USA TRUCK INC
Form 10-Q
August 08, 2011

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

Form 10-Q

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

For the quarterly period ended June 30, 2011

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number 0-19858

USA TRUCK, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	71-0556971
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
3200 Industrial Park Road Van Buren, Arkansas	72956
(Address of principal executive offices)	(Zip code)

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

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X No

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

Large Accelerated Filer _____ Accelerated Filer X Non-Accelerated Filer _____ Smaller Reporting Company_____

(Do not check if a Smaller Reporting Company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No X

The number of shares outstanding of the registrant's Common Stock, par value $.01, as of August 3, 2011 is 10,456,381.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

USA TRUCK, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(in thousands, except share amounts)

	June 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash	$ 1,776	$ 2,726
Accounts receivable:		
Trade, less allowance for doubtful accounts of $424 in 2011 and $444 in 2010	64,718	46,630
Other	1,909	1,353
Inventories	2,712	2,080
Prepaid expenses and other current assets	13,870	12,885
Total current assets	84,985	65,674
Property and equipment:		
Land and structures	31,339	31,268
Revenue equipment	384,595	376,211
Service, office and other equipment	16,920	15,636
Property and equipment, at cost	432,854	423,115
Accumulated depreciation and amortization	(162,905)	(163,867)
Property and equipment, net	269,949	259,248
Note receivable	2,038	2,048
Other assets	433	415
Total assets	$ 357,405	$ 327,385
Liabilities and Stockholders' equity		
Current liabilities:		
Bank drafts payable	$ 4,502	$ 4,233
Trade accounts payable	29,973	16,691
Current portion of insurance and claims accruals	4,519	4,725
Accrued expenses	10,874	8,401
Note payable	338	1,009
Current maturities of long-term debt and capital leases	26,798	18,766
Deferred income taxes	1,296	1,094
Total current liabilities	78,300	54,919
Deferred gain	615	618
Long-term debt and capital leases, less current maturities	88,737	79,750
Deferred income taxes	50,165	50,782
Insurance and claims accruals, less current portion	4,050	3,608
Stockholders' equity:		

Preferred Stock, $.01 par value; 1,000,000 shares authorized; none issued		--		--
Common Stock, $.01 par value; authorized 30,000,000 shares; issued 11,807,467 shares in 2011 and 11,835,075 shares in 2010		118		118
Additional paid-in capital		65,190		65,169
Retained earnings		92,097		94,215
Less treasury stock, at cost (1,351,086 shares in 2011 and 1,339,324 shares in 2010)		(21,867)		(21,783)
Accumulated other comprehensive loss		--		(11)
Total stockholders' equity		135,538		137,708
Total liabilities and stockholders' equity	$	357,405	$	327,385

See notes to consolidated financial statements.

USA TRUCK, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	(in thousands, except per share data)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenue:				
Trucking revenue	$ 85,309	$ 83,620	$ 168,184	$ 164,310
Strategic Capacity Solutions revenue	17,871	8,502	29,439	14,713
Intermodal revenue	5,294	2,760	10,503	5,085
Base revenue	108,474	94,882	208,126	184,108
Fuel surcharge revenue	30,553	18,791	54,943	35,198
Total revenue	139,027	113,673	263,069	219,306
Operating expenses and costs:				
Fuel and fuel taxes	36,332	27,217	71,058	55,612
Salaries, wages and employee benefits	34,704	32,082	67,805	65,309
Purchased transportation	31,480	18,995	56,861	34,600
Depreciation and amortization	12,489	12,135	25,102	24,634
Operations and maintenance	10,415	8,304	20,292	15,968
Insurance and claims	5,700	5,525	11,563	11,596
Operating taxes and licenses	1,375	1,411	2,773	2,804
Communications and utilities	1,049	1,019	2,034	1,965
Gain on disposal of revenue equipment, net	(1,341)	(36)	(2,256)	(43)
Other	4,612	3,983	8,807	7,322
Total operating expenses and costs	136,815	110,635	264,039	219,767
Operating income (loss)	2,212	3,038	(970)	(461)
Other expenses (income):				
Interest expense	821	944	1,564	1,713
Other, net	(26)	127	(37)	178
Total other expenses, net	795	1,071	1,527	1,891
Income (loss) before income taxes	1,417	1,967	(2,497)	(2,352)
Income tax expense (benefit)	819	1,067	(379)	(256)
Net income (loss)	$ 598	$ 900	$ (2,118)	$ (2,096)
Net earnings (loss) per share information:				
Average shares outstanding (Basic)	10,306	10,293	10,302	10,287
Basic earnings (loss) per share	$ 0.06	$ 0.09	$ (0.21)	$ (0.20)

Average shares outstanding (Diluted)		10,317		10,320		10,302		10,287
Diluted earnings (loss) per share	$	0.06	$	0.09	$	(0.21)	$	(0.20)

See notes to consolidated financial statements.

USA TRUCK, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(UNAUDITED)

(in thousands)

	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2010	11,835	$ 118	$ 65,169	$ 94,215	$ (21,783)	$ (11)	$ 137,708
Exercise of stock options	1	--	1	--	--	--	1
Stock-based compensation	--	--	285	--	--	--	285
Restricted stock award grant	9	--	--	--	--	--	--
Forfeited restricted stock	(38)	--	(234)	--	(115)	--	(349)
Change in fair value of interest rate swap, net of income tax of $1	--	--	--	--	--	1	1
Reclassification of derivative net losses to statement of operations, net of income tax of $7	--	--	--	--	--	10	10
Return of forfeited restricted stock	--	--	(31)	--	31	--	--
Net loss	--	--	--	(2,118)	--	--	(2,118)
Balance at June 30, 2011	11,807	$ 118	$ 65,190	$ 92,097	$ (21,867)	$ --	$ 135,538

See notes to consolidated financial statements.

USA TRUCK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	(in thousands) Six Months Ended June 30, 2011	2010
Operating activities		
Net loss	$ (2,118)	$ (2,096)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	25,102	24,634
Provision for doubtful accounts	63	115
Deferred income taxes	(372)	(547)
Excess tax benefit from exercise of stock options	--	(8)
Stock-based compensation	(78)	(45)
Gain on disposal of assets, net	(2,256)	(43)
Recognition of deferred gain	(3)	--
Changes in operating assets and liabilities:		
Accounts receivable	(18,707)	619
Inventories and prepaid expenses	(1,617)	(4,446)
Trade accounts payable and accrued expenses	9,295	6,743
Insurance and claims accruals	236	(15)
Net cash provided by operating activities	9,545	24,911
Investing activities		
Purchases of property and equipment	(25,294)	(30,250)
Proceeds from sale of property and equipment	13,596	7,292
Change in other assets	(8)	(9)
Net cash used in investing activities	(11,706)	(22,967)
Financing activities		
Borrowings under long-term debt	49,737	47,783
Principal payments on long-term debt	(39,680)	(38,201)
Principal payments on capitalized lease obligations	(8,459)	(7,752)
Principal payments on note payable	(671)	(674)
Net increase (decrease) in bank drafts payable	269	(1,038)
Proceeds from exercise of stock options	15	154
Excess tax benefit from exercise of stock options	--	8
Net cash provided by financing activities	1,211	280
(Decrease) increase in cash	(950)	2,224
Cash:		
Beginning of period	2,726	797
End of period	$ 1,776	$ 3,021

Supplemental disclosure of cash flow information:				
Cash paid during the period for:				
Interest	$	1,544	$	1,596
Income taxes		--		--
Supplemental disclosure of non-cash investing activities:				
Liability incurred for leases on revenue equipment		15,421		4,867
Purchases of revenue equipment included in accounts payable		6,428		--

See notes to consolidated financial statements.

USA TRUCK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three month and six month periods ended June 30, 2011, are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. For further information, refer to the financial statements, and footnotes thereto, included in our Annual Report on Form 10-K for the year ended December 31, 2010.

The balance sheet at December 31, 2010, has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

By agreement with our customers, and consistent with industry practice, we add a graduated fuel surcharge to the rates we charge our customers as diesel fuel prices increase above an agreed-upon baseline price per gallon. Base revenue in the consolidated statements of operations represents revenue excluding this fuel surcharge revenue.

NOTE 2 – REVENUE RECOGNITION

Revenue generated by our Trucking operating segment is recognized in full upon completion of delivery of freight to the receiver’s location. For freight in transit at the end of a reporting period, we recognize revenue pro rata based on relative transit time completed as a portion of the estimated total transit time. Expenses are recognized as incurred.

Revenue generated by our Strategic Capacity Solutions (“SCS”) and Intermodal operating segments is recognized upon completion of the services provided. Revenue is recorded on a gross basis, without deducting third party purchased transportation costs because we have responsibility for billing and collecting such revenue.

Management believes these policies most accurately reflect revenue as earned and direct expenses, including third party purchased transportation costs, as incurred.

NOTE 3 – STOCK-BASED COMPENSATION

The USA Truck, Inc. 2004 Equity Incentive Plan provides for the granting of incentive or nonqualified options or other equity-based awards covering up to 1,050,000 shares of Common Stock to directors, officers and other key employees. No options were granted under this 2004 Equity Incentive Plan for less than the fair market value of the Common Stock as defined in the 2004 Equity Incentive Plan at the date of the grant. Options granted under the 2004 Equity Incentive Plan generally vest ratably over three to five years. The option price under the 2004 Equity Incentive Plan is the fair market value of our Common Stock at the date the options were granted. The exercise prices of outstanding options granted under the 2004 Equity Incentive Plan range from $11.19 to $30.22 as of June 30, 2011. At June 30, 2011, 594,861 shares were available for granting future options or other equity awards under this 2004 Equity Incentive Plan. The Company issues new shares upon the exercise of stock options.

Compensation expense related to incentive and nonqualified stock options granted under the Company's plans is included in salaries, wages and employee benefits in the accompanying consolidated statements of operations. The amount of compensation expense recognized, net of forfeiture recoveries, is reflected in the table below for the periods indicated.

	(in thousands)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Compensation expense (credit)	$ 31	$ (22)	$ 31	$ 43

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The table below sets forth the assumptions used to value stock options granted during the periods indicated:

	2011	2010
Dividend yield	0%	0%
Expected volatility	22.6 – 33.7%	32.8 – 50.2%
Risk-free interest rate	1.6 – 1.7%	0.9 – 2.1%
Expected life (in years)	4.21 – 4.25	4.13 – 4.25

The expected volatility is a measure of the expected fluctuation in our share price based on the historical volatility of our stock. Expected life represents the length of time we anticipate the options to be outstanding before being exercised. The risk-free interest rate is based on an implied yield on United States zero-coupon treasury bonds with a remaining term equal to the expected life of the outstanding options. In addition to the above, we also include a factor for anticipated forfeitures, which represents the number of shares under options expected to be forfeited over the expected life of the options.

Information related to option activity for the six months ended June 30, 2011 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (1)
Outstanding - beginning of year	152,600	$ 16.01		
Granted	24,213	12.37		
Exercised	(8,104)	11.47		$ 7,424
Cancelled/forfeited	(18,085)	14.55		
Expired	(27,638)	17.59		
Outstanding at June 30, 2011	122,986	$ 15.46	3.3	$ 1,588
Exercisable at June 30, 2011	37,230	$ 18.20	1.5	$ 536

(1) The intrinsic value of outstanding and exercisable stock options is determined based on the amount by which the market value of the underlying stock exceeds the exercise price of the option. The per share market value of our Common Stock, as determined by the closing price on June 30, 2011 (the last trading day of the quarter), was $11.30.

Compensation expense related to restricted stock awarded under the Company's plans is included in salaries, wages and employee benefits in the accompanying consolidated statements of operations. The compensation expense recognized is based on the market value of our Common Stock on the date the restricted stock award is granted and is not adjusted in subsequent periods. The amount to be recognized, net of forfeiture recoveries, is amortized over the vesting period. The amount of compensation expense recognized is reflected in the table below for the periods indicated.

	(in thousands)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Compensation (credit) expense	$ (124)	$ (132)	$ (110)	$ (88)

The 2003 Restricted Stock Award Plan terminated August 31, 2009. During the quarter ended June 30, 2010, management determined that the performance criteria for 2010 would not be met and therefore the remaining 2,000 shares outstanding under this Plan were deemed forfeited and recorded as treasury stock. The previously recorded expense in the amount of $0.05 million relating to the forfeited shares was recovered during the quarter ended June 30, 2010. The shares remained outstanding until their scheduled vest date of March 1, 2011, at which time their forfeiture became effective. Pursuant to the provisions of the Plan, at that time, the shares were returned to Mr. Robert M. Powell, who originally contributed the shares for the awards made under this Plan. Upon the return of these shares to Mr. Powell, no other shares awarded under this Plan remain outstanding.

Information related to the restricted stock awarded under the 2004 Equity Incentive Plan for the six months ended June 30, 2011, is as follows:

	Number of Shares	Weighted Average Grant Price (1)
Nonvested shares – December 31, 2010	198,370	$ 12.33
Granted	8,832	11.69
Forfeited	(38,265)	12.32
Vested	--	--
Nonvested shares – June 30, 2011	168,937	$ 12.30

(1) The shares were valued at the closing price of the Company's common stock on the dates of the awards.

On July 16, 2008, the Executive Compensation Committee of the Board of Directors of the Company, pursuant to the 2004 Equity Incentive Plan, granted thereunder awards totaling 200,000 restricted shares of the Company's Common Stock to certain officers of the Company. The grants were made effective as of July 18, 2008 and were valued at $12.13 per share, which was the closing price of the Company's Common Stock on that date. Each officer's restricted shares of Common Stock will vest in varying amounts over the ten year period beginning April 1, 2011, subject to the Company's attainment of defined retained earnings growth. Management must attain an average five-year trailing retained earnings annual growth rate of 10.0% (before dividends) in order for the shares to qualify for full vesting (pro rata vesting will apply down to 50.0% at a 5.0% annual growth rate). Any shares which fail to vest as a result of the Company's failure to attain a performance goal will forfeit and result in the recovery of the previously recorded expense. These forfeited shares will revert to the 2004 Equity Incentive Plan where they will remain available for grants under the terms of that Plan until that Plan expires in 2014. During the quarter, management determined that the performance criteria will not be met for the shares that were scheduled to vest on April 1, 2012 and April 1, 2013; therefore, these shares were deemed forfeited and recorded as Treasury Stock. The shares will remain outstanding until their scheduled vesting dates, at which time their forfeitures will become effective and the shares will revert to the 2004 Equity Incentive Plan. The table below sets forth the information relating to the forfeitures of these shares.

July 16, 2008 Restricted Stock Award Forfeitures

Scheduled Vest Date	Date Deemed Forfeited and Recorded as Treasury Stock	Shares Forfeited (in thousands)	Expense Recovered (in thousands)	Date Shares Returned to Plan
April 1, 2011	June 30, 2010	9	$ 70	April 1, 2011
April 1, 2012	June 30, 2011	8	66	April 1, 2012
April 1, 2013	June 30, 2011	15	101	April 1, 2013

During the quarter ended June 30, 2010, due to the termination of the employment of an officer of the Company, 26,119 restricted shares of the above-mentioned performance based grant were forfeited resulting in recovery of the previously recorded expense in the amount of approximately $0.08 million. The forfeited shares were returned to the 2004 Equity Incentive Plan. Also, related to this termination of employment, 2,000 restricted shares were forfeited resulting in the recovery of previously recorded expense in the amount of approximately $0.05 million and, in accordance with the provisions of the Plan under which they were awarded, these shares were returned to Mr. Powell, who originally contributed the shares used for the award.

During the quarter ended March 31, 2011, an executive officer of the Company submitted his notice to retire effective April 30, 2011. Accordingly, during the quarter ended March 31, 2011, the Company recovered an estimate of the expense associated with 27,910 shares of outstanding, unvested restricted stock held by this executive officer in the approximate amount of $0.08 million. During the quarter ended June 30, 2011, the Company recovered the remaining amount related to this forfeiture in the amount of approximately $0.04 million. As of June 30, 2011, all expense previously recorded in relation to this forfeiture has been recovered.

Information set forth in the following table is related to stock options and restricted stock as of June 30, 2011.

	(in thousands, except weighted average data)	
	Stock Options	Restricted Stock
Unrecognized compensation expense	$ 169	$ 1,202
Weighted average period over which unrecognized compensation expense is to be recognized (in years)	1.6	5.7

NOTE 4 – REPURCHASE OF EQUITY SECURITIES

On October 21, 2009, the Board of Directors of the Company approved the repurchase of up to 2,000,000 shares of the Company's Common Stock expiring on October 21, 2012. Subject to applicable timing and other legal requirements, these repurchases may be made on the open market or in privately negotiated transactions on terms approved by the Company's Chairman of the Board or President. Repurchased shares may be retired or held in treasury for future use for appropriate corporate purposes including issuance in connection with awards under the Company's employee benefit plans. During the six months ended June 30, 2011, we did not repurchase any shares of our Common Stock. Our current repurchase authorization has 2,000,000 shares remaining.

NOTE 5 – SEGMENT REPORTING

The service offerings we provide relate to the transportation of truckload quantities of freight for customers in a variety of industries. The services generate revenue, and to a great extent incur expenses, primarily on a per mile basis. As the revenue generated by these service offerings is becoming increasingly more significant, management determined that additional disclosures were needed.

	Percent of Total Base Revenue		
	Trucking	SCS	Intermodal
Three Months Ended:			
June 30, 2011	78.6 %	16.5 %	4.9 %
June 30, 2010	88.1 %	9.0 %	2.9 %
Six Months Ended:			
June 30, 2011	80.8 %	14.1 %	5.1 %
June 30, 2010	89.2 %	8.0 %	2.8 %

Except with respect to the relatively minor components of our operations that do not involve the use of our trucks, key operating statistics for all three segments include, for example, revenue per mile and miles per tractor per week. While the operations of our SCS segment typically do not involve the use of our equipment and drivers, we nevertheless provide truckload freight services to our customers through arrangements with third party carriers who are subject to the same general regulatory environment and cost sensitivities imposed upon our Trucking operations. Our Intermodal segment does involve the use of our equipment as we utilize our trailers and leased containers to provide this service. Accordingly, the operations of this segment are subject to the same general regulatory environment and cost sensitivities imposed upon our Trucking operations.

Assets are not allocated to our SCS segment as the majority of our SCS operations provide truckload freight services to our customers through arrangements with third party carriers who utilize their own equipment. Assets are not allocated to our Intermodal segment as our intermodal containers are utilized under operating leases with BNSF

Railway, which are not capitalized. To the extent our Intermodal operations require the use of Company-owned trailers they are obtained from our Trucking segment on an as needed basis. Accordingly, we allocate all of our assets to our Trucking segment. However, depreciation and amortization expense is allocated to our SCS and Intermodal segments based on the various assets specifically utilized to generate revenue. All intercompany transactions between segments are consummated at rates similar to those negotiated with independent third parties. All other expenses are allocated to our SCS and Intermodal segments based on headcount and specifically identifiable direct costs, as appropriate.

A summary of base revenue and fuel surcharge revenue by reportable segments is as follows:

	(in thousands) Revenue			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Base revenue				
Trucking	$ 85,309	$ 83,620	$ 168,184	$ 164,310
SCS	21,550	10,051	35,485	17,285
Intermodal	5,881	3,453	11,641	6,381
Eliminations	(4,266)	(2,242)	(7,184)	(3,868)
Total base revenue	108,474	94,882	208,126	184,108
Fuel surcharge revenue	30,553	18,791	54,943	35,198
Total revenue	$ 139,027	$ 113,673	$ 263,069	$ 219,306

A summary of operating income (loss) by reportable segments is as follows:

	(in thousands) Operating income (loss)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Operating income (loss)				
Trucking	$ 37	$ 1,970	$ (4,080)	$ (1,789)
SCS	2,273	923	3,606	1,243
Intermodal	(98)	145	(496)	85
Operating income (loss)	$ 2,212	$ 3,038	$ (970)	$ (461)

NOTE 6 – NEW ACCOUNTING PRONOUNCEMENTS

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. This standard eliminates the current option to report other comprehensive income and its components in the statement of changes in stockholders' equity. The standard allows a entity to elect to present items of net income and other comprehensive income in one continuous statement – referred to as the statement of comprehensive income – or in two separate, but consecutive, statements. Each component of net income and each component of other comprehensive income, together with totals for comprehensive income and its two parts – net income and other comprehensive income, would need to be displayed under either alternative. While the options for presenting other comprehensive income change under the standard, many items would not change, including the items that constitute net income and other comprehensive income, when an item of other comprehensive income must be reclassified to net income and the earnings per share computation, which will continue to be based on net income. The standard is effective for public entities as of the beginning of a fiscal year that begins after December 15, 2011. Early adoption is permitted, but full retrospective application is required, and the Company does not expect this standard to have a material impact on its financial reporting.

NOTE 7 – NOTE RECEIVABLE

During November 2010, the Company sold its terminal facility in Shreveport, Louisiana. In connection with this sale, the buyer gave the Company cash in the amount of $0.2 million and a note receivable in the amount of $2.1 million. The note receivable bears interest at an annual rate of 7.0%, matures in five years and has scheduled principal and interest payments based on a 30-year amortization schedule. A balloon payment in the approximate amount of $1.9 million is payable to the Company when the note matures in five years. Accordingly, the Company deferred the approximate $0.7 million gain on the sale of this facility, and will record this gain into earnings as payments on the note receivable are received. During the three and six month periods ended June 30, 2011, the Company recognized approximately $1,900 and $2,700, respectively, of this gain. The Company believes that the note receivable balance at June 30, 2011, in the approximate amount of $2.0 million, is fully collectible and accordingly has not recorded any valuation allowance against the note receivable.

NOTE 8 – DERIVATIVE FINANCIAL INSTRUMENTS

We record derivative financial instruments in the balance sheet as either an asset or liability at fair value based on the active market in which the derivative financial instrument is traded, 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.

On February 6, 2009, we entered into a $10.0 million interest rate swap agreement with an effective date of February 19, 2009. The rate on the swap was fixed at 1.57% until its expiration date of February 19, 2011. The interest rate swap agreement was accounted for as a cash flow hedge.

On May 25, 2010, we entered into a contract to hedge approximately 0.5 million gallons of diesel fuel per month for the time period of July 2010 through June 2012. Under this agreement, we pay a fixed rate per gallon of heating oil and receive the monthly average price of NYMEX HO heating oil. As diesel fuel is not a traded commodity on the futures market, heating oil is used as a substitute for diesel fuel as prices for both generally move in similar directions.

On June 28, 2010, the Company sold its contract related to the forecasted purchase of diesel fuel for the time period of July 2010 through June 2012 to lock in related gains. The purchase contract had not been designated as a hedge; therefore, the related gain was recorded as a reduction in fuel expense of approximately $1.2 million on a pre-tax basis and on a net of tax basis of approximately $0.7 million or $0.07 per share.

NOTE 9 – COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) was comprised of net income (loss) plus the market value adjustment on our interest rate swap that expired on February 19, 2011, which was designated as a cash flow hedge. Comprehensive income (loss) consisted of the following components:

	(in thousands)			
	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Net income (loss)	$ 598	$ 900	$ (2,118)	$ (2,096)
Change in fair value of interest rate swap, with no effect on income taxes for the three months ended June 30, 2010, and net of income tax of $1 for the six months ended June 30, 2011 and net of income tax benefit of $(14) for the six months ended June 30, 2010	--	(1)	1	(22)
Reclassification of derivative net losses to statement of	--	19	10	40

operations, net of income tax of \$12 for the three months ended June 30, 2010, and net of income tax of \$7 for the six months ended June 30, 2011 and \$25 for the six months ended June 30, 2010								
Total comprehensive income (loss)	$	598	$	918	$	(2,107)	$	(2,078)

NOTE 10 – CLAIMS LIABILITIES

We are 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.

Our self-insurance retention levels are \$0.5 million for workers' compensation claims per occurrence, \$0.05 million for cargo loss and damage claims per occurrence and \$1.0 million for bodily injury and property damage claims per occurrence. For medical benefits, the Company self-insures up to \$0.25 million per plan participant per year with an aggregate claim exposure limit determined by our year-to-date claims experience and the number of covered lives. We are completely self-insured for physical damage to our own tractors and trailers, except that we carry catastrophic physical damage coverage to protect against natural disasters. 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 against material loss.

We record claims accruals at the estimated ultimate payment amounts based on information such as individual case estimates or historical claims experience. 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 we rely on past experience with similar claims, negative or positive developments in the case and similar factors. We re-evaluate these estimates and determinations each reporting period based on developments that occur and new information that becomes available during the reporting period.

NOTE 11 – ACCRUED EXPENSES

Accrued expenses consisted of the following:

	(in thousands) June 30, 2011	December 31, 2010
Salaries, wages and employee benefits	$ 5,748	$ 3,288
Other (1)	5,126	5,113
Total accrued expenses	$ 10,874	$ 8,401

(1) As of June 30, 2011 and December 31, 2010, no single item included within other accrued expenses exceeded 5.0% of our total current liabilities.

NOTE 12 – NOTE PAYABLE

At June 30, 2011 and December 31, 2010, we had an unsecured note payable of $0.3 million and $1.0 million, respectively. The note, which is payable in monthly installments of principal and interest of approximately $0.1 million is scheduled to mature on September 1, 2011, and bears an interest rate of 2.6%. The note payable is being used to finance a portion of the Company’s annual insurance premiums.

NOTE 13 – LONG-TERM DEBT

Long-term debt consisted of the following:

	(in thousands) June 30, 2011	December 31, 2010
Revolving credit agreement (1)	$ 59,957	$ 49,900
Capitalized lease obligations (2)	55,578	48,616
	115,535	98,516
Less current maturities	(26,798)	(18,766)
Long-term debt and capital leases, less current maturities	$ 88,737	$ 79,750

(1) On April 19, 2010, we entered into a new Credit Agreement with Branch Banking and Trust Company as Administrative Agent, which replaced our Amended and Restated Senior Credit Facility scheduled to mature on September 1, 2010. The Credit Agreement provides for available borrowings of up to $100.0 million, including letters of credit not to exceed $25.0 million. Availability may be reduced by a borrowing base limit as defined in the Credit Agreement. The Credit Agreement provides an accordion feature allowing us to increase the maximum

borrowing amount by up to an additional $75.0 million in the aggregate in one or more increases, subject to certain conditions. The Credit Agreement bears variable interest based on the type of borrowing and on the Administrative Agent's prime rate or the London Interbank Offered Rate plus a certain percentage, which is determined based on our attainment of certain financial ratios. A quarterly commitment fee is payable on the unused portion of the credit line and bears a rate which is determined based on our attainment of certain financial ratios. The obligations of the Company under the Credit Agreement are guaranteed by the Company and secured by a pledge of substantially all of the Company's assets with the exception of real estate. The Credit Agreement includes usual and customary events of default for a facility of this nature and provides that, upon the occurrence and continuation of an event of default, payment of all amounts payable under the Credit Agreement may be accelerated, and the lenders' commitments may be terminated. The Credit Agreement contains certain restrictions and covenants relating to, among other things, dividends, liens, acquisitions and dispositions outside of the ordinary course of business, and affiliate transactions. The new Credit Agreement will expire on April 19, 2014.

Borrowings under the Credit Agreement are classified as "base rate loans," "LIBOR loans" or "Euro dollar loans." Base rate loans accrue interest at a base rate equal to the Administrative Agent's prime rate plus an applicable margin that is adjusted quarterly between 0.0% and 1.0%, based on the Company's leverage ratio. LIBOR loans accrue interest at LIBOR plus an applicable margin that is adjusted quarterly between 2.00% and 3.25% based on the Company's leverage ratio. Euro dollar loans accrue interest at the LIBOR rate in effect at the beginning of the month in which the borrowing occurs plus an applicable margin that is adjusted quarterly between 2.00% and 3.25% based on the Company's leverage ratio. On a per annum basis, the Company must pay a fee on the unused amount of the revolving credit facility of between 0.25% and 0.375% based on the Company's leverage ratio, and it must pay an annual administrative fee to the Administrative Agent of 0.03% of the total commitments.

The interest rate on our overnight borrowings under the Credit Agreement at June 30, 2011 was 3.5%. The interest rate including all borrowings made under the Credit Agreement at June 30, 2011 was 2.9%. The interest rate on the Company's borrowings under the agreements for the six months ended June 30, 2011 was 2.7%. A quarterly commitment fee is payable on the unused portion of the credit line and bears a rate which is determined based on our attainment of certain financial ratios. At June 30, 2011, the rate was 0.25% per annum. The Credit Agreement is collateralized by revenue equipment having a net book value of $174.2 million at June 30, 2011, and all trade and other accounts receivable. The Credit Agreement requires us to meet certain financial covenants (i.e., a maximum leverage ratio of 3.00 and a minimum fixed charge ratio of 1.4) and to maintain a minimum tangible net worth of approximately $106.4 million at June 30, 2011. We were in compliance with these covenants at June 30, 2011. The covenants would prohibit the payment of dividends by us if such payment would cause us to be in violation of any of the covenants. The borrowings under the Credit Agreement approximate its fair value and, at June 30, 2011, the Company had outstanding $1.8 million in letters of credit.

(2) Our capitalized lease obligations have various termination dates extending through March 2015 and contain renewal or fixed price purchase options. The effective interest rates on the leases range from 2.0% to 4.1% at June 30, 2011. The lease agreements require us to pay property taxes, maintenance and operating expenses.

NOTE 14 – LEASES AND COMMITMENTS

The Company leases certain revenue equipment under capital leases with terms of 36, 42 or 45 months. Balances related to these capitalized leases are included in property and equipment in the accompanying consolidated balance sheets and are set forth in the table below for the periods indicated.

	(in thousands)		
	Capitalized Costs	Accumulated Amortization	Net Book Value
June 30, 2011	$ 76,981	$ 23,655	$ 53,326
December 31, 2010	69,795	20,777	49,018

We have entered into leases with lenders who participated in our Amended and Restated Senior Credit Facility and who participate in the Credit Agreement we entered into on April 19, 2010. Those leases contain cross-default provisions with the Facility and the new Credit Agreement, which replaced that Facility. We have also entered into leases with other lenders who do not participate in our Credit Agreement. Multiple leases with lenders who do not participate in our Credit Agreement generally contain cross-default provisions.

We routinely monitor our equipment acquisition needs and adjust our purchase schedule from time to time based on our analysis of factors such as new equipment prices, the condition of the used equipment market, demand for our freight services, prevailing interest rates, technological improvements, fuel efficiency, equipment durability, equipment specifications and the availability of qualified drivers.

As of June 30, 2011, we had commitments for purchases of revenue equipment in the amount of approximately $16.5 million for the remainder of 2011, none of which is cancelable by us upon advance written notice, and approximately $0.6 million for non-revenue purchases.

NOTE 15 – INCOME TAXES

During the three months ended June 30, 2011 and 2010, our effective tax rates were 57.8% and 54.2%, respectively. During the six months ended June 30, 2011 and 2010, our effective tax rates were 15.2% and 10.9%, respectively. Income tax expense varies from the amount computed by applying the statutory federal tax rate to income before income taxes primarily due to state income taxes, net of federal income tax effect, adjusted for permanent differences, the most significant of which is the effect of the per diem pay structure for drivers. Drivers may elect to receive non-taxable per diem pay in lieu of a portion of their taxable wages. This per diem program increases our drivers' net pay per mile, after taxes, while decreasing gross pay, before taxes. As a result, salaries, wages and employee benefits are slightly lower, and our effective income tax rate is higher than the statutory rate. Generally, as pre-tax income increases, the impact of the driver per diem program on our effective tax rate decreases because aggregate per diem pay becomes smaller in relation to pre-tax income. Due to the partially nondeductible effect of per diem pay, 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.

We account for any uncertainty in income taxes by determining whether it is more likely than not that a tax position we have taken in a tax return will be sustained upon examination by the appropriate taxing authority based on the technical merits of the position. In that regard, we have analyzed filing positions in our federal and applicable state tax returns as well as in all open tax years. The only periods subject to examination for our federal returns are the 2008, 2009 and 2010 tax years. We believe that our income tax filing positions and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material change to our consolidated financial position, results of operations and cash flows. In conjunction with the above, our policy is to recognize interest related to unrecognized tax benefits as interest expense and penalties as operating expenses. We have not recorded any unrecognized tax benefits through June 30, 2011.

NOTE 16 – CHANGE IN ACCOUNTING ESTIMATE

Effective May 1, 2011, the Company changed the time period over which it depreciates its 2005 model year and newer trailers and it changed the amount of the salvage value to which those trailers are being depreciated. The depreciation time period was changed to 14 years from 10 years and the salvage value was changed to $500 from 25% of the original purchase price. The Company believes that both of these changes more clearly and appropriately reflect the state of the current trailer market and thus, will more reasonably and accurately report the value of the trailers on the balance sheet. This change is being accounted for as a change in estimate. This change in estimate resulted in a reduction of depreciation expense on a pre-tax basis of approximately $0.40 million and on a net of tax basis of approximately $0.25 million ($0.02 per share) for both the three and six month periods ended June 30, 2011.

NOTE 17 – EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed based on the weighted average number of shares of Common Stock outstanding during the period. Diluted earnings (loss) per share is computed by adjusting the weighted average number of shares of Common Stock outstanding by Common Stock equivalents attributable to dilutive stock options and restricted stock. The computation of diluted earnings (loss) per share does not assume conversion, exercise, or contingent issuance of securities that would have an antidilutive effect on earnings (loss) per share.

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

	(in thousands, except per share amounts)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Numerator:				
Net income (loss)	$ 598	$ 900	$ (2,118)	$ (2,096)
Denominator:				
Denominator for basic earnings (loss) per share – weighted average shares	10,306	10,293	10,302	10,287
Effect of dilutive securities:				
Employee stock options and restricted stock	11	27	--	--
Denominator for diluted earnings (loss) per share – adjusted weighted average shares and assumed conversions	10,317	10,320	10,302	10,287
Basic earnings (loss) per share	$ 0.06	$ 0.09	$ (0.21)	$ (0.20)
Diluted earnings (loss) per share	$ 0.06	$ 0.09	$ (0.21)	$ (0.20)
Weighted average anti-dilutive employee stock options and restricted stock	121	95	125	112

NOTE 18 – LITIGATION

We are 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 to cover liabilities in excess of certain self-insured retention levels. Though management believes 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 or results of operations in any given reporting period.

On July 2, 2010 a former driver team member, filed a lawsuit against us titled Hermes Cerdenia vs. USA Truck, Inc. in the Superior Court of the State of California for the County of San Bernardino, alleging various violations of the California Labor Code and seeking certification of the suit as a class action to include "all individuals currently and formerly employed in California as drivers, or other similarly titled positions." We have successfully removed the case to the United States District Court, Central District of California and have filed an answer denying the plaintiff's allegations. The lawsuit seeks monetary damages for the alleged violations. In February 2011, settlement of the lawsuit was negotiated through mediation subject to the District Court's review and approval. Such approval is expected later in 2011. At June 30, 2011, we had fully accrued the agreed upon settlement amount.

On July 28, 2008, a former commission sales agent, Mr. William Blankenship ("Blankenship"), filed an action in the United States District Court, Western District of Arkansas entitled William Blankenship, Jr. v. USA Truck, Inc., asking the court to set aside a previously consummated settlement agreement between the parties. The matter was dismissed by the District Court based upon our Motion to Dismiss, but was later reinstated by the 8th Circuit Court of Appeals and set for trial in the United States District Court in Fort Smith, Arkansas. This matter has been scheduled for trial during the week of October 11, 2011. The impact of the final disposition of this legal proceeding cannot be assessed at this time. However, we have denied all the plaintiff's claims, and management presently believes that the final resolution will not have a material effect on our consolidated financial position, results of operations and cash flow. We intend to vigorously defend ourselves against Blankenship's allegations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. These statements generally may be identified by their use of terms or phrases such as “expects,” “estimates,” “anticipates,” “projects,” “believes,” “plans,” “in “may,” “will,” “should,” “could,” “potential,” “continue,” “future” and terms or phrases of similar substance. Forward-l statements are based upon the current beliefs and expectations of our management and are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, which could cause future events and actual results to differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. Accordingly, actual results may differ from those set forth in the forward-looking statements. Readers should review and consider the factors that may affect future results and other disclosures by the Company in its press releases, Annual Report on Form 10-K and other filings with the Securities and Exchange Commission. Additional risks associated with our operations are discussed in our Annual Report on Form 10-K for the year ended December 31, 2010 under the heading “Risk Factors” in Item 1A of that report and updates, if any, to that information are included in Item 1A of Part II of this report. We disclaim any obligation to update or revise any forward-looking statements to reflect actual results or changes in the factors affecting the forward-looking information. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this report might not occur.

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

References to the “Company,” “we,” “us,” “our” and words of similar import refer to USA Truck, Inc. and its subsidiary.

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

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to help the reader understand USA Truck, Inc., our operations and our present business environment. MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and notes thereto and other financial information that appears elsewhere in this report. This overview summarizes the MD&A, which includes the following sections:

Our Business – a general description of our business, the organization of our operations and the service offerings that comprise our operations.

Results of Operations – an analysis of our consolidated results of operations for the periods presented in our consolidated financial statements and a discussion of seasonality, the potential impact of inflation and fuel availability and cost.

Off-Balance Sheet Arrangements – a discussion of significant financial arrangements, if any, that are not reflected on our balance sheet.

Liquidity and Capital Resources – an analysis of cash flows, sources and uses of cash, debt, equity and contractual obligations.

Critical Accounting Estimates – a discussion of accounting policies that require critical judgment and estimates.

Our Business

We operate primarily in the for-hire truckload segment of the trucking industry. Customers 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 customer's freight until delivery. Our business is classified into three operating and reportable segments: our Trucking operating segment consisting primarily of our General Freight and Dedicated Freight service offerings; our Strategic Capacity Solutions ("SCS") operating segment consisting entirely of our freight brokerage service offering; and our rail Intermodal operating segment. We previously included the results of our freight brokerage and Container-on-Flat-Car ("COFC") portion of our rail Intermodal service offering in our SCS operating segment. The Trailer-on-Flat-Car ("TOFC") portion of our rail Intermodal service offering was classified within our Trucking operating segment. COFC and TOFC are now combined and reported as Intermodal and brokerage is now reported as SCS. SCS and Intermodal are reported as separate operating segments.

Our SCS and Intermodal operating segments are intended to provide services which complement our Trucking services, primarily to existing customers of our Trucking operating segment. A majority of the customers using our SCS and Intermodal services are also customers of our Trucking operating segment. For the six months ended June 30, 2011, both our SCS and Intermodal operating segments, while making significant contributions to our business, represent less than 20% of our consolidated revenue.

Substantially all of our base revenue from the three operating segments is generated by transporting, or arranging for the transportation of, freight for customers and is predominantly affected by the rates per mile received from our customers and similar operating costs. For the three and six month periods ended June 30, 2011, Trucking base revenue represented 78.6% and 80.8% of base revenue, respectively, with the remaining base revenue being generated through SCS and Intermodal. For the three and six month periods ended June 30, 2010, Trucking base revenue represented 88.1% and 89.2% of total base revenue, respectively, with the remaining base revenue being generated through SCS and Intermodal.

We generally charge customers for our services on a per-mile basis. The expenses which have a major impact on our profitability are the variable costs of transporting freight for our customers. The variable costs include fuel expense, insurance and claims and driver-related expenses, such as wages and benefits.

Trucking. Trucking includes the following primary service offerings provided to our customers:

- General Freight. Our General Freight service offering provides truckload freight services as a short- to medium-haul common carrier. We have provided General Freight services since our inception and we derive the largest portion of our revenue from these services.

- Dedicated Freight. Our Dedicated Freight service offering is a variation of our General Freight service, whereby we agree to make our equipment and drivers available to a specific customer for shipments over particular routes at specified times. In addition to serving specific customer needs, our Dedicated Freight service offering also aids in driver recruitment and retention.

Strategic Capacity Solutions. Our SCS operating segment consists entirely of our freight brokerage service offering which matches customer shipments with available equipment of authorized carriers and provides services that complement our Trucking operations. We provide these services primarily to our existing Trucking customers, many of whom prefer to rely on a single carrier, or a small group of carriers, to provide all their transportation needs. To date, a majority of the customers of SCS have also engaged us to provide services through one or more of our Trucking service offerings. For the three month and six month periods ended June 30, 2011, SCS services generated approximately 16.5% and 14.1%, respectively, of total base revenue. For the three month and six month periods ended June 30, 2010, SCS services generated approximately 9.0% and 8.0%, respectively, of total base revenue.

Intermodal. Our rail Intermodal service offering provides our customers cost savings over General Freight with a slightly slower transit speed, while allowing us to reposition our equipment to maximize our freight network yield. Since its inception, our rail Intermodal operating segment had derived primarily all its revenue from TOFC service. However, as TOFC represents a small and shrinking share of the intermodal market, it became evident we would need to develop a COFC service offering. For that reason, during August 2010, the Company entered into a long-term agreement with BNSF Railway to lease private 53' domestic intermodal containers. The addition of private containers offers the Company an opportunity to continue its growth in the intermodal marketplace and to continue to offer our customers additional transportation solutions. For the three and six month periods ended June 30, 2011, rail intermodal services generated approximately 4.9% and 5.1%, respectively, of total base revenue. For the three and six month periods ended June 30, 2010, rail intermodal services generated approximately 2.9% and 2.8%, respectively, of total base revenue.

Results of Operations

Executive Overview

Despite a relatively soft freight environment in the first six weeks of the quarter, we nearly tripled our earnings excluding the effect of last year's fuel hedge gain, which amounted to approximately $1.2 million pretax, or $0.07 per share. As we progress toward full implementation of our VEVA (Vision for Economic Value Added) strategic plan, we believe our diversified model of integrated and complimentary service offerings exhibits more signs of maturity.

In Trucking, our customer, lane and load selection continued to improve, partially offset by increased driver-related costs:

- Customers who we consider “core” to our long-term prospects represented 33% of our total revenue during the quarter compared to just 24% during the comparable quarter. Those customers were specifically selected as “core” customers because, among other things, their freight has tended to remain consistent seasonally and cyclically.

- Fifty-three percent of our loads moved in our Spider Web network compared to 46% a year ago. The improved density in our preferred lanes and a generally favorable industry environment for pricing led to an 8.5% increase in our loaded rate per mile to $1.655, the highest in our history.

- Our freight network is becoming increasingly regionalized as our Spider Web density grows. Our loaded length of haul was 534 miles, the shortest in our history.

- The growing ability of our team members to profitably service our customers' capacity needs and balance our freight network was increasingly evident throughout the course of the quarter.

  - The major impediment to greater earnings in Trucking was a lack of qualified drivers:

- Though our turnover rate was actually lower than the second quarter of 2010, the carryover of unmanned trucks from the first quarter led to elevated driver-related costs as we worked to man those trucks with highly qualified drivers. As a result, driver compensation costs increased nearly $0.03 per mile or approximately $0.08 per share for the quarter. Driver recruiting and training costs also increased by 20%, or approximately $0.03 per share. We expect that most of these costs will subside upon reaching our goal of 3% unmanned tractors.

- An average of 9.1% of our fleet was unmanned during the quarter compared to 6.5% last year. The 2.6% difference reduced earnings by nearly $0.05 per share due to a reduction in miles per tractor per week (achieving our goal of no more than 3% of unmanned trucks would have added approximately another $0.07 of earnings to the quarter).

In SCS (Strategic Capacity Solutions, our brokerage service offering), base revenue more than doubled and operating income increased approximately two-and-a-half times to $2.3 million. That performance was driven by growth in branch offices (we added three during the quarter bringing the total number of branches to 11), and by growth in productivity (operating income per SCS team member grew by 60%). Not only did our SCS team members execute the model well, but they also provided solutions for over 16,000 loads for our SCS customers, most of whom are also Trucking customers who appreciate the additional capacity.

In Intermodal, we are still working to fully utilize the private containers we took delivery of last fall. While the addition of those containers drove substantial revenue growth, a lack of load volume in the right lanes resulted in an operating loss. However, that loss was considerably smaller than the first quarter 2011 loss. Despite the lack of profitability during the quarter, Intermodal provided our customers with solutions for nearly 3,600 loads. As presently structured, we expect Intermodal will be profitable during the third quarter based on current market conditions.

Overall, our model gained momentum as the quarter unfolded. Tighter truck capacity relative to freight demand certainly contributed to that momentum late in the quarter, but we believe our model gained a measure of maturity during the quarter as we extended our services to specific new customers in the right lanes at the right prices.

While we realize that much work remains before we achieve our first strategic objective of earning our cost of capital and that a $0.06 profit is inadequate, we also recognize meaningful progress has been made and June gave us a glimpse of what we believe our developing model is capable of producing.

Total debt increased $16.3 million from December 31, 2010 as a result of the purchase of 305 tractors and 350 trailers during the first half of 2011. In addition, cash provided by operations was hampered by the rise in fuel prices during 2011, which increased our accounts receivable as we passed along increased fuel surcharges to our customers. We would anticipate our cash provided by operations to show improvement during the second half of 2011, especially if fuel prices stabilize. We intend to purchase an additional 250 tractors during the second half of 2011, and we expect our total net capital expenditures for the remainder of the year to approximate $18.1 million. We were in compliance with all our debt covenants and as of June 30, 2011, we have $38.2 million available on our Credit Agreement and $37.7 million available through leasing commitments.

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 agreed-upon 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 used base revenue, which excludes the fuel surcharge revenue, and instead taken the fuel surcharge as a credit against the fuel and fuel taxes and purchased transportation line items in the table setting forth the percentage relationship of certain items to base revenue below.

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. Data regarding both total revenue, which includes the fuel surcharge, and base revenue, which excludes the fuel surcharge, is included in the Consolidated Statements of Operations included in this report.

Base revenue from our SCS and Intermodal operating segments has fluctuated in recent periods. These services typically do not involve the use of our tractors and trailers. Therefore, an increase in revenue from these operating segments tends to cause expenses related to our operations that do involve our equipment—including fuel expense, depreciation and amortization expense, operations and maintenance expense, salaries, wages and employee benefits and insurance and claims expense to decrease as a percentage of base revenue. Likewise, a decrease in revenue from these operating segments tends to cause those expenses to increase as a percentage of base revenue with a related increase in purchased transportation expense. Since changes in revenue from these operating segments generally affect all such expenses, as a percentage of base 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. Base revenue from our SCS operating segment increased approximately 110.2% and 100.1%, respectively, for the three and six month periods ended June 30, 2011, compared to the same period of the prior year. Base revenue from our Intermodal operating segment increased approximately 91.9% and 106.5%, respectively, for the three and six month periods ended June 30, 2011, compared to the same period of the prior year.

Three Months Ended June 30, 2011 Compared to Three Months Ended June 30, 2010

Results of Operations – Combined Services

Total base revenue increased 14.3% to $108.5 million for the quarter ended June 30, 2011 from $94.9 million for the same quarter of 2010. We reported net income of $0.6 million ($0.06 per share) for the quarter ended June 30, 2011 as compared to net income of $0.9 million ($0.09 per share) for the prior year period. In the second quarter of 2010, the Company entered into, and subsequently sold, a fuel hedge contract and recognized an after-tax gain of approximately $0.7 million, or $0.07 per share.

Our effective tax rate was 57.8% for the quarter ended June 30, 2011 compared to 54.2% for the same quarter of 2010. Income tax expense varies from the amount computed by applying the federal tax rate to income before income taxes primarily due to state income taxes, net of federal income tax effect, adjusted for permanent differences, the most significant of which is the effect of the per diem pay structure for drivers. Due to the partially nondeductible effect of per diem payments, our tax rate will vary in future periods based on fluctuations in earnings and in the number of drivers who elect to receive this pay structure.

Results of Operations – Trucking

Relationship of Certain Items to Base Revenue

The following table sets forth the percentage relationship of certain items to base revenue of our Trucking operations for the periods indicated. Fuel and fuel taxes are shown net of fuel surcharges.

	Three Months Ended June 30,			
	2011		2010	
Base Trucking revenue	100.0	%	100.0	%
Operating expenses and costs:				
Salaries, wages and employee benefits	38.8		37.4	

Fuel and fuel taxes	13.6	12.6
Purchased transportation	8.8	9.4
Depreciation and amortization	14.5	14.3
Operations and maintenance	11.4	9.9
Insurance and claims	6.5	6.6
Operating taxes and licenses	1.4	1.6
Communications and utilities	1.2	1.2
Gain on disposal of revenue equipment, net	(1.6)	--
Other	5.3	4.7
Total operating expenses and costs	99.9	97.7
Operating income (loss)	0.1 %	2.3 %

Key Operating Statistics:

	Three Months Ended June 30,	
	2011	2010
Operating income (in thousands)	$ 37	$ 1,970
Total miles (in thousands) (1)	57,846	60,624
Empty mile factor (2)	10.9%	9.6%
Weighted average number of tractors (3)	2,341	2,331
Average miles per tractor per period	24,710	26,008
Average miles per tractor per week	1,901	2,001
Average miles per trip (4)(5)	534	539
Base Trucking revenue per tractor per week (5)	$ 2,803	$ 2,759
Number of tractors at end of period (3)	2,354	2,331
Operating ratio (6)	99.9%	97.7%

(1) Total miles include both loaded and empty miles.

(2) The empty mile factor is the number of miles traveled for which we are not typically compensated by any customer as a percent of total miles traveled.

(3) Tractors include Company-operated tractors in-service plus tractors operated by independent contractors.

(4) Average miles per trip is based upon loaded miles divided by the number of Trucking shipments.

(5) Our Trailer-on-Flat-Car rail Intermodal service offering was previously included in our Trucking operating segment. Container-on-Flat-Car rail Intermodal and Trailer-on-Flat-Car rail Intermodal are now combined and reported as Intermodal. Because of this reclassification, previously reported amounts for average miles per trip and base Trucking revenue per tractor per week have been recalculated excluding Trailer-on-Flat-Car rail Intermodal from Trucking.

(6) Operating ratio is based upon total operating expenses, net of fuel surcharge revenue, as a percentage of base revenue.

Our base Trucking revenue increased 2.0% from $83.6 million to $85.3 million; our operating income was $0.04 million compared to $2.0 million for the same quarter of 2010.

Overall, our operating ratio deteriorated by 2.3 percentage points of base revenue to 99.9% as a result of the following factors:

- Salaries, wages and employee benefits expense increased by 1.4 percentage points of base revenue predominately due to an increase in driver pay which was implemented during the quarter, driver sign-on bonuses related to hiring more qualified drivers, as well as an increase in health and welfare costs during the quarter due to an increase in hospitalization claims. Driver compensation costs increased nearly $0.03 per mile or approximately $0.08 per share for the quarter. Also during the quarter, we had an increase in wages in our maintenance division as we have increased the number of terminal locations to better service our operations. These increases were partially offset by a reduction in workers' compensation claims compared to the same period of 2010. During the second quarter of 2011, we continued to see evidence of a tightening market of eligible drivers related to the implementation of the Department of Transportation's ("DOT") Compliance, Safety, Accountability ("CSA") program. New hours-of-service rules being reviewed by the DOT and CSA may further reduce the pool of eligible drivers and lead to increases in driver expenses that would increase salaries, wages and employee benefits.

- Fuel and fuel taxes expense increased 1.0 percentage points of base Trucking revenue over the comparable quarter of 2010. During the second quarter of 2010, the Company recognized a $1.2 million pre-tax gain on the sale of a fuel contract, the gain of which reduced that quarter's fuel and fuel taxes expense. Excluding the impact of the gain recorded in 2010, fuel and fuel taxes expense decreased 0.4 percentage points of base Trucking revenue. Also contributing to the increase was an average 39.4% increase in the price of fuel over the comparable quarter of 2010. The steady increases in fuel prices during the quarter prevented our fuel surcharge program from keeping pace with the rising costs, resulting in an increase in our fuel expense net of recoveries of approximately 18.3%. Partially offsetting this increase was an increase in our fuel economy in the second quarter compared to the same period of 2010 as well as an increase in our net Trucking revenue per mile. Fuel costs may continue to be affected in the future by price fluctuations, the terms and collectability of fuel surcharge revenue and the percentage of total miles driven by independent contractors.

- Purchased transportation expense, which is comprised of independent contractor compensation and fees paid to external transportation providers such as Mexican carriers, decreased by 0.6 percentage points of base Trucking revenue. This decrease was due primarily to a 15.0% decrease in the number of independent contractors in our fleet, partially offset by an increase in carrier expense related to our Mexico operations as we saw our revenue from shipments into and out of the country increase 19.7% over the same period in 2010. We expect this expense would continue to increase as the economy improves and if we achieve our long-term goals to grow our independent contractor fleet.

- Depreciation and amortization expense increased 0.2 percentage points of base Trucking revenue. During the quarter, we purchased 150 tractors and 100 trailers, which will be used to replace existing older equipment in an effort to reduce the age of our fleet. Prices for new equipment have risen in recent years and tractors more so due to Environmental Protection Agency mandates related to engine emissions. As a result of our plan to reduce the age of our fleet and the increased costs of new equipment, we expect depreciation and amortization expense to increase as a percentage of base Trucking revenue in future periods. Effective May 1, 2011, the Company changed the time period over which it depreciates its 2005 model year and newer trailers from 14 years to 10 years and it changed the amount of the salvage value to which those trailers are being depreciated from 25% of the original purchase price to $500. During the quarter this change in estimate resulted in a reduction of depreciation expense on a pre-tax basis of approximately $0.40 million and on a net-of-tax basis of approximately $0.25 million ($0.02 per share). Depreciation and amortization expense may be affected in the future as equipment manufacturers change prices and if the prices of used equipment fluctuate.

    - Operations and maintenance expense increased 1.5 percentage points of base Trucking revenue primarily due to a 30.7% increase in direct repair costs related to the DOT's CSA program, new engine emissions requirements mandated by the Environmental Protection Agency, various rules imposed by California's Air Resources Board and the higher mileage equipment remaining in our fleet. Our average tractor age as of June 30, 2011 was 27.6 months compared to 26.9 months at June 30, 2010 whereas our average trailer age was 67.1 months and 64.4 months, respectively. This increase was partially offset by the above mentioned increase in our base Trucking revenue per mile. On April 1, 2009, we changed our method of accounting for tires which changed the way we recognized cost for tires placed into service. Accordingly, operations and maintenance expense related to this change increased in 2011 over that of 2010 by approximately $0.9 million. Operations and maintenance expense may decrease as the age of our fleet decreases, but we do not expect to see the benefits of the new equipment in this line item for a number of quarters.

- Insurance and claims expense decreased 0.1 percentage points of base Trucking revenue as we saw a 17.5% reduction in physical damage expense for the quarter compared to the same quarter of 2010. In the 2010 quarter, we incurred a number of single vehicle accidents which caused damage to our own equipment and contributed to the expense. In the second quarter of 2011, we received favorable outcomes to subrogation claims of approximately $0.2 million. This reduction was partially offset by an increase in cargo claims, bodily injury and property damage claims, as well as increased expense related to miscellaneous legal costs.

    - Other expenses increased 0.6 percentage points of base Trucking revenue in the second quarter of 2011 compared to the second quarter of 2010 predominately driven by higher recruiting related expenses and an increase in the number of maintenance terminals to service our equipment. The Department of Transportation's CSA program has increased the difficulty of recruiting qualified drivers as the demand for those highly qualified drivers has increased, while the program has simultaneously decreased the overall supply of drivers. Though our turnover rate was actually lower than the second quarter of 2010, the carryover of unmanned trucks from the first quarter led to elevated driver-related costs as we worked to man those trucks with highly qualified drivers. Although we experienced a slight increase in the number of unmanned tractors (9.1% of our fleet was unmanned during the quarter compared to 6.5% a year ago and our goal of 3.0%), which reduced earnings by nearly $0.05 per share due to a reduction in miles per tractor per week, we are resolved to not lower our hiring standards to man our trucks. The cost of lowering our hiring standards is much higher in the long-term than the short-term costs associated with elevated recruiting expense and reduced tractor utilization. Driver recruiting and training costs increased by 20% or approximately $0.03 per share. We expect that most of these costs will subside upon reaching our goal of 3% unmanned tractors.

- Gain on the disposal of equipment increased 1.6 percentage points in the quarter ended June 30, 2011 as compared to the second quarter of 2010. We have capitalized on the strong used equipment market in our continued effort to reduce the age of our tractor fleet as we have sold older model tractors and replaced those units with new equipment. Also, as we have outfitted a large percentage of our trailers with SkyBitz trailer tracking, which has enabled us to systematically reduce the number of trailers in our fleet while also replacing those older model trailers with current model year equipment. This reduction in the number of trailers, combined with the stronger used equipment market, is responsible for the increase.

Results of Operations – Strategic Capacity Solutions

The following table sets forth certain information relating to our SCS segment for the periods indicated.

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010
Total SCS revenue	$ 21,550	$ 10,051
Intercompany revenue	(3,679)	(1,549)
Net revenue	$ 17,871	$ 8,502
Operating income (in thousands)	$ 2,273	$ 923
Gross margin (1)	15.8 %	15.3%

(1) Gross margin is calculated by taking total base revenue, less purchased transportation expense net of fuel surcharge revenue and dividing that amount by total base revenue. This calculation includes intercompany revenue and expenses.

Net revenue from SCS increased 110.2% to $17.9 million from $8.5 million, while operating income increased from $0.9 million to $2.3 million. This increase was primarily a result of the continued expansion of our SCS operations, as we added five branch offices since the second quarter of 2010, bringing the total number of branches to 11, and increased productivity of SCS team members. The resulting increase in operating expenses has been more than offset with the increase in revenues from these additional branch locations. If we are successful in continuing to build our SCS business, we would expect to see expenses as a percent of total revenue decline further in the next several quarters.

Results of Operations – Intermodal

The following table sets forth certain information relating to our Intermodal segment for the periods indicated.

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010
Total Intermodal revenue	$ 5,881	$ 3,453
Intercompany revenue	(587)	(693)
Net revenue	$ 5,294	$ 2,760
Operating (loss) income (in thousands)	$ (98)	$ 145
Gross margin (1)	11.4 %	10.6%

(1) Gross margin is calculated by taking total base revenue, less purchased transportation expense net of fuel surcharge revenue and dividing that amount by total base revenue. This calculation includes intercompany revenue and expenses.

Net revenue from Intermodal increased 91.9% to $5.3 million from $2.8 million. We incurred an operating loss of $0.1 million during the quarter ended June 30, 2011 as compared to operating income of $0.1 million for the same quarter of 2010. Overall, the base revenue growth can be attributed to our efforts to integrate and cross-sell this service with our traditional Trucking services. To propel those efforts, during the late summer of 2010 we entered into an exclusive-use agreement for a meaningful number of leased intermodal containers, which contributed to this revenue growth and we anticipate our Intermodal revenue to increase in the coming quarters as we expand this program. While the addition of those containers drove substantial revenue growth, a lack of load volume in the right lanes resulted in an operating loss. The insufficient load volume and pricing did not offset the fixed costs associated with the new containers, and this situation continued into the second quarter despite an increase in revenue. However, we have made progress as our loss narrowed in the second quarter and we saw gross margin improvement. As we continue to build our intermodal container business, we would expect to see the expenses associated with these containers decline as a percent of revenue in the next several quarters.

Six Months Ended June 30, 2011 Compared to Six Months Ended June 30, 2010

Results of Operations – Combined Services

Total base revenue increased 13.0% to $208.1 million for the six months ended June 30, 2011 from $184.1 million for the same quarter of 2010. We incurred a net loss of $2.1 million, or $0.21 per share, for the six months ended June 30, 2011 as compared to a net loss of $2.1 million, or $0.20 per share, for the same period of 2010. In the second quarter of 2010, the Company entered into, and subsequently sold, a fuel hedge contract and recognized an after-tax gain of approximately $0.7 million, or $0.07 per share.

Our effective tax rate was 15.2% for the six month period ended June 30, 2011 compared to 10.9% for the same period of 2010. Income tax expense varies from the amount computed by applying the federal tax rate to income before income taxes primarily due to state income taxes, net of federal income tax effect, adjusted for permanent differences, the most significant of which is the effect of the per diem pay structure for drivers. Due to the partially nondeductible effect of per diem payments, our tax rate will vary in future periods based on fluctuations in earnings and in the number of drivers who elect to receive this pay structure.

Results of Operations – Trucking

Relationship of Certain Items to Base Revenue

The following table sets forth the percentage relationship of certain items to base revenue of our Trucking operations for the periods indicated. Fuel and fuel taxes are shown net of fuel surcharges.

	Six Months Ended June 30,	
	2011	2010
Base Trucking revenue	100.0 %	100.0 %
Operating expenses and costs:		
Salaries, wages and employee benefits	38.7	39.0
Fuel and fuel taxes	15.4	14.7
Purchased transportation	9.0	8.8
Depreciation and amortization	14.8	14.8
Operations and maintenance	11.2	9.7
Insurance and claims	6.8	7.0
Operating taxes and licenses	1.5	1.6
Communications and utilities	1.1	1.1
Gain on disposal of revenue equipment, net	(1.3)	--
Other	5.2	4.4
Total operating expenses and costs	102.4	101.1
Operating income (loss)	(2.4) %	(1.1) %

Key Operating Statistics:

	Six Months Ended June 30,	
	2011	2010
Operating loss (in thousands)	$ (4,080)	$ (1,789)
Total miles (in thousands) (1)	116,508	122,105
Empty mile factor (2)	10.4%	9.9%
Weighted average number of tractors (3)	2,341	2,338
Average miles per tractor per period	49,769	52,226
Average miles per tractor per week	1,925	2,020
Average miles per trip (4)(5)	545	557
Base Trucking revenue per tractor per week (5)	$ 2,778	$ 2,718
Number of tractors at end of period (3)	2,354	2,331
Operating ratio (6)	102.4%	101.1%

(1) Total miles include both loaded and empty miles.

(2) The empty mile factor is the number of miles traveled for which we are not typically compensated by any customer as a percent of total miles traveled.

(3) Tractors include Company-operated tractors in-service plus tractors operated by independent contractors.

(4) Average miles per trip is based upon loaded miles divided by the number of Trucking shipments.

(5) Our Trailer-on-Flat-Car rail Intermodal service offering was previously included in our Trucking operating segment. Container-on-Flat-Car rail Intermodal and Trailer-on-Flat-Car rail Intermodal are now combined and reported as Intermodal. Because of this reclassification, previously reported amounts for average miles per trip and base Trucking revenue per tractor per week have been recalculated excluding Trailer-on-Flat-Car rail Intermodal from Trucking.

(6) Operating ratio is based upon total operating expenses, net of fuel surcharge revenue, as a percentage of base revenue.

Our base Trucking revenue increased 2.4% from $164.3 million to $168.2 million; our operating loss was $4.0 million during the six month period ended June 30, 2011, compared to a net operating loss of $1.8 million for the same period of 2010.

Overall, our operating ratio deteriorated by 1.3 percentage points of base revenue to 102.4% as a result of the following factors:

- Salaries, wages and employee benefits expense decreased by 0.3 percentage points of base revenue as our net Trucking base revenue per mile increased by approximately 7.3% and we incurred lower workers' compensation expense due to a reduction in claims activity in the first half of 2011 as compared to the first half of 2010. This decrease was partially offset by an increase in wages in our maintenance division, the result of increasing the number of terminal locations to better service our operations as well as an increase in our driver pay per mile and driver sign-on bonuses which were paid during the year. During 2011, we saw evidence of a tightening market of eligible drivers related to the implementation of the Department of Transportation's ("DOT") Compliance, Safety, Accountability ("CSA") program. New hours-of-service rules being reviewed by the DOT and CSA may further reduce the pool of eligible drivers and lead to increases in driver expenses that would increase salaries, wages and employee benefits.

- Fuel and fuel taxes expense increased 0.7 percentage points of base Trucking revenue as we saw fuel prices increase an average of 34.6% over the comparable period of 2010. Excluding the impact of the gain recorded in 2010, fuel and fuel taxes expense remained unchanged as a percent of base revenue. Partially offsetting this increase was an increase in our fuel economy in 2011 compared to the same period of 2010 as well as an increase in our net Trucking revenue per mile. During the second quarter of 2010, the Company recognized a $1.2 million pre-tax gain on the sale of a fuel contract, the gain of which reduced 2010 fuel and fuel taxes expense accordingly. The steady increases in fuel prices throughout the first six months of 2011 prevented our fuel surcharge program from keeping pace with the rising costs, resulting in an increase in our fuel expense net of recoveries of approximately 17.1%. In addition, the harsh winter weather required us to consume more fuel than usual during the first quarter winter storms due to increased engine idling necessitated by stranded trucks and the need to protect our drivers from dangerously frigid exterior temperatures. Fuel costs may continue to be affected in the future by price fluctuations, the terms and collectability of fuel surcharge revenue and the percentage of total miles driven by independent contractors.

- Purchased transportation expense, which is comprised of independent contractor compensation and fees paid to external transportation providers such as Mexican carriers, increased by 0.2 percentage points of base Trucking revenue. This increase was due primarily to an increase in carrier expense related to Mexico as we saw our revenue from shipments into and out of the country increase 24.3% over the same period in 2010. This was partially offset by a reduction in our independent contractor fleet despite our enacting an increase in independent contractor pay and implementing a more favorable fuel surcharge program. Over the longer term, we expect this expense would continue to increase as the economy improves and if we achieve our long-term goal to grow our independent contractor fleet.

- Depreciation and amortization expense did not change in terms of percentage points of base Trucking revenue due to the above-mentioned increase in our base Trucking revenue per tractor per week. Through June 30, 2011, we have purchased 305 tractors and 350 trailers, which will be used to replace existing older equipment in an effort to reduce the age of our fleet. Prices for new equipment have risen in recent years and tractors more so due to Environmental Protection Agency mandates related to engine emissions. As a result of our plan to reduce the age of our fleet and the increased costs of new equipment, we expect depreciation and amortization expense to increase as a percentage of base Trucking revenue in future periods. Effective May 1, 2011, the Company changed the time period over which it depreciates its 2005 model year and newer trailers to 14 years from 10 years and it changed the amount of the salvage value to which those trailers are being depreciated from 25% of the original purchase price to

$500. During the quarter this change in estimate resulted in a reduction of depreciation expense on a pre-tax basis of approximately $0.40 million and on a net-of-tax basis of approximately $0.25 million ($0.02 per share). Depreciation and amortization expense may be affected in the future as equipment manufacturers change prices and if the prices of used equipment fluctuate.

- Operations and maintenance expense increased 1.5 percentage points of base Trucking revenue primarily due to a 32.1% increase in direct repair costs related to the Department of Transportation's CSA program, new engine emissions requirements mandated by the Environmental Protection Agency, various rules imposed by California's Air Resources Board, harsh winter weather during the first quarter and the higher mileage equipment remaining in our fleet. This increase was partially offset by the above mentioned increase in our base Trucking revenue per mile. On April 1, 2009, we changed our method of accounting for tires which changed the way we recognized cost for tires placed into service. Accordingly, operations and maintenance expense related to this change increased in 2011 over that of 2010 by approximately $1.8 million. Operations and maintenance expense may decrease as the age of our fleet decreases, but we do not expect to see the benefits of the new equipment in this line item for a number of quarters.

- Insurance and claims expense decreased 0.2 percentage points of base Trucking revenue as we experienced a reduction in physical damage expense for the first half of the year as well as a reduction in the severity of accidents, primarily in the first quarter of 2011 compared to the first quarter of 2010. Also contributing to the decline was a reduction in physical damage expense related to single vehicle accidents which caused damage to our own equipment. If we are able to continue to successfully execute our safety initiatives, we would expect insurance and claims expense to gradually decrease over the long term, though remaining volatile from period-to-period.

- Other expenses increased 0.8 percentage points of base Trucking revenue in the first six months of 2011 compared to the same period of 2010 predominately driven by higher recruiting related expenses and an increase in the number of maintenance terminals to service our equipment. The Department of Transportation's CSA program has increased the difficulty of recruiting qualified drivers as the demand for those highly qualified drivers has increased, while the program has simultaneously decreased the overall supply of drivers. Despite a decline in our driver turnover rate, 8.8% of our fleet was unmanned during the first half of 2010 (compared to 5.8% in the previous year and our goal of 3.0%). We will not lower our hiring standards to man our trucks because the cost of doing so is much higher in the long-term than the short-term costs associated with elevated recruiting expense and reduced tractor utilization.

- Gain on the disposal of equipment increased 1.3 percentage points for the six months ended June 30, 2011 as compared to the same period of 2010. We have capitalized on the strong used equipment market in our continued effort to reduce the age of our tractor fleet as we have sold older model tractors and replaced those units with new equipment. Also, as we have outfitted a large percentage of our trailers with SkyBitz trailer tracking, we have been able to systematically reduce the number of trailers in our fleet while also replacing those older model trailers with current model year equipment.

Results of Operations – Strategic Capacity Solutions

The following table sets forth certain information relating to our SCS segment for the periods indicated.

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Total SCS revenue	$ 35,485	$ 17,285
Intercompany revenue	(6,046)	(2,572)
Net revenue	$ 29,439	$ 14,713
Operating income (in thousands)	$ 3,606	$ 1,243
Gross margin (1)	15.8 %	14.3%

(1) Gross margin is calculated by taking total base revenue, less purchased transportation expense net of fuel surcharge revenue and dividing that amount by total base revenue. This calculation includes intercompany revenue and expenses.

Net revenue from SCS increased 100.1% to $29.4 million from $14.7 million, while operating income increased from $1.2 million to $3.6 million. Overall, operating income increased approximately $2.4 million to $3.6 million. This increase was primarily a result of the continued expansion of our SCS operations, as we added five branches since the second quarter of 2010, bringing the total number of branches to 11, and had an increase in productivity of SCS team members. The resulting increase in operating expenses has been more than offset with the increase in revenues from these additional branch locations. If we are successful in continuing to build our SCS business, we would expect to see expenses as a percent of total revenue decline further in the next several quarters.

Results of Operations – Intermodal

The following table sets forth certain information relating to our Intermodal segment for the periods indicated.

	Six Months Ended June 30, 2011		2010
Total Intermodal revenue	$ 11,641		$ 6,381
Intercompany revenue	(1,138)		(1,296)
Net revenue	$ 10,503		$ 5,085
Operating (loss) income (in thousands)	$ (496)		$ 85
Gross margin (1)	8.8	%	7.4%

(1) Gross margin is calculated by dividing total base revenue, less purchased transportation expense, less fuel surcharge revenue by total base revenue. This calculation includes intercompany revenue and expenses.

Net revenue from Intermodal increased 106.5% to $10.5 million from $5.1 million. We incurred an operating loss of approximately $0.5 million during the six months ended June 30, 2011, as compared to operating income of $0.09 million during the same period of 2010. Overall, the base revenue growth can be attributed to our efforts to integrate and cross-sell this service with our traditional Trucking services. To propel those efforts, during the late summer of 2010 we entered into an exclusive-use agreement for a meaningful number of leased intermodal containers, which contributed to this revenue growth and we anticipate our Intermodal revenue to increase in the coming quarters as we expand this program. While the addition of those containers drove substantial revenue growth, a lack of load volume in the right lanes resulted in an operating loss. The insufficient load volume and pricing did not offset the fixed costs associated with the new containers, and this situation continued into the second quarter despite an increase in revenue. However, we have made progress as our loss narrowed in the second quarter and we saw gross margin improvement. As we continue to build our intermodal container business, we would expect to see the expenses associated with these containers decline as a percent of revenue in the next several quarters.

Seasonality

In the trucking industry, revenue generally decreases 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 revenue 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

Most of our operating expenses are inflation sensitive, and we have not always been able to offset inflation-driven cost increases through increases in our revenue per mile and our cost control efforts. The effect of inflation-driven cost increases on our overall operating costs is 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 prices 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 an agreed upon baseline price per gallon. Typically, we are not able to fully recover increases in fuel prices through rate increases and fuel surcharges, primarily because those items do not provide any benefit with respect to empty and out-of-route miles, for which we typically do not receive compensation from customers.

On May 25, 2010, we entered into a contract to hedge approximately 0.5 million gallons of diesel fuel per month for the time period of July 2010 through June 2012. Under this agreement we were to pay a fixed rate per gallon of heating oil and receive the monthly average price of NYMEX HO heating oil. As diesel fuel is not a traded commodity on the futures market, heating oil is used as a substitute for diesel fuel as prices for both generally move in similar directions.

On June 28, 2010, the Company sold its contract related to the forecasted purchase of diesel fuel for the time period of July 2010 through June 2012 to lock in related gains. The purchase contract had not been designated as a hedge; therefore, the related gain was recorded as a reduction in fuel expense of approximately $1.2 million on a pre-tax basis and on a net of tax basis of approximately $0.7 million or $0.07 per share.

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.

Off-Balance Sheet Arrangements

We do not currently have off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our consolidated financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources. From time to time, we enter into operating leases relating to facilities and office equipment that are not reflected in our balance sheet.

Liquidity and Capital Resources

On April 19, 2010, we entered into a new Credit Agreement with Branch Banking and Trust Company as Administrative Agent, which replaced our Amended and Restated Senior Credit Facility that was to mature on September 1, 2010. The Credit Agreement provides for available borrowings of up to $100.0 million, including letters of credit not exceeding $25.0 million. Availability may be reduced by a borrowing base limit as defined in the Credit Agreement. The Credit Agreement provides an accordion feature allowing us to increase the maximum borrowing amount by up to an additional $75.0 million in the aggregate in one or more increases, subject to certain conditions. The Credit Agreement bears variable interest based on the type of borrowing and on the Administrative Agent's prime rate or the London Interbank Offered Rate plus a certain percentage, which is determined based on our attainment of certain financial ratios. A quarterly commitment fee is payable on the unused portion of the credit line and bears a rate which is determined based on our attainment of certain financial ratios. The obligations of the Company under the Credit Agreement are guaranteed by the Company and secured by a pledge of substantially all of the Company's assets with the exception of real estate. The Credit Agreement includes usual and customary events of default for a facility of this nature and provides that, upon the occurrence and continuation of an event of default, payment of all amounts payable under the Credit Agreement may be accelerated, and the lenders' commitments may be terminated. The Credit Agreement contains certain restrictions and covenants relating to, among other things, dividends, liens, acquisitions and dispositions outside of the ordinary course of business, and affiliate transactions. The new Credit Agreement will expire on April 19, 2014.

The nature of our business requires significant investments in new revenue equipment. We have financed new tractor and trailer purchases predominantly with cash flows from operations, the proceeds from sales or trades of used equipment, borrowings under our Credit Agreement and capital lease purchase arrangements. We have historically met our working capital needs with cash flows from operations and with borrowings under financing arrangements. We use these financing arrangements to minimize fluctuations in cash flow needs and to provide flexibility in financing revenue equipment purchases. Management is not aware of any known trends or uncertainties that would cause a significant change in our sources of liquidity. We expect our principal sources of capital to be sufficient to finance our operations, annual debt maturities, lease commitments, letter of credit commitments, stock repurchases and capital expenditures over the next twelve months. There can be no assurance, however, that such sources will be sufficient to fund our operations and all expansion plans for the next several years, or that any necessary additional financing and facility renewal will be available, if at all, in amounts required or on terms satisfactory to us.

Our balance sheet debt, less cash, represents 45.4% of our total capitalization, and we have no material off-balance sheet debt. Our capital leases currently represent 48.0% of our total debt and carry an average fixed rate of 3.1%. We also have additional availability on our revolving credit line of approximately $38.2 million, which we could have borrowed without violating any of our current financial covenants applicable to us on June 30, 2011. We expect our net capital expenditures for the remainder of 2011 to be approximately $18.1 million.

Cash Flows

	(in thousands)			
	Six Months Ended June 30,			
	2011		2010	
Net cash provided by operating activities	$	9,545	$	24,911
Net cash used in investing activities		(11,706)		(22,967)
Net cash provided by financing activities		1,211		280

Cash generated from operations decreased $15.4 million during the first half of 2011 as compared to the first half of 2010, primarily due to the net effect of the following factors:

- A $19.3 million decrease in cash provided from accounts receivable resulting from extended payment terms, a larger proportional share of revenue from our SCS segment and an increase in fuel surcharge revenue.
- A $0.5 million increase in depreciation and amortization primarily due to the higher acquisition cost of replacement tractors and trailers.
- A $2.2 million increase in the gain on disposal of revenue equipment. We continue to experience a stronger used equipment market compared to the first half of 2010.
- A $2.8 million decrease in cash used in inventories and prepaid expenses. The decrease in cash used was primarily due to additional tire purchases effecting our prepaid tire account during the first half of 2010 and fees related to the 2010 renewal of our Credit Facility.
- A $2.6 million increase in cash provided by trade accounts payable and accrued expenses primarily due to timing of fuel payments and invoices related to our operating software conversion.

Cash used in investing activities decreased $11.3 million during the first half of 2011 as compared to the same time period of 2010 primarily due to the method utilized to finance the acquisition of revenue equipment. During 2010, we primarily utilized borrowings from our Credit Agreement to fund revenue equipment acquisitions and during 2011 we utilized more lease based financing. During the first half of 2011, we leased $15.4 million in revenue equipment acquisitions compared to $4.9 million during the same time period of 2010. In addition, we have also experienced higher sale prices and sale volumes in our used equipment sales, which resulted in a $6.3 million increase in proceeds from the sale of equipment.

Cash provided by financing activities increased $0.9 million during the first half of 2011 as compared to the same time period in 2010. We borrowed a net amount on our Credit Agreement of $10.1 million in 2011 compared to $9.6 million in net borrowings in 2010, resulting in a $0.5 million increase in net borrowings on our Credit Agreement. The additional borrowing primarily related to purchasing replacement revenue equipment. In addition to the additional borrowing, cash provided by financing activities increased due to a $1.3 million increase in bank drafts outstanding, which was partially offset by a $0.7 million increase in principal payments on capitalized lease obligations.

Debt

On April 19, 2010, we entered into a new Credit Agreement with Branch Banking and Trust Company as Administrative Agent, which replaced our Amended and Restated Senior Credit Facility that was to mature on September 1, 2010. The Credit Agreement provides for available borrowings of up to $100.0 million, including letters of credit not exceeding $25.0 million. Availability may be reduced by a borrowing base limit as defined in the Credit Agreement. The Credit Agreement provides an accordion feature allowing us to increase the maximum borrowing amount by up to an additional $75.0 million in the aggregate in one or more increases, subject to certain conditions. The Credit Agreement bears variable interest based on the type of borrowing and on the Administrative Agent's prime rate or the London Interbank Offered Rate plus a certain percentage, which is determined based on our attainment of certain financial ratios. A quarterly commitment fee is payable on the unused portion of the credit line and bears a rate which is determined based on our attainment of certain financial ratios. The obligations of the Company under the Credit Agreement are guaranteed by the Company and secured by a pledge of substantially all of the Company's assets with the exception of real estate. The Credit Agreement includes usual and customary events of default for a facility of this nature and provides that, upon the occurrence and continuation of an event of default, payment of all amounts payable under the Credit Agreement may be accelerated, and the lenders' commitments may be terminated. The Credit Agreement contains certain restrictions and covenants relating to, among other things, dividends, liens, acquisitions and dispositions outside of the ordinary course of business, and affiliate transactions. The new Credit Agreement will expire on April 19, 2014.

Borrowings under the Credit Agreement are classified as “base rate loans,” “LIBOR loans” or “Euro dollar loans.” Base rate loans accrue interest at a base rate equal to the Administrative Agent’s prime rate plus an applicable margin that is adjusted quarterly between 0.0% and 1.0%, based on the Company’s leverage ratio. LIBOR loans accrue interest at LIBOR plus an applicable margin that is adjusted quarterly between 2.00% and 3.25% based on the Company’s leverage ratio. Euro dollar loans accrue interest at the LIBOR rate in effect at the beginning of the month in which the borrowing occurs plus an applicable margin that is adjusted quarterly between 2.00% and 3.25% based on the Company’s leverage ratio. On a per annum basis, the Company must pay a fee on the unused amount of the revolving credit facility of between 0.25% and 0.375% based on the Company’s leverage ratio, and it must pay an annual administrative fee to the Administrative Agent of 0.03% of the total commitments.

The interest rate on our overnight borrowings under the Credit Agreement at June 30, 2011 was 3.5%. The interest rate including all borrowings made under the Credit Agreement at June 30, 2011 was 2.9% and for the six months ended June 30, 2011 was 2.7%. A quarterly commitment fee is payable on the unused portion of the credit line and bears a rate which is determined based on our attainment of certain financial ratios. At June 30, 2011, the rate was 0.25% per annum. The Credit Agreement is collateralized by revenue equipment having a net book value of $174.2 million at June 30, 2011, and all trade and other accounts receivable.

The Credit Agreement requires us to meet certain financial covenants (i.e., a maximum leverage ratio of 3.00 (currently and through the end of the Credit Agreement), and a minimum fixed charge ratio of 1.4) and to maintain a minimum tangible net worth of approximately $106.4 million at June 30, 2011. We were in compliance with these covenants at June 30, 2011. The covenants would prohibit the payment of dividends by us if such payment would cause us to be in violation of any of the covenants.

We have entered into leases with lenders who participate in our Credit Agreement and who participated in our Amended and Restated Senior Credit Facility, which was replaced by the Credit Agreement. Those leases contain cross-default provisions with the Credit Agreement and the previous Facility. We have also entered into leases with other lenders who do not participate in our Credit Agreement nor participated in our previous Facility. Multiple leases with lenders who do not participate in our Credit Agreement generally contain cross-default provisions.

We record 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.

On February 6, 2009, we entered into a $10.0 million interest rate swap agreement with an effective date of February 19, 2009. The rate on the swap was fixed at 1.57% until February 19, 2011. The interest rate swap agreement was accounted for as a cash flow hedge.

Equity

At June 30, 2011, we had stockholders’ equity of $135.5 million and total debt including current maturities of $115.9 million, resulting in a total debt, less cash, to total capitalization ratio of 45.4% compared to 40.8% at December 31, 2010.

Purchases and Commitments

As of June 30, 2011, our capital expenditures forecast, net of proceeds from the sale or trade of equipment, was $18.1 million for the remainder of 2011, approximately $15.6 million of which relates to revenue equipment acquisitions. To the extent further capital expenditures are feasible based on our debt covenants and operating cash requirements, we would use the balance of $2.5 million primarily for property acquisitions, facility construction and improvements and maintenance and office equipment. We routinely evaluate our equipment acquisition needs and adjust our purchase and disposition schedules from time to time based on our analysis of factors such as freight demand, driver availability and the condition of the used equipment market. During the six months ended June 30, 2011, we made $33.5 million of net capital expenditures, including $32.2 million for revenue equipment purchases and $1.3 million for facility expansions and other expenditures.

The following table represents our outstanding contractual obligations at June 30, 2011, excluding letters of credit:

	(in thousands) Payments Due By Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations:					
Long-term debt obligations (1)	$ 59,957	$ --	$ --	$ 59,957	$ --
Capital lease obligations (2)	57,690	28,038	22,023	7,629	--
Purchase obligations (3)	17,033	17,033	--	--	--
Rental obligations	4,170	2,038	1,451	371	310
Total	$ 138,850	$ 47,109	$ 23,474	$ 67,957	$ 310

(1) Long-term debt obligations, excluding letters of credit in the amount of $1.8 million, consists of our Credit Agreement, which matures on April 19, 2014. The primary purpose of this agreement is to provide working capital for the Company; however, the agreement is also used, as appropriate, to minimize interest expense on other Company purchases that could be obtained through other more expensive capital purchase financing sources. Because the borrowing amounts fluctuate and the interest rates vary, they are subject to various factors that will cause actual interest payments to fluctuate over time. Based on these factors, we have not included in this line item an estimate of future interest payments.

(2) Includes interest payments not included in the balance sheet.

(3) Purchase obligations include commitments to purchase approximately $16.5 million of revenue equipment, none of which is cancelable by us upon advance written notice.

Critical Accounting 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. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. Actual results could differ from those estimates, and such differences could be material.

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

- Revenue recognition and related direct expenses based on relative transit time in each period. Revenue generated by our Trucking operating segment is recognized in full upon completion of delivery of freight to the receiver's location. For freight in transit at the end of a reporting period, we recognize revenue pro rata based on relative transit time completed as a portion of the estimated total transit time. Expenses are recognized as incurred.

Revenue generated by our SCS and Intermodal operating segments is recognized upon completion of the services provided. Revenue is recorded on a gross basis, without deducting third party purchased transportation costs because we have responsibility for billing and collecting such revenue.

Management believes these policies most accurately reflect revenue as earned and direct expenses, including third party purchased transportation costs, as incurred.

- 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 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 make equipment purchasing and replacement decisions on the basis of various factors, including, but not limited to, new equipment prices, used equipment market conditions, demand for our freight services, prevailing interest rates, technological improvements, fuel efficiency, equipment durability, equipment specifications and driver availability. Therefore, depending on the circumstances, we may accelerate or delay the acquisition and disposition of our tractors and trailers from time to time, based on an operating principle whereby we pursue trade intervals that economically balance our maintenance costs and expected trade-in values in response to the circumstances existing at that time. Such adjustments in trade intervals may cause us to adjust the useful lives or salvage values of our tractors or trailers. By changing the relative amounts of older equipment and newer equipment in our fleet, adjustments in trade intervals also increase and decrease the average age of our tractors and trailers, whether or not we change the useful lives or salvage values of any tractors or trailers. We also adjust depreciable lives and salvage values based on factors such as changes in prevailing market prices for used equipment. We periodically monitor these factors in order to keep salvage values in line with expected market values at the time of disposal. Adjustments in useful lives and salvage values are made as conditions warrant and when we believe that the changes in conditions are other than temporary. These adjustments result in changes in the depreciation expense we record in the period in which the adjustments occur and in future periods. These adjustments also impact any resulting gain or loss on the ultimate disposition of the revenue equipment. Management believes our estimates of useful lives and salvage values have been materially accurate as demonstrated by the insignificant amounts of gains and losses on revenue equipment dispositions in recent periods. However, management will continually review salvage values to assure that book values do not exceed market values.

To the extent depreciable lives and salvage values are changed, such changes are recorded in accordance with the applicable generally accepted accounting principles existing at the time of change.

Effective May 1, 2011, the Company changed the time period over which it depreciates its 2005 model year and newer trailers and it changed the amount of the salvage value to which those trailers are being depreciated. The depreciation time period was changed to 14 years from 10 years and the salvage value was changed to $500 from 25% of the original purchase price. During the quarter this change in estimate resulted in a reduction of depreciation expense on a pre-tax basis of approximately $0.40 million and on a net-of-tax basis of approximately $0.24 million ($0.02 per share).

- 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 information such as individual case estimates, historical claims experience and an estimate of claims incurred but not reported. The current portion of the accrual 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. See our Claims Liabilities disclosure elsewhere in this report and in our Annual Report on Form 10-K for additional information.

- Stock option valuation. The assumptions used to value stock options are dividend yield, expected volatility, risk-free interest rate, expected life and anticipated forfeitures. As we have not paid any dividends on our Common Stock, the dividend yield is zero. Expected volatility represents the measure used to project the expected fluctuation in our share price. We use the historical method to calculate volatility with the historical period being equal to the expected life of each option. This calculation is then used to determine the potential for our share price to increase over the expected life of the option. The risk-free interest rate is based on an implied yield on United States zero-coupon treasury bonds with a remaining term equal to the expected life of the outstanding options. Expected life represents the length of time we anticipate the options to be outstanding before being exercised. Based on historical experience, that time period is best represented by the option's contractual life. Anticipated forfeitures represent the number of shares under options we expect to be forfeited over the expected life of the options.

- Accounting for income taxes. Our deferred tax assets and liabilities represent items that will result in taxable income or a tax deduction in future years for which we have already recorded the related tax expense or benefit in our consolidated statements of operations. Deferred tax accounts arise as a result of timing differences between when items are recognized in our consolidated financial statements compared to when they are recognized in our tax returns. Significant management judgment is required in determining our provision for income taxes and in determining whether deferred tax assets will be realized in full or in part. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We periodically assess the likelihood that all or some portion of deferred tax assets will be recovered from future taxable income. To the extent we believe recovery is not probable, a valuation allowance is established for the amount determined not to be realizable. We have not recorded a valuation allowance at June 30, 2011, as all deferred tax assets are more likely than not to be realized.

We believe that we have adequately provided for our future tax consequences based upon current facts and circumstances and current tax law. During the three months ended June 30, 2011, we made no material changes in our assumptions regarding the determination of income tax liabilities. However, should our tax positions be challenged, different outcomes could result and have a significant impact on the amounts reported through our consolidated statements of operations.

- Prepaid tires. Commencing when the tires, including recaps, are placed into service, we account for them as prepaid expenses and amortize their cost over varying time periods, ranging from 18 to 30 months depending on the type of tire. The cost of tires was fully expensed when they were placed into service. We believe the new accounting method more appropriately matches the tire costs to the period during which the tire is being used to generate revenue.

New Accounting Pronouncements

See “Note 6 – New Accounting Pronouncements” to the consolidated financial statements included in this Form 10-Q for a description of the most recent accounting pronouncements and their effect, if any.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES 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 Credit Agreement. The Credit Agreement bears variable interest based on the type of borrowing and on the Administrative Agent’s prime rate or the London Interbank Offered Rate plus a certain percentage which is determined based on our attainment of certain financial ratios. At June 30, 2011, we had $61.8 million outstanding pursuant to our Credit Agreement including letters of credit of $1.8 million. Assuming the outstanding balance at June 30, 2011 was to remain constant, a hypothetical one-percentage point increase in interest rates applicable to the Credit Agreement would increase our interest expense over a one-year period by approximately $0.6 million.

On February 6, 2009, we entered into a $10.0 million interest rate swap agreement with an effective date of February 19, 2009. The rate on the swap was fixed at 1.57% until its expiration date of February 19, 2011. The interest rate swap agreement was accounted for as a cash flow hedge.

Foreign Currency Exchange Rate Risk. We require customers 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 surcharge revenue recoveries. We cannot predict the extent to which high fuel price levels will continue in the future or the extent to which fuel surcharge revenue recoveries could be collected to offset such increases. As of June 30, 2011, we did not have any derivative financial instruments to reduce our exposure to fuel price fluctuations, but may use such instruments in the future. Accordingly, 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. Further, these costs could also exacerbate the driver shortages our industry experiences by forcing independent contractors to cease operations.

ITEM 4. 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 at the reasonable assurance level. There have been no changes in our internal control over financial reporting during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We have confidence in our internal controls and procedures. Nevertheless, our management, including our CEO and CFO, does not expect that our disclosure procedures and controls or our internal controls will prevent all errors or intentional fraud. An internal control system, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of such internal controls are met. Further, the design of an internal control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all internal control systems, no evaluation of controls can provide absolute assurance that all our control issues and instances of fraud, if any, have been detected.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are 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 to cover liabilities in excess of certain self-insured retention levels. Though management believes 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 or results of operations in any given reporting period.

On July 2, 2010 a former driver team member, filed a lawsuit against us titled Hermes Cerdenia vs. USA Truck, Inc. in the Superior Court of the State of California for the County of San Bernardino, alleging various violations of the California Labor Code and seeking certification of the suit as a class action to include "all individuals currently and formerly employed in California as drivers, or other similarly titled positions." We have successfully removed the case to the United States District Court, Central District of California and have filed an answer denying the plaintiff's allegations. The lawsuit seeks monetary damages for the alleged violations. In February 2011, settlement of the lawsuit was negotiated through mediation subject to the District Court's review and approval. Such approval is expected later in 2011. At June 30, 2011, we had fully accrued the agreed upon settlement amount.

On July 28, 2008, a former commission sales agent, Mr. William Blankenship ("Blankenship"), filed an action in the United States District Court, Western District of Arkansas entitled William Blankenship, Jr. v. USA Truck, Inc., asking the court to set aside a previously consummated settlement agreement between the parties. The matter was dismissed by the District Court based upon our Motion to Dismiss, but was later reinstated by the 8th Circuit Court of Appeals and set for trial in the United States District Court in Fort Smith, Arkansas. This matter has been scheduled for trial during the week of October 11, 2011. The impact of the final disposition of this legal proceeding cannot be assessed at this time. However, we have denied all the plaintiff's claims, and management presently believes that the final resolution will not have a material effect on our consolidated financial position, results of operations and cash flow. We intend to vigorously defend ourselves against Blankenship's allegations.

ITEM 1A. RISK FACTORS

Certain risks associated with our operations are discussed in our Annual Report on Form 10-K for the year ended December 31, 2010, under the heading "Risk Factors" in Item 1A of that report. We do not believe there have been any material changes in these risks during the six months ended June 30, 2011.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Recent unregistered sales of securities.

None.

(b) Use of proceeds from registered sales of securities.

None.

(c) Purchases of equity securities by the issuer and affiliated purchasers.

On October 21, 2009, the Board of Directors of the Company approved the repurchase of up to 2,000,000 shares of the Company's Common Stock expiring on October 21, 2012. Subject to applicable timing and other legal requirements, these repurchases may be made on the open market or in privately negotiated transactions on terms approved by the Company's Chairman of the Board or President. Repurchased shares may be retired or held in treasury for future use for appropriate corporate purposes including issuance in connection with awards under the Company's employee benefit plans. During the three months ended June 30, 2011, we did not repurchase any shares of our Common Stock. Our current repurchase authorization has 2,000,000 shares remaining.

The following table sets forth information regarding shares of Common Stock purchased or that may yet be purchased by us under the current authorization during the first quarter of 2011.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 – April 30	--	$ --	--	2,000,000
May 1 – May 31	--	--	--	2,000,000
June 1 – June 30	--	--	--	2,000,000
Total	--	$ --	--	2,000,000

We may reissue repurchased shares under our equity compensation plans or as otherwise directed by the Board of Directors.

We are required to include in the table above purchases made by us or by an affiliated purchaser. For this purpose, “affiliated purchaser” does not include our Employee Stock Purchase Plan, which provides that shares purchased for team members under that Plan may be 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. Any shares purchased by the administrator are not counted against the number of shares available for purchase by us pursuant to the repurchase authorization described above.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits

3.1		Restated and Amended Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1, Registration No. 33-45682, filed with the Securities and Exchange Commission on February 13, 1992 [the "Form S-1"]).
3.2	#	Bylaws of the Company as Amended and Restated on May 4, 2011.
3.3		Certificate of Amendment to Certificate of Incorporation of the Company filed March 17, 1992 (incorporated by reference to Exhibit 3.3 to Amendment No. 1 to the Form S-1 filed with the Securities and Exchange Commission on March 19, 1992).
3.4		Certificate of Amendment to Certificate of Incorporation of the Company filed April 29, 1993 (incorporated by reference to Exhibit 5 to the Company's Registration Statement on Form 8-A/A filed with the Securities and Exchange Commission on June 2, 1997 [the "Form 8-A/A"]).
3.5		Certificate of Amendment to Certificate of Incorporation of the Company filed May 13, 1994 (incorporated by reference to Exhibit 6 to the Form 8-A/A).
4.1		Specimen certificate evidencing shares of the Common Stock, $.01 par value, of the Company (incorporated by reference to Exhibit 4.1 to the Form S-1).
4.2		Instruments with respect to long-term debt not exceeding 10.0% of the total assets of the Company have not been filed. The Company agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.
10.1	* #	Amendment No. 1 to the Company's 2004 Equity Incentive Plan.
31.1	#	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	#	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	#	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	#	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

References:

*	Management contract or compensatory plan or arrangement.
#	Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

USA Truck, Inc.
(Registrant)

Date: August 8, 2011	By:	/s/ Clifton R. Beckham Clifton R. Beckham President and Chief Executive Officer

INDEX TO EXHIBITS
USA TRUCK, INC.

Exhibit Number		Exhibit
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