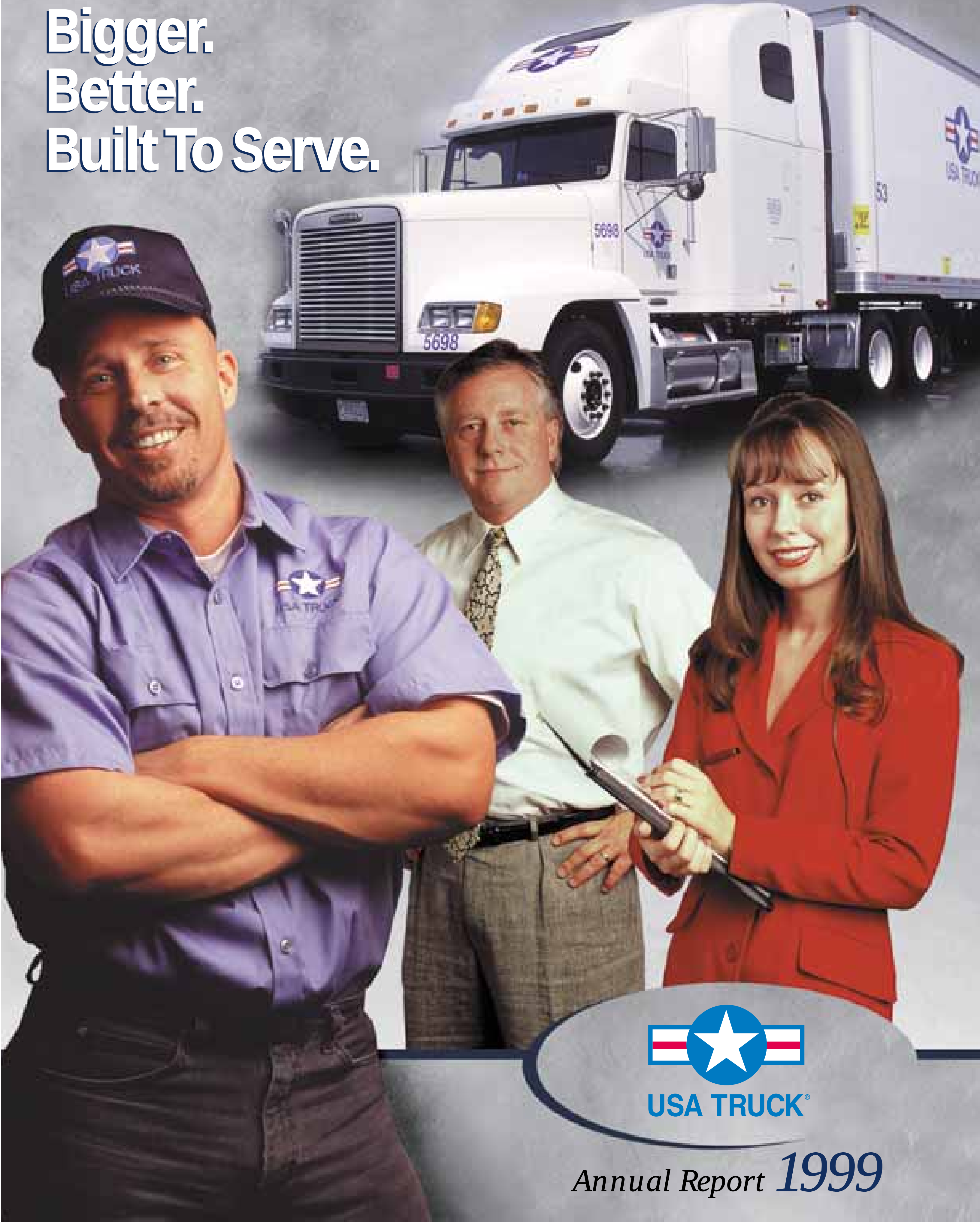
Bigger. Better. Built To Serve.



USA TRUCK®

Annual Report 1999

Company Profile

USA Truck is a medium haul, common and contract carrier specializing in truckload quantities of general commodities. The Company operates in the 48 contiguous United States and the Canadian provinces of Ontario and Quebec and in Mexico through the gateway city of Laredo, Texas.

Table of Contents

To Our Stockholders

The calendar year 1999 was an important year for our Company. It was a year of change where we saw internal growth, expanding dedicated business and an acquisition that enhances the Company's competitive position through continuing growth in target markets.

During the past year we concentrated on our customers' needs whether that was increased volume, competitive pricing, dedicated service, service to Mexico, single point of contact customer service or Internet access. Our on-time delivery is at a record level, aided by an operational commitment and enhanced computer software such as "Drop and Swap," which is used to identify and correct a predicted service failure. Our active account list grew 15 percent this year to 1,600 accounts at the end of 1999.

Financially, our Company had record revenues in 1999 of $166.4 million, up 15 percent from a year earlier. Net profit decreased 17.7 percent to $8.6 million and diluting earnings per share decreased proportionately to $.92. Cash flow remains at a record level, generating an EBITDA of $34.5 million. Stockholders' equity exceeded $70 million at the end of the year.

Looking forward, we will continue to be challenged by volatile fuel prices and driver turnover, but we will meet that challenge as we have in the past. We are excited about the growth brought about by the CCC Express acquisition. Annualizing the two months of post-acquisition revenues shows the Company running at a $220 million pace. This will allow a lot of room for margin improvements as we have time to work on the cost and pricing elements. We believe USA Truck is well-positioned to be considered as a core carrier for any of the nation's largest shippers.

The winners in the coming decade are going to be the companies with the most motivated people working with the best systems and the ones who can improve service while lowering costs. That takes a dedicated effort and investing in the future. USA Truck has been quietly doing that over the past several years.

The Company is positioned better than ever for continued strong growth. Barring an unforeseen decrease in economic activity in our key markets, we believe 2000 will be another strong year for USA Truck.

Thank you for your continued support.

J. B. Speed
Chairman

Robert M. Powell
President & Chief
Executive Officer

Financial Highlights

(Dollars in thousands except per share amounts)

	Year Ended December 31,				
	1999	1998	1997	1996	1995
Operating Revenue	**$166,363**	$145,216	$129,507	$108,313	$102,400
Operating Income	**15,836**	18,960	14,169	6,252	10,439
Net Income	**8,642**	10,497	7,903	3,382	6,037
Diluted Earnings Per Share	**.92**	1.11	0.83	0.35	0.60
Total Assets	**182,040**	119,611	113,518	86,330	78,908
Long – Term Obligations	**64,453**	19,058	27,057	15,867	13,361
Stockholders' Equity	**70,108**	62,734	52,373	44,424	43,157
Operating Ratio	**90.5%**	86.9%	89.1%	94.2%	89.8%
Total Tractors (end of period)	**1,713**	1,132	1,007	862	782
Total Trailers (end of period)	**3,525**	2,004	1,928	1,510	1,378
Avg. Miles Per Tractor Per Week	**2,404**	2,441	2,475	2,407	2,382

Price Range of Common Stock

The Company's Common Stock trades on The Nasdaq Stock Market under the symbol: USAK.

	Sales Price			Sales Price	
1999	High	Low	1998	High	Low
1st Quarter	**$10.44**	**$10.19**	1st Quarter	$16.13	$10.75
2nd Quarter	**$ 9.38**	**$ 9.16**	2nd Quarter	$17.00	$14.25
3rd Quarter	**$ 9.25**	**$ 8.88**	3rd Quarter	$17.88	$10.13
4th Quarter	**$ 8.13**	**$ 7.75**	4th Quarter	$12.63	$ 9.25

The high and low sales prices for the Common Stock as reported on Nasdaq on March 8, 2000 were 8.13 and 8.00, respectively. As of that date, the Company had 264 stockholders of record, including brokerage firms and other nominees. The Company estimates that there were approximately 1,888 beneficial owners of its Common Stock as of that date.

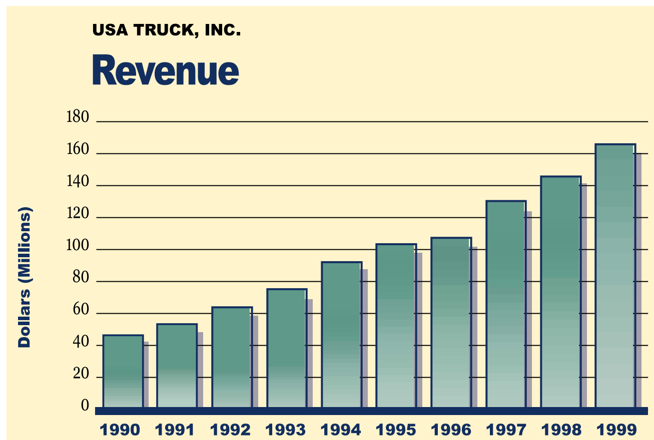
The Company has never paid a cash dividend on its Common Stock. It is the current intention of the Company's Board of Directors to retain earnings to finance the growth of the Company rather than pay cash dividends. Any future payments of cash dividends will depend upon the financial condition, results of operations and capital commitments of the Company as well as other factors deemed relevant by the Board of Directors. Covenants contained in the Company's General Line of Credit may limit the Company's ability to pay dividends.

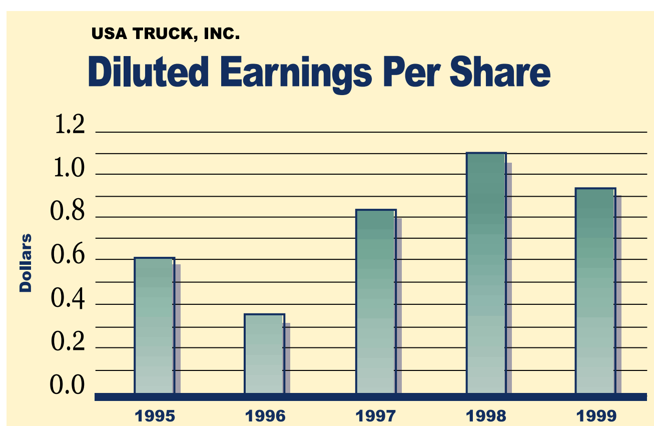
Report Card

Wonder how we're doing? The numbers show we're making the grade, with honors, and headed for the top of the class.

USA Truck had record revenues of $166,363,356 in 1999 for the 11th consecutive year, meeting our goal of 15 percent growth. In addition to increasing our business with current customers and starting new customer relationships, we aggressively targeted dedicated and other logistics markets.

USA Truck increased its driver recruiting budget by 150 percent for 1999 to keep up with growth and unprecedented driver turnover. Like a rose, even a blooming economy has its thorns. This thriving economy is providing ample revenue

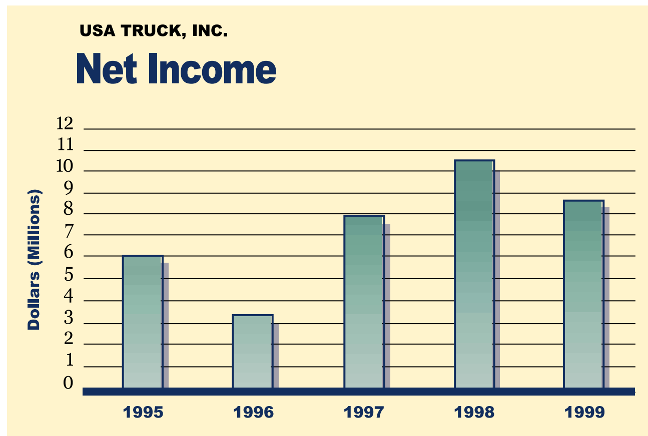


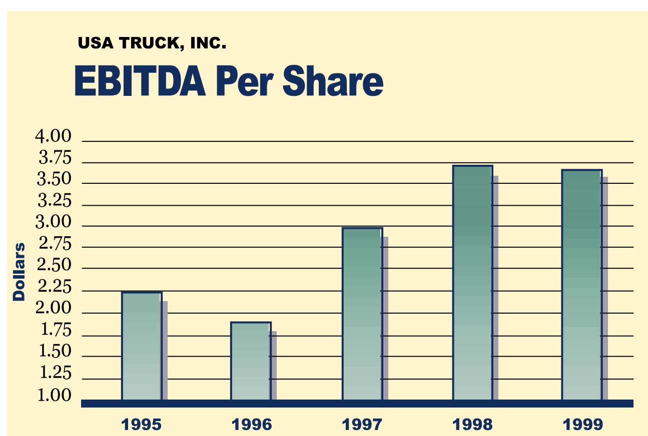


opportunities, but it is also providing plenty of alternative job opportunities for truck drivers, making driver retention a difficult proposition.

Despite those challenges, and rising fuel costs in the fourth quarter, we once again posted strong earnings of $8,641,502, or $0.92 per diluted share.

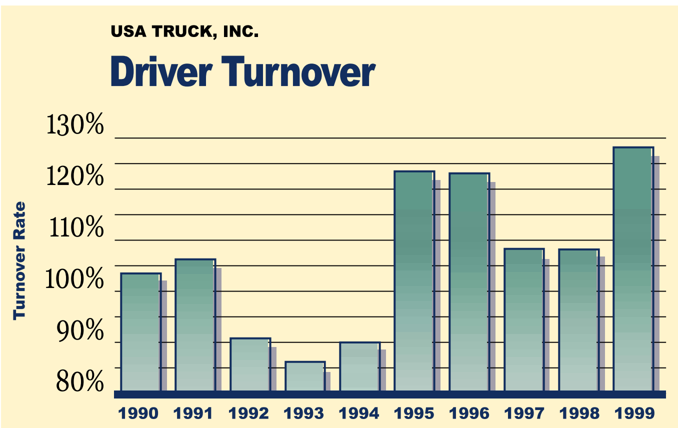
USA Truck also reported solid earnings before interest, taxes, depreciation and amortization (EBITDA) during 1999, generating more than $34 million, or $3.70 per share. This number is an indication of the company's ability to meet its operating, or variable, cash needs as they come due. USA Truck was in a very good position to do that in 1999.





Recruiting and Retention

When it comes to recruiting and retaining drivers, we can't afford to indulge in another familiar type of R & R – rest and relaxation. There simply can be no letdown on our part in this vital area.



The strong economy has made the job market tight and increased the volatility among fleet drivers who are looking for a better deal. USA Truck spent a considerable amount of money in 1999 to recruit drivers. The results were spectacular, but more important was the fact that we turned a corner philosophically.

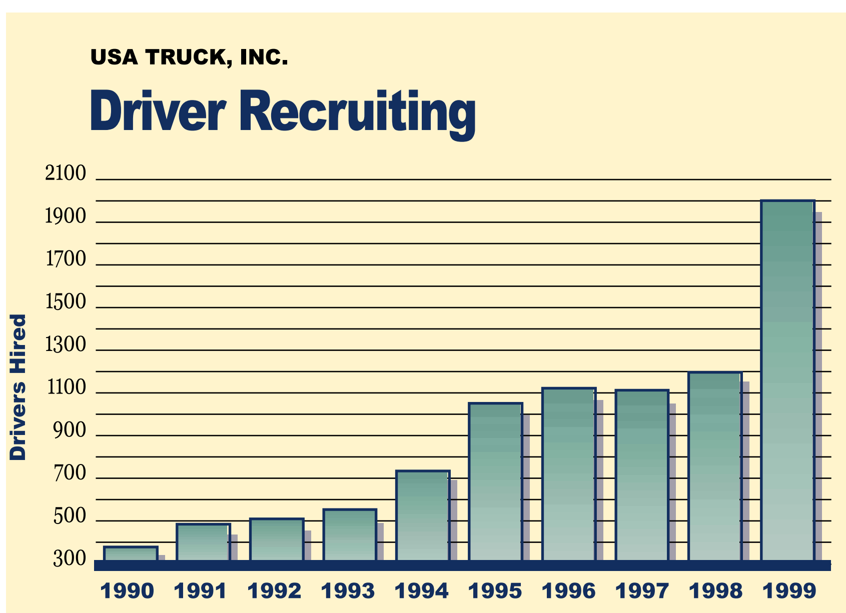
They say that necessity is the mother of invention, and necessity has spawned a challenge to our creativity. USA Truck's increasing need for drivers to fuel growth, along with the unfortunate upswing in the turnover rate, has forced us to reinvent the way we recruit drivers.

In 1999, we increased our drivers hired count by 67 percent, compared to our fleet growth of 55 percent.

We were able to stay ahead of our growth by restructuring our relationships with truck driving schools to ensure a steady stream of student drivers to participate in our five-week training program. We also put a renewed emphasis on recruiting experienced drivers and owner-operators. A new on-line computer system for recruiting now enables us to identify our most fertile and sterile recruiting areas, so we can commit our resources accordingly.

USA Truck is in a better position than ever before to meet the hiring needs of our Company. We will continue to evaluate our recruiting and retention policies every quarter and adjust to the changing needs of our fleet.

From a service perspective, we have no choice. Rest and relaxation are poor substitutes for recruiting and retention.

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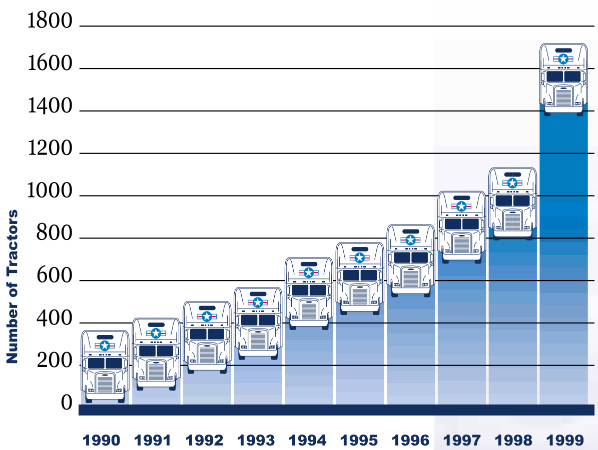
Small Steps, Big Gains

One of our core philosophies has always been steady, controlled revenue growth. Years ago, we set a goal to increase our revenue at an average rate of 15 percent a year. We knew that at that rate we could double our size every five years and do it slowly enough to maintain our profit margins.

USA TRUCK, INC.

Fleet Growth



Our first decade was a testament to that philosophy. Through meticulously planning and monitoring our revenue equipment purchases and trades, we grew at an average rate of 15 percent during our first 10 years.

USA Truck kicked off its second decade in a much more aggressive fashion. On November 1, 1999, we set sail on our maiden voyage into the waters of mergers and acquisitions by purchasing the assets of CCC Express, Inc. for $35.3 million. Our fleet size grew by 43 percent overnight!

It was no accident that USA Truck waited as long as it did to enter the acquisition game. While many of our competitors were joining the consolidation frenzy that swept the truckload industry during the 90's, we were quietly and conservatively studying acquisition candidates. We wanted our first one to be a good fit for our current operations and a good investment for our stockholders, and we accomplished just that.

CCC Express, Inc. shared much in common with USA Truck. It operated in similar lanes at similar rates and hauled general commodities comparable distances for many of our existing customers, as well as several very desirable new customers. Its revenue equipment was comparable to ours and its general offices were located in Fort Smith, Arkansas, just across the Arkansas River from our own headquarters in Van Buren, Arkansas.

Because of that proximity, we were able to hire many CCC Express employees, providing us valuable liaisons with customers and drivers. The benefits of this are most evident in the Operations area where we were able to hire virtually all of the personnel, providing a more seamless transition for the drivers. CCC Express employed an Operations staff with a great deal of industry experience. Coupled with USA Truck's own Operations personnel, this acquisition solidified a tremendous team of professionals dedicated to driver satisfaction, customer service and equipment utilization.

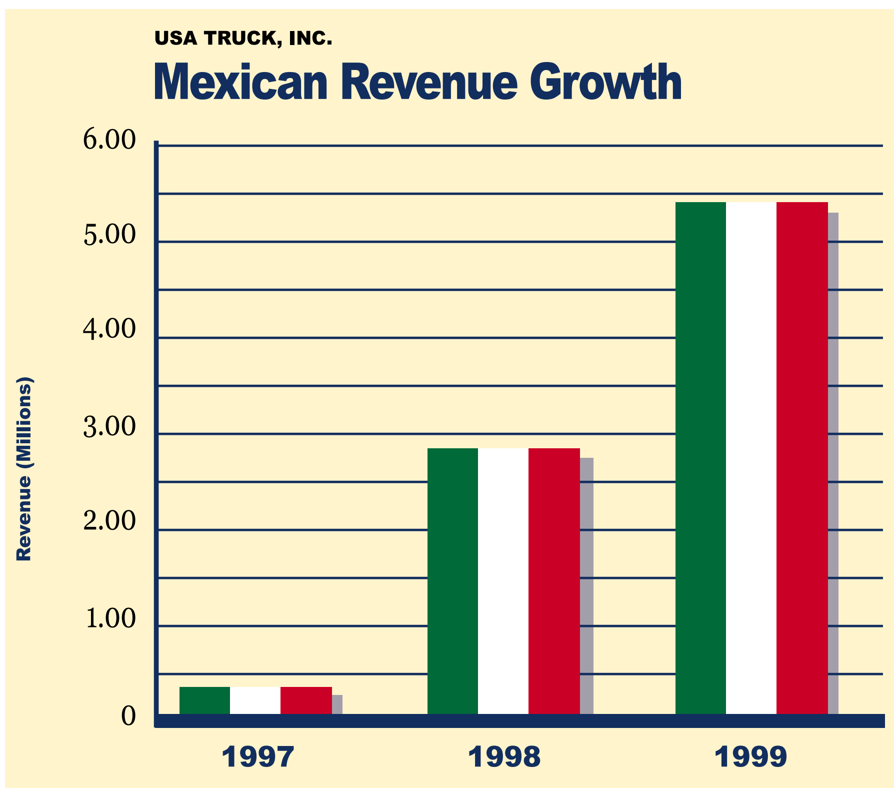
This acquisition has allowed our company to grow substantially without the burden of hiring and training new drivers to fill the new tractors in a highly competitive recruiting climate. Further, with increased equipment availability to customers, USA Truck is now poised to be a major player in the truckload market for years to come.

The Mexican Connection

USA Truck is continually looking for new markets for its services. Over the past few years, there has been a tremendous demand for international shipping. To better serve our customers, we are now hauling freight over most of North America.

For more than a decade, we have served the Canadian provinces of Ontario and Quebec. Our revenue north of the border has been steady and rewarding. During 1999, we made significant strides to establish a stronger presence in the Mexican truckload market through the gateway city of Laredo, Texas. Our revenues from Mexican loads increased to $5.4 million in 1999 from $2.8 million in 1998 -- a whopping 93 percent growth rate!

There are several economic advantages to servicing Mexico, including increased length of haul and a wider customer base. USA Truck is committed to becoming a major player in multi-national shipping lanes.



Surfin' USA Truck

For several years now, USA Truck has been quietly upgrading its technology and developing software from within. Our philosophy of internally developing our mainframe applications not only gives our programming staff invaluable experience, but it also customizes all of our systems, allowing for better customer service.

All of our systems, regardless of their platforms, are routed through our central mainframe. Our new website is simply an extension of our fundamental philosophy of centering all of our technology around the mainframe.

Our staff has worked diligently over the past few years developing and maintaining systems for the Company's various departments. Now we're focusing that energy and know-how on the worldwide web.

While our new site will be on the cutting edge of technology and provide customers with all the bells and whistles they want, it will also be an area requiring constant upgrades and improvements as we move forward. We're committed to serving our customers and stockholders with the latest Internet technology.

Our website was designed specifically with the customer in mind. Our marketing department was instrumental in its design and participated in every stage of its development. Features such as load tracing, load tendering, available equipment maps, rate requests and more are all driven by intense customer demand.

Features Available

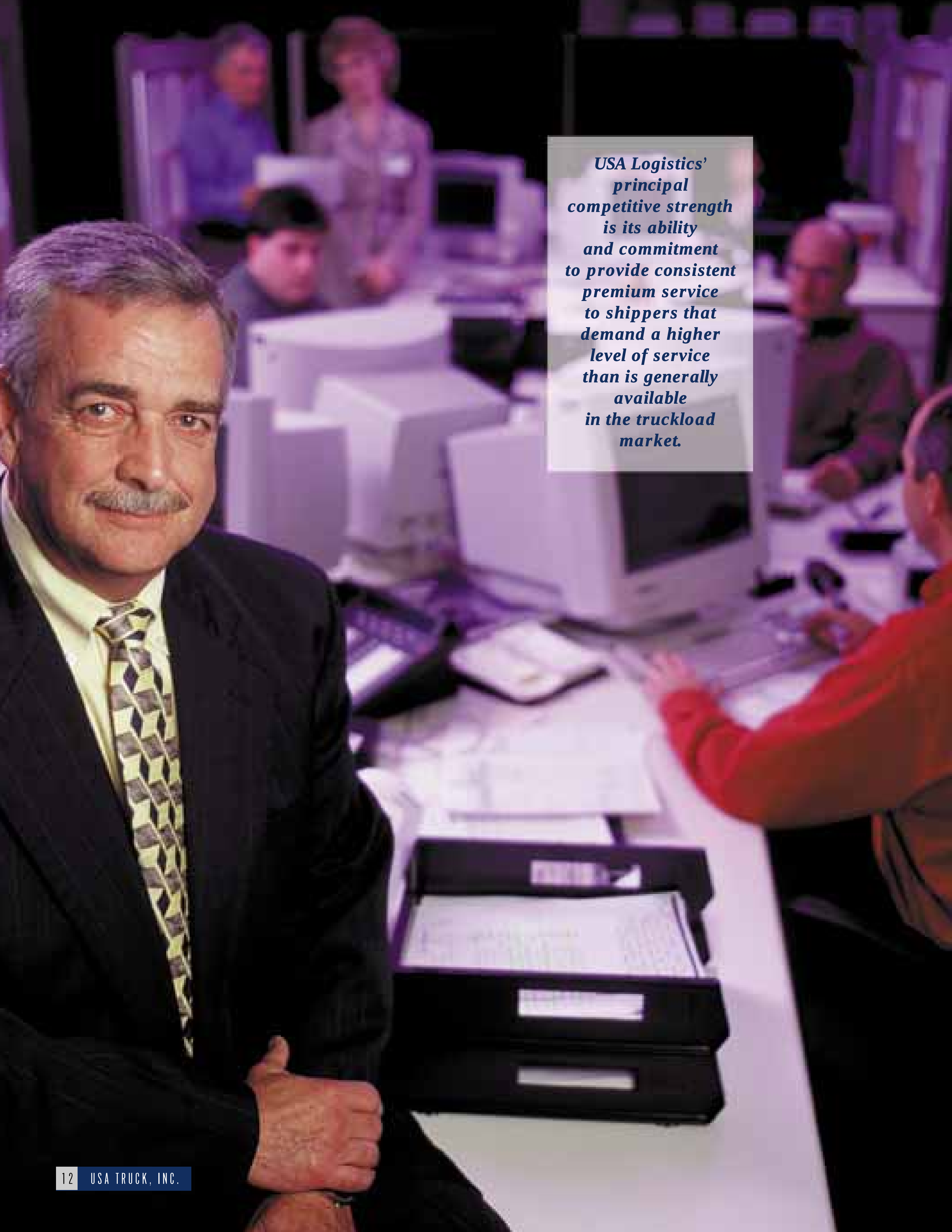
- Load Tracing
- Available Equipment by State
- Credit Requests
- Rate Requests
- Proofs of Delivery Requests
- Regional Fuel Prices
- Company Information
- Driver Resources
- Investor Relations
- Technology Summary
- Driver Employment Opportunites

In The Works

- Load Tendering
- Sales Point of Contact Information
- Customer Feedback
- Enhanced Mainframe Integration

The site also offers accommodations for stockholders and potential investors, including a strong investor relations presentation complete with links to up-to-the-minute stock information from NASDAQ and all SEC filings.

You may visit us at www.usa-truck.com.



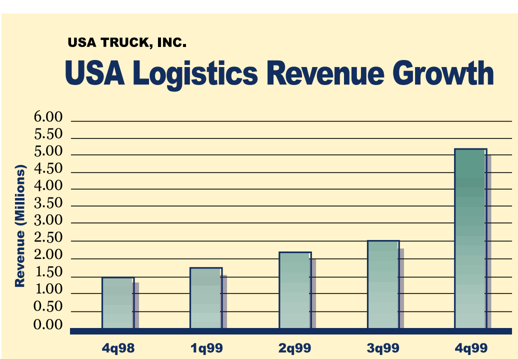
USA Logistics' principal competitive strength is its ability and commitment to provide consistent premium service to shippers that demand a higher level of service than is generally available in the truckload market.

USA Logistics, Service First

Everyone likes options. New car buyers want leather seats, power locks and windows, CD players and a sporty look; and they want it at a competitive price. Our customers are no different. That's why we began operating our USA Logistics division in the fourth quarter of 1998.

Today's shippers are interested in carriers that can satisfy their total freight needs. Whether it's truckload, less-than-truckload or rail, USA Logistics can deliver.

A focal point of this division is dedicated service. Through a dedicated service partnership with USA Logistics, our customers are provided a specific number of assets (drivers and equipment) to meet their transportation needs. This consistent group of drivers provides a knowledgeable work force resulting in superior levels of customer service.



Operating a trucking company can be an expensive and exhausting endeavor. That's why many private fleets – those fleets owned and operated by large retailers, manufacturers and distributors – are turning to transportation partners like USA Logistics. We will purchase a shipper's fleet and manage it as a dedicated fleet for the shipper. Through this arrangement, the shipper retains the service levels they experienced with their private fleet and are allowed to focus on their core competencies.

USA Logistics' greatest asset is its ability to offer a true third-party logistics service. Our highly trained, innovative Marketing and Operations staff specialize in listening to our customers needs then developing, implementing and managing a customized transportation solution to meet our customers' needs.

This winning combination of transportation solutions is designed to give shippers one-stop shopping regardless of their transportation needs.

Customer advantages to this 'bundle' of services go beyond hassle-free shipping. It also relieves them of the expense and burden associated with administering their own trucking operation, including labor, fuel, equipment, insurance and authority procurement.

This division has shown tremendous revenue growth during its first five quarters. At the end of 1998, the fledgling division had three dedicated projects requiring 37 tractors and generating revenue of $1.5 million. One year later, it has grown 667 percent and now boasts 19 dedicated projects, a private fleet conversion and a robust brokerage business. As of December 31, 1999, the USA Logistics fleet included 142 tractors and $11.5 in revenue.

The division was founded on aggressive, relentless marketing. Name recognition is paramount in the booming logistics industry. This core philosophy, along with an emphasis on customer service, made the phenomenal growth possible. The CCC Express acquisition also contributed substantially, adding 76 tractors and 11 dedicated projects, as well as a senior sales executive. Projecting post-acquisition numbers, USA Logistics is anticipating 2000 revenues in excess of $25 million.

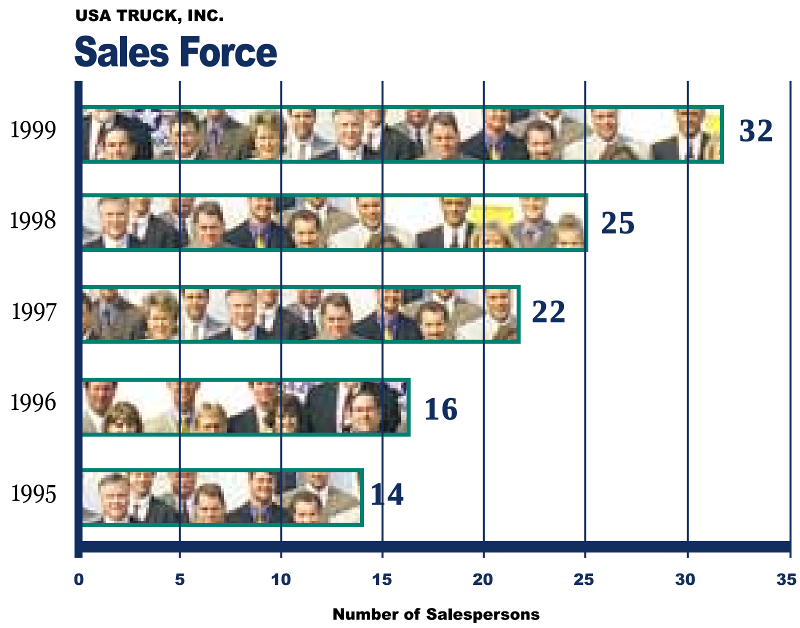
USA Logistics' mission is to provide consistent coverage to all customers. In order to do this, we must maintain our high standards and strive to achieve total customer satisfaction. Our slogan, "Running with Pride," is indicative of our commitment to being on time all the time, knowing that our jobs depend on conformance to customer requirements.

Sales Force

The lifeblood of any company is its sales force. Not only can a seasoned, well-trained sales force generate strong revenue, but it can also take care of the customer with that personal touch.

At USA Truck, we have been molding our sales effort to meet both the sales demands of the North American truckload market and growing customer service demands. In addition to sales people, whose main responsibility it is to generate revenue, we have created a formal customer service department that employs 11 single-point-of-contact staff members led by a veteran member of management.

The single-point-of-contact concept spares customers the aggravation of voice mail and the 'hot potato' syndrome, where they are transferred from person to person in search of answers. We want our customers' needs met quickly and in a professional, courteous manner. No more passing the buck -- it stops with us.




USA TRUCK

We'll Make It Right

With the fierce competition in the trucking industry these days, our survival hinges on doing right by our customers. We think that's our strength, and we're always looking for ways to make things better.

USA Truck has vowed to eliminate anything and everything that inhibits customer satisfaction. We've already discussed how our recent acquisition, USA Logistics, our enhanced web site and our expanding international business can better serve our customers. Those are the high-profile projects we've developed. However, we're proud to say there are several less visible ones that are every bit as important to a satisfied customer.

Details like well-maintained revenue equipment and experienced personnel can make a world of difference in our competitive industry.

Maintenance

Quality tools in the hands of a skilled carpenter can become instruments of art. High-end revenue equipment in the hands of an experienced, well-trained driver can have the same effect.

USA Truck operates a modern fleet of late model revenue equipment. On average, our tractors and trailers have only been on the road for 23 and 46 months, respectively. In addition to our strict equipment purchase and trade schedule, we have a thorough, on-line preventive maintenance computer system to keep our equipment functioning as efficiently as the day it rolled off the assembly line.

Our tractors are equipped with optimized idle and are governed to run at a maximum speed of 63 miles per hour, drastically improving both fuel economy and safety.

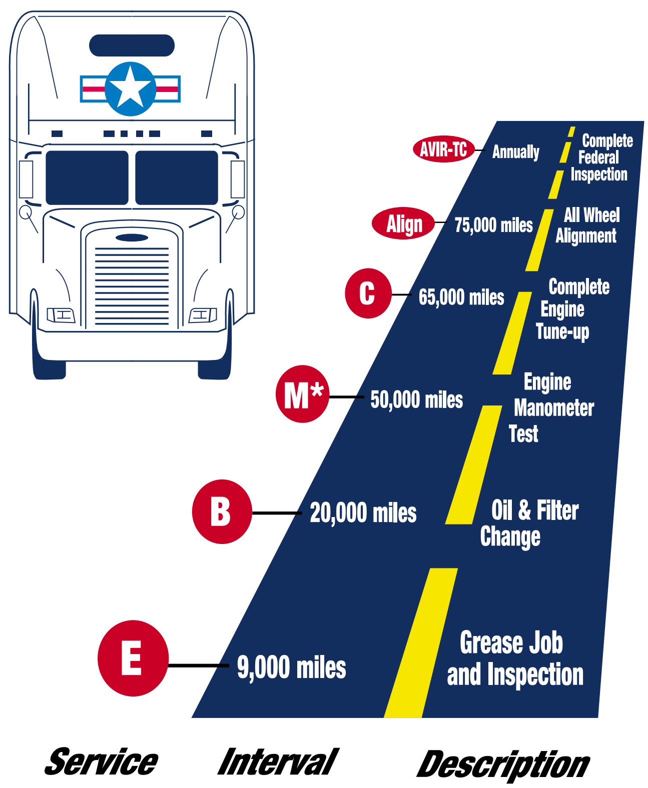
There is little doubt that these quality assurance programs pay dividends for drivers, customers and stockholders alike. Drivers keep running miles and making money in a comfortable, reliable tractor. Customers can count on one of the lowest preventable accident rates per mile in the industry, reduced service failures because of equipment breakdown and more competitive rates.

The Company benefits at trade time when the market rewards this comprehensive maintenance plan with favorable pricing.

Stockholders reap the benefits of all of the above, owning shares in a company that is efficient, competitive and profitable.

Tractors

Preventative Maintenance Schedule



*Beginning at 350,000 miles

Experienced Personnel

More often than not, experience makes people more effective at anything they do. Trucking is no different. A Fleet Manager who's been around the block a few times is going to be more effective at keeping drivers happy and keeping tractors rolling.

Experience translates into better performance for our stockholders and better service for our customers. USA Truck generally targets young, college graduates to fill operational jobs. That is still our fundamental hiring plan, but a few years ago we began putting extra emphasis on hiring more experienced personnel.

On average, an operations employee at USA Truck has been working in the trucking industry for 11 years, up from eight years in 1997.

We believe that our drivers, customers and stockholders derive a great deal of benefit from that experience, and our record reflects that.

Directors and Officers

James B. Speed
Chairman of the Board and Director

Robert M. Powell
President, Chief Executive Officer and Director

Jerry D. Orler
Vice President, Finance, Chief Financial Officer,
Secretary and Director

George R. Jacobs
Vice President, Operations and Director

Patrick N. Majors
Vice President, Sales

Dwain R. Key
Vice President, Corporate Development

Gary I. Davis
Vice President, Maintenance

Jerry W. Cottingham
Vice President, Logistics

Roland S. Boreham
Director (Chairman of the Board,
Baldor Electric Company)

Jim L. Hanna
Director (President, Hanna Oil and Gas)

Bobby W. Caldwell
Treasurer

Clifton R. Beckham
Controller

Ten Year Statistical History

Balance Sheet Statistics

(Dollars in thousands)	**1999**	1998	1997	1996
Current assets	**$ 39,449**	$ 20,459	$ 20,292	$ 16,825
Total assets	**182,040**	119,611	113,518	86,330
Current liabilities	**28,278**	21,151	20,762	15,193
Long-term debt - less current maturities	**64,453**	19,058	27,057	15,867
Total liabilities	**111,932**	56,877	61,145	41,906
Total shareholders' equity	**70,108**	62,734	52,373	44,424

Income Statement Statistics

(Dollars in thousands - except per share amounts)	**1999**	1998	1997	1996
Revenue	**$ 166,363**	$ 145,216	$ 129,507	$ 108,313
Operating expenses	**150,526**	126,256	115,339	102,061
Operating income	**15,837**	18,960	14,168	6,252
Other expenses, net	**1,624**	1,780	1,187	717
Income before income taxes	**14,213**	17,180	12,981	5,535
Income taxes	**5,571**	6,683	5,078	2,153
Net income	**$ 8,642**	$ 10,497	$ 7,903	$ 3,382
Diluted or primary (*) shares outstanding	**9,354,441**	9,465,971	9,484,570	9,619,919
Diluted or primary (*) earnings per share	**$ 0.92**	$ 1.11	$ 0.83	$ 0.35
Revenue - year-to-year change	**14.6%**	12.1%	19.6%	5.8%
Operating ratio	**90.5%**	86.9%	89.1%	94.2%

Financial Statistics

(Dollars in thousands - except per share amounts)	**1999**	1998	1997	1996
EBIT	**$ 15,869**	$ 18,895	$ 14,361	$ 6,265
EBIT per share	**1.7**	2.01	1.54	0.66
EBITDA	**34,460**	35,074	27,969	18,104
EBITDA per share	**3.70**	3.73	2.99	1.91
Operating cash flow per share	**1.45**	3.03	3.02	1.57
Book value per share	**7.47**	6.65	5.59	4.68
Return on average assets	**5.7%**	9.0%	7.9%	4.1%
Return on average equity	**13.0%**	18.2%	16.3%	7.7%
Funded debt to total capital	**51.1%**	27.2%	36.2%	31.5%
Maintenance and repairs to fixed assets	**6.1%**	6.4%	7.0%	8.9%
Times interest earned	**9.6**	11.0	10.4	8.6
Revenue per non-driver	**$ 355**	$ 418	$ 379	$ 372

Operating Statistics

	1999	1998	1997	1996
Total tractors (end of period)	**1,713**	1,132	1,007	862
Average months in service - tractors	**23**	19	19	23
Total trailers (end of period)	**3,525**	2,004	1,928	1,510
Average months in service - trailers	**46**	39	33	34
Trailer to tractor ratio	**2.1:1**	1.8:1	1.9:1	1.8:1
Average miles per tractor per week	**2,405**	2,441	2,475	2,407
Drivers	**1,600**	1,057	962	922
Non-drivers	**469**	347	342	291
Total employees	**2,069**	1,404	1,304	1,213
Driver to non-driver ratio	**3.41**	3.05	2.81	3.17

December 31,					
1995	1994	1993	1992	1991	1990
$ 16,008	$ 12,516	$ 11,371	$ 8,860	$ 10,987	$ 9,642
78,980	66,435	54,711	41,846	38,566	37,511
13,295	10,764	8,627	7,829	10,056	8,966
13,361	9,427	10,898	7,023	20,022	22,855
35,823	27,790	24,233	17,147	31,487	32,436
43,157	38,645	30,478	24,699	7,079	5,075

Year Ended December 31,					
1995	1994	1993	1992	1991	1990
$ 102,400	$ 92,511	$ 75,875	$ 63,038	$ 52,538	$ 45,684
91,961	78,625	65,853	55,167	46,731	40,774
10,439	13,886	10,022	7,871	5,807	4,910
646	801	679	1,093	2,462	1,305
9,793	13,085	9,343	6,778	3,345	3,605
3,756	5,018	3,764	2,724	1,342	1,483
$ 6,037	$ 8,067	$ 5,579	$ 4,054	$ 2,003	$ 2,122
10,028,478	9,903,682	9,873,665	9,150,214 *	7,200,000 *	7,200,000 *
$ 0.60	$ 0.81	$ 0.57	$ 0.44 *	$ 0.28 *	$ 0.29 *
10.7%	21.9%	20.4%	20.0%	15.0%	25.6%
89.8%	85.0%	86.8%	87.5%	88.9%	89.3%

Year Ended December 31,					
1995	1994	1993	1992	1991	1990
$ 10,592	$ 13,866	$ 10,052	$ 8,021	$ 5,709	$ 5,681
1.09	1.37	1.00	0.88	0.79	0.79
21,737	22,991	17,524	14,858	11,640	10,425
2.24	2.28	1.75	1.62	1.62	1.45
1.85	2.08	1.31	1.32	0.99	0.99
4.44	3.99	3.16	2.70	0.98	0.70
8.3%	13.3%	11.6%	10.1%	5.3%	6.5%
14.8%	23.3%	20.2%	25.5%	33.0%	52.9%
25.8%	22.6%	29.5%	25.2%	75.5%	82.1%
8.7%	8.7%	9.3%	10.1%	9.5%	9.9%
13.3	17.8	14.2	6.5	2.4	2.7
$ 402	$ 390	$ 383	$ 354	$ 313	$ 313

December 31,					
1995	1994	1993	1992	1991	1990
782	711	571	496	412	363
19	17	18	25	22	12
1,378	1,202	1,023	840	705	622
32	31	35	37	43	38
1.8:1	1.7:1	1.8:1	1.7:1	1.7:1	1.7:1
2,382	2,565	2,551	2,508	2,404	2,414
778	712	563	508	418	358
255	237	198	178	168	146
1,033	949	761	686	586	504
3.05	3.00	2.84	2.85	2.49	2.45

Corporate information

This annual report and the statements contained herein are submitted for the general information of stockholders of the Company and are not intended to induce any sale or purchase of securities or to be used in connection therewith.

The 1999 Annual Report filed with the Securities and Exchange Commission on Form 10-K is available to stockholders upon request by writing to the Secretary at the executive offices.

AUDITORS

Ernst & Young LLP
425 West Capitol, Suite 3600
Little Rock, Arkansas 72201

TRANSFER AGENT AND REGISTRAR

Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016-3572

CORPORATE HEADQUARTERS

3200 Industrial Park Road
Van Buren, Arkansas 72956
Telephone: 501-471-2500

ANNUAL MEETING

May 3, 2000
10 a.m.
USA Truck, Inc.
3200 Industrial Park Road
Van Buren, Arkansas 72956

COMMON STOCK

Traded on The Nasdaq Stock Market
under the Symbol: USAK

WEB SITE

http://www.usa-truck.com

Upon written request of any stockholder, the Company will furnish without charge a copy of the Company's 1999 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, including the financial statements and schedules thereto. The written request should be sent to Jerry D. Orler, Secretary of the Company, at the Company's executive offices, 3200 Industrial Park Road, Van Buren, Arkansas 72956. The written request must state that as of March 8, 2000 the person making the request was a beneficial owner of shares of the common stock of the Company.

Business

General

USA Truck, Inc. (the "Company" or "USA Truck") is engaged in the transportation of general commodity freight in interstate and foreign commerce. Operations are conducted primarily east of the Rocky Mountains, but the Company holds authority to transport and does transport freight between all points in the continental United States, other than intrastate, and between all points in the U.S., on the one hand, and the Canadian provinces of Ontario and Quebec, on the other. The Company also provides the U.S. and Canadian portions of shipments between points in the U.S. and Canadian provinces of Ontario and Quebec, on the one hand, and points in Mexico, on the other. The Company transfers freight to, or receives freight from, Mexican carriers at the U.S.-Mexico border in Laredo, Texas. Revenue from foreign countries represents less than 5% of total revenues of the Company for each of the past three years. The principal types of freight transported include automotive parts and materials, tires, paper and paper products, glass, retail store merchandise, chemicals, aluminum and manufacturing materials and supplies. USA Truck does not transport Class A or Class B explosives, garbage, radioactive materials or hazardous wastes. The Company does not operate any flatbed, tanker, or other specialized trailers.

USA Truck transports freight in truckload quantities from individual shippers to single or multiple destinations on an as-needed basis. Its business consists primarily of medium haul shipments, more than 700 but less than 1,000 miles. For 1997, 1998, and 1999, the average length of haul for Company tractors was 920 miles, 916 miles, and 908 miles, respectively.

The Company's principal offices are located at 3200 Industrial Park Road, Van Buren, Arkansas 72956, and its telephone number is (501) 471-2500.

Business Strategy

USA Truck's principal competitive strength is its ability and commitment to consistently provide superior service to shippers. Although price is a primary concern to all shippers, many of the Company's customers are high-volume shippers that require a flexible and dependable source of motor carrier service tailored to specific needs, including pickup or delivery within narrow time windows. The Company's strategy is to provide a premium service to meet these needs and to charge compensating rates for such service. This approach has found increasing acceptance. See "Business -- Competition".

The Company is committed to prompt freight pickup, consistent on-time delivery, and twenty-four hours a day, seven days a week dispatching. It has taken a number of steps to meet these commitments. In particular, the Company (i) adheres to strict maintenance and cleaning schedules to avoid breakdowns and delays; (ii) provides detailed routing instructions for, and maintains satellite communications with, drivers to expedite delivery; (iii) maintains trailer pools at strategic locations to minimize the time between customer order and pickup; and (iv) provides extra trailers to high volume shippers for loading and unloading at their convenience.

USA Truck utilizes cost-efficient communications throughout its operations. The Company provides EDI (electronic data interchange) arrangements with several of its largest customers, providing them with access through their computer systems to current information on the status of their shipments. Beginning in the third quarter of 1997, the Company began installing two-way, satellite based mobile messaging and position-locating equipment in all of its tractors. This equipment is designed to fulfill customers' heightened need for real time transit information as well as provide the Company with an enhanced and cost-effective method of communications between its drivers and its operations personnel. The system permits fleet managers to contact drivers virtually anywhere in the Company's market area. These capabilities are intended to shorten response time to customers, as well as to allow drivers uninterrupted rest time while awaiting assignment. The installation of the equipment was completed in the fourth quarter of 1997.

The Company has designed its own management information software systems, which it operates on a mainframe computer that the Company acquired in 1997. This system became operational during the second quarter of 1997, when the Company's software was migrated to the new computer. Prior to that, the Company used a mainframe computer through a contractual agreement with a third party. These data processing capabilities enhance operating efficiency by providing immediate access to detailed information concerning equipment, cargo, customer locations, credit history, billing arrangements and specific customer requirements. They also permit the Company to respond quickly and accurately to customers' requests and assist in balancing equipment availability throughout the market area. Management believes these information software systems and computer hardware will be sufficient to support the Company's expansion plans at least through 2001 without substantial additional expenditures in the data processing area.

Recent Events

On November 1, 1999, pursuant to an Asset Purchase Agreement (the "Asset Purchase Agreement") dated October 31, 1999, the Company acquired substantially all the assets of CARCO Carrier Corporation, an Arkansas corporation, which operated under the name CCC Express, Inc. ("CCC"), for a purchase price of $35.3 million. The purchase price, which was subject to certain post-closing adjustments, consisted of (i) a cash payment of approximately $3.0 million; (ii) the assumption of approximately $6.5 million of liabilities including equipment notes held by Bank Boston, Mellon U.S. Leasing and Banc of America Leasing & Capital LLC and (iii) the refinancing with Banc One Leasing Corporation and Deposit Guaranty National Bank of approximately $25.8 million in other debt secured by equipment. The cash portion of the purchase price was paid with available cash and proceeds of borrowings under the Company’s credit facilities with Deposit Guaranty National Bank. The purchase price was equal to the net book value of CCC on the closing date, as adjusted in accordance with the Asset Purchase Agreement, plus $2.0 million. In connection with the acquisition, the Company’s borrowing limit under its General Line of Credit with Deposit Guaranty National Bank was increased from $20.0 million to $35.0 million effective October 28, 1999.

The acquired operations include a fleet of 498 tractors and 1,103 dry van trailers, which the Company will use in its truckload motor carrier business. The acquisition represents an increase of 43% in the tractor fleet of the Company, which operated 1,149 tractors and 2,266 dry van trailers before the transaction. As part of the transaction, the Company also assumed three leases for dedicated shop and fuel facilities.

Marketing and Sales

The Company focuses its marketing efforts on customers with demanding requirements and heavy shipping needs within the regions where the Company operates. This permits the Company to concentrate available equipment in its primary service area, enabling it to be more responsive to customer needs. USA Truck's Marketing and Operations Departments have primary responsibility for developing and implementing the Company's marketing strategy and retaining customer accounts.

The Marketing Department solicits and responds to customer orders and maintains close customer contact regarding service requirements and rates. A high percentage of the Company's business is from repeat customers. For the year ended December 31, 1999, at least 93% of USA Truck's operating revenues were derived from customers that were customers of the Company prior to 1999.

USA Truck establishes rates through individual negotiations with customers and through contracts tailored to the specific needs of shippers.

Operations

The Operations Department consists of two primary divisions: the Load Coordinator Group and the Fleet Manager Group.

Load coordinators are responsible for efficiently matching available equipment with customer needs, and they serve as the contact with customers' receiving and shipping personnel. Load coordinators also have primary responsibility for minimizing empty miles, and they work closely with the Marketing Department to increase equipment utilization.

The average distance between loads as a percentage of total miles (empty mile factor) is a standard measurement in the truckload industry. The empty mile factor generally decreases as average length of haul and density of trucks in an area increase. The Company's commitment to on-time pickup often requires a tractor to travel farther to complete a pickup than it would have to travel if the Company delayed the pickup until a tractor became available in the area. USA Truck's empty mile factor was 9.26% for the year ended December 31, 1999.

Fleet managers supervise fleets of approximately 55 drivers each and serve as the drivers' primary contact with the Company. Fleet managers monitor the location of equipment and direct its movement in the most efficient and safe manner practicable.

Safety

USA Truck's safety program is designed to meet the Company's goal of an accident-free working environment and to enforce governmental safety regulations. The Company controls the maximum speed of its tractors with electronic governing equipment, and all its tractors are equipped with anti-lock braking systems.

Safety records are one of several hiring criteria used by USA Truck, and safe equipment handling techniques are an important part of new driver training. The Company also conducts pre-employment, random and post-accident drug testing in accordance with Department of Transportation ("DOT") regulations.

Revenue Equipment

During 1999, the Company acquired 381 new tractors (a net increase of 83) and 600 new trailers (a net increase of 417). The Company purchased 68 fewer new tractors in 1999 than anticipated in response to the shortage of qualified drivers in the truckload industry. The process of converting to 53-foot trailers, growth in dedicated service and freight into Mexico, which traditionally requires more trailers that regular dry-van service, necessitated increasing the trailer fleet by 114 units above the amount anticipated. The CCC Express acquisition added an additional 498 tractors and 1,103 trailers to the fleet. The Company purchases equipment manufactured to its specifications, which provides efficiencies in training, parts inventory and maintenance. Equipment selection is based on safety, economy, resale value, driver comfort, and other factors. Management establishes and adjusts equipment purchase schedules to maintain acceptable equipment utilization rates in relation to current economic conditions in the truckload industry. The Company has a strict preventive maintenance program designed to minimize equipment downtime and to enhance trade-in value.

USA Truck replaces its tractors and trailers based on various factors, including the used equipment market, prevailing interest rates, technological improvements, fuel efficiency and durability. Currently, the Company replaces most tractors within 42 months from the date of purchase, thereby maintaining substantial warranty coverage throughout the period of ownership.

Beginning with the November 1995 trailer purchases, the Company began converting its trailer fleet from 48-foot long and 102 inches wide trailers to 53-foot long and 102 inches wide trailers. Because of this conversion process and additional trailers required to serve Mexico, the Company's trailer to tractor ratio was 2.1-to-1 at December 31, 1999. Management believes that a 2.1-to-1 ratio is ideal for the Company's operations, in that it promotes efficiency and provides the flexibility needed to serve customer needs. As of December 31, 1999, 2,475 of the 3,524 trailers in the Company's trailer fleet were 53-foot models. All future purchases of trailers will be 53-foot models. The Company is undertaking this conversion in order to meet its customers' requirements and to continue to provide an efficient balance between trailer capacity and weight and length limitations in the various states and Canada.

During 2000 and 2001, the Company plans to acquire 641 and 695 new tractors and 650 and 825 new trailers, respectively. This will result in net increases of 66 and 267 tractors and 111 and 546 trailers, respectively.

Trademark

The Company's name and logo are registered with the United States Patent and Trademark Office, the Canadian Trade Marks Office, and the Mexican Industrial Property Institute. The Company believes its trademark has significant value and is important to its marketing efforts. The trademark registration in each country is renewable indefinitely at the option of the Company.

Properties

The Company owns its headquarters in Van Buren, Arkansas, located on 63 acres. This site has approximately 84,000-square feet of office, training, and driver housing space within two structures, a 12,000-square foot maintenance facility and a 2,500-square foot dock. In the second quarter of 1997, the Company completed construction of a new 57,000-square foot corporate headquarters next to its existing headquarters facility in Van Buren, Arkansas. The previously existing 27,000-square foot facility will be refurbished over the next several years to house additional training, maintenance and support services. This facility also contains aboveground fuel tanks with a capacity of 40,000 gallons.

The Company operates a maintenance and driver facility in West Memphis, Arkansas, situated on roughly 32 acres with 13 acres of paved tractor and trailer parking behind fence, a 17,200-square foot shop, an eight-lane drive through fueling station containing above ground fuel tanks with a capacity of 37,000 gallons and drivers' sleeping quarters that can house 36 drivers. During 1998, the Company expanded the shop by 7,200 square feet and added four additional lanes to its drive through fueling station. The drivers' quarters also include a recruiting office and driver training center for new drivers. The Company owns 29 of the 32 acres and leases the remainder under a long-term lease agreement with an initial term ending in November 2044. Located at the intersection of I-40 and I-55, this facility is an ideal location for these activities.

In August 1995, the Company completed construction of and began operating its maintenance and driver facility in Shreveport, Louisiana, with 15 acres of paved tractor and trailer parking behind fence, a 12,000-square foot shop, a two-lane drive through fueling station containing above ground fuel tanks with a capacity of 37,000 gallons and a drivers' sleeping quarters that can house 32 drivers. The drivers' quarters also include a recruiting office and driver training center for new drivers. The facility is located on 20 acres of land owned by the Company near I-20 on US Hwy. 80 and is strategically located near several major customers in the area.

In June 1996, the Company began operating its maintenance and driver facility in Vandalia, Ohio, with approximately five acres of paved tractor and trailer parking behind fence, a 2,400-square foot shop, a one-lane drive through fueling station containing a below ground fuel tank with a capacity of 10,000 gallons and a drivers' sleeping quarters that can house 22 drivers. During 1999 the company acquired approximately 3 acres of adjoining land and plans to use this space for truck and trailer parking as soon as it can be prepared. The drivers' quarters also include a sales and recruiting office. The Company owned facility is located near I-75 & I-70 and is strategically located for these activities.

The Company leases, on a month-to-month basis, parking and office facilities in East Peoria and Blue Island, Illinois, New Paris, Indiana and Fayetteville, North Carolina.

Management believes that its facilities will be sufficient for its operations at least through 2000.

Selected Financial Data

The following table sets forth, for the periods and at the dates indicated, selected financial data of the Company. The data should be read in conjunction with the financial statements and related notes contained in this Annual Report.

	Year Ended December 31,				
	1999	1998	1997	1996	1995
	(In thousands, except per share amounts)				
Statement of Operations Data:					
Operating revenues	**$166,363**	$ 145,216	$ 129,507	$ 108,313	$ 102,400
Operating expenses and costs:					
Salaries, wages and employee benefits	**70,198**	61,297	53,122	45,122	42,860
Operations and maintenance	**42,480**	33,401	34,189	31,064	26,909
Operating taxes and licenses	**3,005**	2,547	2,160	1,964	1,822
Insurance and claims	**7,987**	7,250	6,773	6,422	5,146
Communications and utilities	**2,000**	1,469	1,828	1,612	1,285
Depreciation and amortization	**18,592**	16,179	13,608	11,839	11,145
Other	**6,265**	4,113	3,659	4,038	2,794
	150,527	126,256	115,339	102,061	91,961
Operating income	**15,836**	18,960	14,168	6,252	10,439
Other (income) expenses:					
Interest expense	**1,655**	1,715	1,380	730	799
Gain on disposal of assets	**(9)**	(37)	(2)	(9)	(1)
Other, net	**(23)**	102	(191)	(4)	(152)
	1,623	1,780	1,187	717	646
Income before income taxes	**14,213**	17,180	12,981	5,535	9,793
Income taxes	**5,571**	6,683	5,078	2,153	3,756
Net Income	**8,642**	10,497	7,903	3,382	6,037
Basic:					
Net income per share	**$ .93**	$ 1.12	$ 0.84	$ 0.36	$ 0.62
Average shares outstanding	**9,324**	9,400	9,356	9,463	9,684
Diluted:					
Net income per share	**$ .92**	$ 1.11	$ 0.83	$ 0.35	$ 0.60
Average shares outstanding	**9,354**	9,466	9,485	9,620	10,028
Cash dividends per share	**–**	–	–	–	–
Balance Sheet Data (at end of year):					
Current assets	**$ 39,449**	$ 20,459	$ 20,292	$ 16,825	$ 16,008
Current liabilities	**28,277**	21,151	20,762	15,193	13,295
Total assets	**182,040**	119,611	113,518	86,330	78,980
Long-term debt, less current maturities	**64,453**	19,058	27,057	15,867	13,361
Stockholders' equity	**70,108**	62,734	52,373	44,424	43,157

The following table sets forth the percentage relationship of certain items to operating revenues for the years indicated:

	Year Ended December 31,		
	1999	1998	1997
Operating revenues	**100.0%**	100.0%	100.0%
Operating expenses and costs:			
Salaries, wages and employee benefits	**42.2**	42.2	41.0
Operations and maintenance	**25.5**	23.0	26.4
Operating taxes and licenses	**1.8**	1.8	1.7
Insurance and claims	**4.8**	5.0	5.2
Communications and utilities	**1.2**	1.0	1.4
Depreciation and amortization	**11.2**	11.1	10.5
Other	**3.8**	2.8	2.9
	90.5	86.9	89.1
Operating income	**9.5**	13.1	10.9
Other (income) expenses:			
Interest expense	**1.0**	1.2	1.1
Gain on disposal of assets	**–**	–	–
Other, net	**–**	0.1	(0.2)
	1.0	1.3	0.9
Income before income taxes	**8.5**	11.8	10.0
Income taxes	**3.3**	4.6	3.9
Net income	**5.2%**	7.2%	6.1%

Results of Operations

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

Operating revenues increased 14.6% to $166.4 million in 1999 from $145.2 million in 1998, resulting from increased business with existing customers, additional business from new customers and the acquisition of CCC Express on November 1, 1999. Average revenue per mile increased to $1.13 in 1999 from $1.12 in 1998. The empty mile factor decreased to 9.26% of paid miles in 1999 from 9.78% of paid miles in 1998. There was a 15.1% increase in the number of shipments to 147,484 in 1999 from 128,179 in 1998. This volume improvement was made possible by an increase of 15.6% in the average number of tractors operated from 1,058 in 1998 to 1,223 in 1999. The net effect of the volume improvement and the Company's continuing fleet expansion was a decrease of 1.5% in miles per tractor per week from 2,441 in 1998 to 2,404 in 1999.

Operating expenses and costs as a percentage of revenues rose to 90.5% in 1999 from 86.9% in 1998. This change resulted primarily from an increase, on a percent of revenue basis, in operations and maintenance cost, communications and utilities, and other expenses. These increases were partially offset by a decrease, on a percent of revenue basis, in insurance and claims. The percentage increase, relative to revenues, in operations and maintenance cost was primarily the result of a an increase of 10 cents per gallon in the average cost of fuel in 1999 compared to 1998, offset by an increase in fuel efficiency to 6.46 average miles per gallon in 1999 from 6.41 in 1998. The increase in communications and utilities expense, as a percentage of revenue and in actual dollars, reflects the usage credits issued with the purchase of Qualcomm units in 1997 being used to reduce rates in 1998. The increase in other expenses, as a percentage of revenue, resulted primarily from higher recruiting costs brought about by a higher driver turnover rate and increased competition for drivers. The percentage decrease, relative to revenues, in insurance and claims expense was due to a decrease in the number and severity of accidents in 1999 compared to 1998.

As a result of the foregoing factors, operating income decreased 16.5% to $15.8 million, or 9.5% of revenue, in 1999 from $19.0 million or, 13.1% of revenues, in 1998.

Interest expense decreased 3.5% to $1.65 million from $1.72 million in 1998, resulting primarily from reduction in borrowings for most of the year offset by a substantial increase in borrowings following the acquisition of CCC Express on November 1, 1999.

The Company had other income, net of $23,000 during 1999 compared to other expense, net of $102,000 in 1998. This increase in other income, net was due to a variety of factors, no single one of which accounted for more than half of the increase.

As a result of the above factors, income before taxes decreased 17.3% to $14.2 million, or 8.5% of revenues, in 1999 from $17.2 million, or 11.8% of revenues, in 1998.

The Company's effective tax rate increased to 39.2% in 1999 from 38.9% in 1998. The effective rates varied from the statutory Federal tax rate of 34% primarily due to state income taxes and certain non-deductible expenses.

As a result of the aforementioned factors, net income decreased 17.7% to $8.6 million, or 5.2% of revenues, in 1999 from $10.5 million, or 7.2% of revenues in 1998, representing a decrease of 17.1% in diluted net income per share to $.92 from $1.11. The number of shares used in the calculation of diluted net income per share for 1999 and 1998 were 9,354,441 and 9,465,971.

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

Operating revenues increased 12.1% to $145.2 million in 1998 from $129.5 million in 1997, resulting from increased business with existing customers and additional business from new customers. Average revenue per mile increased to $1.12 in 1998 from $1.11 in 1997. The empty mile factor decreased to 9.78% in 1998 from 10.05% of paid miles in 1997. There was a 12.4% increase in the number of shipments to 128,179 in 1998 from 114,022 in 1997. This volume improvement was made possible by an increase of 13.2% in the average number of tractors operated from 935 in 1997 to 1,058 in 1998. The net effect of the volume improvement and the Company's continuing fleet expansion was a decrease of 1.4% in miles per tractor per week from 2,475 in 1997 to 2,441 in 1998.

Operating expenses and costs as a percentage of revenues improved to 86.9% in 1998 from 89.1% in 1997. This change resulted primarily from a decrease, on a percentage of revenue basis, in operations and maintenance costs, in insurance and claims expense and in communications and utilities expense. These decreases were partially offset by increases, on a percentage of revenue basis, in salaries, wages, and employee benefits and in depreciation and amortization expense. The percentage decrease, relative to revenues, in operations and maintenance costs was primarily the result of a decrease of 16 cents per gallon in the average cost of fuel in 1998 compared to 1997, and by an increase in fuel efficiency to 6.41 average miles per gallon in 1998 from 6.29 in 1997. The percentage decrease, relative to revenues, in insurance and claims expense was due to a decrease in the number and severity of accidents in 1998 as compared to 1997. The decrease in communications and utilities expense, as a percentage of revenue and in actual dollars, reflects the installation in December 1997 of the Company's two-way, satellite-based mobile messaging and position-locating equipment in all of its tractors. This equipment has greatly reduced the Company's telephone expenses and increased the efficiency of communications with drivers. In addition, these devices have enabled the Company to eliminate the cost associated with the global paging system the Company was previously utilizing in its operations. The increase in salaries, wages, and employee benefits was due to an increase in aggregate driver pay, an increase in driver total base compensation of approximately 6% per driver in October 1998, along with an increase in incentives earned by employees due to improved operating and financial performance of the Company in 1998 compared to 1997. The increase in depreciation and amortization expense reflects the effects of timing differences between trade-in cycles and purchasing schedules along with an increase in the cost of tractors and trailers when compared to those being retired.

As a result of the foregoing factors, operating income increased 33.8% to $19.0 million, or 13.1% of revenues, in 1998 from $14.2 million, or 10.9% of revenues, in 1997.

Interest expense increased 24.3% to $1.7 million in 1998 from $1.4 million in 1997, resulting primarily from an increase in borrowings to facilitate equipment purchases, partially offset by a decrease in interest rates, in the aggregate, on both short-term and long-term debt.

The Company had other income, net, of $191,000 in 1997, compared to other expense, net, of $102,000 in 1998. This increase in other expense, net was due to a variety of factors, no single one of which accounted for more than half of the increase.

As a result of the above, income before income taxes increased 32.3% to $17.2 million, or 11.8% of revenues, in 1998 from $13.0 million, or 10.0% of revenues, in 1997.

The Company's effective tax rate decreased to 38.9% in 1998 from 39.1% in 1997. The effective rates varied from the statutory Federal tax rate of 34% primarily due to state income taxes and certain non-deductible expenses.

As a result of the aforementioned factors, net income increased 32.8% to $10.5 million, or 7.2% of revenues, in 1998 from $7.9 million, or 6.1% of revenues, in 1997, an increase of 33.8% in diluted net income per share to $1.11 from $.83. The number of shares used in the calculation of diluted net income per share for 1998 and 1997 were 9,465,971 and 9,484,570, respectively.

Inflation

The effect of inflation on operating costs has been minimal in recent years. Most of the Company's operating expenses are inflation sensitive, with increases in inflation generally resulting in increased operating costs and expenses. The effect of inflation-driven cost increases on the Company's overall operating costs would not be expected to be greater for the Company than for its competitors.

Seasonality

In the trucking industry generally, revenues decrease as customers reduce shipments during the winter holiday season and as inclement weather impedes operations. At the same time, operating expenses increase, due primarily to decreased fuel efficiency and increased maintenance costs. Future revenues could be impacted if customers reduce shipments due to temporary plant closings, which historically have occurred during July and December.

Fuel Availability and Cost

The motor carrier industry is dependent upon the availability of diesel fuel, and fuel shortages or increases in fuel taxes or fuel costs have adversely affected, and may in the future adversely affect the profitability of USA Truck. Fuel prices have fluctuated widely and fuel taxes have generally increased in recent years. The Company has not experienced difficulty in maintaining necessary fuel supplies, and in the past the Company generally has been able to recover all but the most significant increases in fuel costs and fuel taxes from customers through increased freight rates. Diesel prices increased during 1999 and there can be no assurance when diesel prices will decrease to price levels experienced in recent periods. There also can be no assurance that the Company will be able to recover any future increases in fuel costs and fuel taxes through increased rates.

Operational Data

The following table sets forth certain operational information for the last three fiscal years:

	Year Ended December 31,		
	1999	1998	1997
Total loads moved during the year	**147,484**	128,179	114,022
Average number of tractors operated during the year	**1,223**	1,058	935
Number of tractors operated at year end	**1,713**	1,132	1,007
Number of trailers operated at year end	**3,524**	2,004	1,928
Total tractor miles during the year	**169,587,327**	148,590,937	133,941,037

Liquidity and Capital Resources

The continued growth of the Company's business has required significant investments in new revenue equipment. USA Truck has financed revenue equipment purchases with cash flows from operations and through borrowings, including borrowings under the General Line of Credit and capitalized lease obligations. Working capital needs have generally been met with cash flows from operations and occasionally through borrowings under the General Line of Credit. Although the Company historically has not relied significantly on the General Line of Credit to meet working capital requirements, it does experience cyclical cash flow needs common to the industry. The Company uses the General Line of Credit to minimize these fluctuations and to provide flexibility in financing revenue equipment. Cash flows from operations were $13.6 million for 1999 and $28.5 million for 1998.

The Company's General Line of Credit provides for available borrowings of up to $40.0 million, including letters of credit not exceeding $5.0 million. The Company increased the maximum borrowing limit from $20.0 million to the current level based upon its evaluation of the Company's borrowing requirements. As of December 31, 1999, approximately $1.0 million was available under the General Line of Credit. The General Line of Credit matures on April 30, 2001, prior to which time, subject to certain conditions, the amount outstanding can be converted at any time, at the Company's option, to a four-year term loan requiring 48 equal monthly principal payments plus interest. The interest rate on the General Line of Credit fluctuates between the lender's prime rate, or prime plus 1/2% or LIBOR plus a certain percentage which is determined based on the Company's attainment of certain financial ratios. The effective interest rate on the Company's borrowings under the General Line of Credit for the year ending December 31, 1999 was 6.48%. The principal maturity can be accelerated if the borrowing base does not support the principal balance outstanding. The General Line of Credit is collateralized by accounts receivable and all otherwise unencumbered equipment. The Company has the option under certain conditions and at certain rates to fix the rate and term on portions of the outstanding balance of the General Line of Credit. See Note 4 to the Financial Statements.

The Company is a party to a lease commitment agreement (the "Equipment TRAC Lease Commitment"), dated November 19, 1997, to facilitate the leasing of tractors. The Equipment TRAC Lease Commitment was amended on October 12, 1999 to provide for available borrowings of up to $6,000,000 available during the remainder of 1999 and until October 12, 2000. Each capital lease under this lease commitment has a repayment period of either 36 or 42 months. As of December 31, 1999, capital leases in the aggregate principal amount of $21.7 million were outstanding under the Equipment TRAC Lease Commitment with an average interest rate of 5.66% per annum.

As of December 31, 1999, capital leases in the aggregate principal amount of $9.3 million were outstanding under a prior lease commitment with an average interest rate of 5.25% per annum.

The Company's long-term debt, excluding current debt, increased by 238.2% to $64.4 million at December 31, 1999 from $19.1 million at December 31, 1998. This increase resulted from increased borrowings under the Equipment TRAC Lease Commitment for revenue equipment purchases and the acquisition of CCC Express, Inc., partially offset by the retirement of $14.8 million in debt. The retired debt had an average interest rate of approximately 6.6% and was repaid with cash flow from operations.

During the years 2000 and 2001, the Company plans to make approximately $134 million in capital expenditures. At December 31, 1999, USA Truck was committed to spend $63.7 million of this amount for revenue equipment in 2000, and $64.2 million of this amount is currently budgeted for revenue equipment in 2001. The commitments to purchase revenue equipment are cancelable by the Company if certain conditions are met. The balance of the expected capital expenditures will be used for maintenance and office equipment and facility improvements.

The General Line of Credit, the Equipment TRAC Lease Commitment, equipment leases and cash flows from operations should be adequate to fund the Company's operations and expansion plans through the end of 2000. There can be no assurance, however, that such sources will be sufficient to fund Company operations and all expansion plans through such date, or that any necessary additional financing will be available, if at all, in amounts required or on terms satisfactory to the Company. The Company expects to continue to fund its operations with cash flows from operations, equipment leases, the General Line of Credit, and the Equipment TRAC Lease Commitment for the foreseeable future.

On July 9, 1998, the Company's Board of Directors authorized the Company to purchase up to 500,000 shares of its outstanding common stock over a three-year period dependent upon market conditions. Common stock purchases under the authorization may be made from time to time on the open market or in privately negotiated transactions at prices determined by the Chairman of the Board or President of the Company. This new authorization became effective in September 1998 upon the expiration of the Company's existing stock repurchase program. As of December 31, 1999, the Company had purchased 231,600 shares pursuant to this new authorization at an aggregate purchase price of $2,125,000. On May 5, 1999, the Board of Directors authorized the retirement of 100,000 shares of treasury stock that had been purchased at an aggregate cost of $.9 million. In addition, as of December 31, 1999, 9,589 of the remaining 131,600 repurchased shares had been resold under the Company's Employee Stock Purchase Plan. The Company may continue to purchase shares in the future if, in the view of management, the common stock is undervalued relative to the Company's performance and prospects for continued growth. Any such purchases would be funded with cash flows from operations or the General Line of Credit.

Year 2000 Issues

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Potentially, the Year 2000 issue could have resulted, at the Company and at its vendors and customers, in system failures or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions or to engage in other normal business activities. Beginning in 1997, the Company undertook various initiatives intended to ensure that its computer equipment and software would function properly in the Year 2000 and thereafter.

As of February 24, 2000, the Company has not experienced any material adverse effects related to the Year 2000 issue, and none of its key vendors have reported to the Company any material adverse effects related to the issue. At this time, the Company does not expect to encounter any Year 2000 issues that would have a material effect on its results of operations, liquidity and financial condition. Furthermore, the Company does not anticipate any significant expenditure in the future related to year 2000 compliance. However, latent Year 2000 problems may surface at key dates or events in the future.

New Accounting Pronouncements

In 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use.* This statement provides guidance on the capitalization of certain costs incurred in developing or acquiring internal-use computer software. This statement was adopted in 1998 and did not have a significant impact on the Company's financial statements.

Quantitative and Qualitative Disclosure About Market Risk

The Company's General Line of Credit agreement provides for borrowings which bear interest at variable rates based on either a prime rate or the LIBOR. At December 31, 1999, the Company had $39.0 million outstanding pursuant to the General Line of Credit. The Company believes that the effect, if any, of reasonably possible near-term changes in interest rates on the Company's financial position, results of operations, and cash flows should not be material.

All customers are required to pay for Company services in U.S. dollars. Although the Canadian Government makes certain payments, such as tax refunds, to the Company in Canadian dollars, any foreign currency exchange risk associated with such payments is insignificant.

The Company does not engage in hedging transactions relating to diesel fuel or any other commodity.

Forward-Looking Statements

This report contains forward-looking statements and information that are based on management's belief as well as assumptions made by, and information currently available to management. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will be realized. Should one or more of the risks or uncertainties underlying such expectations materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those expected. Among the key factors that are not within the Company's control and that may have a direct bearing on operating results are increases in diesel prices, adverse weather conditions or driver turnover and the impact of increased rate competition or competition for qualified drivers. The Company's results may also be significantly affected by fluctuations in general economic conditions, as the Company's utilization rates are directly related to business levels of shippers in a variety of industries. Results for any specific period could also be affected by various unforeseen events, such as unusual levels of equipment failure or accident claims.

Report of Ernst & Young LLP, Independent Auditors

The Board of Directors and Stockholders
USA Truck, Inc.

We have audited the accompanying balance sheets of USA Truck, Inc. as of December 31, 1999 and 1998, and the related statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. 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 auditing standards generally accepted in the 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 financial statements referred to above present fairly, in all material respects, the financial position of USA Truck, Inc. at December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Little Rock, Arkansas
January 18, 2000

USA TRUCK, INC.
Balance Sheets

	December 31, 1999	December 31, 1998
Assets		
Current assets:		
Cash and cash equivalents	**$ 2,145,707**	$ 1,779,643
Receivables *(Note 5)*:		
Trade, less allowance for doubtful accounts of $269,150 in 1999 and $140,670 in 1998	**26,649,235**	13,928,848
Other	**5,509,866**	299,914
Inventories	**301,907**	236,338
Deferred income taxes *(Note 7)*	**1,208,413**	1,573,365
Prepaid expenses and other current assets *(Note 3)*	**3,634,056**	2,640,561
Total current assets	**39,449,184**	20,458,669
Property and equipment *(Notes 5 and 6)*:		
Land and structures	**16,798,699**	14,637,631
Revenue equipment	**155,546,718**	107,323,786
Service, office and other equipment	**13,665,713**	10,947,496
	186,011,130	132,908,913
Accumulated depreciation and amortization	**(43,873,074)**	(36,769,320)
	142,138,056	96,139,593
Security deposits	**–**	1,745,478
Other assets	**452,448**	1,267,479
Total assets	**$ 182,039,688**	$ 119,611,219
Liabilities and stockholders' equity		
Current liabilities:		
Bank drafts payable	**$ 1,116,485**	$ 425,485
Trade accounts payable	**5,139,164**	3,397,593
Accrued expenses *(Note 4)*	**11,065,604**	11,139,369
Current maturities of long-term debt *(Note 5)*	**10,956,533**	6,188,241
Total current liabilities	**28,277,285**	21,150,688
Long-term debt, less current maturities *(Notes 5 and 6)*	**64,452,648**	19,057,816
Deferred income taxes *(Note 7)*	**17,008,364**	14,576,038
Insurance and claims accruals	**2,192,714**	2,092,614
Commitments and contingencies *(Notes 6 and 12)*		
Stockholders' equity *(Notes 5 and 9)*:		
Preferred Stock, $.01 par value; 1,000,000 shares authorized; none issued	**–**	--
Common Stock, $.01 par value; 16,000,000 shares authorized; issued 9,387,041 shares in 1999 and 9,437,097 shares in 1998	**93,870**	94,371
Additional paid-in capital	**12,271,685**	12,921,342
Retained earnings	**58,840,827**	50,199,325
Less treasury stock, at cost (122,011 shares in 1999 and 46,789 shares in 1998)	**(1,098,206)**	(480,975)
Total stockholders' equity	**70,108,176**	62,734,063
Total liabilities and stockholders' equity	**$ 182,039,688**	$ 119,611,219

See accompanying notes.

USA TRUCK, INC.
Statements of Income

	Year Ended December 31,		
	1999	1998	1997
Operating revenues	**$ 166,363,356**	$ 145,216,121	$ 129,507,242
Operating expenses and costs:			
Salaries, wages and employee benefits *(Note 8)*	**70,197,581**	61,296,860	53,122,136
Operations and maintenance	**42,480,525**	33,400,982	34,188,558
Operating taxes and licenses	**3,005,166**	2,547,449	2,160,408
Insurance and claims	**7,987,208**	7,249,853	6,773,001
Communications and utilities	**1,999,548**	1,468,485	1,827,608
Depreciation and amortization	**18,591,780**	16,179,143	13,607,835
Other	**6,264,876**	4,113,158	3,658,992
	150,526,684	126,255,930	115,338,538
Operating income	**15,836,672**	18,960,191	14,168,704
Other (income) expenses:			
Interest expense	**1,655,558**	1,714,662	1,379,481
Gain on disposal of assets	**(9,297)**	(37,088)	(1,731)
Other, net	**(22,588)**	102,340	(190,641)
	1,623,673	1,779,914	1,187,109
Income before income taxes	**14,212,999**	17,180,277	12,981,595
Income taxes *(Note 7)*:			
Current	**2,774,219**	3,366,164	4,027,787
Deferred	**2,797,278**	3,316,964	1,050,336
	5,571,497	6,683,128	5,078,123
Net income	**$ 8,641,502**	$ 10,497,149	$ 7,903,472
Net income per share *(Notes 9 and 10)*:			
Basic earnings per share	**$0.93**	$1.12	$.84
Diluted earnings per share	**$0.92**	$1.11	$.83

See accompanying notes.

USA TRUCK, INC.

Statements of Stockholders' Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance at January 1, 1997	$ 94,996	$ 13,837,785	$ 31,798,704	$ (1,307,490)	$ 44,423,995
Exercise of stock options, net *(Note 10)*	608	374,439	--	--	375,047
Purchases of 40,500 shares of common stock into treasury	--	--	--	(329,253)	(329,253)
Retirement of 185,500 shares of treasury stock	(1,855)	(1,634,888)	--	1,636,743	--
Net income for 1997	--	--	7,903,472	--	7,903,472
Balance at December 31, 1997	93,749	12,577,336	39,702,176	--	52,373,261
Exercise of stock options, net *(Note 10)*	622	290,941	--	--	291,563
Tax benefit of stock options *(Note 7)*	--	53,065	--	--	53,065
Purchases of 54,750 shares of common stock into treasury	--	--	--	(585,962)	(585,962)
Sale of 7,961 shares of treasury stock to employee stock purchase plan	--	--	--	104,987	104,987
Net income for 1998	--	--	10,497,149	--	10,497,149
Balance at December 31, 1998	94,371	12,921,342	50,199,325	(480,975)	62,734,063
Exercise of stock options, net *(Note 10)*	**499**	**278,219**	**--**	**--**	**278,718**
Purchase of 186,600 shares of common stock into treasury	**--**	**--**	**--**	**(1,662,883)**	**(1,662,883)**
Sale of 11,379 shares of treasury stock to employee stock purchase plan	**--**	**--**	**--**	**116,776**	**116,776**
Retirement of 100,000 shares out of treasury stock	**(1,000)**	**(927,876)**	**--**	**928,876**	**--**
Net income for 1999	**--**	**--**	**8,641,502**	**--**	**8,641,502**
Balance at December 31, 1999	**$ 93,870**	**$ 12,271,685**	**$ 58,840,827**	**$ (1,098,206)**	**$ 70,108,176**

See accompanying notes.

USA TRUCK, INC.
Statements of Cash Flows

	Year Ended December 31, 1999	1998	1997
Operating activities			
Net income	**$ 8,641,502**	$ 10,497,149	$ 7,903,472
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**18,591,780**	16,179,143	13,607,835
Provision for doubtful accounts	**121,900**	30,000	30,000
Deferred income taxes	**2,797,278**	3,316,964	1,050,336
Gain on disposal of assets	**(9,297)**	(37,088)	(1,731)
Changes in operating assets and liabilities:			
Receivables	**(17,186,596)**	(1,363,041)	(186,827)
Inventories, prepaid expenses and other current assets	**(609,527)**	(1,103,891)	(106,694)
Bank drafts payable, trade accounts payable and accrued expenses	**1,103,205**	539,981	5,568,536
Insurance and claims accruals - long-term	**100,100**	408,000	408,000
Net cash provided by operating activities	**13,550,345**	28,467,217	28,272,927
Investing activities			
Purchases of property and equipment	**(29,492,589)**	(21,731,600)	(32,777,855)
Purchase of CCC Express, Inc.	**(22,891,055)**	--	--
Proceeds from sale of equipment	**9,651,337**	6,395,382	8,174,217
Proceeds from sale of investments	**968,196**	--	--
(Increase) decrease in other assets	**(153,165)**	31,150	(307,728)
Net cash used by investing activities	**(41,917,276)**	(15,305,068)	(24,911,366)
Financing activities			
Borrowings under long-term debt	**55,685,310**	14,325,000	29,553,208
Proceeds from the exercise of stock options	**278,718**	291,563	375,047
Proceeds from sale of treasury stock	**116,776**	104,987	--
Refund of security deposits	**1,745,478**	--	--
Payments to repurchase common stock	**(1,662,883)**	(585,962)	(597,379)
Principal payments on long-term debt	**(19,595,310)**	(22,800,000)	(23,828,208)
Principal payments on capitalized lease obligations	**(7,835,094)**	(6,385,405)	(6,683,864)
Net cash provided by (used by) financing activities	**28,732,995**	(15,049,817)	(1,181,196)
Increase (decrease) in cash and cash equivalents	**366,064**	(1,887,668)	2,180,365
Cash and cash equivalents:			
Beginning of year	**$ 1,779,643**	$ 3,667,311	$ 1,486,946
End of year	**2,145,707**	1,779,643	3,667,311

See accompanying notes.

USA TRUCK, INC.
Notes to Financial Statements
December 31, 1999

1. Summary of Significant Accounting Policies

Description of Business

USA Truck, Inc. (the "Company"), operates as a truckload motor carrier with operating authority to provide service throughout the continental United States and parts of Canada and Mexico.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Concentration of Credit Risk

The Company performs ongoing credit evaluations and generally does not require collateral. The Company maintains reserves for potential credit losses. Such losses have been within management's expectations.

One customer represented approximately 7% and 11% of net trade receivables as of December 31, 1999 and 1998, respectively. A different customer represented approximately 9% and 11% of revenues for the years ended December 31, 1999 and 1998, respectively.

Inventories

Inventories consist primarily of tires, fuel and supplies and are stated at the lower of cost (first-in, first-out basis) or market.

Property and Equipment

Property and equipment is recorded at cost. For financial reporting purposes, the cost of such property is depreciated principally by the straight-line method using the following estimated useful lives: structures - 5 to 39.5 years; revenue equipment - 3 to 7 years; and service, office and other equipment - 3 to 20 years. Gains and losses on asset sales are reflected in the year of disposal. Trade-in allowances in excess of book value of revenue equipment are accounted for by adjusting the cost of assets acquired. Tires purchased with revenue equipment are capitalized as a part of the cost of such equipment, with replacement tires being inventoried and expensed when placed in service.

USA TRUCK, INC.
Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Claims Liabilities

The Company is self-insured up to certain limits for bodily injury, property damage, workers' compensation, and cargo loss and damage claims. Provisions are made for both the estimated liabilities for known claims as incurred and estimates for those incurred but not reported. In 1999 the Company was self-insured up to $1,000,000 per occurrence for bodily injury and property damage, up to $500,000 for workers' compensation claims, and up to $100,000 per occurrence for cargo loss and damage claims. These self-insurance arrangements are secured by $1,010,000 in letters of credit.

The workers' compensation self-insurance is secured by $300,000 in certificates of deposit maturing during 2000. The certificates of deposit are included in other assets on the balance sheet as of December 31, 1999 and 1998.

Revenue Recognition

Revenues are recognized based on a method whereby revenue is allocated between reporting periods based on relative transit time in each period and direct expenses are allocated on the same basis.

Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets include temporary differences relating to depreciation, capitalized leases and certain revenues and expenses.

Earnings Per Share

Earnings per share amounts are computed based on Financial Accounting Standards Board Statement No. 128, Earnings per Share. Basic earnings per share is computed based on the weighted average number of shares of common stock outstanding during the year excluding any dilutive effects of options. Diluted earnings per share is computed by adjusting the weighted average shares outstanding by common stock equivalents attributable to dilutive options.

Compensation to Employees

Stock based compensation to employees is accounted for based on the intrinsic value method under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25). Under APB 25 because the exercise price of employee stock options equaled the market price of the underlying stock on the grant date, no compensation expense is recorded. The Company has adopted the disclosure – only provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS 123).

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, *Reporting Comprehensive Income.* This statement was adopted in 1998 and had no impact on the Company's financial statements.

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information.* The Company's operations are comprised entirely of one segment. This statement was adopted in 1998 and had no impact on the disclosures in the Company's financial statements.

In 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use.* This statement provides guidance on the capitalization of certain costs incurred in developing or acquiring internal-use computer software. This statement was adopted in 1998 and did not have a significant impact on the Company's financial statements.

2. Acquisition

On November 1, 1999, pursuant to an Asset Purchase Agreement (the "Asset Purchase Agreement") dated October 31, 1999, the Company acquired substantially all the assets of CARCO Carrier Corporation, an Arkansas corporation, which operated under the name CCC Express, Inc. ("CCC"), for a purchase price of $35.3 million.The purchase price consisted of (i) a cash payment of approximately $3.0 million; (ii) the assumption of approximately $6.5 million of liabilities including equipment notes and (iii) the refinancing of approximately $25.8 million in other debt secured by equipment. Additionally, $5.9 million of the $25.8 million consisted of a non-cash transaction. The cash portion of the purchase price was paid from available cash and proceeds of borrowings under the Company's credit facilities.The purchase price was equal to the net book value of CCC on the closing date, as adjusted in accordance with the Asset Purchase Agreement, plus $2 million. In connection with the acquisition, the Company's borrowing under its General Line of Credit was increased from $20 million to $35 million effective October 28, 1999.

The acquisition has been accounted for under the purchase method. Accordingly, the acquired assets and liabilities have been recorded at their estimated fair values at the date of acquisition. Operating results of the acquired business are included in the statements of income from the acquisition date.

USA TRUCK, INC.
Notes to Financial Statements (continued)

2. Acquisition (continued)

The following pro forma summary of results of operations has been prepared as though CCC had been acquired on January 1, 1998. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisition been made on January 1, 1998, or of results which may occur in the future.

	December 31,	
	1999	1998
Operating revenues	**$ 222,089,793**	$ 211,937,321
Net Income	**6,127,054**	9,074,624
Basic earnings per share	**$.66**	$.97
Diluted earnings per share	**$.65**	$.96

3. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

	December 31,	
	1999	1998
Prepaid licenses and taxes	**$ 1,381,345**	$ 938,881
Prepaid insurance	**2,039,749**	1,624,315
Other	**212,962**	77,365
	$ 3,634,056	$ 2,640,561

4. Accrued Expenses

Accrued expenses consist of the following:

	December 31,	
	1999	1998
Salaries, wages, bonuses and employee benefits	**$ 4,352,233**	$ 4,825,956
Insurance and claims accruals	**3,585,366**	4,071,832
Other	**3,128,005**	2,241,581
	$ 11,065,604	$ 11,139,369

Notes to Financial Statements (continued)

5. Long-term Debt

Long-term debt consists of the following:

	December 31,	
	1999	1998
Revolving credit agreement (1)	**$ 38,990,000**	$ 2,900,000
Capitalized lease obligations (2)	**36,419,181**	22,346,057
	75,409,181	25,246,057
Less current maturities	**(10,956,533)**	(6,188,241)
	$ 64,452,648	$ 19,057,816

(1) The Company's revolving credit agreement (the "Line of Credit"), effective December 15, 1999, provides for available borrowings of $40,000,000, including letters of credit not exceeding $5,000,000. The Line of Credit matures on April 30, 2002, prior to which time, subject to certain conditions, the remaining balance may be converted at any time at the Company's option to a term loan requiring forty-eight equal monthly principal payments plus interest. The credit facility bears variable interest based on the lenders prime rate, or prime plus 1/2% or LIBOR plus a certain percentage which is determined based on the Company’s attainment of certain financial ratios. The effective interest rate on the Company’s borrowings under the credit facility for the year ending December 31, 1999 was 6.09%. A quarterly commitment fee of 1/4% per annum is payable on the unused credit line. The Line of Credit is collateralized by accounts receivable and all otherwise unencumbered equipment. The Company has outstanding letters of credit of approximately $1,010,000 at December 31, 1999.

The Line of Credit requires the Company to meet certain financial covenants and to maintain a minimum tangible net worth of approximately $40,300,000 at December 31, 1999. The Company was in compliance with these covenants at December 31, 1999. The covenants would prohibit the payment of dividends by the Company if such payment would cause the Company to be in violation of any of the covenants. The carrying amount reported in the balance sheet for borrowings under the Line of Credit approximates its fair value since the interest rate is variable.

(2) The leases extend through June 2003 and contain renewal or fixed price purchase options. The effective interest rates on the leases range from 1.89% to 10.15% at December 31, 1999.The lease agreements require the Company to pay property taxes, maintenance and operating expenses.

The Company made interest payments of approximately $1,490,000, $1,699,000 and $1,454,000 during 1999, 1998 and 1997, respectively. The Company capitalized $6,800 in interest as a result of construction during 1998.

Notes to Financial Statements (continued)

6. Leases and Commitments

Capital lease obligations of $21,908,219, $6,763,522 and $12,416,151 were incurred during the years ended December 31, 1999, 1998 and 1997, respectively.

At December 31, 1999, the future minimum payments under capitalized leases with initial terms of one year or more were $12,731,609 for 2000, $11,203,043 for 2001, $10,012,512 for 2002 and $6,085,516 for 2003. The present value of net minimum lease payments was $36,419,151 which includes the current portion of the capital leases of $10,956,533 and excludes amounts representing interest of $3,613,529.

At December 31, 1999, property and equipment included capitalized leases which had capitalized costs of $45,526,083, accumulated amortization of $7,944,872 and a net book value of $37,581,211. At December 31, 1998 property and equipment included capitalized leases which had capitalized costs of $28,666,354, accumulated amortization of $6,957,207 and a net book value of $21,709,147.Amortization of leased assets is included in depreciation and amortization expense.

Commitments to purchase revenue equipment, which are cancelable by the Company if certain conditions are met, aggregated approximately $63,700,000 at December 31, 1999.

7. Federal and State Income Taxes

Significant components of the Company's deferred tax liabilities and assets as of December 31, 1999 and 1998 are as follows:

	December 31,	
	1999	1998
Noncurrent deferred tax liabilities:		
Tax over book depreciation	**$ 16,904,280**	$ 14,512,768
Capitalized leases	**104,084**	63,270
Total noncurrent deferred tax liabilities	**$ 17,008,364**	$ 14,576,038
Current deferred tax assets:		
Revenue recognition	**$ (89,392)**	$ (116,286)
Accrued expenses not deductible until paid	**(2,389,894)**	(2,420,906)
Allowance for doubtful accounts	**(99,166)**	(53,033)
Total current deferred tax assets	**(2,578,452)**	(2,590,225)
Current deferred tax liabilities:		
Prepaid expenses deductible when paid	**$ 1,370,039**	$ 1,016,860
Net current deferred tax assets	**(1,208,413)**	(1,573,365)

7. Federal and State Income Taxes (continued)

Significant components of the provision for income taxes are as follows:

	Year Ended December 31, 1999	1998	1997
Current			
Federal	$ **2,406,997**	$ 2,812,318	$ 3,491,181
State	**367,222**	553,846	536,606
Total current	**2,774,219**	3,366,164	4,027,787
Deferred			
Federal	**2,350,248**	2,883,617	862,092
State	**447,030**	433,347	188,244
Total deferred	**2,797,278**	3,316,964	1,050,336
Total income tax expense	$ **5,571,497**	$ 6,683,128	$ 5,078,123

During 1999, 1998 and 1997, the Company made income tax payments of approximately $3,105,300, $3,484,000, and $3,644,000, respectively.

During 1998, the Company recognized a tax benefit of $53,065 related to stock options. This amount was added to additional paid-in capital.

A reconciliation between the effective income tax rate and the statutory federal income tax rate is as follows:

	Year Ended December 31, 1999	1998	1997
Income tax at 34% statutory federal rate	$ **4,832,420**	$ 5,841,294	$ 4,413,742
Federal income tax effects of:			
State income taxes	**(276,846)**	(336,172)	(246,449)
Nondeductible expenses	**58,846**	98,131	(3,582)
Other	**142,825**	92,682	189,562
Federal income taxes	**4,757,245**	5,695,935	4,353,273
State income taxes	**814,252**	987,193	724,850
Total income tax expense	$ **5,571,497**	$ 6,683,128	$ 5,078,123
Effective tax rate	**39.2%**	38.9%	39.1%

USA TRUCK, INC.
Notes to Financial Statements (continued)

8. Employee Benefit Plans

The Company sponsors the USA Truck, Inc. Employees' Investment Plan, a tax deferred savings plan under section 401(k) of the Internal Revenue Code, that covers substantially all employees. Employees can contribute up to 15% of their compensation, with the Company matching 50% of the first 4% of compensation contributed by each employee. Company matching contributions were approximately $634,000, $652,000 and $558,000 for 1999, 1998 and 1997, respectively.

9. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Year Ended December 31,		
	1999	1998	1997
Numerator:			
Net Income	**$ 8,641,502**	$ 10,497,149	$ 7,903,472
Denominator:			
Denominator for basic earnings per share - weighted average shares	**9,324,037**	9,399,727	9,355,671
Effect of dilutive securities:			
Employee stock options	**30,404**	66,244	128,899
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	**9,354,441**	9,465,971	9,484,570
Basic earnings per share	**$.93**	$1.12	$.84
Diluted earnings per share	**$.92**	$1.11	$.83
Anti-dilutive employee stock options	**94,600**	--	3,000

10. Common Stock Transactions

The Company has a stock option plan which provides for the granting of incentive or nonqualified options to purchase up to 800,000 shares of common stock to officers and other key employees. No options may be granted under this plan for less than the fair market value of the common stock at the date of the grant. Although the exercise period is determined when options are actually granted, no option will be exercised later than 10 years after it is granted.

The Company also has a nonqualified stock option plan for directors who are not officers or employees of the Company, which provides for the granting of options to purchase up to 25,000 shares of common stock. No options may be granted under this plan with exercise prices of less than the fair market value of the common stock at the date of grant. Although the exercise period is determined when options are actually granted, options will vest no less than six months or more than three years after the grant date and may not be exercised later than five years after the grant date.

Notes to Financial Statements (continued)

10. Common Stock Transactions (continued)

A summary of the Company's stock option activity, and related information for the years ended December 31, follows:

	1999		1998		1997	
	Options	**Weighted-Average Exercise Price**	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding-beginning of year	**323,200**	**$ 7.72**	356,400	$ 6.90	425,320	$ 6.87
Granted	**--**	**--**	46,000	11.59	9,600	9.73
Exercised	**(65,000)**	**$ 6.25**	(79,200)	6.30	(63,320)	6.25
Canceled	**--**	**--**	--	--	(15,200)	10.50
Outstanding-end of year	**258,200**	**$ 8.09**	323,200	$ 7.72	356,400	$ 6.90
Exercisable at end of year	**95,600**	**$ 7.85**	103,000	$ 6.46	142,200	$ 6.25

Exercise prices for options outstanding as of December 31, 1999 ranged from $6.25 to $13.00. The weighted-average fair value of options granted during 1998 was $4.30 and $4.46. No options were granted during 1999. The weighted-average remaining contractual life of these options is 2.14 years.

In 1999, 1998 and 1997, 44,595, 45,240 and 60,007 options, respectively, were exercised for cash. In 1999, 1998 and 1997 additional options of 20,405, 33,960 and 3,313 respectively, were exercised by the exchange of 15,056, 16,971 and 2,588 shares of stock respectively, (with a market value equal to the exercise price of the options). The exchanged shares were then canceled.

Since the Company has adopted the disclosure-only provisions of SFAS 123, no compensation cost has been recognized for the stock option plans. Had compensation cost for the Company's two stock option plans been determined based on the fair value at the grant date for awards in 1999, 1998 and 1997 consistent with the provisions of SFAS 123, the Company's pro forma net income would have been $8,603,394, $10,431,143 and $7,852,172, pro forma basic earnings per share would have been $.92, $1.11 and $.84, and pro forma diluted earnings per share would have been $.92, $1.10 and $.83, respectively.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The following weighted-average assumptions were used for grants in 1999: dividend yield of 0%; expected volatility of 0.292%; risk-free interest rates range from 4.29% to 5.44% and expected lives range from 3 to 5 years. The following weighted-average assumptions were used for grants in 1998: dividend yield of 0%; expected volatility of 0.457%; risk-free interest rates range from 4.29% to 5.44% and expected lives range from 3 to 5 years. The following weighted-average assumptions were used for grants in 1997: dividend yield of 0%; expected volatility of 0.535%; risk-free interest rates range from 5.45% to 6.17% and expected lives range from 3 to 5 years.

Notes to Financial Statements (continued)

11. Quarterly Results of Operations (Unaudited)

The tables below present quarterly financial information for 1999 and 1998:

	1999 Three Months Ended			
	March 31,	**June 30,**	**September 30,**	**December 31,**
Operating revenues	**$ 36,199,447**	**$ 38,117,504**	**$ 40,416,850**	**$ 51,629,555**
Operating expenses and costs	**32,063,006**	**33,830,877**	**37,330,310**	**47,302,491**
Operating income	**4,136,441**	**4,286,627**	**3,086,540**	**4,327,064**
Other expenses, net	**313,880**	**282,016**	**308,597**	**719,180**
Income before income taxes	**3,822,561**	**4,004,611**	**2,777,943**	**3,607,884**
Income taxes	**1,498,444**	**1,569,808**	**1,088,954**	**1,414,291**
Net income	**$ 2,324,117**	**$ 2,434,803**	**$ 1,688,989**	**$ 2,193,593**
Average shares outstanding (basic)	**9,392,817**	**9,373,109**	**9,298,377**	**9,257,361**
Basic earnings per share	**$.25**	**$.26**	**$.18**	**$.24**
Average shares outstanding (diluted)	**9,452,481**	**9,410,750**	**9,335,972**	**9,287,601**
Diluted earnings per share	**$.25**	**$.26**	**$.18**	**$.24**

	1998 Three Months Ended			
	March 31,	June 30,	September 30,	December 31,
Operating revenues	$ 35,223,203	$ 37,387,246	$ 36,266,931	$ 36,338,741
Operating expenses and costs	30,993,887	32,208,832	31,213,221	31,839,990
Operating income	4,229,316	5,178,414	5,053,710	4,498,751
Other expenses, net	403,265	598,909	435,041	342,699
Income before income taxes	3,826,051	4,579,505	4,618,669	4,156,052
Income taxes	1,488,334	1,781,428	1,796,662	1,616,704
Net income	$ 2,337,717	$ 2,798,077	$ 2,822,007	$ 2,539,348
Average shares outstanding (basic)	9,378,054	9,418,826	9,417,520	9,375,927
Basic earnings per share	$.25	$.30	$.30	$.27
Average shares outstanding (diluted)	9,478,162	9,531,054	9,512,954	9,442,155
Diluted earnings per share	$.25	$.29	$.30	$.27

12. Litigation

The Company is not a party to any pending legal proceedings which management believes to be material to the financial condition of the Company. The Company maintains liability insurance against risks arising out of the normal course of its business.

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