2004 Annual Report

USA TRUCK®

Growth through teamwork.

USA TRUCK®

Company profile

USA Truck is a medium haul, dry van truckload carrier transporting general commodities throughout the continental United States and between locations in the United States and Canada. We transport general commodities into Mexico by allowing through-trailer service on our trailers through our facility in the gateway city of Laredo, Texas. We also provide third party logistics and freight brokerage services.

On November 16, 2004, we received certification by TÜV America, an independent auditor, of conformance to the International Organization for Standardization's 9001:2000 Quality Management Systems standard. ISO 9001:2000 is currently the most rigorous international standard for Quality Management and Assurance.

The International Organization for Standardization is the source of ISO 9000 and 14000 families of quality and environmental management standards, as well as multiple international standards for business, government and society. We have successfully identified and demonstrated our capability to meet customer requirements and enhance customer satisfaction.

The scope of our certification is: "Provider of on-time general truckload freight and customized transportation logistics solutions within the continental US, Canada and Mexico." The certification includes the general offices located in Van Buren, Arkansas and the Fleet Maintenance Facilities located in Van Buren and West Memphis, Arkansas, Shreveport, Louisiana, Vandalia, Ohio, Roanoke, Virginia, and Bethel, Pennsylvania.

Financial highlights

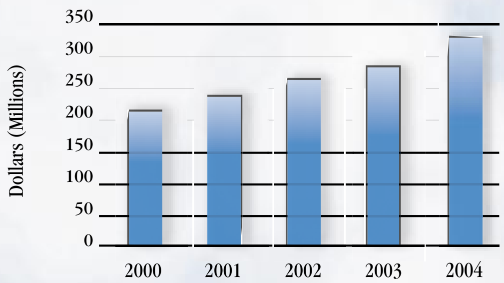
(Dollars in thousands, except per share amounts)	2004	2003	2002	2001	2000
	Year Ended December 31,				
Revenue, before fuel surcharge	$ 335,880	$ 286,080	$ 268,510	$ 244,396	$ 218,593
Operating income	17,799	10,850	9,472	5,975	5,645
Net income	7,432	3,355	2,602	1,087	94
Diluted earnings per share	0.79	0.36	0.28	0.12	0.01
Total assets	288,154	222,549	188,851	182,411	189,919
Long-term debt	115,114	74,300	49,451	56,451	65,660
Stockholders' equity	$ 85,528	$ 77,496	$ 74,092	$ 71,173	$ 69,981
Operating ratio*	94.7%	96.2%	96.5%	97.6%	97.4%
Total tractors (end of period)	2,231	2,079	1,916	1,780	1,738
Total trailers (end of period)	5,682	4,461	4,311	3,668	3,400
Average miles per tractor per week	2,361	2,341	2,332	2,364	2,190

* Operating ratio as reported above is based upon total operating expenses, net of fuel surcharge, as a percentage of revenue, before fuel surcharge.

Statistics

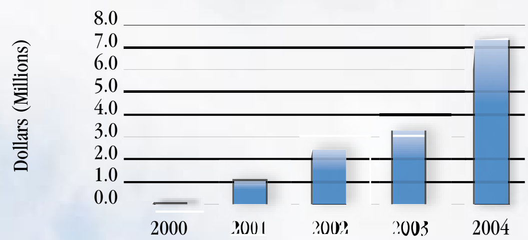
USA TRUCK, INC.

Revenue, Before Fuel Surcharge



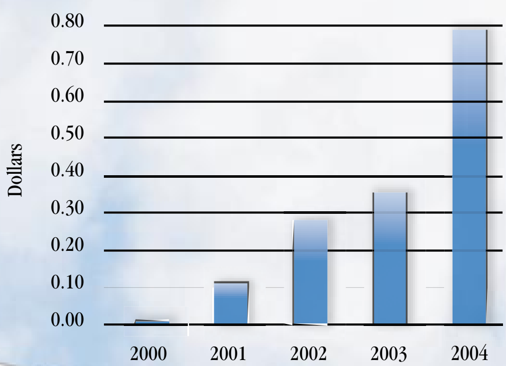
USA TRUCK, INC.

Net Income



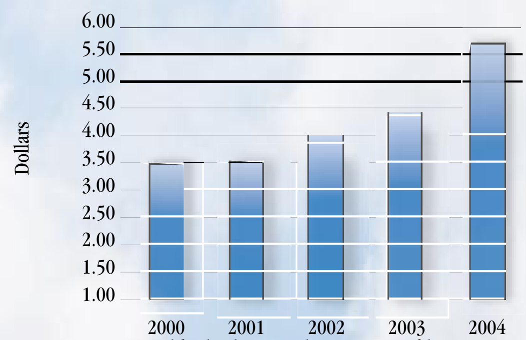
USA TRUCK, INC.

Diluted Earnings Per Share



USA TRUCK, INC.

EBITDA Per Share*



** EBITDA is defined in the Financial Statistics section of the Ten year statistical history on the last page of this annual report.*

To our stockholders

We are pleased to present to our stockholders the 2004 USA Truck annual report. The company performed well in 2004. Revenue, before fuel surcharge, grew 17.4 percent to $335.9 million. The operating ratio improved 1.5 percentage points to 94.7 percent. Net income grew 121.5 percent to $7.4 million. Fourth quarter 2004 scored new company records for total revenue ($95.5 million), net income ($3.0 million) and diluted earnings per share ($0.32).

The management team is very proud of our overall improvements and we are determined to continue improving our operating ratio to below 90.0 percent — a benchmark we consistently met during most of the 1990s. To that end, we have identified the major factors contributing to the erosion of our operating margin over the past few years and we have a simple strategy in place to restore that margin. We discuss this strategy on page VII of this annual report.

The 2004 USA Truck annual report offers historic reference to your company's past and charts the course for future improvements in all aspects of our business. To our stockholders, we pledge to continue to aggressively manage costs to improve profitability, return on assets and capital and return on your investment.

Over the past few years, economic uncertainty has most often been viewed as the only certainty. The transportation industry continues to face many difficult challenges, such as the limited availability of qualified drivers, volatile fuel prices and generally rising operating costs. However, industry and economic factors are more favorable now than in the recent past, and we believe that our business is better managed than ever before.

We are dedicated to improving cost management and the quality of service at all levels. Because of this, we enter 2005 eager to tackle the challenges that represent new opportunities to showcase the experience and leadership of our management. We are proud of our team of employees and their ability to meet these challenges with innovation and strength as we pursue continued growth through teamwork.

Thank you for your continued support.

Robert M. Powell
Chairman and Chief
Executive Officer

Jerry D. Orler
President

The players

Since our beginning as an operating division of Arkansas Best Corporation (parent company of ABF Freight System, Inc.), our momentum has been fueled by strong, hands-on management driven to excel. It started in 1988 when six Arkansas Best executives purchased the USA Truck division from Arkansas Best. They took the company public in 1992. These six founders and the seasoned management team of transportation experts they assembled were responsible for our company's early success in the 1990s. In fact, six of our first eight years as a publicly traded company yielded industry-leading operating ratios below 90 percent and double-digit compounded annual revenue growth.

Clifton R. Beckham
Senior Vice President, Finance,
Chief Financial Officer and Secretary

Michael E. Brown
Vice President,
Maintenance

Robert M. Powell
Chairman and Chief
Executive Officer

Jerry D. Orler
President

Today, having successfully guided the company through a period of difficult economic times, two of the original founders remain on the executive team. These leaders have never wavered from their commitment to strong management, and they have worked tirelessly to enhance productivity and profitability.

The eight-member management team boasts a healthy and deliberate mix of seasoned industry veterans and energetic young transportation executives. Each member of the executive staff has devoted virtually his entire career to the trucking industry. The fundamental philosophy behind our business model is derived from their industry experience.

Brandon D. Cox
Senior Vice President,
Marketing

Dwain R. Key
Senior Vice President, Dedicated
Services and Logistics

Garry R. Lewis
Senior Vice President,
Operations

Michael R. Weindel, Jr.
Vice President, Human Resources,
Recruiting and Training

We have carefully designed and implemented profit-sharing incentive plans for the 45 members of the executive and middle management teams. The fact that our management team eagerly invests in the company through our equity incentive plans is indicative of their loyalty and dedication to the long-term success of USA Truck.

This management team has experienced both the peaks of the 1990s and the valleys of the early 2000s. Those experiences have strengthened our resolve, solidified our cohesion and molded our operating strategies for moving forward.

The gameplan

The USA Truck management team has honed a simple operating strategy:

- Operate every tractor at least 2,450 miles per week
- Provide a minimum of 98 percent on-time service
- Maintain a modern fleet of revenue-producing equipment
- Tightly control costs through a sophisticated benchmarking program
- Leverage technology
- Grow revenue 15 percent annually

Why 15 percent annual revenue growth?

The simple answer is that historically our goal of an 88 percent operating ratio has yielded enough cash flow to fund a 15 percent growth rate with minimal need for outside capital.

We compete in a tough, fragmented industry. From our Initial Public Offering in 1992 through 2004, we have maintained an impressive compounded annual revenue growth of 15 percent.

How have we maintained that compounded annual growth rate ("C.A.G.R.")? It is in large part due to our customers, many of whose annual growth far exceeds the U.S. gross domestic product rate of 2-3 percent. In 2004, for example, 35 percent of our operating revenues were derived from S&P 500 companies, many of which experienced double-digit annual growth. This customer base drives our growth, and grow we must if we want to maintain our position as a core carrier for many of those shippers.

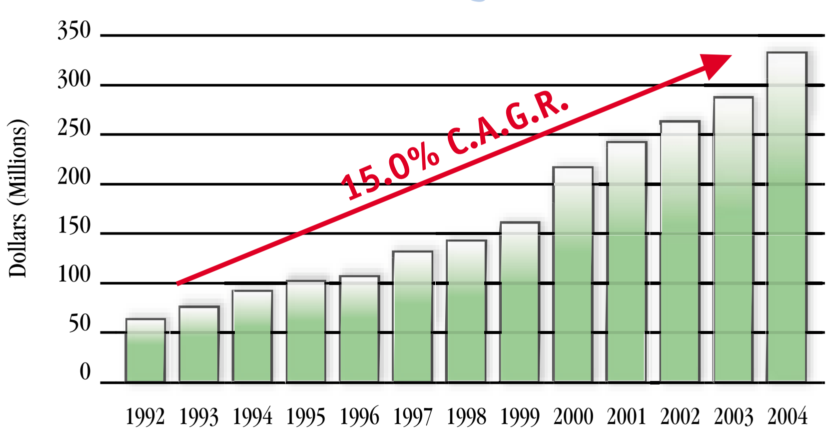
Typically, more than 95 percent of our revenue comes from repeat customers. Of course, that is not our only source of revenue growth. We are constantly seeking to add to our active customer base and the number of industries for which we transport freight. New market penetration requires a constantly improving menu of superior service offerings as we seek to simultaneously cultivate loyalty among current customers while attracting new ones.

That is why in 1998 we created our USA Logistics division. With an array of services including dedicated freight, regional freight, brokerage and third party logistics services, USA Logistics provides one-stop shopping for our customers as well as new revenue streams for our company. In 2004, USA Logistics was responsible for 20 percent of our revenue and continues to grow at a faster pace than our traditional general freight business.

In addition, we have grown our cross-border traffic to and from Mexico by 38 percent annually since we launched this service in 1998. This accounted for more than five percent of our 2004 revenue, and we look forward to growing this category even more in the coming year.

USA TRUCK, INC.

Revenue, Before Fuel Surcharge



The score

We are eager to share our 2004 performance results:

- 17.4 percent revenue, before fuel surcharge, growth
- 1.5 percentage point improvement in the operating ratio
- 121.5 percent net income growth
- 119.4 percent improvement in diluted earnings per share

While our 2004 performance was strong, mangement is focused on expanding margins further in 2005 and beyond.

Our sophisticated benchmarking program allows us to actively monitor more than 250 operating statistics every week. We meticulously compare today's performance to that of our benchmark year, 1998. This invaluable tool has helped us not only to identify exactly where margins in 2004 strayed from our benchmarks but also how to regain that margin.

Management is focused on three primary areas to improve profitability and operating performance in 2005:

- Tractor utilization
- Revenue equipment maintenance costs
- Insurance and claims costs

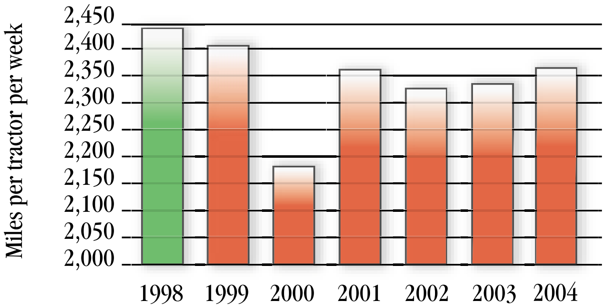
Tractor Utilization

Our weekly mileage per tractor improved in 2004, but was still more than three percent below our 1998 benchmark. Therefore, we are determined to improve, and we believe we are closing the gap, thanks to strong, focused management of this critical area.

To enhance performance and generate the most revenue possible for each asset, we have benchmarked several critical statistics and have made significant progress toward them in 2004. Our efforts are focused on controlling key factors, such

USA TRUCK, INC.

Average Tractor Utilization



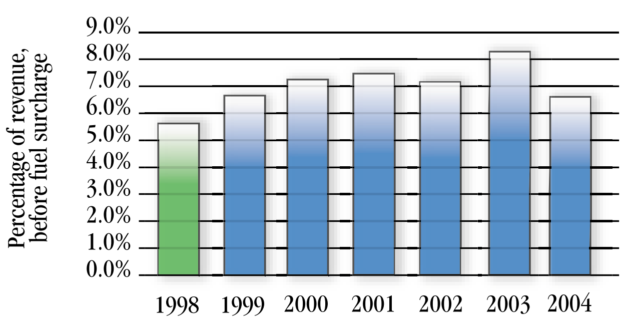
as the time our tractors and drivers spend at shipping and receiving docks, transit times for loads of various distances, the time lapse between the delivery of a driver's current load and the assignment of his next load and the number of tractors left unmanned due to maintenance, accidents and driver turnover.

In the capital-intensive business of trucking, maximizing asset utilization is the name of the game, and we are determined to hit a home run.

Results of the fleet age reduction program are evident on our income statement, which reflects that operations and maintenance expenses were down 1.9 percentage points in 2004 versus 2003. A factor that also contributed to the reduction in operations and maintenance expenses was the development of a daily expense summary report that tracks expenses at each of our seven maintenance facilities nationwide. This report allows management to identify trends and react quickly to manage the costs and quality of our maintenance program.

USA TRUCK, INC.

Equipment Maintenance Expense



Equipment Maintenance

Reliable, efficient revenue-producing equipment is essential to our stated goals of 98 percent on-time customer service, 88 percent operating ratio and optimum driver satisfaction.

A weak market for used equipment in the early part of this decade forced us to allow our fleet age to increase, which resulted in escalating fleet maintenance costs. However, when the market rebounded in early 2003, we seized the opportunity to begin reducing the average age of our fleet. The average age of our tractor and trailer fleets, respectively, peaked at 33 and 56 months in early 2003. At the end of 2004, this had been reduced to 18 and 39 months, respectively. It is no coincidence that the 2004 year end ages are on target for our 1998 benchmarks.

Although dramatic improvements were made, we ended the year 0.9 percentage points above the 1998 benchmark in terms of maintenance expense as a percentage of revenue, before fuel surcharge. We will continue to improve our processes to make up this final piece of ground.

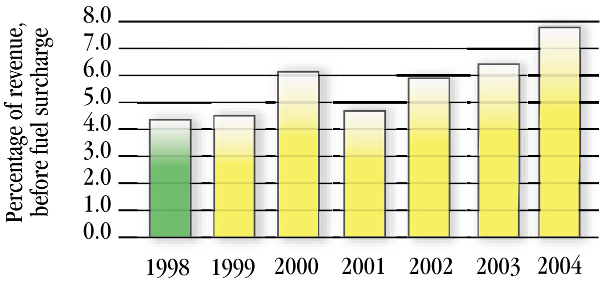
Insurance and Claims

Increasing insurance premiums, a rash of accidents and an unfriendly tort system yielded a steady increase in insurance and claims expenses over the past several years. The net effect is a 3.4 percentage point erosion of margin for 2004 compared with our 1998 benchmark.

We have invested significant resources to reverse this trend. Our first action was to dismantle our existing safety and claims management programs. These programs have been restructured to more productively serve the needs of a company of our size. We have placed skilled managers in these key areas, given them the resources needed to achieve success and assured them of the support of executive management and the board of directors.

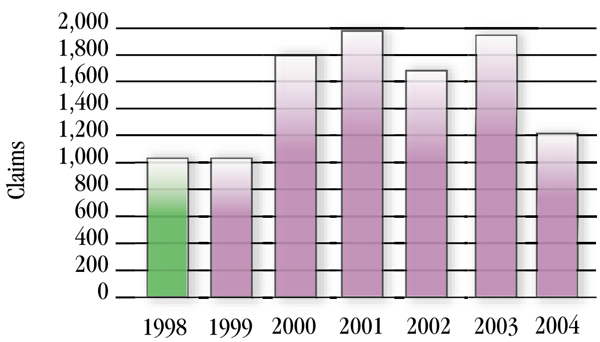
USA TRUCK, INC.

Insurance and Claims Expense



USA TRUCK, INC.

Average Open Auto Liability Claims



Although our efforts have yet to have a significant positive effect on the income statement, we are encouraged by current statistical trends we have experienced. For example, we reduced total accident frequency 23 percent in 2004 — the first time in our company's public history that we have beaten the national average. However, total accident numbers include even minor accidents, therefore this statistic is not always an indicator of expense.

A better indicator is "DOT recordables." These are more serious accidents, which are reported to the U.S. Department of Transportation. We reduced DOT recordable accidents by 5 percent during 2004. Although we are not below our benchmark, we are nonetheless pleased that the trend in 2004 was steadily downward. We expect our improved safety program to produce even better results in 2005.

Reduced accident numbers and better claims management are having a positive impact. On average, the number of liability claims handled by our claims management staff during 2004 dropped 38 percent from the year before. In fact, we were handling just 18 percent more open claims in 2004 than in 1998 despite a 105 percent growth in our tractor fleet. A similar trend can be seen in the potentially more costly and adverse claims in litigation, which declined 27 percent during 2004.

While we probably will not recover the 3.4 percentage points of margin in 2005, it's our goal to make steady progress toward that target over the next few years.

Wrap up

We are aggressively managing all facets of our business more closely than ever. Our mangement team has worked hard to identify opportunities to expand margins and is eager to capitalize on those opportunities in the coming years.

We are confident that our talented team and aggresive new programs will allow us to continue the progress we have made in recent periods in the key areas of our business. We are excited about the future of USA Truck.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USA TRUCK

Driver awards programs

Drivers at USA Truck are eligible to earn one of three driving awards we give each year: Annual Safe Driving Award, Top Gun Award and the President's Million Mile Club.

Annual Safe Driving Award:

Winning drivers complete a full year without an accident or lost-time injury. Time is computed on a 12-month rolling basis from the date of hire or from the date of any preventable accidents or lost-time injuries.

Top Gun Award:

USA Truck also recognizes drivers of excellence in three Top Gun categories:

Single drivers

Works all available days except approved time off, has no lost time due to injuries and qualifies for the Annual Safe Driving Award.

Trainers

Among top 10 percent in both student retention and total paid miles, works all available days except approved time off, has no lost time due to injuries and qualifies for the Annual Safe Driving Award.

Part-time Trainers

Among top 10 percent in student retention, works all available days except approved time off, has no lost time due to injuries and qualifies for the Annual Safe Driving Award.

President's Million Mile Club:

There are four levels to the President's Million Mile Club.

Level One — Bronze

- Drivers who have successfully completed one million accident-free miles.

Level Two — Silver

- Drivers who have successfully completed two million accident-free miles.

Level Three — Gold

- Drivers who have successfully completed three million accident-free miles.

Level Four — Platinum

- Drivers who have successfully completed four million accident-free miles.

Drivers who have been actively employed by USA Truck for 12 consecutive months are eligible for induction into this exclusive group. The driver is responsible for obtaining verification of driving record from previous employers. If a driver's record from a previous employer shows only proof of accident-free years then the miles will be calculated at 125,000 miles per year.

Ten year statistical history

Balance Sheet Statistics

(Dollars in thousands)	2004	2003	2002	2001
Current assets	$ 56,659	$ 45,541	$ 35,387	$ 34,414
Total assets	288,154	222,549	188,851	182,411
Current liabilities	56,148	42,962	38,263	31,770
Long-term debt - less current maturities	115,114	74,300	49,451	56,451
Total liabilities	202,626	145,053	114,759	111,238
Total stockholders' equity	85,528	77,496	74,092	71,173

Income Statement Statistics

(Dollars in thousands, except per share amounts)	2004	2003	2002	2001
Revenue, before fuel surcharge	$ 335,880	$ 286,080	$ 268,510	$ 244,396
Fuel surcharge	27,225	12,583	5,263	8,045
Total revenue	363,105	298,663	273,773	252,441
Operating expenses, net of fuel surcharge	345,306	287,813	264,301	246,466
Operating income	17,799	10,850	9,472	5,975
Other expenses, net	3,572	2,622	3,105	4,196
Income before income taxes	14,227	8,228	6,367	1,779
Income taxes	6,795	4,873	3,765	692
Net income	$ 7,432	$ 3,355	$ 2,602	$ 1,087
Diluted shares outstanding (in thousands)	9,398	9,370	9,348	9,279
Diluted earnings per share	$ 0.79	$ 0.36	$ 0.28	$ 0.12
Revenue, before fuel surcharge - year-to-year change	17.4%	6.5%	9.9%	11.8%
Operating ratio*	94.7%	96.2%	96.5%	97.6%

Financial Statistics

(Dollars in thousands, except per share amounts)	2004	2003	2002	2001
Net income ("Earnings")	$ 7,432	$ 3,355	$ 2,602	$ 1,087
Interest	3,539	2,557	3,127	4,344
Income taxes ("Taxes")	6,795	4,873	3,765	692
Earnings before interest and taxes ("EBIT")	17,766	10,785	9,494	6,123
Depreciation and amortization	35,871	30,611	27,810	26,418
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	$ 53,637	$ 41,396	$ 37,304	$ 32,541
EBIT per diluted share	$ 1.89	$ 1.15	$ 1.02	$ 0.66
EBITDA per diluted share	5.71	4.42	3.99	3.51
Stockholders' equity per diluted share	9.10	8.27	7.93	7.67
Return on average assets	2.9%	1.6%	1.4%	0.6%
Return on average equity	9.1%	4.4%	3.6%	1.5%
Funded debt to total capital**	61.6%	52.0%	47.6%	48.7%

Operating Statistics

(All numbers include owner-operators except as noted "company")	2004	2003	2002	2001
Total tractors (end of period)	2,231	2,079	1,916	1,780
Average months in service - company tractors	18	25	30	22
Total company trailers (end of period)	5,682	4,461	4,311	3,668
Average months in service - company trailers	39	54	52	51
Trailer to tractor ratio	2.55:1	2.15:1	2.25:1	2.06:1
Average miles per tractor per week	2,361	2,341	2,332	2,364
Drivers (excluding students in training)	2,218	2,029	1,810	1,741
Non-drivers	707	635	529	507
Total drivers and non-drivers	2,925	2,664	2,339	2,248
Driver to non-driver ratio	3.14:1	3.20:1	3.42:1	3.43:1

December 31,

2000	1999	1998	1997	1996	1995
$ 41,739	$ 39,449	$ 20,459	$ 20,292	$ 16,825	$ 16,008
189,919	182,040	119,611	113,518	86,330	78,980
30,357	28,277	21,151	20,762	15,193	13,295
65,660	64,453	19,058	27,057	15,867	13,361
119,938	111,932	56,877	61,145	41,906	35,823
69,981	70,108	62,734	52,373	44,424	43,157

Year Ended December 31,

2000	1999	1998	1997	1996	1995
$ 218,593	$ 166,091	$ 145,140	$ 129,032	$ 107,863	$ 102,400
7,992	272	76	475	450	-
226,585	166,363	145,216	129,507	108,313	102,400
220,940	150,517	126,219	115,337	102,051	91,960
5,645	15,846	18,997	14,170	6,262	10,440
5,490	1,633	1,817	1,189	727	647
155	14,213	17,180	12,981	5,535	9,793
61	5,571	6,683	5,078	2,153	3,756
$ 94	$ 8,642	$ 10,497	$ 7,903	$ 3,382	$ 6,037
9,260	9,354	9,466	9,485	9,620	10,028
$ 0.01	$ 0.92	$ 1.11	$ 0.83	$ 0.35	$ 0.60
31.6%	14.4%	12.5%	19.6%	5.3%	10.7%
97.4%	90.5%	86.9%	89.0%	94.2%	89.8%

Year Ended December 31,

2000	1999	1998	1997	1996	1995
$ 94	$ 8,642	$ 10,497	$ 7,903	$ 3,382	$ 6,037
5,408	1,656	1,715	1,379	730	799
61	5,571	6,683	5,078	2,153	3,756
5,563	15,869	18,895	14,360	6,265	10,592
26,793	18,592	16,179	13,608	11,839	11,145
$ 32,356	$ 34,461	$ 35,074	$ 27,968	$ 18,104	$ 21,737
$ 0.60	$ 1.70	$ 2.00	$ 1.51	$ 0.65	$ 1.06
3.49	3.68	3.71	2.95	1.88	2.17
7.56	7.49	6.63	5.52	4.62	4.30
0.1%	5.7%	9.0%	7.9%	4.1%	8.3%
0.1%	13.0%	18.2%	16.3%	7.7%	14.8%
52.3%	51.1%	27.2%	36.2%	31.5%	25.8%

December 31,

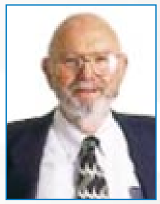
2000	1999	1998	1997	1996	1995
1,738	1,713	1,104	1,007	862	782
23	23	19	19	23	19
3,400	3,525	2,054	1,927	1,513	1,400
43	46	39	33	34	32
1.96:1	2.06:1	1.86:1	1.91:1	1.76:1	1.79:1
2,190	2,404	2,441	2,475	2,407	2,382
1,685	1,637	1,057	962	922	817
488	469	347	336	291	255
2,173	2,106	1,404	1,298	1,213	1,072
3.45:1	3.49:1	3.05:1	2.86:1	3.17:1	3.20:1

** Operating ratio as reported above is based upon total operating expenses, net of fuel surcharge, as a percentage of revenue, before fuel surcharge.*
*** Funded debt to total capital as reported above is based upon net debt (both current and long-term, less cash) divided by total debt plus stockholders' equity.*

Directors and officers

Robert M. Powell
Chairman of the Board and Chief Executive Officer

Jerry D. Orler
President, Director



Roland S. Boreham, Jr.
Director (Director, Baldor Electric Company)

Terry A. Elliott
Director (Chief Financial Officer, Safe Foods Corporation)

William H. Hanna
Director (President, Hanna Oil and Gas)

Joe D. Powers
Director (Chairman of the Advisory Board of Regions Bank of Fort Smith, Arkansas)

James B. Speed
Director

Clifton R. Beckham
Senior Vice President, Finance, Chief Financial Officer and Secretary

Michael E. Brown
Vice President, Maintenance

Brandon D. Cox
Senior Vice President, Marketing

Dwain R. Key
Senior Vice President, Dedicated Services and Logistics

Garry R. Lewis
Senior Vice President, Operations

Michael R. Weindel, Jr.
Vice President, Human Resources, Recruiting and Training

Jerry W. Cottingham
Vice President, Dedicated Services and Logistics-Sales

Ricky A. Davis
Vice President, Information Services

Bryce C. Van Kooten
Vice President, Sales

Donald B. Weis
Vice President, Customer Service

Darron R. Ming
Controller

Craig S. Shelly
Treasurer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE OF 1934

For the fiscal year ended December 31, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________

0-19858
(Commission File Number)

USA Truck, Inc.

(Exact name of Registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation)	**71-0556971** (I.R.S. Employer Identification No.)
3200 Industrial Park Road **Van Buren, Arkansas** (Address of Principal Executive Offices)	**72956** (Zip Code)

(479) 471-2500
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $.01 per share
(Title of class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended). Yes [ ] No [X]

The aggregate market value of the voting stock held by nonaffiliates of the Registrant computed by reference to the price at which the common equity was last sold as of the last business day of the Registrant's most recently completed second quarter was $59,813,208 (the characterization of officers and directors of the Registrant as affiliates for purposes of this computation should not be construed as an admission for any other purpose that any such person is in fact an affiliate of the Registrant).

The number of shares outstanding of the Registrant's Common Stock, par value $ .01, as of February 23, 2005 is 9,345,946.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Part of Form 10-K into which the Document is Incorporated
Portions of the Proxy Statement to be sent to stockholders in connection with 2005 Annual Meeting	Part III

USA TRUCK, INC.
TABLE OF CONTENTS

PART I

Item 1. BUSINESS

USA Truck is a medium haul, dry van truckload carrier transporting general commodities throughout the continental United States and between locations in the United States and Canada. We transport general commodities into Mexico by allowing through-trailer service on our trailers through our facility in the gateway city of Laredo, Texas. Overall, our operations within the United States produce more than 94% of our revenues. We generate the majority of our revenues through our General Freight division, transporting freight over irregular routes, with a medium length of haul, which is generally defined as between 800 and 1,200 miles per trip. We also offer four basic services through our USA Logistics division, including two using our own revenue equipment: regional freight, with a length of haul of less than 500 miles, and dedicated freight, pursuant to which we provide services under contracts that require us to dedicate equipment to a specific customer for shipments over particular routes at specified times and dates. Our USA Logistics division also provides services that do not involve transporting freight using our equipment, including third party logistics services and freight brokerage, primarily as supplemental services to customers who are also customers of our General Freight division.

We transport many types of freight and had over 550 active customers in 2004. We focus on customers and markets that demand premium service where we can achieve premium rates and develop long-term, service-oriented relationships. In 2004, more than 95% of our operating revenues were derived from shippers that were our customers prior to 2004. We are a major carrier of freight for such industries as industrial machinery and equipment, rubber and plastics, retail stores, paper products, durable consumer goods, metals, electronics and chemicals.

We were incorporated in Delaware in September 1986 as a wholly owned subsidiary of ABF Freight System, Inc. and were purchased by management in December 1988. We completed the initial public offering of our Common Stock in March 1992.

Our principal offices are located at 3200 Industrial Park Road, Van Buren, Arkansas 72956, and our telephone number is (479) 471-2500.

Our Internet address is *http://www.usa-truck.com*. You can review the filings we have made with the U.S. Securities and Exchange Commission ("SEC"), free of charge by linking directly from the investor relations section of our web site to EDGAR, a database maintained by the SEC. EDGAR is the Electronic Data Gathering, Analysis and Retrieval system where you can find our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934.

Growth Strategy

We are committed to controlled, profitable growth. Since our initial public offering, we have grown our revenues, before fuel surcharge, from $63.0 million in 1992 to $335.9 million in 2004, an average compounded rate of 15%. With the exception of one acquisition in 1999, our growth has been internal.

We are continuing an aggressive fleet modernization and expansion program. This program is reducing the average age of our tractors and trailers and expanding our capacity. We believe that a larger, more modern fleet will support our growth initiatives and will have a positive impact on our operations, including less frequent repairs and lower maintenance costs, improved customer service and higher driver retention. In 2004, we purchased 957 new tractors and 1,940 new trailers, and in 2005, we plan to acquire 1,001 new tractors and 1,111 new trailers. Our acquisitions and disposals resulted in net increases in 2004 of 150 tractors and 1,221 trailers. Our projected 2005 acquisitions and disposals will result in net increases of 416 tractors and 316 trailers.

We expect future growth to come from the following areas:

- *Growth with our existing customers and cultivation of new ones.* Our active customer base is comprised of over 550 companies. It is our intent to become a "core carrier" for all significant customers and to expand our percentage coverage of these customers' freight needs. We are also constantly cultivating new customers. In 2004, we added approximately 60 new names to our customer list. Approximately 35% of our 2004 total revenue was derived from Fortune 500 customers.

- *Growth of carefully selected service offerings.* We offer an array of services to our customers designed to improve customer satisfaction. By diversifying our service offerings, we also reduce our exposure to changes in the economy. Outside of our core, general freight business, we have been aggressively growing the complementary services we offer through our USA Logistics division: regional freight, dedicated freight, third party logistics and brokerage services. These services are essential to provide our customers with "one-stop shopping," which helps us obtain new customers and additional business from existing customers. We are committed to growing these service offerings to a significant portion of our total revenue. During 2004, revenues from dedicated and regional freight services increased 42.4% as compared to 2003 and comprised approximately 13.8% of our total revenue, before fuel surcharge. Third party logistics and brokerage revenues increased 19.3% during 2004 as compared to 2003 and comprised approximately 6.4% of our total revenue, before fuel surcharge.

- *Expanded cross-border service.* We intend to continue to expand services throughout the NAFTA corridor, focusing on the growth of our Mexican business. We currently provide service between the continental United States and all points in Ontario and Quebec, Canada and all points in Mexico through the gateway city of Laredo, Texas. In 2004, 0.5% and 5.4% of our total revenue was generated through services provided in Canada and Mexico, respectively.
- *Carefully selected acquisitions.* We frequently review acquisition candidates, but have completed only one acquisition in the past 12 years because of our reluctance to make any acquisition that might negatively impact our existing operations. We will, however, acquire a target if we believe that it is a good fit for our operations from a capacity standpoint, if it fills a strategic need such as dedicated or regional market penetration or if it is likely to contribute to our profitable growth.

Operating Strategy

We intend to improve our profitability by doing the following:

- *Consistently providing superior service to shippers*. Our principal competitive strength is our ability and commitment to consistently provide superior service. Although price is a primary concern to all shippers, many of our customers are high-volume shippers that require a flexible and dependable source of motor carrier service. These customers often have specific requirements, including pickup or delivery within narrow time windows or real-time information about shipment status. Our strategy is to provide a premium service to meet these needs and to charge compensating rates for that service. Key elements of our premium service include the following:
    - We are committed to consistent on-time performance in everything we do and achieving on-time pick-up and delivery more than 97% of the time, which we exceeded in 2004.
    - We constantly reinvest in technology such as electronic data interchange arrangements with larger customers providing real-time shipment status information, two-way satellite-based messaging and position-locating equipment in all of our tractors, operational software packages designed to enhance service and economic efficiencies and an interactive website providing load tendering and tracing to customers.
    - We provide twenty-four hour a day, seven day a week dispatching and maintenance services.
    - We maintain trailer pools at strategic locations to minimize the time it takes to respond to a customer order. We also provide extra trailers to high-volume shippers for loading and unloading at their convenience.
    - We have strict hiring and performance standards for our drivers and emphasize safety and on-time service in our training.
- *Gaining efficiencies in our revenue model.* We are committed to earning premium rates that are commensurate with our superior service. To achieve the rates we desire, we utilize technology, leverage customer relationships and our premium service reputation and continually upgrade our freight mix by eliminating or re-pricing the least profitable trips. Tractor utilization is a key operating statistic in our industry. We believe that we can approach peak levels of utilization by employing technology to assist us in securing shipments that are scheduled for pick-up as our tractors unload their previous shipments. The ratio of empty miles to total miles traveled, commonly called the "empty mile factor," is an important operating statistic in our industry. We strive to maintain an empty mile factor consistently below 10%, a factor that is affected by our ability to obtain backhaul shipments from locations near the delivery destination of a prior shipment. For 2004, our empty mile factor was 8.39%, the best in our history as a public company.
- *Controlling costs through benchmarking.* Our goal is to return to an operating ratio below 90%, which will enhance our ability to generate cash flow from our operations with minimal capital requirements from

outside sources. To achieve that goal, we are committed to a thorough cost-control system using benchmarks. We compare our current performance with that of our own prior years as well as our best performing competitors. For 2004, our operating ratio was 94.7%. Our operating ratio is obtained by dividing our operating expenses, less fuel surcharge, by our operating revenues, less fuel surcharge.

- *Adhering to strict revenue equipment maintenance and replacement cycles.* We believe that late model, well-maintained revenue equipment is essential to profitability, customer service, a positive public image and driver satisfaction. We have returned to our policy of operating our tractors for 36 to 42 months and our trailers for 84 to 120 months before replacement. We believe that replacing equipment at those intervals yields the most economically feasible balance of maintenance costs and sale or trade values. We perform preventive maintenance on our tractor and trailer fleets at regular intervals to improve the sale or trade values and to reduce long-term maintenance costs, customer service failures and driver dissatisfaction.

- *Continually investing in new technology*. We continually invest in new and upgraded technology to provide the most efficient service possible to our customers. Our information services have been built around a large, on-site mainframe computer. We utilize a number of smaller computing platforms to operate software packages such as satellite communications, load matching and optical document storage. We also have an extensive local area network that connects our remote locations to our main office in real time. We believe our custom-developed software applications provide us flexibility that gives us a competitive advantage in the truckload industry. Our communication and data processing systems also decrease our response times by improving the ability of our operations personnel to balance equipment availability throughout our market area, efficiently match shipments with available equipment and decrease dispatching time by quickly contacting drivers.

- *Developing our management team.* We are committed to developing a management team capable of leading our company well into the future. Our executive staff possesses a healthy and deliberate mixture of youthful energy and deep industry experience. We have invested time and resources to cultivate young talent within the organization and believe that we have a management team in place to guide the business for the long term. We also have a very capable middle management team of key managers that is the proving ground for the next executive generation. Our management personnel are partially compensated with performance-based incentives and incentive stock options designed to provide managers with a long-term equity interest in the company.

Marketing and Sales

We focus our marketing efforts on customers with premium service requirements and heavy shipping needs within our primary operating areas. This permits us to concentrate available equipment strategically so that we can be more responsive to customer needs.

Our marketing department solicits and responds to customer orders and maintains close customer contact regarding service requirements and rates. We typically establish rates through individual negotiations with customers. For our dedicated freight services, rates are fixed under contracts tailored to the specific needs of shippers. To a lesser extent, we also obtain business through third party providers of logistics services. In 2004, more than 95% of our operating revenues was derived from shippers that were our customers prior to 2004. No single customer represents more than 10% of our total revenue.

We require customers to have credit approval before dispatch. We bill customers at or shortly after delivery and, for the last three years, receivables collection has averaged approximately 31 days from the billing date.

Within our marketing department, load coordinators are responsible for efficiently matching available equipment with customer shipments, 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 other marketing department personnel to increase equipment utilization.

Operations

We conduct most of our freight transport operations east of the Rocky Mountains. We are not required to have intrastate authority in most states because, with the exception of our regional operations, most of our routes take us across state lines. Our freight transport business consists primarily of medium-haul shipments, more than 800 but less than 1,200 miles. Our average length of haul was 859 miles in 2002, 851 miles in 2003 and 839 miles in 2004. Our average length of haul is declining as an increasing percentage of our total revenue was generated through regional and dedicated services, which had an average length of haul of 726 miles in 2003 and 608 miles in 2004.

The regional and dedicated freight operations are intended to improve our ability to hire and retain drivers and to enable us to obtain additional business in our existing markets. Our average length of haul in our General Freight operations increased from 873 miles in 2003 to 898 miles in 2004.

The average distance traveled between loads as a percentage of total paid miles traveled, commonly referred to as the 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. Therefore, our efforts to decrease our empty mile factor are offset somewhat by the growth of our regional and dedicated freight operations. In addition, our commitment to on-time pickup often requires a tractor to travel farther to complete a pickup than it would have to travel if we delayed the pickup until a tractor became available in the area. Despite these limitations, our empty mile factor improved from 8.97% for 2003 to 8.39% for 2004.

Our operations department consists primarily of our fleet managers. Fleet managers supervise approximately 60 drivers each and they are our primary contact with those drivers. They monitor the location of equipment and direct its movement in the most efficient and safe manner practicable. The operations department focuses on achieving continual improvement in the areas of safety, customer service, equipment utilization and driver retention.

Drivers and Other Personnel

Driver recruitment and retention are vital to success in our industry. Recruiting drivers is challenging because our standards are high and enrollment in driving schools has been declining. Retention is difficult because of wage and job fulfillment considerations. Driver turnover, especially in the early months of employment, is a significant problem, and the competition for qualified drivers is intense. Although we have had significant driver turnover during certain periods in the past, we have been able to attract and retain a sufficient number of qualified drivers to support our operations. To attract and retain drivers we must continue to provide safe, attractive and comfortable equipment, direct access to management and competitive wages and benefits designed to encourage longer-term employment.

Drivers' pay is calculated primarily on the basis of miles driven and increases with tenure. In 2004, our drivers averaged 2,395 paid miles per week. Our current pay scale is competitive with industry peers.

One of the steps we have taken to control compensation expense is the implementation of a per diem driver pay program. Per diem pay, which is not taxable to the driver, is designed to approximately reimburse drivers for meals and other incidental expenses incurred while away from home overnight on business, and is typically paid in lieu of a taxable portion of salary. Per diem payments are slightly lower than the foregone portion of salary and this difference, in addition to certain tax benefits, results in savings to us. Although our ability to deduct per diem payments is limited, there are certain tax benefits to drivers that allow us to decrease overall wages per mile for those drivers who elect to receive the per diem payments. As of December 31, 2004, approximately 65% of our drivers had elected to receive per diem payments.

On December 31, 2004, we had 2,925 employees, including 2,218 drivers. None of our employees are represented by a collective bargaining unit.

Safety

We have designed our safety program to minimize accidents and to enforce governmental safety regulations. We control the maximum speed of our tractors with electronic governing equipment, and all of our tractors are equipped with anti-lock braking systems.

The evaluation of safety records is one of several criteria that we use to hire driver employees. Safe equipment handling techniques are an important part of driver training. We also conduct pre-employment, random and post-accident drug testing in accordance with Department of Transportation regulations.

In addition to our overall commitment to safety and compliance, we have implemented many programs designed to manage fleet safety including, but not limited to:

- Frequent presentations by members of our safety department to drivers at all of our facilities;
- A point system to evaluate individual driver safety and to determine the need for further training and eligibility for continued employment;
- A company-wide communication network to facilitate rapid response to safety issues; and,
- A driver counseling and retraining system.

Revenue Equipment and Maintenance

Our current policy is to replace most tractors within 36 to 42 months from the date of purchase, which permits us to maintain substantial warranty coverage throughout the period of ownership. However, during 2002 we delayed replacing tractors beyond 42 months due to a depressed used equipment market. See "Business─Revenue Equipment Acquisition Program." We replace tractors and trailers based on various factors, including the used equipment market, prevailing interest rates, technological improvements, fuel efficiency and durability.

The following table shows the number of units and average age of revenue equipment that we owned or operated under capital leases, as of the indicated dates:

	Year ended December 31,		
	2004	2003	2002
Tractors:			
Acquired	**957**	686	221
Disposed	**807**	517	76
End of period total	**2,186**	2,036	1,867
Average age at end of period (in months)	**18**	25	30
Trailers:			
Acquired	**1,940**	555	717
Disposed	**719**	373	74
End of period total	**5,682**	4,461	4,279
Average age at end of period (in months)	**39**	54	52

To simplify driver and mechanic training, control the cost of spare parts and tire inventory and provide for a more efficient vehicle maintenance program, we buy tractors and trailers manufactured to our specifications. In deciding which equipment to buy, we consider a number of factors, including safety, fuel economy, expected resale value and driver comfort. We have a strict preventive maintenance program designed to minimize equipment downtime and to enhance sale or trade values.

Our trailer to tractor ratio, including owner-operator tractors and leased tractors and trailers, increased from 2.20-to-1 at December 31, 2003, to 2.57-to-1 at December 31, 2004, due to our decision to take advantage of favorable trailer pricing. Planned tractor purchases will reduce this ratio in 2005. We believe that the resulting ratio will be sufficient for our anticipated 2005 operations, to promote efficiency and provide the flexibility to meet customer needs.

During 2003 and 2004, we financed revenue equipment purchases through our senior credit facility, capital lease-purchase arrangements, the proceeds from sales or trades of used equipment and cash flows from operations. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources." Substantially all of our tractors are pledged to secure our obligations under financing arrangements.

In addition to company-owned tractors, we contract with owner-operators for the use of their tractors and drivers in our operations. At December 31, 2004, 45 owner-operator tractors were under contract with us. The size of our owner-operator fleet varies from time to time as market conditions require. It is unlikely that the size of our owner-operator fleet in proportion to our company-owned fleet will increase significantly during 2005.

Revenue Equipment Acquisition Program

We pursue equipment trade intervals that economically balance our maintenance costs and expected sale or trade values. We have continued an aggressive trade schedule in 2004 to reduce the average age of our tractor fleet and to resume trading most tractors within 42 months from the date of purchase. As the average age of the tractor fleet decreases, maintenance costs should decrease as well.

During 2004, we acquired 957 new tractors and 1,940 new trailers. These acquisitions, and the disposals during the year, resulted in net increases of 150 tractors and 1,221 trailers. During 2005, we plan to acquire 1,001 new tractors and 1,111 new trailers. These acquisitions and the disposals planned during that year should result in net increases of 416 tractors and 316 trailers.

Beginning January 1, 2007 and 2010, the Environmental Protection Agency's additional reduced emission standards go into effect for diesel engines manufactured on or after these dates. In anticipation of these emission standards we intend to accelerate our revenue equipment acquisition program and trade intervals before January 1, 2007, to delay the business risk of buying new engines until adequate testing is complete. The timing of our future tractor purchases will depend on our evaluation of these new compliant engines in addition to industry wide evaluations of the longevity and reliability of the engines.

Technology

We maintain a sophisticated data center through the efforts of more than 25 computer professionals. We currently use several different computing platforms ranging from personal computers to an IBM mainframe system. We have developed the majority of our software applications internally, including payroll, billing, dispatching, accounting and maintenance programs. We believe that the familiarity and proficiency with the systems that have resulted from these development efforts give us the ability to meet the ever-changing needs of our customers quickly and efficiently. Our computer systems are monitored 24 hours a day by experienced computer operators. This monitoring system has allowed us to provide 99.9% system availability to our users.

The technology that we use in our business enhances the efficiency of all aspects of our operations and enables us to deliver consistently superior service to our customers. This technology includes a Qualcomm satellite-based equipment tracking and driver communication system, which allows us to closely monitor the location of all of our equipment and to communicate with our drivers in real time. This enables us to efficiently dispatch drivers in response to customers' requests, to provide real-time information to our customers about the status of their shipments and to provide documentation supporting our assessorial charges (which are charges to customers for things such as loading, unloading or delays). We have also implemented sophisticated software programs, such as load optimization software, which is designed to match available equipment with shipments in a way that best satisfies a number of criteria, including empty miles, the driver's available hours of service and home-time needs. We also use licensed software that assists us in planning for transfers of loaded trailers between our tractors, allowing us to further enhance efficient allocation of our equipment, improve customer service and take full advantage of our drivers' available hours of service. This software also improves our ability to get drivers home on a more regular basis. Our other licensed software programs include a sophisticated route-planning software program. We also employ a variety of computing hardware and an assortment of other software programs, many of which were developed internally, that provide the tools necessary for management to make fact-based business decisions and salespersons to make successful presentations to customers.

Insurance and Claims

The primary risks for which we obtain insurance are cargo loss and damage, personal injury, property damage and workers' compensation claims. We self-insure for a portion of claims exposure in each of these areas**.** We are not currently insured for terrorist acts because we believe the potential risk and coverage limitations do not justify the cost of the available coverage. We reevaluate all our coverage decisions on an annual basis.

Beginning October 1, 2004, our self-insurance retention levels were $750,000 for workers' compensation claims per occurrence, $50,000 for cargo loss and damage claims per occurrence and $1.0 million for bodily injury and property damage claims per occurrence. We are completely self-insured for physical damage to our tractors and trailers, except that we carry catastrophic physical damage coverage to protect against natural disasters. For medical benefits, we self-insure up to $250,000 per claim per year with an aggregate claim exposure limit, which was $8.2 million at December 31, 2004, determined by our year-to-date claims experience and our number of covered lives. We maintain insurance above the amounts for which we self-insure, to certain limits, with licensed insurance carriers. We have excess general, auto and employer's liability coverage in amounts substantially exceeding minimum legal requirements, and we believe this coverage is sufficient to protect us against catastrophic loss. Depending on the volatility of the insurance market, our insurance and claims expense could increase, or we could raise our self-insured retention when our policies are renewed. We believe that our policy of self-insuring up to set limits, together with our safety and loss prevention programs, are effective means of managing insurance costs.

Industry and Competition

The trucking industry includes both private fleets and "for hire" carriers. Private fleets consist of trucks owned and operated by shippers that move their own goods. For hire carriers include both truckload and less-than-truckload operations. Truckload carriers dedicate an entire trailer to one customer from origin to destination. Less-than-truckload carriers pick up multiple shipments from multiple shippers on a single truck and then route the goods through terminals or service centers, where freight may be transferred to other trucks with similar destinations for delivery. Truckload carriers typically transport shipments weighing more than 10,000 pounds while less-than-truckload carriers typically transport shipments weighing less than 10,000 pounds.

We operate primarily in the highly fragmented for hire truckload segment of the market, which according to Transport Topics, accounted for revenues estimated at $114 billion in 2003. The for hire segment is highly competitive and includes thousands of carriers, none of which dominates the market. This segment is characterized by many small carriers having revenues of less than $1 million per year and relatively few carriers with revenues exceeding $100 million per year. Measured by annual revenue, the 20 largest dry van truckload carriers accounted for approximately $16 billion, or approximately 14%, of the for hire market in 2003. The industry continues to undergo consolidation. In addition, the recent challenging economic times have caused the failure of many trucking companies and made entry into the industry more difficult.

We compete primarily with other truckload carriers, shipper-owned fleets and, to a lesser extent, with railroads and less-than-truckload carriers. A number of truckload carriers have greater financial resources, own more revenue equipment and carry a larger volume of freight than we do. We also compete with truckload and less-than-truckload carriers for qualified drivers.

The principal means of competition in the truckload segment of the industry are service and price, with rate discounting being particularly intense during economic downturns. Although we compete primarily on the basis of service rather than rates, rate discounting continues to be a factor in obtaining and retaining business. Furthermore, a depressed economy tends to increase both price and service competition from alternative modes such as less-than-truckload carriers and railroads. We believe that successful truckload carriers are likely to grow primarily by acquiring greater market share and, to a lesser extent, through an increase in the size of the market.

Regulation

USA Truck is a motor carrier regulated by the U.S. Department of Transportation and other federal and state agencies. Our business activities in the United States are subject to broad federal, state and local laws and regulations beyond those applicable to most business activities. These regulated business activities include, among other things, service area, routes traveled, equipment specifications, commodities transported, rates and charges, accounting systems, financial reporting and insurance coverages. Our Canadian business activities are subject to similar requirements imposed by the laws and regulations of the Dominion of Canada and provincial laws and regulations.

Motor carrier operations are subject to safety requirements prescribed by the U.S. Department of Transportation, governing interstate operation and by Canadian provincial authorities. Matters such as weight and equipment dimensions are also subject to federal, state and provincial regulations.

The Federal Motor Carrier Safety Administration of the U.S. Department of Transportation issued a final rule on April 24, 2003 that made significant changes to the regulations governing the hours of service for drivers of commercial motor vehicles that carry freight. Truckload carriers were required to comply with the new rules beginning on January 4, 2004. In general, the new rules are intended to increase safety by giving drivers more opportunity to rest and obtain restorative sleep during each work cycle by, for example, increasing the minimum off duty time during each work cycle. Moreover, under the new rules, the maximum on duty period after which a driver may no longer drive has been shortened and may no longer be extended by time spent off duty (such as meal stops and other rest breaks) once the on duty period has begun. Therefore, delays during a driver's on duty time (such as those caused by loading/unloading problems) may limit drivers' available hours behind the wheel, particularly if such delays occur late in an on duty period. This, and other operational issues that the new rules may create, could increase our operating costs. On January 24, 2005, the Administration published a notice of proposed rule-making beginning a 45-day comment period on the hours-of-services rules implemented in January 2004, in response to a decision by the U.S. Court of Appeals for the District of Columbia Circuit in July 2004 that directed the Administration to consider more specifically the regulations' impact on the health of drivers. Although the court vacated the regulations, Congress has extended their effectiveness until new rules can be adopted, but not later than September 30, 2005, pursuant to the Surface Transportation Extension Act of 2004.

The Environmental Protection Agency adopted new emissions control regulations, which require progressive reductions in exhaust emissions from diesel engines manufactured on or after October 1, 2002. The initial reduction became effective October 1, 2002, with more stringent reductions scheduled to become effective on January 1, 2007 and 2010. Among other things, the regulations require diesel engines to use exhaust gas recirculation technology. Compliance with the regulations has increased the cost of our new tractors and operating expenses while reducing fuel economy, and it is anticipated that the 2007 and 2010 changes will further adversely impact those areas.

We are subject to federal, state, provincial and local environmental laws and regulations. We believe that we are in substantial compliance with such laws and regulations and that costs of such compliance will not have a material adverse effect on our competitive position, operations or financial condition or require a material increase in currently anticipated capital expenditures.

Seasonality

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations─Seasonality."

Forward-Looking Statements

This report contains forward-looking statements and information that are based on our current beliefs and expectations and assumptions we have made based upon information currently available. Forward-looking statements include statements relating to our plans, strategies, objectives, expectations, intentions and adequacy of resources, and may be identified by words such as "will," "could," "should," "may," "believe," "expect," "intend," "plan," "schedule," "estimate," "project" and similar expressions. These statements are based on current expectations and are subject to uncertainty and change. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we cannot assure you that such expectations will be realized. If one or more of the risks or uncertainties underlying such expectations materialize, or if underlying assumptions prove incorrect, actual results may vary materially from those expected. Among the key factors that are not within our control and that have a direct bearing on operating results are increases in fuel prices, adverse weather conditions, increased regulatory burdens and the impact of increased rate competition. Our results have also been, and will continue to be, significantly affected by fluctuations in general economic conditions, as our utilization rates are directly related to business levels of shippers in a variety of industries. In addition, shortages of qualified drivers and intense or increased competition for drivers have adversely impacted our operating results and our ability to grow and will continue to do so. Results for any specific period could also be affected by various unforeseen events, such as unusual levels of equipment failure or vehicle accident claims.

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

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

Risk Factors

The following are some of the risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report and in our other filings with the Securities and Exchange Commission.

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

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

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

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

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

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

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

- Many customers reduce the number of carriers they use by selecting so-called "core carriers" as approved service providers, and in some instances we may not be selected.
- Many customers periodically accept bids from multiple carriers for their shipping needs, and this process may depress freight rates or result in the loss of some of our business to competitors.
- The trend toward consolidation in the trucking industry may create other large carriers with greater financial resources and other competitive advantages relating to their size with whom we may have difficulty competing.
- Advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher freight rates to cover the cost of these investments.
- Competition from Internet-based and other logistics and freight brokerage companies may adversely affect our customer relationships and freight rates.
- Economies of scale that may be passed on to smaller carriers by procurement aggregation providers may improve their ability to compete with us.

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

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

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

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

Ongoing insurance and claims expenses could significantly reduce our earnings.

Beginning October 1, 2004, our self-insurance retention levels were $750,000 for workers' compensation claims per occurrence, $50,000 for cargo loss and damage claims per occurrence and $1.0 million for bodily injury and property damage claims per occurrence. For medical benefits, we self-insure up to $250,000 per claim per year with an aggregate claim exposure limit determined by our year-to-date claims experience and our number of covered lives. We maintain insurance for liabilities above the amounts for which we self-insure, to certain limits. We completely self-insure for collision damage to our own equipment. During 2003 and 2004, we experienced significant increases in costs associated with adverse claims. If the number or severity of claims increases or does not return to historical levels, or if the costs associated with claims otherwise increase, our operating results will be adversely affected. In addition, the timing of the incurrence of these costs may significantly impact our operating results for a particular quarter, as compared to the comparable quarter in the prior year.

Insurance carriers have continued to increase premiums for many trucking companies. This factor, coupled with an increase in coverage, a reduction in our self-insurance retention level and our claims experience, resulted in an increase of $2.7 million in our annual insurance premiums at October 1, 2004. We could experience an additional increase in our insurance premiums after our current coverage expires in October 2005. If our insurance or claims expenses increase, our earnings could be materially and adversely affected.

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

Periodically, the transportation industry experiences increased difficulty in attracting and retaining qualified drivers, including independent contractors, resulting in intense competition for drivers. If we are unable to continue to attract and retain drivers and contract with independent contractors, we could incur higher driver recruiting and compensation expenses or be required to let trucks sit idle, which could adversely affect our growth and profitability.

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

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

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

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

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

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

Presently, the Administration once again is re-examining the hours-of-service regulations, responding to a July 16, 2004, decision by the U.S. Court of Appeals for the District of Columbia Circuit that directed the Administration to consider more specifically the 2003 rules' impact on the health of drivers. On January 24, 2005, the Administration published a notice of proposed rulemaking in the Federal Register, beginning a 45-day comment period during which the Administration is urging input from truck drivers, motor carriers, law enforcement officials, safety advocates and others on the current hours-of-service regulations. The 2003 hours-of-service rules remain in effect until no later than September 30, 2005, pursuant to the Surface Transportation Extension Act of 2004, by which time the Administration has indicated it intends to complete its re-examination.

In general, the 2003 rules, which became effective on January 4, 2004, were intended to increase safety by giving drivers more opportunity to rest and sleep during each work cycle by, for example, increasing the minimum off-duty time during each work cycle. Moreover, under the rules, the maximum on-duty period after which a driver may no longer drive has been shortened and may no longer be extended by time spent off duty (such as meal stops and other rest breaks) once the on-duty period has begun. Therefore, delays during a driver's on-duty time (such as those caused by loading and unloading) may limit the driver's available hours behind the wheel. Shippers may be unable or unwilling to assist us in managing our drivers' on-duty time or to pay higher rates to compensate for our costs of complying with these regulations. This, and other operational issues that the 2003 rules may create, could increase our operating costs. Moreover, we cannot predict what impact any new rules that may result from the current re-examination may have on our operating costs.

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

The Environmental Protection Agency adopted new emissions control regulations, which require progressive reductions in exhaust emissions from diesel engines manufactured on or after October 1, 2002. The initial reduction became effective October 1, 2002, with more stringent reductions scheduled to become effective on January 1, 2007 and 2010. Compliance with the regulations has increased the cost of our new tractors and operating expenses while reducing fuel economy, and it is anticipated that the 2007 and 2010 changes will further adversely impact those areas.

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

A significant portion of our revenue is generated from our major customers. For 2004, our top five customers accounted for approximately 24.6% of our revenue, our top 10 customers accounted for approximately 39.1% of our revenue and our largest customer accounted for approximately 6.6% of our revenue. Generally, we do not have long-term contracts with our major customers and we cannot assure you that our customer relationships will continue as presently in effect. A reduction in or termination of our services by one or more of our major customers could have a material adverse effect on our business and operating results.

Seasonality and the impact of weather can affect our profitability.

Our tractor productivity generally decreases during the winter season because inclement weather impedes operations and some shippers reduce their shipments. At the same time, operating expenses generally increase, with fuel efficiency declining because of engine idling and harsh weather creating higher accident frequency, increased claims and more equipment repairs.

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

We are dependent upon the services of Robert M. Powell, our chief executive officer, and Jerry D. Orler, our president. We do not maintain key-man life insurance on either of these executives. The loss of their services could have a material adverse effect on our operations and future profitability. We must continue to develop and retain a core group of managers if we are to realize our goal of expanding our operations and continuing our growth.

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

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

Failure to comply with Department of Transportation safety regulations or a downgrade in our safety rating could have a material adverse impact on our operations or financial condition. The loss of our ability to self-insure for any significant period of time would materially increase our insurance costs. In addition, we may experience difficulty in obtaining adequate levels of coverage in that event.

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

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

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

From time to time, we consider the possibility of acquiring smaller companies as a way to expand our operations. Although we have not acquired any companies since 1999, it is possible that we will make strategic acquisitions in the future, including acquisitions of companies that will allow us to accelerate the expansion of our third party logistics and brokerage operations. Integrating businesses we acquire may involve unanticipated delays, costs or other operational or financial problems. Successful integration of the businesses we acquire will depend on a number of factors, including our ability to transition acquired companies to our management information systems. In integrating businesses we acquire, we may not achieve expected economies of scale or profitability or realize sufficient revenues to justify our investment. We also face the risk that an unexpected problem at one of the companies we acquire will require substantial time and attention from senior management, diverting management's attention from other aspects of our business.

Item 2. PROPERTIES

Our executive offices and headquarters are located on 63 acres in Van Buren, Arkansas. This facility currently consists of approximately 84,000 square feet of office space, 27,000 square feet of maintenance space, a 2,500 square-foot dock and training and driver housing space within two structures. In 2004, we expanded our maintenance shop by approximately 15,000 square feet. We are scheduled to complete construction on a 33,000 square-foot addition to our executive offices in July 2005 that will provide an additional 400 workspaces.

We own and operate several maintenance and driver facilities, including a 32-acre facility in West Memphis, Arkansas, a 20-acre facility in Shreveport, Louisiana, a 44-acre facility in Butler Township, Ohio and a 10-acre facility in Laredo, Texas. We own the land on which each of these four facilities is located, except for three of the acres in West Memphis, Arkansas, which we lease under a long-term lease. We are also holding for sale an eight-acre facility in Vandalia, Ohio that we no longer operate.

We lease a 10-acre facility containing a shop and transfer building in Bethel, Pennsylvania under a lease expiring in November 2005 with one remaining one-year renewal option and a 10-acre facility containing a shop in Roanoke, Virginia under a lease expiring in January 2009 with an option to terminate the lease in January 2007. We also lease, on a month-to-month basis, an office facility in East Peoria, Illinois, and a parking facility in Blue Island, Illinois.

We intend to increase the capacity of our current maintenance facilities and lease additional maintenance facilities during 2005 and 2006.

Item 3. LEGAL PROCEEDINGS

We are a party to routine litigation incidental to our business, primarily involving claims for personal injury and property damage incurred in the transportation of freight. We maintain insurance covering liabilities in excess of certain self-insured retention levels. Though we believe these claims to be routine and immaterial to our long-term financial position, adverse results of one or more of these claims could have a material adverse effect on our financial position, results of operations or cash flow.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We did not submit any matter to a vote of security holders during the fourth quarter of the fiscal year covered by this Annual Report.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our Common Stock is quoted on the Nasdaq National Market under the symbol "USAK." The following table sets forth, for the periods indicated, the high and low sale prices of our Common Stock as reported by the Nasdaq National Market.

	Price Range	
	High	**Low**
Year ending December 31, 2004		
Fourth Quarter	**$ 17.05**	**$ 11.72**
Third Quarter	**12.81**	**10.12**
Second Quarter	**12.24**	**9.00**
First Quarter	**11.81**	**9.50**
Year ended December 31, 2003		
Fourth Quarter	$ 11.99	$ 9.39
Third Quarter	12.38	8.90
Second Quarter	9.42	7.01
First Quarter	8.20	6.00

As of February 23, 2005, there were 237 holders of record (including brokerage firms and other nominees) of our Common Stock. We estimate that there were approximately 1,400 beneficial owners of the Common Stock as of that date. On February 23, 2005, the last reported sale price of our Common Stock on the Nasdaq National Market was $19.65 per share.

Dividend Policy

We have not paid any dividends on our Common Stock to date and we do not anticipate paying any dividends in the foreseeable future. We currently intend to retain all of our earnings, if any, for use in the expansion and development of our business.

Equity Compensation Plan Information

The following table provides information about our equity compensation plans as of December 31, 2004, including both stockholder approved plans and non-stockholder approved plans. The equity compensation plans that have been approved by our stockholders are our 2004 Equity Incentive Plan and our 2003 Restricted Stock Award Plan and two plans under which options remain outstanding, but no new options may be granted: our Employee Stock Option Plan and our 1997 Nonqualified Stock Option Plan for Nonemployee Directors. We do not have any equity compensation plans under which equity awards are outstanding or may be granted that have not been approved by our stockholders.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity Compensation Plans Approved by Security Holders	562,100(1)	$10.34	642,000(2)
Equity Compensation Plans Not Approved by Security Holders	--	--	--
Total	562,100	$10.34	642,000

(1) Includes 100,000 unvested shares of restricted stock, which will vest upon the attainment of specified performance goals, and which do not require the payment of exercise prices; and 462,100 shares of Common Stock subject to outstanding stock options.

(2) Pursuant to the terms of our 2004 Equity Incentive Plan, on the day of each annual meeting of our stockholders for a period of nine years, beginning with the 2005 annual meeting and ending with the 2013 annual meeting, the maximum number of shares of Common Stock available for issuance under this plan (including shares issued prior to each such adjustment) is automatically increased by a number of shares equal to the lesser of (i) 25,000 shares or (ii) such lesser number of shares (which may be zero or any number less than 25,000) as determined by our Board of Directors. Pursuant to this adjustment provision, the maximum number of shares available for issuance under this plan will increase from 900,000 to 925,000 on May 4, 2005, the date of our 2005 annual meeting. The share numbers included in the table do not reflect this adjustment or any future adjustments. The shares that remain available for future grants include 592,000 shares that may be granted as stock options under our 2004 Equity Incentive Plan and 50,000 shares that may be issued as performance-based restricted stock under our 2003 Restricted Stock Award Plan. The 592,000 shares subject to future grant under our 2004 Equity Incentive Plan may, alternatively, be issued as restricted stock, stock units, performance shares, performance units or other incentives payable in cash or stock.

Repurchase of Equity Securities

On October 21, 2004, we publicly announced that our Board of Directors has authorized the repurchase of up to 500,000 shares of our outstanding Common Stock over a three-year period ending October 19, 2007, dependent upon market conditions. We may make Common Stock purchases under this program from time to time on the open market or in privately negotiated transactions at prices determined by our Chairman of the Board or President. We may reissue repurchased shares under our equity compensation plans or as otherwise directed by the Board of Directors. The Board of Directors previously authorized the repurchase of up to 500,000 shares of our Common Stock during the three-year period from October 17, 2001 to October 16, 2004, which program was publicly announced October 17, 2001. The following table sets forth purchases of Common Stock made by us on the open market under that prior authorization and under the current authorization during the fourth quarter of 2004. We are required to include in this table purchases made by us or by any affiliated purchaser. For this purpose, "affiliated purchaser" does not include our Employee Stock Purchase Plan, which provides that shares purchased for employees under that plan may be newly issued shares provided by us or shares purchased on the open market. Open market purchases under that plan are made by the administrator of the plan, which is an agent independent of us.

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)
October 1, 2004 - October 31, 2004	4,000 (2)	$12.39	4,000 (2)	500,000
November 1, 2004 - November 30, 2004	1,000	$12.35	1,000	499,000
December 1, 2004 - December 31, 2004......	2,500	$12.44	2,500	496,500

(1) Indicates the number of shares that may be repurchased, as of the end of the month, under the new program described above effective October 21, 2004, through October 19, 2007, and does not include any shares that were purchasable under our prior program that terminated on October 16, 2004.

(2) These 4,000 shares were purchased under our prior repurchase program described above, which expired on October 16, 2004.

Item 6. SELECTED FINANCIAL DATA

You should read the following selected consolidated financial data and other operating information along with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data." We derived the selected consolidated Statement of Income and Balance Sheet data as of and for each of the five years ended December 31, 2004 from our audited financial statements.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION
(in thousands, except per share data and key operating statistics)

	Year ended December 31,				
	2004	2003	2002	2001	2000
Statements of Income Data:					
Base revenue	**$ 335,880**	$ 286,080	$ 268,510	$ 244,396	$ 218,593
Fuel surcharge	**27,225**	12,583	5,263	8,045	7,992
Total revenue	**363,105**	298,663	273,773	252,441	226,585
Operating expenses and costs:					
Salaries, wages and employee benefits	**125,953**	109,616	108,283	109,508	92,270
Fuel and fuel taxes	**81,722**	58,740	47,851	49,551	49,303
Depreciation and amortization	**35,871**	30,611	27,811	26,418	26,793
Purchased transportation	**28,317**	24,183	26,024	10,728	2,862
Insurance and claims	**26,224**	18,390	15,922	11,590	13,502
Operations and maintenance	**24,736**	26,518	21,592	22,617	19,402
Operating taxes and licenses	**5,653**	4,682	4,389	4,013	4,248
Communications and utilities	**3,039**	2,967	2,792	2,624	2,802
(Gain) loss on disposal of assets	**(1,040)**	(743)	(166)	511	150
Other	**14,831**	12,849	9,803	8,906	9,608
Total operating expenses and costs	**345,306**	287,813	264,301	246,466	220,940
Operating income	**17,799**	10,850	9,472	5,975	5,645
Other expenses (income):					
Interest expense	**3,539**	2,557	3,127	4,344	5,408
Other, net	**33**	65	(22)	(148)	82
Total other expenses, net	**3,572**	2,622	3,105	4,196	5,490
Income before income taxes	**14,227**	8,228	6,367	1,779	155
Income taxes	**6,795**	4,873	3,765	692	61
Net income	**$ 7,432**	$ 3,355	$ 2,602	$ 1,087	$ 94
Earnings per common share:					
Basic	**$ 0.80**	$ 0.36	$ 0.28	$ 0.12	$ 0.01
Diluted	**$ 0.79**	$ 0.36	$ 0.28	$ 0.12	$ 0.01
Weighted average common shares outstanding:					
Basic	**9,268**	9,327	9,310	9,236	9,254
Diluted	**9,398**	9,370	9,348	9,279	9,260

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION (continued)

	Year ended December 31,				
	2004	2003	2002	2001	2000
Other Financial Data:					
Capital expenditures, net (1)	**$ 89,379**	$ 53,406	$ 33,058	$ 27,044	$ 32,533
Key Operating Statistics:					
Revenue per mile (2)	**$ 1.293**	$ 1.236	$ 1.209	$ 1.155	$ 1.143
Average miles per tractor per week	**2,361**	2,341	2,332	2,364	2,190
Empty mile factor	**8.39%**	8.97%	9.24%	9.82%	9.16%
Average number of tractors (3)	**2,174**	1,961	1,882	1,751	1,740
Total miles (loaded & empty) (*in thousands*)	**259,725**	231,389	222,079	211,602	191,318
Miles per tractor	**119,469**	117,995	118,001	120,846	109,953
Average miles per trip (4)	**839**	851	859	852	880
Number of shipments (5)	**329,210**	281,336	253,063	231,002	199,611
Unmanned tractor percentage (6)	**4.86%**	3.85%	5.89%	1.20%	9.20%
Balance Sheet Data:					
Total assets	**$ 288,154**	$ 222,549	$ 188,851	$ 182,411	$ 189,919
Long-term debt and capital leases, including current portion	**140,442**	85,147	68,595	69,480	78,528
Stockholders' equity	**85,528**	77,496	74,092	71,173	69,981

(1) Capital expenditures, net, is based upon purchases of property and equipment for cash and under capital lease arrangements less proceeds from the sale of property and equipment.

(2) Revenue per mile is based upon total revenue minus fuel surcharge divided by total miles (loaded and empty).

(3) Average number of tractors is based upon company-operated tractors plus owner-operator tractors.

(4) Average miles per trip is based upon loaded miles divided by the number of shipments using company-operated and owner-operator tractors.

(5) Number of shipments includes both shipments for which we use company-operated and owner-operator tractors and brokerage and third party logistics services where we engage other carriers to transport our customers' freight.

(6) Unmanned tractor percentage is the average percentage, for each month end during the year, of company-operated tractors to which a driver is not assigned.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements and notes thereto and other financial information that appears elsewhere in this report.

Overview

We operate in the for hire truckload segment of the trucking industry. Shippers of freight in a variety of industries engage us to haul truckload quantities of freight, with the trailer we use to haul that freight being assigned exclusively to that shipper's freight until delivery. We charge shippers for these services on a per-mile basis. We have two operating divisions through which we provide these services, and we aggregate the financial data for those divisions for purposes of our public reporting. We refer to our two operating divisions internally as our General Freight division and our USA Logistics division.

General Freight Division. Our General Freight division provides truckload freight services as a medium-haul common carrier. In the truckload industry, companies whose average length of haul is more than 800 miles but less than 1,200 miles are often referred to as medium-haul carriers. Our average length of haul has been within that range throughout our history. We have provided general freight services since our inception, and we derive the largest portion of our revenues from these services.

USA Logistics Division. Our USA Logistics division provides four basic services to our customers: dedicated freight, regional freight, third party logistics and brokerage services. The phrases "dedicated freight" and "regional freight" refer to variations of our traditional general freight services. Third party logistics and brokerage services are supplementary services that we provide as a complement to our truckload freight services.

Dedicated freight services are truckload freight services we provide pursuant to contracts with our customers under which we agree to make our equipment and drivers available for shipments over particular routes at specified times and dates. Regional freight refers to truckload freight services that involve a length of haul that is generally less than 500 miles. It is not always possible to operate at full capacity entirely within the General Freight division's medium haul range. For this reason, and in order to aid in driver recruitment and retention, we have recently begun to accept shipments that originate and terminate within a smaller geographic area; specifically, the areas around two of our facilities, with lengths of haul generally less than 500 miles.

In connection with third party logistics services, we provide a variety of freight handling services for our customers, including arranging for the transportation of freight. Our freight brokerage services involve matching a customer's shipments with available equipment of other truckload carriers, when it is not feasible to use our own equipment. We began providing third party logistics and brokerage services to meet the demands of our freight customers, many of whom prefer to rely on a single carrier, or a small group of carriers, to provide all of their transportation needs. To date, a significant majority of our third party logistics and brokerage customers have also engaged us to provide truckload freight services.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

The most significant accounting policies and estimates that affect our financial statements include the following:

- *Revenue recognition based on relative transit time in each period and direct expenses as incurred*. The total revenue that we record upon dispatch is recognized in one or more reporting periods based on the estimated percentage of the delivery service, utilizing a bill-by-bill analysis, that has been completed at the end of the reporting period.
- *Selections of estimated useful lives and salvage values for purposes of depreciating tractors and trailers*. We operate a significant number of tractors and trailers in connection with our business. We may purchase this equipment or acquire it under capital leases. We depreciate purchased equipment on the straight-line method over the estimated useful life down to an estimated salvage or trade-in value. We initially record equipment acquired under capital leases at the net present value of the minimum lease payments and amortize it on the straight-line method over the lease term. Depreciable lives of tractors and trailers range from three years to ten years. We estimate the salvage value at the expected date of trade-in or sale based on the expected market values of equipment at the time of disposal. We continually monitor used tractor and trailer values and adjust depreciable lives, depreciation expense and salvage values of our tractors and trailers as necessary to keep their values in line with expected market values at the time of disposal.
- *Estimates of accrued liabilities for claims involving bodily injury, physical damage losses, employee health benefits and workers' compensation*. We record both current and long-term claims accruals at the estimated ultimate payment amounts based on individual case estimates. The current portion reflects the amounts of claims expected to be paid in the next twelve months. In making the estimates we rely on past experience with similar claims, negative or positive developments in the case and similar factors. We do not discount our claims liabilities. Insurance carriers have recently raised premiums for many businesses, including trucking companies. As a result, the Company's insurance and claims expense could increase, or the Company could raise its self-insured retention levels when the policies are renewed.
- *Allowance for doubtful accounts.* We extend credit to our customers in the normal course of business. We perform ongoing credit evaluations and generally do not require collateral. We maintain reserves for potential credit losses based upon our loss history, aging analysis and on-going risk assessment of specific customers. Such losses have been within our expectations. Accounts receivable are comprised of a diversified customer base that results in a lack of concentration of credit risk.
- *Stock based compensation.* 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, if the exercise price of employee stock options equals the market price of the underlying stock on the grant date, no compensation expense is recorded. We have adopted

the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (“SFAS 123”).

We periodically re-evaluate these policies as circumstances change. Together with the effects of the matters discussed above, these factors may significantly impact our consolidated results of operations, financial position and cash flow from period to period. We believe the methodologies we employ to make the above estimates are reliable, as actual amounts incurred have approximated the estimates made.

Results of Operations

Executive Overview

Solid freight demand throughout the year ended December 31, 2004, helped us post strong revenue growth of 17.4% on just 10.9% growth in our tractor fleet. The revenue growth beyond fleet growth was primarily due to higher revenue per mile (+4.6%) and an increase in our third party logistics and brokerage revenues (+19.3%).

We also made progress on our cost management initiatives. In particular, we substantially completed our seven-quarter plan to reduce the average ages of our tractor and trailer fleets, which was the primary reason for the 6.7% reduction in operations and maintenance expenses. Our internal efforts to improve the efficiency of our fuel surcharge revenue program also aided in expanding our margins. That margin expansion was hindered by higher insurance and claims costs, which were up 42.6% due to the settlement and litigation of certain older claims. We are encouraged, however, by the progress that we have made in both accident prevention and claims management. Our accident frequency was down 7.3%, our volume of open liability claims was down 28.6% and our volume of liability claims in litigation was down 38.7%. Overall, the operating ratio of 94.7% improved 3.8 percentage points and represents our best operating margin since 1999.

The results of our improved revenues and our efforts to reduce expenses is evident on the bottom line where we posted our highest net income ($7.4 million) and diluted earnings per share ($0.79) since 1999. Over the past several years, we have meticulously benchmarked our current operating statistics against those of 1998, which is the year that produced the strongest operating statistics in our public history. Our focus on improving revenue per mile and equipment utilization while controlling key expense items enabled us to improve our performance against those benchmarks.

Note Regarding Presentation

By agreement with our customers, and consistent with industry practice, we add a graduated surcharge to the rates we charge our customers as diesel fuel prices increase above an industry-standard baseline price per gallon. The surcharge is designed to approximately offset increases in fuel costs above the baseline. Fuel prices are volatile, and the fuel surcharge increases our revenue at different rates for each period. We believe that comparing operating costs and expenses to total revenue, including the fuel surcharge, could provide a distorted comparison of our operating performance, particularly when comparing results for current and prior periods. Therefore, we have excluded the fuel surcharge from revenue and, instead, taken it as a credit against the fuel and fuel taxes line item in the table below. We believe that this presentation is a more meaningful measure of our operating performance than a presentation comparing operating costs and expenses to total revenue, including the fuel surcharge.

We do not believe that a reconciliation of the information presented on this basis and corresponding information comparing operating costs and expenses to total revenue would be meaningful. Revenue data, on both a total basis and excluding the fuel surcharge, is included in the consolidated statements of income included in this report.

The following period-to-period comparisons should be read in conjunction with the following table and the consolidated statements of income. Unless otherwise indicated, references to increases or decreases in expense items, as a percentage of revenue, refer to increases or decreases as a percentage of revenue, before fuel surcharge.

Revenues from our third party logistics and brokerage services have increased in recent periods. These services do not typically involve the use of our tractors and trailers. Therefore, the increase in these revenues tends to cause expenses related to our operations that do involve our equipment—including depreciation and amortization expense, operations and maintenance expense, salaries, wages and employee benefits and insurance and claims expense—to decrease as a percentage of revenue. Since the increase in these revenues generally affects all such expenses, as a percentage of revenue, we do not specifically mention it as a factor in our discussion of increases or decreases in those expenses in the period-to-period comparisons below.

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

	Year Ended December 31,		
	2004	2003	2002
Revenue, before fuel surcharge	**100.0%**	100.0%	100.0%
Operating expenses and costs:			
Salaries, wages and employee benefits	**37.5**	38.3	40.3
Fuel and fuel taxes (1)	**16.2**	16.1	15.9
Depreciation and amortization	**10.7**	10.7	10.4
Purchased transportation	**8.4**	8.5	9.7
Insurance and claims	**7.8**	6.4	5.9
Operations and maintenance	**7.4**	9.3	8.1
Operating taxes and licenses	**1.7**	1.7	1.6
Communications and utilities	**0.9**	1.0	1.0
Gain on disposal of assets	**(0.3)**	(0.3)	(0.1)
Other	**4.4**	4.5	3.7
Total operating expenses	**94.7**	96.2	96.5
Operating income	**5.3**	3.8	3.5
Other expenses (income):			
Interest expense	**1.1**	0.9	1.2
Other, net	**--**	--	(0.1)
Total other expenses, net	**1.1**	0.9	1.1
Income before income taxes	**4.2**	2.9	2.4
Income tax expense	**2.0**	1.7	1.4
Net income	**2.2%**	1.2%	1.0%

(1) Net of fuel surcharge revenue

Fiscal Year Ended December 31, 2004 compared to Fiscal Year Ended December 31, 2003

Operating revenue, before fuel surcharge, increased 17.4% from $286.1 million in 2003 to $335.9 million in 2004. This increase was due primarily to an increase of 10.9% in the average number of tractors operated from 1,961 (including 39 owner-operators) in 2003 to 2,174 (including 43 owner-operators) in 2004, an increase of 4.6% in average rates per mile and, to a lesser extent, an increase in the number of workdays from 252 in 2003 to 253 in 2004.

Average revenue per mile, before fuel surcharge, increased from $1.236 in 2003 to $1.293 in 2004 due to an increase in the average rate per mile charged to customers and, to a lesser extent, an increase in third party logistics and brokerage revenues and an improvement in our empty mile factor. The number of shipments increased 17.0% from 281,336 in 2003 to 329,210 in 2004. The empty mile factor decreased from 8.97% of paid miles in 2003 to 8.39% of paid miles in 2004. The decreased empty mile factor was primarily the result of improved freight demand in our operating areas and, to a lesser extent, reduced quantities of inbound loads into areas where there were few available outbound loads.

The decrease in salaries, wages and employee benefits expense, as a percentage of revenue, was primarily the result of an increase in average revenue per mile. This was partially offset by an increase in monetary incentive compensation accrued for employees due to improved financial performance of the Company from 2003 to 2004 and an increase in the cost of employee medical benefits expense.

We increased driver pay effective in mid-December 2004. The pay increase impacts approximately 80% of our drivers and is comprised of a one-cent per mile increase for all eligible drivers plus an additional one-cent per mile for eligible drivers with zero to nine months of experience. We estimate that affected drivers will receive an average pay increase of $0.0126 per mile. The increase is intended to address driver recruiting and retention objectives by maintaining our pay scale's competitive position relative to our peers with whom we directly compete for drivers. Because of the timing of this increase, it had a minimal effect on 2004 operating results.

The decrease in operations and maintenance expense, as a percentage of revenue, was primarily due to decreased direct repair costs resulting from a decrease in the average age of our revenue equipment.

The increase in insurance and claims expense, as a percent of revenue, was primarily due to an increase in expenses associated with bodily injury and property damage claims as a result of our continued efforts to settle and litigate certain older claims and, to a lesser extent, an increase in expenses associated with accident damage to our own revenue equipment.

Our effective tax rate decreased from 59.2% in 2003 to 47.8% in 2004. The effective rates varied from the statutory federal tax rate of 35% primarily due to state income taxes and certain non-deductible expenses including a per diem pay structure that we implemented in April 2002. Due to the partially nondeductible effect of per diem, our tax rate will fluctuate in future periods based on fluctuations in earnings and in the number of drivers who elect to receive this pay structure. Due to increased pre-tax income in 2004, the impact of the non-deductible expenses had a lesser impact on the effective rate than in 2003.

Fiscal Year Ended December 31, 2003 compared to Fiscal Year Ended December 31, 2002

Operating revenue, before fuel surcharge, increased 6.5% from $268.5 million in 2002 to $286.1 million in 2003. This increase was due primarily to an increase of 4.2% in the average number of tractors operated from 1,882 (including 74 owner-operators) in 2002 to 1,961 (including 42 owner-operators) in 2003, an increase in average rates per mile and a 9.1% increase in third party logistics and brokerage revenues from $16.5 million in 2002 to $18.0 million in 2003. These effects were partially offset by a decrease in the number of workdays from 253 in 2002 compared to 252 in 2003.

Average revenue per mile, before fuel surcharge, increased from $1.209 in 2002 to $1.236 in 2003 due to an increase in the average rate per mile charged to customers and, to a lesser extent, an increase in third party logistics and brokerage revenues. The number of shipments increased 11.2% from 253,063 in 2002 to 281,336 in 2003. The empty mile factor decreased from 9.24% of paid miles in 2002 to 8.97% of paid miles in 2003. The decreased empty mile factor was primarily the result of improved freight demand in our operating areas and, to a lesser extent, reduced quantities of inbound loads into areas where there were few available outbound loads. We experienced a decrease in the percentage of unmanned tractors from 5.89% of the fleet in 2002 to 3.85% of the fleet in 2003. The decrease in the percentage of unmanned tractors was primarily the result of the number of drivers hired exceeding drivers lost through turnover.

The decrease in salaries, wages and employee benefits expense, as a percentage of revenue, was primarily the result of our implementing a reduction in the drivers' pay rate per mile in December 2002 and a per diem pay program for drivers in April 2002, an increase in average revenue per mile, before fuel surcharge, and a decrease in employee medical benefit expenses. Although the deductibility of per diem payments is limited, there are certain tax benefits to drivers that allow us to decrease overall wages per mile for those drivers who elect to receive the per diem payments. These effects were partially offset by a decrease in the average number of owner-operators in our fleet from 74 in 2002 to 39 in 2003.

The increase in depreciation and amortization expense, as a percentage of revenue, was due to slightly higher depreciation expense as a result of the decreased salvage value of tractors that we chose not to trade in accordance with our pre-2002 trade cycle and an increase in new tractor pricing in 2003. The decrease in average number of owner-operators also contributed to the increase.

The increase in operations and maintenance expense, as a percentage of revenue, was primarily due to increased maintenance expense on tractors that we chose not to trade in accordance with our pre-2002 trade cycle and, to a lesser extent, the decrease in the size of our owner-operator fleet.

The decrease in purchased transportation expense, as a percentage of revenue, was primarily due to the decrease in the size of our owner-operator fleet. Owner-operators are independent contractors who provide their own tractors (including tractor maintenance), fuel and most insurance and drive for the Company on a contract basis for a fixed rate per mile that is higher than that paid to Company drivers, who are not directly responsible for these expenses. This effect was partially offset by an increase in carrier expense for third party transportation services incurred in connection with our third party logistics and brokerage services. All expenses associated with our third party logistics and brokerage services and owner-operator fees comprise purchased transportation expense.

The increase in insurance and claims expense, as a percentage of revenue, was primarily due to an increase in adverse claims accruals, and, to a lesser extent, an increase in liability, cargo and workers' compensation insurance premiums.

The increase in other costs, as a percentage of revenue, was primarily due to an increase in recruiting expense to reduce the number of unmanned tractors as described above.

Our effective tax rate increased from 59.1% in 2002 to 59.2% in 2003. The effective rates varied from the statutory federal tax rate of 34% primarily due to state income taxes and certain non-deductible expenses including a per diem pay structure that we implemented in April 2002. Due to the partially nondeductible effect of per diem, our tax rate will fluctuate in future periods based on fluctuations in earnings and in the number of drivers who elect to receive this pay structure.

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, particularly those with manufacturing operations, reduce shipments due to temporary plant closings. Historically, many of our customers have closed their plants for maintenance or other reasons during January and July.

Inflation

Although most of our operating expenses are inflation sensitive, with increases in inflation generally resulting in increased operating costs and expenses, the effect of inflation on revenue and operating costs has been minimal in recent years. The effects of inflation-driven cost increases on our overall operating costs are not expected to be greater for us than for our competitors.

Fuel Availability and Cost

The motor carrier industry is dependent upon the availability of fuel. Fuel shortages or increases in fuel taxes or fuel costs have adversely affected our profitability and will continue to do so. Fuel prices have fluctuated widely and fuel taxes have generally increased in recent years. We have not experienced difficulty in maintaining necessary fuel supplies and in the past we generally have been able to partially offset increases in fuel costs and fuel taxes through increased freight rates and through a fuel surcharge that increases incrementally as the price of fuel increases above a certain baseline price. Typically, we are not able to fully recover increases in fuel prices through rate increases and fuel surcharges. We do not have any long-term fuel purchase contracts and we have not entered into any other hedging arrangements that protect us against fuel price increases. Overall, we experienced higher fuel prices per gallon in 2004 than in 2003 and 2002.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. From time to time we may enter into operating leases that would not be reflected in our balance sheet.

Liquidity and Capital Resources

The continued growth of our business has required significant investments in new equipment. We have financed new tractor and trailer purchases with cash flows from operations, the proceeds from sales or trades of used equipment, borrowings under our senior credit facility and capital lease-purchase arrangements. We have historically met our working capital needs with cash flows from operations and with borrowings under our senior credit facility. We use our senior credit facility to minimize fluctuations in cash flow needs and to provide flexibility in financing revenue equipment purchases. Cash flows from operations were $38.0 million for 2004 and $36.9 million for 2003.

Our senior credit facility, as amended, provides a working capital line of credit of $75.0 million, including letters of credit not exceeding $10.0 million. Bank of America, N.A. is the agent bank and SunTrust Bank, U.S. Bank and Regions Bank are participants in our senior credit facility. As of December 31, 2004, approximately $9.7 million was available under our senior credit facility. Our senior credit facility matures on April 30, 2007. At any time prior to April 30, 2007, subject to certain conditions, we have the option to convert the balance outstanding on our senior credit facility to a four-year term loan requiring 48 equal monthly principal payments plus interest. The facility can be increased to $90.0 million at our option, with the additional availability provided by the current lenders, at their election, or by other lenders. Our senior credit facility bears variable interest based on the agent bank's prime rate, the federal funds rate plus a certain percentage or LIBOR plus a certain percentage, which is determined based on our attainment of certain financial ratios. The effective interest rate on our borrowings under our credit facility for the year ended December 31, 2004 was 3.13%. We have hedged a portion of our exposure to the volatility in variable interest rates by entering into an interest rate swap agreement effective March 27, 2003, on a notional amount of $10 million. See "Item 7A. Quantitative and Qualitative Disclosures about Market Risk." A quarterly commitment fee is payable on the unused credit line at a rate which is determined based on our attainment of certain financial ratios. As of December 31, 2004, the rate was 0.30%. Our credit facility is collateralized by accounts receivable and otherwise unencumbered tractors.

On December 31, 2004, we had debt obligations of approximately $140.4 million, including amounts borrowed under our senior credit facility, approximately $73.8 million of capital lease commitments and approximately $3.1 million under a short-term note payable. Approximately $25.3 million of these debt obligations were current obligations. During the year ended December 31, 2004, we made borrowings under our senior credit facility, lease commitments and a note payable of $235.4 million, while retiring $180.1 million in debt under these facilities. The borrowings had an average interest rate of approximately 3.9% while the retired debt had an average interest rate of approximately 4.0%.

During the year ended December 31, 2004, we made $113.6 million in capital expenditures including equipment purchases under capital lease arrangements, $109.8 million of which we used for revenue equipment and $3.8 million of which we used for maintenance and office equipment, maintenance facility and office expansions and facility improvements.

At December 31, 2004, we planned to make approximately $109.3 million in capital expenditures during 2005. Of this amount, we were contractually committed to spend $103.3 million and budgeted to spend an additional $0.9 million for revenue equipment in 2005. We expect to use the balance of our planned capital expenditures for 2005, in the amount of approximately $5.1 million, for facility improvements and maintenance and office equipment. We can cancel these commitments to purchase revenue equipment upon advance notice. While the current availability under our senior credit facility and cash flows from operations may not be sufficient to fund the expenditures we plan to make in 2005, we are considering exercising the option to increase the availability under our senior credit facility in accordance with its terms. We are likely to enter into additional leasing arrangements and may consider other financing sources, possibly including public or private offerings of securities. We believe that these traditional and potential sources of capital will be sufficient to fund our operations and capital expenditures throughout 2005.

The following table represents our outstanding contractual obligations at December 31, 2004, excluding letters of credit:

Payments Due By Period
(in thousands)

	Total	2005	2006-2007	2008-2009	Thereafter
Contractual Obligations:					
Long-term debt obligations (1)	$ 63,543	$ --	$ --	$ 63,543	$ --
Capital lease obligations (2)	78,132	24,295	39,662	14,175	--
Purchase obligations (3)	194,881	105,280	89,601	--	--
Financing Note	3,084	3,084	--	--	--
Total	$ 336,640	$ 132,659	$ 129,263	$ 77,718	$ --

(1) Long-term debt obligations consist of our senior credit facility that matures on April 30, 2007.

(2) Capital lease obligations in this table include interest payments not included in the balance sheet.

(3) Revenue equipment purchase obligations in the amount $103.3 million for 2005 and $89.6 million for 2006 are cancelable by us upon advance notice.

New Accounting Pronouncements

See "Item 8. Financial Statements and Supplementary Data—Note 1. to the Financial Statements: New Accounting Pronouncements."

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We experience various market risks, including changes in interest rates, foreign currency exchange rates, and commodity prices.

Interest Rate Risk. We are exposed to interest rate risk primarily from our senior credit facility. Our senior credit facility, as amended, provides for borrowings that bear interest at variable rates based on either a prime rate or the LIBOR. At December 31, 2004, we had $65.3 million outstanding pursuant to our senior credit facility including letters of credit.

In an effort to manage the risks associated with changing interest rates, we entered into an interest rate swap agreement effective March 27, 2003 on a notional amount of $10.0 million. The transaction is intended to provide interest rate protection for us by creating an interest rate neutral position on a portion of our outstanding balance under our senior credit facility by specifically matching notional amounts, maturity dates and interest rate indices, and does not provide us with any additional borrowing capacity. Details regarding the swap, as of December 31, 2004, are as follows:

Notional Amount	Maturity	Rate Paid	Rate Received (1)	Fair Value (2) (3)
$10.0 million	March 27, 2005	1.99%	2.55%	$ 14,000

(1) LIBOR rate is determined two London Banking Days prior to the first day of every month and continues up to and including the maturity date.

(2) The fair value is an estimated amount that we would have paid at December 31, 2004 to terminate the agreement.

(3) The fair value changed from approximately $(52,000) at December 31, 2003. The fair value is impacted by changes in rates of similarly termed Treasury instruments.

Foreign Currency Exchange Rate Risk. All customers are required to pay for our services in U.S. dollars. Although the Canadian Government makes certain payments, such as tax refunds, to us in Canadian dollars, any foreign currency exchange risk associated with such payments is not material.

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

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

USA TRUCK, INC.
ANNUAL REPORT ON FORM 10-K
YEAR ENDED DECEMBER 31, 2004
INDEX TO FINANCIAL STATEMENTS

REPORT OF ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
USA Truck, Inc.

We have audited the accompanying consolidated balance sheets of USA Truck, Inc. as of December 31, 2004 and 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 consolidated financial position of USA Truck, Inc. at December 31, 2004 and 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ERNST & YOUNG LLP

Tulsa, Oklahoma

January 28, 2005

USA Truck, Inc.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

	December 31, 2004	December 31, 2003
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,189**	$ 1,323
Accounts receivable:		
Trade, less allowance for doubtful accounts of $166 in 2004 and $330 in 2003	**41,618**	32,647
Other	**4,361**	3,162
Inventories	**447**	425
Deferred income taxes	**2,668**	2,776
Prepaid expenses and other current assets	**6,376**	5,208
Total current assets	**56,659**	45,541
Property and equipment:		
Land and structures	**27,697**	24,625
Revenue equipment	**261,282**	205,053
Service, office and other equipment	**16,238**	16,233
	305,217	245,911
Accumulated depreciation and amortization	**(73,875)**	(69,117)
	231,342	176,794
Other assets	**153**	214
Total assets	**$ 288,154**	$ 222,549
Liabilities and stockholders' equity		
Current liabilities:		
Bank drafts payable	**$ 1,769**	$ 1,043
Trade accounts payable	**12,069**	11,736
Current portion of insurance and claims accruals	**8,299**	8,428
Accrued expenses	**8,683**	10,908
Note payable	**3,084**	--
Current maturities of long-term debt and capital leases	**22,244**	10,847
Total current liabilities	**56,148**	42,962
Long-term debt and capital leases, less current maturities	**115,114**	74,300
Deferred income taxes	**27,636**	24,757
Insurance and claims accruals, less current portion	**3,728**	3,034
Commitments and contingencies	**--**	**--**
Stockholders' equity:		
Preferred Stock, $.01 par value; 1,000,000 shares authorized; none issued	**--**	**--**
Common Stock, $.01 par value; 16,000,000 shares authorized; issued 9,341,446 shares in 2004 and 9,332,546 shares in 2003	**93**	93
Additional paid-in capital	**13,211**	11,458
Retained earnings	**73,411**	65,979
Less treasury stock, at cost (6,834 shares in 2004 and 433 shares in 2003)	**(84)**	(2)
Accumulated other comprehensive income (loss)	**8**	(32)
Unearned compensation	**(1,111)**	--
Total stockholders' equity	**85,528**	77,496
Total liabilities and stockholders' equity	**$ 288,154**	$ 222,549

See accompanying notes.

USA Truck, Inc.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

	Year Ended December 31,		
	2004	2003	2002
Revenue:			
Base revenue	**$ 335,880**	$ 286,080	$ 268,510
Fuel surcharge	**27,225**	12,583	5,263
Total revenue	**363,105**	298,663	273,773
Operating expenses and costs:			
Salaries, wages and employee benefits	**125,953**	109,616	108,283
Fuel and fuel taxes	**81,722**	58,740	47,851
Depreciation and amortization	**35,871**	30,611	27,811
Purchased transportation	**28,317**	24,183	26,024
Insurance and claims	**26,224**	18,390	15,922
Operations and maintenance	**24,736**	26,518	21,592
Operating taxes and licenses	**5,653**	4,682	4,389
Communications and utilities	**3,039**	2,967	2,792
Gain on disposal of assets	**(1,040)**	(743)	(166)
Other	**14,831**	12,849	9,803
Total operating expenses and costs	**345,306**	287,813	264,301
Operating income	**17,799**	10,850	9,472
Other expenses (income):			
Interest expense	**3,539**	2,557	3,127
Other, net	**33**	65	(22)
Total other expenses, net	**3,572**	2,622	3,105
Income before income taxes	**14,227**	8,228	6,367
Income tax expense:			
Current	**3,834**	4,735	1,718
Deferred	**2,961**	138	2,047
Total income tax expense	**6,795**	4,873	3,765
Net income	**$ 7,432**	$ 3,355	$ 2,602
Net income per share:			
Basic earnings per share	**$ 0.80**	$ 0.36	$ 0.28
Diluted earnings per share	**$ 0.79**	$ 0.36	$ 0.28

See accompanying notes.

USA Truck, Inc.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)

	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income/(Loss)	Unearned Compensation	Total
Balance at January 1, 2002	9,268	$ 93	$ 11,139	$ 60,022	$ (80)	$ --	$ --	$ 71,174
Exercise of stock options	57	--	240	--	--	--	--	240
Sale of 8 shares of treasury stock to employee stock purchase plan	--	--	31	--	45	--	--	76
Net income for 2002	--	--	--	2,602	--	--	--	2,602
Balance at December 31, 2002	9,325	93	11,410	62,624	(35)	--	--	74,092
Exercise of stock options	8	--	30	--	--	--	--	30
Sale of 6 shares of treasury stock to employee stock purchase plan	--	--	18	--	33	--	--	51
Net income for 2003	--	--	--	3,355	--	--	--	3,355
Change in fair value of interest rate swap, net of taxes of $20	--	--	--	--	--	(32)	--	(32)
Total other comprehensive income	--	--	--	--	--	--	--	3,323
Balance at December 31, 2003	9,333	93	11,458	65,979	(2)	(32)	--	77,496
Exercise of stock options	**9**	--	**49**	--	--	--		**49**
Purchase of 8 shares of Common Stock into treasury	--	--	--	--	**(93)**	--	--	**(93)**
Sale of 1 share of treasury stock to employee stock purchase plan	--	--	**3**	--	**11**	--	--	**14**
Contribution of shares for restricted stock award	--	--	**1,163**	--	**(1,163)**	--	--	--
Restricted stock award grant	--	--	--	--	**1,163**	--	**(1,163)**	--
Adjustments to unearned compensation	--	--	**538**	--	--	--	**(538)**	--
Amortization of unearned compensation	--	--	--	--	--	--	**590**	**590**
Net income for 2004	--	--	--	**7,432**	--	--	--	**7,432**
Change in fair value of interest rate swap, net of taxes of ($26)	--	--	--	--	--	**40**	--	**40**
Total other comprehensive income								**7,472**
Balance at December 31, 2004	**9,342**	**$ 93**	**$ 13,211**	**$ 73,411**	**$ (84)**	**$ 8**	**$ (1,111)**	**$ 85,528**

See accompanying notes.

USA Truck, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31,		
	2004	2003	2002
Operating activities			
Net income	**$ 7,432**	$ 3,355	$ 2,602
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**35,871**	30,611	27,811
Provision for doubtful accounts	**(129)**	173	42
Deferred income taxes	**2,961**	138	2,048
Amortization of unearned compensation	**590**	--	--
Gain on disposal of property and equipment	**(1,040)**	(743)	(166)
Changes in operating assets and liabilities:			
Accounts receivable	**(10,041)**	(8,533)	1,400
Inventories, prepaid expenses and other current assets	**(1,190)**	(1,259)	(1,501)
Bank drafts payable, trade accounts payable and accrued expenses	**2,999**	11,179	(1,151)
Insurance and claims accruals	**565**	1,944	1,857
Net cash provided by operating activities	**38,018**	36,865	32,942
Investing activities			
Purchases of property and equipment	**(77,937)**	(34,537)	(17,706)
Proceeds from sale of property and equipment	**24,180**	11,117	1,538
Change in other assets	**61**	(7)	(53)
Net cash used in investing activities	**(53,696)**	(23,427)	(16,221)
Financing activities			
Borrowings under long-term debt	**195,640**	88,270	60,609
Principal payments on long-term debt	**(165,581)**	(79,700)	(61,695)
Principal payments on capitalized lease obligations	**(13,470)**	(22,004)	(16,689)
Principal payments on note payable	**(1,015)**	--	--
Payments to repurchase common stock	**(93)**	--	--
Proceeds from sale of treasury stock	**14**	51	76
Proceeds from exercise of stock options	**49**	30	240
Net cash provided by (used in) financing activities	**15,544**	(13,353)	(17,459)
Increase (decrease) in cash and cash equivalents	**(134)**	85	(738)
Cash and cash equivalents:			
Beginning of period	**1,323**	1,238	1,976
End of period	**$ 1,189**	$ 1,323	$ 1,238
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	**$ 3,193**	$ 2,642	$ 3,676
Income taxes	**4,948**	2,858	1,675
Supplemental schedule of non-cash investing and financing			
Liability incurred for leases on revenue equipment	**35,622**	29,986	16,890
Liability incurred for note payable	**4,099**	--	--

See accompanying notes.

USA Truck, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004

1. Summary of Significant Accounting Policies

Description of Business

USA Truck (the "Company") is a medium haul**,** dry van truckload carrier transporting general commodities throughout the continental United States and between locations in the United States and Canada. We transport general commodities into Mexico by allowing through-trailer service on our trailers through our facility in the gateway city of Laredo, Texas.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All intercompany accounts and significant intercompany transactions have been eliminated in consolidation.

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.

Accounts Receivable and Concentration of Credit Risk

The Company extends credit to its customers in the normal course of business. The Company performs ongoing credit evaluations and generally does not require collateral. The Company maintains reserves for potential credit losses based upon its loss history and its aging analysis. Such losses have been within management's expectations. Accounts receivable are comprised of a diversified customer base that results in a lack of concentration of credit risk.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Inventories

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

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.

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 10 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.

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, cargo loss and damage claims and medical benefits. Provisions are made for both the estimated liabilities for known claims as incurred and estimates for those incurred but not reported.

Beginning October 1, 2004, our self-insurance retention levels were $750,000 for workers' compensation claims per occurrence, $50,000 for cargo loss and damage claims per occurrence and $1.0 million for bodily injury and property damage claims per occurrence. For medical benefits, the Company self-insures up to $250,000 per claim per year with an aggregate claim exposure limit, which was $8.2 million at December 31, 2004, determined by its year-to-date claims experience and its number of covered lives. The Company is completely self-insured for physical damage to its own tractors and trailers, except that the Company carries catastrophic physical damage coverage to protect against natural disasters. The Company maintains insurance above the amounts for which it self-insures, to certain limits, with licensed insurance carriers. The Company has excess general, auto and employer's liability coverage in amounts substantially exceeding minimum legal requirements, and the Company believes this coverage is sufficient to protect against material loss.

The Company records claims accruals at the estimated ultimate payment amounts based on individual case estimates. The current portion reflects the amounts of claims expected to be paid in the next twelve months. In making the estimates of ultimate payment amounts and the determinations of the current portion of each claim the Company relies on past experience with similar claims, negative or positive developments in the case and similar factors. The Company re-evaluates these estimates and determinations each reporting period based on developments that occur and new information that becomes available during the reporting period.

Revenue Recognition

The total revenue that the Company records upon dispatch is recognized in one or more reporting periods based on the estimated percentage of the delivery service that has been completed at the end of the reporting period.

Advertising Costs

The Company expenses advertising costs as incurred. Total advertising costs for the periods ended December 31, 2004, 2003 and 2002 were approximately $4.1 million, $3.3 million and $2.4 million, respectively.

Stock Based Compensation

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, if the exercise price of employee stock options equals 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)

Since the Company has adopted the disclosure-only provisions of SFAS 123, no compensation cost has been recognized for the stock option plans other than the amortization of the unearned compensation related to the restricted stock awards. Had compensation cost for the Company's stock option plan been determined based on the fair value at the grant date for awards in 2004, 2003 and 2002 consistent with the provisions of SFAS 123, the Company's pro forma net income would have been as follows:

(in thousands, except per share amounts)

	2004	2003	2002
Net income, as reported	**$ 7,432**	$ 3,355	$ 2,602
Stock based compensation expense included in the Consolidated Statements of Income, net of tax	**365**	--	--
Pro forma expense for all awards, net of tax	**(549)**	(70)	(99)
Pro forma net income	**$ 7,248**	$ 3,285	$ 2,503
Basic earnings per share, as reported	**$ 0.80**	$ 0.36	$ 0.28
Pro forma basic earnings per share	**$ 0.78**	$ 0.35	$ 0.27
Diluted earnings per share, as reported	**$ 0.79**	$ 0.36	$ 0.28
Pro forma diluted earnings per share	**$ 0.77**	$ 0.35	$ 0.27

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 and restricted stock. Diluted earnings per share is computed by adjusting the weighted average shares outstanding by Common Stock equivalents attributable to dilutive stock options and restricted stock.

Reclassifications

Certain reclassifications have been made in the prior year's financial statements to conform to the current year's presentation.

New Accounting Pronouncements

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), *Share-Based Payment* ("Statement 123R"), which is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation.* Statement 123R supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and amends FASB Statement No. 95, *Statement of Cash Flows.* Statement 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based upon the fair value at grant date. Statement 123R is effective for us on July 1, 2005.

The Company will adopt the modified-prospective-transition method. Under this method, the Company will be required to recognize compensation cost for share-based payments to our employees based on their grant-date fair value from the beginning of the fiscal period in which the recognition provisions are first applied. Measurement and attribution of compensation cost for awards that were granted prior to, but not vested as of the date Statement 123R is adopted will be based on the same estimate of the grant-date fair value used previously under Statement 123 for pro forma disclosure purposes. For those awards that are granted, modified or settled after Statement 123R is adopted, compensation cost will be measured and recognized in the financial statements in accordance with the provisions of Statement 123R. For periods prior to adoption, the financial statements will remain unchanged. Accordingly, pro forma disclosures will not be necessary for periods after the adoption of the new standard.

Based on the options currently outstanding, the estimated impact of Statement 123R, after the adoption date, would be a recognition of approximately $86,000 in compensation expense during 2005.

1. Summary of Significant Accounting Policies (continued)

In May of 2003, the Financial Accounting Standards Board issued Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity* ("SFAS 150"). SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or asset in some circumstances). Many of those instruments were previously classified as equity. This statement is effective for financial instruments entered into or modified after May 31, 2003 and otherwise effective at the beginning of the first interim period beginning after June 15, 2003. Adoption of this statement did not have an impact on the Company's financial statements and related disclosures.

In March of 2003, the Financial Accounting Standards Board issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51* ("FIN 46"). FIN 46 addresses consolidation by business enterprises of variable interest entities. FIN 46 is effective for variable interest entities for periods ending after December 15, 2003, and for all other types of entities for periods ending after March 15, 2004. The adoption of FIN 46 did not have a significant impact on the Company's financial statements and related disclosures.

2. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

(in thousands)

	December 31,	
	2004	2003
Prepaid licenses and taxes	**$ 2,059**	$ 1,902
Prepaid insurance	**3,110**	2,379
Other	**1,207**	927
Total prepaid expenses and other current assets	**$ 6,376**	$ 5,208

3. Accrued Expenses

Accrued expenses consist of the following:

(in thousands)

	December 31,	
	2004	2003
Salaries, wages, bonuses and employee benefits	**$ 3,277**	$ 3,458
Income tax payable	**--**	2,275
Other (1)	**5,406**	5,175
Total accrued expenses	**$ 8,683**	$ 10,908

(1) As of December 31, 2004 and 2003 no single item included within other accrued expenses exceeded 5% of our total current liabilities.

4. Derivative Financial Instruments

The Company records derivative financial instruments in the balance sheet as either an asset or liability at fair value, with classification as current or long-term depending on the duration of the instrument.

Changes in the derivative instrument's fair value must be recognized currently in earnings unless specific hedge accounting criteria are met. For cash flow hedges that meet the criteria, the derivative instrument's gains and losses, to the extent effective, are recognized in accumulated other comprehensive income and reclassified into earnings in the same period during which the hedged transaction affects earnings.

Effective March 27, 2003, the Company entered into an interest rate swap agreement with a notional amount of $10.0 million. Under this swap agreement, the Company pays a fixed rate of 1.99%, while receiving a floating rate equal to the "3-month" LIBOR as of the second London Business Day prior to each floating rate reset date. This interest rate swap agreement terminates on March 27, 2005.

4. Derivative Financial Instruments (continued)

The Company designated the $10.0 million interest rate swap as a cash flow hedge of its exposure to variability in future cash flow resulting from the interest payments indexed to the "3-month" LIBOR. Changes in future cash flows from the interest rate swap will offset changes in interest payments on the first $10.0 million of the Company's current senior credit facility or future "3-month" LIBOR-based borrowings that reset on the second London Business Day prior to the start of the next interest period. The fair value of the swap agreement was a liability of approximately $52,000 at December 31, 2003 and a receivable of approximately $14,000 at December 31, 2004.

The Company recorded no gain or loss for the years ended December 31, 2004 and 2003 as a result of hedge ineffectiveness, other derivative instruments' gain or loss or the discontinuance of a cash flow hedge. Future changes in the swap arrangement including termination of the swap agreement, swap notional amount, hedged portion or forecasted Credit Agreement borrowings below $10.0 million may result in a reclassification of any gain or loss reported in other comprehensive income into earnings.

This interest rate swap agreement meets the specific hedge accounting criteria of SFAS 133. The effective portion of the cumulative gain or loss will be reported as a component of accumulated other comprehensive income or loss in stockholders' equity and will be reclassified into current earnings by March 27, 2005, the termination date for this swap agreement.

The measurement of hedge effectiveness is based upon a comparison of the floating-rate component of the swap and the hedged floating-rate cash flows on the underlying liability. The calculation of ineffectiveness involves a comparison of the present value of the cumulative change in the expected future cash flows on the variable component of the swap and the present value of the cumulative change in the expected future interest cash flows on the floating-rate liability.

5. Note Payable

At December 31, 2004, the Company had an unsecured note payable of $3.1 million that matures on September 1, 2005. It carries an interest rate of 2.53%.

6. Long-term Debt

Long-term debt consists of the following:

(in thousands)

	December 31, 2004	December 31, 2003
Revolving credit agreement (1)	**$ 63,543**	$ 33,484
Capitalized lease obligations (2)	**73,815**	51,663
	137,358	85,147
Less current maturities	**22,244**	10,847
Long-term debt, less current maturities	**$ 115,114**	$ 74,300

(1) The Company's revolving credit agreement (the senior credit facility), as amended provides for available borrowings of $75.0 million, including letters of credit not exceeding $10.0 million. Availability may be further reduced by a borrowing base limit as defined in the agreement. At December 31, 2004, the Company had approximately $9.7 million availability under the facility. The senior credit facility matures on April 30, 2007, prior to which time, subject to certain conditions, the remaining outstanding 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 facility can also be increased to $90.0 million at the Company's option, with the additional availability provided by the current lenders, at their election, or by other lenders. The credit facility bears variable interest based on the agent bank's prime rate, or federal funds rate plus a certain percentage 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 senior credit facility for the year ending December 31, 2004 was 3.13%. A quarterly commitment fee is payable on the unused portion of the credit line and bears a rate which is determined based on the Company's attainment of certain financial ratios. At December 31, 2004, the rate was 0.30% per annum. The senior credit facility is collateralized by all accounts

6. Long-term Debt (continued)

receivable and tractors with a net book value of $53.9 million. The Company had outstanding letters of credit of approximately $1.7 million at December 31, 2004. The senior credit facility requires the Company to meet certain financial covenants and to maintain a minimum tangible net worth of approximately $73.1 million at December 31, 2004. The Company was in compliance with these covenants at December 31, 2004. 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 senior credit facility approximates its fair value.

(2) The Company's capitalized lease obligations extend through June 2008 and contain renewal or fixed price purchase options. The effective interest rates on the leases range from 2.35% to 6.48% at December 31, 2004. The lease agreements require the Company to pay property taxes, maintenance and operating expenses.

7. Leases and Commitments

Capital lease obligations of $35.6 million, $30.0 million and $16.9 million were incurred during the years ended December 31, 2004, 2003 and 2002, respectively.

At December 31, 2004, the future minimum payments under capitalized leases with initial terms of one year or more were $24.3 million for 2005, $17.5 million for 2006, $22.1 million for 2007 and $14.2 million for 2008. The present value of net minimum lease payments was $73.8 million, which includes the current portion of the capital leases of $22.2 million and excludes amounts representing interest of $4.3 million.

At December 31, 2004, property and equipment included capitalized leases, which had capitalized costs of $95.2 million, accumulated amortization of $22.0 million and a net book value of $73.2 million. At December 31, 2003, property and equipment included capitalized leases, which had capitalized costs of $62.9 million, accumulated amortization of $11.9 million and a net book value of $51.0 million. Amortization of leased assets is included in depreciation and amortization expense and totaled $11.9 million, $9.6 million and $10.6 million for the years ended December 31, 2004, 2003 and 2002, respectively.

The Company leased certain equipment under operating leases with terms from three to five years. Rent expense under these obligations was $113,000 and $347,000 for the years ended December 31, 2003 and 2002, respectively. There was no rent expense in 2004.

Commitments to purchase revenue equipment (including capital leases) and other fixed assets, which are cancelable by the Company upon advance notice, aggregated approximately $194.9 million at December 31, 2004, including commitments to purchase tractors through December 31, 2006.

USA Truck, Inc.

8. Federal and State Income Taxes

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

(in thousands)

	December 31,	
	2004	2003
Current deferred tax assets:		
Revenue recognition	**$ 218**	$ 172
Accrued expenses not deductible until paid	**4,555**	4,329
Restricted stock award plan	**231**	--
Allowance for doubtful accounts	**65**	127
Total current deferred tax assets	**5,069**	4,628
Current deferred tax liabilities:		
Prepaid expenses deductible when paid	**(2,401)**	(1,852)
Total current deferred tax liability	**(2,401)**	(1,852)
Net current deferred tax assets	**$ 2,668**	$ 2,776
Noncurrent deferred tax assets:		
Capitalized leases	**$ 153**	$ 129
State tax credits	**45**	60
Unrecognized (gain) loss on derivative financial instrument	**(6)**	20
Non-compete agreement	**222**	241
Net operating losses	**--**	175
Total noncurrent deferred tax assets	**414**	625
Noncurrent deferred tax liabilities:		
Tax over book depreciation	**(28,036)**	(25,372)
Other	**(14)**	(10)
Total noncurrent deferred tax liabilities	**(28,050)**	(25,382)
Net deferred tax liabilities	**$ (27,636)**	$ (24,757)

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

(in thousands)

	Year Ended December 31,		
	2004	2003	2002
Current:			
Federal	**$ 3,132**	$ 3,817	$ 1,459
State	**702**	918	259
Total current	**3,834**	4,735	1,718
Deferred:			
Federal	**2,482**	122	1,743
State	**479**	16	304
Total deferred	**2,961**	138	2,047
Total income tax expense	**$ 6,795**	$ 4,873	$ 3,765

8. Federal and State Income Taxes (continued)

As of December 31, 2004, the Company has approximately $711,000 in state net operating loss carry-forwards that expire between April 15, 2006 and April 15, 2010.

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

(in thousands)

	Year Ended December 31,		
	2004	2003	2002
Income tax at statutory federal rate	**$ 4,979**	$ 2,797	$ 2,165
Federal income tax effects of:			
State income taxes	**(414)**	(317)	(191)
Nondeductible expenses	**1,553**	1,522	1,218
Other	**(504)**	(63)	10
Federal income taxes	**5,614**	3,939	3,202
State income taxes	**1,181**	934	563
Total income tax expense	**$ 6,795**	$ 4,873	$ 3,765
Effective tax rate	**47.8%**	59.2%	59.1%

The effective rates varied from the statutory federal tax rate of 35% in 2004 and 34% in 2003 and 2002, primarily due to state income taxes and certain non-deductible expenses including a per diem pay structure for drivers implemented by the Company during the second quarter of 2002. Due to the nondeductible portion of per diem pay to drivers, the Company's effective tax rate will exceed the statutory rate.

9. 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 100% of their compensation, subject to statutory limits, with the Company matching 50% of the first 4% of compensation contributed by each employee. Company matching contributions to the plan were approximately $878,000, $749,000 and $895,000 for 2004, 2003 and 2002, respectively.

10. Earnings per Share

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

(in thousands, except per share amounts)

	Year Ended December 31,		
	2004	2003	2002
Numerator:			
Net Income	**$ 7,432**	$ 3,355	$ 2,602
Denominator:			
Denominator for basic earnings per share – weighted average shares	**9,268**	9,327	9,310
Effect of dilutive securities:			
Restricted Stock Award Plan	**66**	--	--
Employee stock options	**64**	43	38
	130	43	38
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversions	**$ 9,398**	$ 9,370	$ 9,348
Basic earnings per share	**$ 0.80**	$ 0.36	$ 0.28
Diluted earnings per share	**$ 0.79**	$ 0.36	$ 0.28
Anti-dilutive employee stock options	**--**	63	69

11. Common Stock Transactions

Repurchase of Equity Securities

On October 21, 2004, the Company's Board of Directors authorized the repurchase of up to 500,000 shares of our outstanding Common Stock over a three-year period ending October 19, 2007, dependent upon market conditions. The Company may make Common Stock purchases under this program from time to time on the open market or in privately negotiated transactions at prices determined by our Chairman of the Board or President. The Company may reissue repurchased shares under our equity compensation plans or as otherwise directed by the Board of Directors. The Board of Directors previously authorized the repurchase of up to 500,000 shares of our Common Stock during the three-year period from October 17, 2001 to October 16, 2004, which program was publicly announced prior to the beginning of that period. During 2004, the Company purchased 7,500 shares of Common Stock at a price of approximately $93,000.

Equity Compensation Plan Information

The USA Truck, Inc. 2004 Equity Incentive Plan provides for the granting of incentive or nonqualified options to purchase up to 900,000 shares of Common Stock to directors, officers and other key employees. No options were 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 was determined when options were granted, no option will be exercised later than 10 years after it was granted. These grants generally vest ratably over five years.

A summary of the Company's stock option activity and related information for the years ended December 31, 2004, 2003 and 2002 follows:

	2004		2003		2002	
	Options	**Weighted-Average Exercise Price**	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding-beginning of year	**178,700**	**$ 7.95**	205,500	$ 7.77	276,400	$ 8.70
Granted	**308,000**	**11.64**	3,000	7.52	78,300	12.19
Exercised	**(8,900)**	**5.44**	(10,700)	5.44	(95,515)	7.76
Cancelled	**(15,700)**	**11.31**	(19,100)	7.65	(42,800)	6.95
Expired	**--**	**--**	--	--	(10,885)	9.92
Outstanding-end of year	**462,100**	**$ 10.34**	178,700	$ 7.95	205,500	$ 7.77
Exercisable at end of year	**122,200**	**$ 6.64**	70,600	$ 5.52	40,800	$ 5.51

Exercise prices for options outstanding as of December 31, 2004 ranged from $5.44 to $13.31. The options fall into two distinct ranges, from $5.44 to $7.52 and from $11.47 to $13.31. The number of options outstanding in the range from $5.44 to $7.52 is 105,900, with a weighted-average exercise price of $5.65 and a weighted-average remaining contractual life of 2.52 years. The number of options outstanding in the range from $11.47 to $13.31 is 356,200, with a weighted-average exercise price of $11.74 and a weighted-average remaining contractual life of 5.66 years. The weighted-average grant date fair values of options granted during 2004, 2003 and 2002 were $3.42, $3.56 and $7.13, respectively. The weighted-average remaining contractual life of these options is 5.91 years.

In 2004, 2003 and 2002, 8,900, 5,500 and 22,600 options, respectively, were exercised for cash. In 2003 and 2002, additional options of 5,200 and 72,915, respectively, were exercised by the exchange of 3,062 and 38,300 shares of stock, respectively (with a market value equal to the exercise price of the options). The exchanged shares were then canceled. There were no additional options exercised by exchange of shares of stock in 2004.

11. Common Stock Transactions (continued)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The following assumptions were used to value the outstanding stock options:

	December 31,		
	2004	2003	2002
Dividend yield	**0%**	0%	0%
Expected volatility	**0.258% to 0.261%**	0.517%	0.595%
Risk-free interest rate	**2.53% to 4.44%**	2.62%	4.47% to 4.81%
Expected lives	**3 to 7 years**	3 to 5 years	3 to 7 years

Restricted Stock Award Plan

On August 22, 2003, the Company's Board of Directors approved the adoption of the USA Truck, Inc. 2003 Restricted Stock Award Plan, under which the Company may issue up to 150,000 shares of Common Stock as awards of restricted stock to officers of the Company. Awards under the Plan vest over a period of not less than five years. Vesting of awards is also subject to the achievement of such performance goals as may be set by the Board of Directors. The shares of restricted stock are nontransferable prior to vesting. Shares issued as restricted stock awards under the Plan will consist solely of shares of Common Stock contributed to the Company by its Chief Executive Officer. No previously unissued shares will be issued under the Plan. Any shares not subject to outstanding awards when the Plan terminates, and any shares forfeited after the Plan terminates, will be returned to the Chief Executive Officer.

Both the Plan and the awards made under the Plan on August 22, 2003, covering a total of 100,000 shares of restricted stock, were approved by the Company's shareholders at the 2004 annual meeting.

The fair market value of the 100,000 shares of Common Stock subject to the awards will be amortized over the vesting period as compensation expense based on management's assessment as to whether achievement of the performance goals is probable. During 2004 approximately $590,000 was recorded as compensation expense. The amount of compensation expense is adjusted on a quarterly basis based on changes in the market value of the Company's Common Stock. To the extent the performance goals are not achieved and there is not full vesting in the shares awarded, the compensation expense recognized to the extent of the non-vested and forfeited shares will be reversed. The award of 100,000 shares was recorded by the Company as contributed paid-in capital and unearned compensation based on the fair market value of the Company's Common Stock at the date of shareholder approval.

12. Fair Value of Financial Instruments

At December 31, 2004, the amount reported in the Company's balance sheets for its senior credit facility approximates its fair value.

The fair value of the Company's interest rate swap totaled $14,000 at December 31, 2004.

13. Litigation

The Company is a party to routine litigation incidental to its business, primarily involving claims for personal injury and property damage incurred in the transportation of freight. It maintains insurance covering liabilities in excess of certain self-insured retention levels. Though management believes these claims to be routine and immaterial to the long-term financial position of the Company, adverse results of one or more of these claims could have a material adverse effect on the financial position or results of operations of the Company.

14. Quarterly Results of Operations (Unaudited)

The tables below present quarterly financial information for 2004 and 2003:

(in thousands, except per share amounts)

	2004 Three Months Ended			
	March 31,	**June 30,**	**September 30,**	**December 31,**
Operating revenues	**$ 83,603**	**$ 91,634**	**$ 92,368**	**$ 95,500**
Operating expenses and costs	**80,590**	**87,928**	**87,324**	**89,465**
Operating income	**3,013**	**3,706**	**5,044**	**6,035**
Other expenses, net	**706**	**792**	**954**	**1,119**
Income before income taxes	**2,307**	**2,914**	**4,090**	**4,916**
Income tax expense	**1,310**	**1,575**	**2,041**	**1,869**
Net income	**$ 997**	**$ 1,339**	**$ 2,049**	**$ 3,047**
Average shares outstanding (basic)	**9,333**	**9,274**	**9,237**	**9,236**
Basic earnings per share	**$ 0.11**	**$ 0.14**	**$ 0.22**	**$ 0.33**
Average shares outstanding (diluted)	**9,384**	**9,389**	**9,396**	**9,433**
Diluted earnings per share	**$ 0.11**	**$ 0.14**	**$ 0.22**	**$ 0.32**

	2003 Three Months Ended			
	March 31,	June 30,	September 30,	December 31,
Operating revenues	$ 69,387	$ 75,396	$ 76,768	$ 77,112
Operating expenses and costs	69,930	71,043	72,980	73, 862
Operating (loss) income	(543)	4,353	3,788	3,250
Other expenses, net	702	638	609	672
(Loss) income before income taxes	(1,245)	3,715	3,179	2,578
Income tax (benefit) expense	(97)	1,862	1,669	1,438
Net (loss) income	$ (1,148)	$ 1,853	$ 1,510	$ 1,140
Average shares outstanding (basic)	9,321	9,327	9,330	9,331
Basic (loss) earnings per share	$ (0.12)	$ 0.20	$ 0.16	$ 0.12
Average shares outstanding (diluted)	9,321	9,352	9,364	9,384
Diluted (loss) earnings per share	$ (0.12)	$ 0.20	$ 0.16	$ 0.12

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in or disagreements with accountants on accounting and financial disclosure matters during any period covered by the financial statements filed herein or any period subsequent thereto.

Item 9A. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the CEO and CFO, concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective. There have been no significant changes in our internal control over financial reporting during the fourth quarter of 2004 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION

There is no information that we are required to report, but did not report, on Form 8-K during the fourth quarter of 2004.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The sections entitled "Additional Information Regarding the Board of Directors—Biographical Information", "Executive Officers", "Section 16(a) Compliance," "Security Ownership of Certain Beneficial Owners, Directors and Executive Officers," "Audit Committee," and "Corporate Governance and Related Matters" in our proxy statement for the annual meeting of stockholders to be held on May 4, 2005, set forth certain information with respect to the directors, nominees for election as directors and executive officers and are incorporated herein by reference.

Item 11. EXECUTIVE COMPENSATION

The section entitled "Executive Compensation" in our proxy statement for the annual meeting of stockholders to be held on May 4, 2005, sets forth certain information with respect to the compensation of management and is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The section entitled "Security Ownership of Certain Beneficial Owners, Directors and Executive Officers" in our proxy statement for the annual meeting of stockholders to be held on May 4, 2005 sets forth certain information with respect to the ownership of our voting securities and is incorporated herein by reference. See "Item 5. Market for Registrant's Common Equity and Related Stockholder Matters," which sets forth certain information with respect to our equity compensation plans.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The section entitled "Certain Transactions" in our proxy statement for the annual meeting of stockholders to be held on May 4, 2005 sets forth certain information with respect to relations of and transactions by management and is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The section entitled "Independent Registered Public Accounting Firm" in our proxy statement for the annual meeting of stockholders to be held on May 4, 2005, sets forth certain information with respect to the fees billed by our independent registered public accounting firm and the nature of services comprising the fees for each of the two most recent fiscal years and with respect to our audit committee's policies and procedures pertaining to pre-approval of audit and non-audit services rendered by our independent registered public accounting firm and is incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this report: **Page**

1. Financial statements.

The following financial statements of the Company are included in Part II, Item 8 of this report:

2. The following financial statement schedule of the Company is included in Item 15(c):

Schedules other than the schedule listed above have been omitted since the required information is not applicable or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the financial statements or the notes thereto.

3. Listing of exhibits.

The exhibits filed with this report are listed in the Exhibit Index, which is a separate section of this report, and incorporated in this Item 15(a) by reference.

Management Compensatory Plans:

-Employee Stock Option Plan (Exhibit 10.1)

-Executive Profit-Sharing Incentive Plan (Exhibit 10.2)

-1997 Nonqualified Stock Option Plan for Nonemployee Directors (Exhibit 10.3)

-2003 Restricted Stock Award Plan (Exhibit 10.5)

-Form of Restricted Stock Award Agreement (Exhibit 10.6)

-USA Truck, Inc. 2004 Equity Incentive Plan (Exhibit 10.7)

USA TRUCK, INC.

ANNUAL REPORT ON FORM 10-K

YEAR ENDED DECEMBER 31, 2004

ITEM 15 (c)

FINANCIAL STATEMENT SCHEDULE

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

USA TRUCK, INC.

Column A	Column B	Column C	Column D	Column E
Description	**Balance at Beginning of Period**	**Charged to Cost and Expenses**	**Deductions- Other (a)**	**Balance End of Period**
Year ended December 31, 2004				
Deducted from asset accounts:				
Allowance for doubtful accounts........	$ 329,736	$ (129,599)	$ (33,840)	$ 166,297
Year ended December 31, 2003				
Deducted from asset accounts:				
Allowance for doubtful accounts........	$ 268,862	$ 173,200	$ (112,326)	$ 329,736
Year ended December 31, 2002				
Deducted from asset accounts:				
Allowance for doubtful accounts........	$ 260,771	$ 42,100	$ (34,009)	$ 268,862

(a) Uncollectible accounts written off, net of recoveries.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

USA TRUCK, INC.

(Registrant)

By:	/s/ Robert M. Powell Robert M. Powell *Chairman and Chief Executive Officer*	By:	/s/ Jerry D. Orler Jerry D. Orler *President*
Date:	February 28, 2005	Date:	February 28, 2005

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

Signature	Title	Date
/s/ Robert M. Powell Robert M. Powell	*Chairman, Chief Executive Officer and Director*	February 28, 2005
/s/ Jerry D. Orler Jerry D. Orler	*President and Director*	February 28, 2005
/s/ Clifton R. Beckham Clifton R. Beckham	*Sr. Vice President – Finance, Chief Financial Officer and Secretary (principal financial and accounting officer)*	February 28, 2005
/s/ James B. Speed James B. Speed	*Director*	February 28, 2005
/s/ Terry A. Elliott Terry A. Elliott	*Director*	February 28, 2005
/s/ William H. Hanna William H. Hanna	*Director*	February 28, 2005
/s/ Roland S. Boreham, Jr. Roland S. Boreham, Jr.	*Director*	February 28, 2005
/s/ Joe D. Powers Joe D. Powers	*Director*	February 28, 2005

EXHIBIT INDEX

Exhibits to the Annual Report on Form 10-K have been filed with the Securities and Exchange Commission.

Copies of the omitted exhibits are available to any shareholder free of charge. Copies may be obtained either through the Securities and Exchange Commission's website: http://www.sec.gov or by submitting a written request to Mr. Clifton R. Beckham, Secretary, USA Truck, Inc., 3200 Industrial Park Road, Van Buren, Arkansas 72956. If submitting a written request, please mark "2004 10-K Request" on the outside of the envelope containing the request.

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.

Independent Registered Public Accounting Firm
Ernst & Young LLP
1700 One Williams Center
P.O. Box 1529 (74101)
Tulsa, Oklahoma 74172

Corporate Headquarters
3200 Industrial Park Road
Van Buren, Arkansas 72956
Telephone: (479) 471-2500

Common Stock
Traded on the Nasdaq
Stock Market under the Symbol: USAK

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

Annual Meeting
May 4, 2005
10:00 a.m. local time
USA Truck, Inc.
3200 Industrial Park Road
Van Buren, Arkansas 72956

Web Site
www.usa-truck.com

Upon written request of any stockholder, the Company will furnish without charge a copy of the Company's 2004 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 Clifton R. Beckham, 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, 2005,* the person making the request was a beneficial owner of shares of the Common Stock of the Company.

USA TRUCK®

www.usa-truck.com

USA Truck, Inc.
3200 Industrial Park Road
Van Buren, Arkansas 72956
(479) 471-2500