirements imposed by the laws and regulations of the Dominion of Canada and provincial laws and regulations. Compliance with such regulations could substantially reduce equipment productivity, and the costs of compliance could increase our operating expenses. Our company drivers and independent contractors also must comply with the safety and fitness regulations promulgated by the Department of Transportation, including those relating to drug and alcohol testing and hours of service. The Transportation Security Administration of the U.S. Department of Homeland Security adopted regulations that will require all new drivers and drivers who renew their licenses who carry hazardous materials to undergo background checks by the Federal Bureau of Investigation. While we have historically required all our drivers to obtain this qualification, these new regulations could reduce the availability of qualified drivers, which could require us to adjust our driver compensation package, limit the growth of our fleet or let trucks sit idle. These regulations could also complicate the process of matching available equipment with shipments that include hazardous materials, thereby increasing the time it takes us to respond to customer orders and our empty miles.

Failures to comply with Department of Transportation safety regulations or downgrades in our safety rating could have a material adverse impact on our operations or financial condition. A downgrade in our safety rating could cause us to lose the ability to self-insure. We experienced such a downgrade and lost our ability to self-insure for approximately one week in January 2003. The loss of our ability to self-insure for any significant period of time would materially increase our insurance costs. In addition, we may experience difficulty in obtaining adequate levels of coverage in that event.

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 and similar matters. 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. We also maintain bulk fuel storage and fuel islands at some of our facilities. Our operations 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 material 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.

Decreases in the availability of new tractors and trailers could have a material adverse effect on our operating results.

From time to time, some tractor and trailer vendors have reduced their manufacturing output due, for example, to lower demand for their products in economic downturns or a shortage of component parts. As conditions changed, some of those vendors have had difficulty fulfilling the increased demand for new equipment. There have been periods when we were unable to purchase as much new revenue equipment as we needed to sustain our desired growth rate and to maintain a late-model fleet. We may experience similar difficulties in future periods. Also, vendors will have to introduce new engines meeting the more restrictive Environmental Protection Agency emissions standards in 2007, and some carriers may seek to purchase large numbers of tractors with pre-2007 engines, possibly leading to shortages. An inability to continue to obtain an adequate supply of new tractors or trailers could have a material adverse effect on our results of operations and financial condition.

Our stock price is volatile, which could cause you to lose a significant portion of your investment.

The market price of our common stock could be subject to significant fluctuations in response to certain factors, such as variations in our anticipated or actual results of operations, the operating results of other companies in the transportation industry, changes in conditions affecting the economy generally, including incidents of terrorism, analyst reports, general trends in the industry and sales of common stock by insiders, as

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well as other factors unrelated to our operating results. Volatility in the market price of our common stock may prevent you from being able to sell your shares at or above the price you paid for your shares. In addition, the stock market in general, and the Nasdaq National Market in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to our operating performance or that of other trucking companies. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance.

Robert M. Powell, our Chairman and Chief Executive Officer, and James B. Speed, one of our directors, will continue to control a large portion of our outstanding common stock after this offering.

Robert M. Powell, who is a selling shareholder in this offering, beneficially owns 22.4% of our common stock before the offering and will own 11.4% of our common stock after the completion of this offering (7.5% if the entire underwriters over-allotment option is exercised). James B. Speed beneficially owns 14.8% of our common stock before the offering and will own 12.2% of our common stock after the completion of this offering. As significant shareholders, Robert M. Powell and James B. Speed will be able to exercise substantial influence over our affairs, including the election of our board of directors and the adoption or extension of anti-takeover provisions, mergers and other business combinations.

Provisions of our charter documents and Delaware law could discourage a takeover or change in control that you may consider beneficial.

Our Restated and Amended Certificate of Incorporation and Amended Bylaws contain certain provisions that could discourage, delay or prevent a change in control of our company, even if such a change would be beneficial to our shareholders. These provisions include a staggered board of directors, authorized blank check preferred stock and certain supermajority voting requirements. In addition, provisions of Delaware law could delay or make more difficult a merger or tender offer involving us. These provisions of Delaware law prohibit a publicly held Delaware corporation from engaging in any business combination with any interested shareholder for a period of three years following the date that the shareholder became an interested shareholder unless particular conditions are met. The provisions of our charter and Delaware law could have anti-takeover effects with respect to transactions not approved in advance by our board of directors, such as discouraging takeover attempts that might result in a premiu