

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of report (Date of earliest event reported): May 24, 2006



P.A.M. TRANSPORTATION SERVICES, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

0-15057
(Commission File Number)

71-0633135
(I.R.S. Employer Identification No.)

297 West Henri De Tonti, Tontitown, Arkansas 72770
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (479) 361-9111

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

Approval of 2006 Stock Option Plan

On March 2, 2006, the Board of Directors of P.A.M. Transportation Services, Inc. ("PTSI"), adopted, subject to receiving shareholder approval, the 2006 Stock Option Plan (the "Option Plan"). The Option Plan provides for the issuance of stock options for up to 750,000 shares (subject to adjustment) of PTSI common stock to officers, directors, key employees and consultants of PTSI and its subsidiaries. Options granted to employees under the Option Plan, including directors and officers who are employees, may be incentive stock options or non-qualified stock options. Options granted to others under the Option Plan are limited to non-qualified stock options.

The Option Plan is administered by the Board of Directors or a committee designated by the Board of Directors. The Board of Directors has designated the Compensation and Stock Option Committee of the Board of Directors (the "Committee") as the committee that, with the Board of Directors, has the authority to administer the Option Plan. Subject to the provisions of the Option Plan, the Board of Directors or the Committee has the authority to determine the officers, employees and consultants to whom options will be granted, the number of shares covered by each option, vesting rights and the terms and conditions of each option that is granted to them. However, no person may be granted in any fiscal year of PTSI options to purchase more than 100,000 shares under the Option Plan, and the aggregate fair market value (determined at the time the option is granted) of the shares with respect to which incentive stock options are exercisable for the first time by an optionee during any calendar year can not exceed \$100,000. Options granted pursuant to the Option Plan are exercisable no later than ten years after the date of grant.

The Option Plan provides for options for 2,000 shares to be automatically granted each year to each non-employee director of PTSI, and for no other options to be granted under the Plan to non-employee directors. Each option granted to a non-employee director will be exercisable from the date of grant until the date that is the fifth anniversary of the date of grant, unless earlier terminated in accordance with the terms of the Option Plan.

The exercise price per share of common stock for options granted under the Option Plan will be the fair market value of PTSI's common stock on the date of grant, except for incentive stock options granted to a holder of ten percent or more of PTSI's common stock, for whom the exercise price per share will not be less than 110% of the fair market value. No option can be granted under the Option Plan after March 1, 2016.

The Option Plan was approved by PTSI's stockholders at the annual meeting of stockholders held on May 24, 2006. Accordingly, the adoption of the Option Plan is no longer subject to the receipt of stockholder approval.

The Option Plan is described in PTSI's proxy statement that was filed with the Securities and Exchange Commission for its May 24, 2006 annual meeting, and a copy of the Option Plan is set forth in Appendix B to that proxy statement, and incorporated by reference as an exhibit to this report. A copy of the form of the stock option agreement that the Committee and the Board of Directors approved on May 24, 2006 for the annual grants of stock options to non-employees directors under the Option Plan is filed with this report as an exhibit.

Approval of Executive Incentive Plan

On May 24, 2006, the Board of Directors of PTSI approved the P.A.M. Transportation Services, Inc. Executive Incentive Plan (the "Incentive Plan"). The purpose of the Incentive Plan is to allow PTSI to attract, motivate and retain highly qualified executive employees; to obtain from each employee the best possible performance; to establish performance goals that support PTSI's long-term business strategies; and to provide consistency in and alignment with PTSI's approach to executive compensation strategy. Incentive Plan participants include PTSI's executive officers, as follows:

<u>Name</u>	<u>Position</u>
Robert W. Weaver	President and Chief Executive Officer
W. Clif Lawson	Executive Vice President and Chief Operating Officer
Larry J. Goddard	Vice President of Finance, Chief Financial Officer, Secretary and Treasurer

Payment of incentive compensation awards under the Incentive Plan is conditioned on the achievement of performance measures approved by the Committee. In years after 2006, the Plan provides that performance measures will be established by the Committee within 90 days after the beginning of the fiscal year. The maximum incentive compensation award that can be paid under the Incentive Plan to any named executive officer of PTSI is \$1 million.

After the end of the fiscal year, the Committee will determine whether the performance measures were achieved and the amount of the incentive compensation award to be paid to each participant under the Incentive Plan. Incentive compensation awards will be paid in cash. 50% of the award will be paid within 2 ½ months after the end of the fiscal year and 50% of the award will be paid within 2 ½ months after the end of the next following fiscal year. Except as described in the next sentence, a participant must be employed on the last day of the fiscal year, and on the designated payment date, in order to receive payment of the incentive compensation award (including any amount that is deferred.) A participant who terminates employment due to death, disability or retirement will receive a pro rata share of any incentive compensation award earned in that fiscal year.

On May 24, 2006, the Committee approved the performance measures for the 2006 fiscal year under the Incentive Plan. Incentive compensation awards will be based on achieving (a) an increase in total operating profit (determined for PTSI and its subsidiaries on a consolidated basis and excluding interest, bonuses, income taxes, profit/loss on stock, option expense and any other "non-operating" profit/expense items) and (b) a designated operating ratio (operating expense net of fuel surcharges, divided by operating revenue before fuel surcharges.)

If the thresholds are achieved, an incentive compensation award will be paid, equal to the greater of (a) a minimum award (8% of annual base salary for the named executive officers) or (b) a formula amount. The formula amount is tied to the increase in operating profit. As operating profits increase, a greater amount is contributed to an incentive compensation pool. The pool is allocated among all employees eligible for an incentive compensation award, based on a multiple of each employee's annual base salary. The executive officers will each receive their allocated share of the incentive compensation pool.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
10.1	2006 Stock Option Plan is incorporated by reference to Appendix B of PTSI's proxy statement for its May 24, 2006 annual meeting of stockholders that was filed with the Securities and Exchange Commission (Commission File No. 0-15057)
10.2	Form of Non-Qualified Stock Option Agreement for Non-Employee Director stock options that are granted under the 2006 Stock Option Plan

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 hereunto duly authorized.

P.A.M. TRANSPORTATION SERVICES, INC.

Date: May 30, 2006

By: /s/ Robert W. Weaver

Robert W. Weaver
President and Chief Executive Officer

EXHIBIT INDEX

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**P.A.M. TRANSPORTATION SERVICES, INC.
NON-QUALIFIED STOCK OPTION AGREEMENT
FOR NON-EMPLOYEE DIRECTOR**

This Non-Qualified Stock Option Agreement ("Option Agreement") dated as of _____, is by and between P.A.M. TRANSPORTATION SERVICES, INC. (the "Company") and _____ ("Non-Employee Director").

RECITAL

The Board of Directors of the Company has adopted the 2006 Stock Option Plan (the "2006 Plan"), that was approved by the stockholders of the Company on May 24, 2006. A copy of 2006 Plan will be provided to the Non-Employee Director upon request. Pursuant to the terms of the 2006 Plan, and more specifically, Section 10 of the 2006 Plan, the Non-Employee Director will be granted non-qualified stock options to purchase shares of the Company's authorized \$.01 par value common stock ("Stock"), subject to the terms and conditions set forth in the 2006 Plan and this Option Agreement.

AGREEMENT

In consideration of the mutual promises, agreements and covenants contained in this Option Agreement and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties to this Option Agreement agree as follows.

1. INCORPORATION OF PROVISIONS

This Option Agreement is subject to and is to be construed in all respects in a manner that is consistent with the terms of the 2006 Plan, the provisions of which are incorporated by reference into this Option Agreement. Unless specifically provided otherwise, all terms used in this Option Agreement have the same meaning as in the 2006 Plan.

2. GRANT OF OPTIONS

Subject to the terms and conditions of this Option Agreement, the Non-Employee Director is granted a non-qualified stock option to purchase 2,000 shares of Stock, effective as of the date first written above. Thereafter, to the extent provided for in Section 10 of the 2006 Plan, on March 2 of each year during the term of the 2006 Plan, and subject to the terms and conditions of this Option Agreement, the Non-Employee Director will be granted, without the necessity of action by the Board of Directors or any committee of the Board, an option to purchase 2,000 shares of Stock. The total number of shares granted pursuant to options that the Non-Employee Director holds under the 2006 Plan is reflected in Exhibit A attached to this Option Agreement. Exhibit A will be updated and delivered to the Non-Employee Director for attachment to this Option Agreement at or about the time that each option is granted to the Non-Employee Director, and at such other times as may be determined by the Company.

3. OPTION EXERCISE PRICE

Pursuant to the terms of the 2006 Plan, the option exercise price for each share of Stock purchased under this Option Agreement will be equal to 100% of the Market Price of the Stock on the date the relevant option is granted, or for options granted on a weekend or holiday, on the business day next preceding the grant date. The option exercise price for each option is reflected in Exhibit A attached to this Option Agreement.

4. EXPIRATION OF OPTIONS

Each option to acquire Stock pursuant to this Option Agreement will expire (to the extent not previously fully exercised) upon the first to occur of the following:

- (a) the date which is the fifth anniversary of the date of grant of the option;
- (b) the date which is the 90th day following the date upon which the Non-Employee Director ceases to be a director of the Company for any reason other than the Non-Employee Director's death or permanent disability;
- (c) the date which is the first anniversary of the date upon which the Non-Employee Director ceases to be a director of the Company as a result of the Non-Employee Director's death or permanent disability.

5. EXERCISE OF OPTIONS

Except to the extent that options under this Option Agreement earlier lapse or expire pursuant to Article 4 of this Option Agreement, the options may be exercised with respect to the aggregate number of shares subject to this Option Agreement, commencing for each option, on the date of grant.

To the extent that any options becomes exercisable in accordance with the above, the Non-Employee Director may exercise the options, in whole or in part from time to time. The option exercise price may be paid by the Non-Employee Director either in cash or by surrender of other shares of Stock of the Company held by the Non-Employee Director for more than six months, or a combination of both. The Non-Employee Director will be given credit against the option exercise price for the shares surrendered in an amount equal to the Market Price of the shares surrendered.

6. MANNER OF EXERCISE

The options under this Option Agreement may be exercised by written notice to the Company specifying the number of shares to be purchased and signed, or authorized in a manner acceptable to the Company, by the Non-Employee Director, or by such other persons who may be entitled to acquire Stock under this Option Agreement. If any such notice is signed or authorized by a person other than the Non-Employee Director, such person will also provide such other information and documentation as the Board of Directors or Committee may reasonably require to assure that such person is entitled to acquire Stock under the terms of the 2006 Plan and this Option Agreement.

7. RESTRICTIONS ON TRANSFERABILITY

The options under this Option Agreement will not be transferable by the Non-Employee Director otherwise than by will or by the laws of descent and distribution, and such options will be exercisable during the Non-Employee Director's lifetime only by the Non-Employee Director.

8. FURTHER RESTRICTIONS ON EXERCISE AND SALE OF STOCK

If at any time during which an option under this Option Agreement is otherwise exercisable according to its terms, there is no effective Registration Statement on file with the Securities and Exchange Commission covering the shares then acquirable under this Option Agreement, then unless the Board of Directors, in its sole discretion determines otherwise, the option will not be exercised until such time as the Company is satisfied that the offer and sale of the option shares to the option holder is exempt from the registration requirements of the Securities Act of 1933, as amended, and such state securities laws as shall be applicable, and may condition such exercise upon its receipt of such representations, factual assurances and legal opinions as it deems necessary to determine and document the availability of any such exemption, and may further condition such exercise upon such undertakings by the holder of this Option Agreement or such restriction upon the transferability of the shares to be acquired under this Option Agreement as it determines to be necessary to effectuate and protect the claim to any such exemption.

Nothing contained in this section will be construed to obligate the Company to, or to grant any right to the holder of any option to, cause the Company to file any Registration Statement; or, if any such Registration Statement is filed, to prepare any additional prospectus, to file any amendments to the Registration Statement, or to continue the Registration Statement in effect.

The Company has caused this Option Agreement to be executed by a member of the Board of Directors or a duly authorized officer of the Company, and the Non-Employee Director has executed this Option Agreement, as of the date first above written.

P.A.M. TRANSPORTATION SERVICES, INC.

By: _____

Name: _____

Title: _____

ATTEST:

Secretary

NON-EMPLOYEE DIRECTOR

(sign name)

(print name)



EXHIBIT A

TO

**NON-QUALIFIED STOCK OPTION AGREEMENT
DATED AS OF _____, BETWEEN
P.A.M. TRANSPORTATION SERVICES, INC.
AND _____**

OUTSTANDING OPTIONS AS OF _____

Date Option Granted And Exercisable	Number of Shares Covered by Option	Exercise Price Per Share	Expiration Date of Option
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Date of this Exhibit A: _____