

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

FORM 10-Q

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

For the quarterly period ended September 30, 2004

[_] 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 0-15057

P.A.M. TRANSPORTATION SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware

71-0633135

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

297 West Henri De Tonti, Tontitown, Arkansas 72770

(Address of principal executive offices) (Zip Code)

Registrants telephone number, including area code: (479) 361-9111

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes [X] No [_]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class -----	Outstanding at October 25, 2004 -----
Common Stock, \$.01 Par Value	11,300,207

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

P.A.M. TRANSPORTATION SERVICES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	September 30, 2004 ---- (unaudited)	December 31, 2003 ---- (note)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,906	\$ 3,064
Receivables:		
Trade, net of allowance	53,836	46,120
Other	3,003	1,150
Inventories	852	653
Prepaid expenses and deposits	10,236	6,771
Marketable equity securities, available for sale, at fair value	5,851	5,492
Income taxes refundable	997	1,256
	-----	-----
Total current assets	84,681	64,506
Property and equipment, at cost	256,048	269,419
Less: accumulated depreciation	(84,039)	(86,689)
	-----	-----
Net property and equipment	172,009	182,730
Other assets:		
Goodwill	15,413	15,413
Non compete agreement	742	1,004
Other	1,245	1,196
	-----	-----
Total other assets	17,400	17,613
	-----	-----
Total assets	\$ 274,090 =====	\$ 264,849 =====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 3,439	\$ 2,039
Trade accounts payable	19,038	22,295
Other current liabilities	10,787	11,167
Deferred income taxes	3,231	1,330
	-----	-----
Total current liabilities	36,495	36,831
Long-term debt, less current portion	23,184	26,740
Non compete agreement	434	695
Deferred income taxes	47,819	43,708
Shareholders' equity:		
Preferred Stock, \$.01 par value: 10,000,000 shares authorized; none issued		
Common stock, \$.01 par value: 40,000,000 shares authorized; issued and outstanding-11,300,207 at September 30, 2004, 11,294,207 at December 31, 2003	113	113
Additional paid-in capital	76,010	75,957
Accumulated other comprehensive income	568	164
Retained earnings	89,467	80,641
	-----	-----
Total shareholders' equity	166,158	156,875
	-----	-----
Total liabilities and shareholders' equity	\$ 274,090 =====	\$ 264,849 =====

Note: The balance sheet at December 31, 2003 has been derived from the audited 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. See notes to condensed consolidated financial statements.

P.A.M. TRANSPORTATION SERVICES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(in thousands, except share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
	----	----	----	----
Revenue:				
Operating revenue, before fuel surcharge	\$ 75,222	\$ 74,216	\$ 231,966	\$ 219,311
Fuel surcharge	3,857	1,299	9,518	5,783
	-----	-----	-----	-----
	79,079	75,515	241,484	225,094
	-----	-----	-----	-----
Operating expenses:				
Salaries, wages and benefits	28,060	30,161	88,098	89,368
Operating supplies	19,030	15,586	55,995	46,941
Rent and purchased transportation	9,505	9,276	29,277	25,867
Depreciation and amortization	7,649	6,590	22,534	19,194
Operating taxes and licenses	3,708	3,686	11,664	10,890
Insurance and claims	3,848	3,089	11,741	10,220
Communications and utilities	639	624	2,005	1,861
Other	745	1,172	3,649	3,381
Loss on sale of equipment	306	14	584	42
	-----	-----	-----	-----
	73,490	70,198	225,547	207,764
	-----	-----	-----	-----
Operating income	5,589	5,317	15,937	17,330
Other income (expense)				
Interest expense	(305)	(375)	(1,004)	(1,060)
	-----	-----	-----	-----
Income before income taxes	5,284	4,942	14,933	16,270
Income taxes --current	(257)	60	378	270
--deferred	2,393	1,917	5,729	6,172
	-----	-----	-----	-----
	2,136	1,977	6,107	6,442
	-----	-----	-----	-----
Net income	\$ 3,148	\$ 2,965	\$ 8,826	\$ 9,828
	=====	=====	=====	=====
Net income per common share:				
Basic	\$ 0.28	\$ 0.26	\$ 0.78	\$ 0.87
	=====	=====	=====	=====
Diluted	\$ 0.28	\$ 0.26	\$ 0.78	\$ 0.87
	=====	=====	=====	=====
Average common shares outstanding-Basic	11,298,055	11,293,147	11,296,411	11,289,927
	=====	=====	=====	=====
Average common shares outstanding-Diluted	11,324,094	11,326,610	11,322,508	11,330,528
	=====	=====	=====	=====

See notes to condensed consolidated financial statements.

P.A.M. TRANSPORTATION SERVICES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2004	2003
	----	----
OPERATING ACTIVITIES		
Net income	\$ 8,826	\$ 9,828
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,534	19,194
Non compete agreement amortization	-	42
Provision for deferred income taxes	5,729	6,172
Loss on retirement of property and equipment	584	42
Changes in operating assets and liabilities:		
Accounts receivable	(9,613)	(18,209)
Prepaid expenses and other current assets	(3,456)	(3,387)
Accounts payable	(2,067)	2,752
Reserve for lawsuit	(635)	-
Other current liabilities	(380)	2,113
	-----	-----
Net cash provided by operating activities	21,522	18,547
INVESTING ACTIVITIES		
Purchases of property and equipment	(35,691)	(42,065)
Acquisition of businesses, net of cash acquired	-	(10,752)
Purchases of marketable securities	(225)	(3,946)
Proceeds from sales of assets	23,296	14,036
Lease payments received on direct financing leases	44	31
	-----	-----
Net cash used in investing activities	(12,576)	(42,696)
FINANCING ACTIVITIES		
Borrowings under lines of credit	259,313	257,783
Repayments under lines of credit	(262,182)	(257,783)
Borrowings of long-term debt	4,380	-
Repayments of long-term debt	(3,669)	(1,198)
Proceeds from exercise of stock options	54	115
	-----	-----
Net cash used in financing activities	(2,104)	(1,083)
	-----	-----
Net increase (decrease) in cash and cash equivalents	6,842	(25,232)
Cash and cash equivalents at beginning of period	3,064	30,766
	-----	-----
Cash and cash equivalents at end of period	\$ 9,906	\$ 5,534
	=====	=====

See notes to condensed consolidated financial statements.

P.A.M. TRANSPORTATION SERVICES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)
(in thousands)

	Common Shares	Stock Amount	Additional Paid-In Capital	Total Comprehensive Income	Accumulated Other Comprehensive Income/(Loss)	Retained Earnings	Total
BALANCE AT DECEMBER 31, 2003	11,294	113	75,957		164	80,641	156,875
Components of comprehensive income:							
Net income				\$ 8,826		8,826	8,826
Other comprehensive income (loss) -							
Unrealized gain on hedge, net of tax of \$226				339	339		339
Unrealized gain on marketable securities, net of tax of \$43				65	65		65
Total comprehensive income				\$ 9,230			
Exercise of stock options- shares issued including tax benefits	6		53				53
BALANCE AT SEPTEMBER 30, 2004	11,300	\$ 113	\$ 76,010		\$ 568	\$ 89,467	\$166,158

See notes to condensed consolidated financial statements.

P.A.M. TRANSPORTATION SERVICES, INC.
AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
SEPTEMBER 30, 2004

NOTE A: BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In management's opinion, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. Operating results for the nine-month period ended September 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. For further information, refer to the consolidated financial statements and the footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2003.

In order to conform to industry practice, the Company began to classify fuel surcharges charged to customers as revenue rather than as a reduction of operating supplies expense as presented in reports prior to the period ended June 30, 2004. This reclassification has no effect on net operating income, net income or earnings per share. The Company has made corresponding reclassifications to comparative periods shown.

NOTE B: DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Effective February 28, 2001 the Company entered into an interest rate swap agreement on a notional amount of \$15,000,000. The pay fixed rate under the swap is 5.08%, while the receive floating rate is "1-month" LIBOR. This interest rate swap agreement terminates on March 2, 2006. Effective May 31, 2001 the Company entered into an interest rate swap agreement on a notional amount of \$5,000,000. The pay fixed rate under the swap is 4.83%, while the receive floating rate is "1-month" LIBOR. This interest rate swap agreement terminates on June 2, 2006.

The Company designates both of these interest rate swaps as cash flow hedges of its exposure to variability in future cash flows resulting from interest payments indexed to "1-month" LIBOR. Changes in future cash flows from the interest rate swaps will offset changes in interest rate payments on the first \$20,000,000 of the Company's current revolving credit facility or future "1-month" LIBOR based borrowings that reset on the last London Business Day prior to the start of the next interest period. The hedge locks the interest rate at 5.08% or 4.83% plus the pricing spread (currently 1.15%) for the notional amounts of \$15,000,000 and \$5,000,000, respectively.

These interest rate swap agreements meet the specific hedge accounting criteria. The effective portion of the cumulative gain or loss has been reported as a component of accumulated other comprehensive loss in shareholders' equity and will be reclassified into current earnings by June 2, 2006, the latest termination date for all current swap agreements. The Company records all derivatives at fair value as assets or liabilities in the condensed consolidated balance sheet, with classification as current or long-term depending on the duration of the instrument. For the nine months ended September 30, 2004, the Company had a net unrealized gain of approximately \$339,000, net of deferred income taxes. At September 30, 2004, the net after tax deferred hedging loss in accumulated other comprehensive loss was approximately \$443,000.

The measurement of hedge effectiveness is based upon a comparison of the floating-rate leg of the swap and the hedged floating-rate cash flows on the underlying liability. This method is based upon the premise that only the floating-rate component of the swap provides the cash flow hedge, and any changes in the swap's fair value attributable to the fixed-rate leg is not relevant to the variability of the hedged interest payments on the floating-rate liability. The calculation of ineffectiveness involves a comparison of the present value of the cumulative change in the expected future cash flows on the variable leg of the swap and the present value of the cumulative change in the expected future interest cash flows on the floating-rate liability. Ineffectiveness related to these hedges was not significant.

In August 2000 and July 2001, we entered into agreements to obtain price protection and reduce a portion of our exposure to fuel price fluctuations. Under these agreements, we were obligated to purchase minimum amounts of diesel fuel per month, with a price protection component, for the six month periods

ended March 31, 2001 and February 28, 2002. The agreements also provide that if during the 48 months commencing April 2001, the average monthly price of heating oil on the New York Mercantile Exchange ("NY MX HO") falls below \$.58 per gallon, we are obligated to pay, for a maximum of twelve different months selected by the contract holder during such 48-month period, the difference between \$.58 per gallon and NY MX HO average price, multiplied by 900,000 gallons. Accordingly, in any month in which the holder exercises such right, we would be obligated to pay the holder \$9,000 for each cent by which \$.58 exceeds the average NY MX HO price for that month. The estimated fair value of the agreements are periodically adjusted and as of September 30, 2004 the estimated fair value of \$625,000 is included in accrued liabilities in the accompanying condensed consolidated financial statements. For the three and nine month period ended September 30, 2004 an adjustment of \$125,000 was made which had the effect of reducing operating supplies expense and other current liabilities each by \$125,000 in the accompanying condensed consolidated financial statements.

NOTE C: RECENT ACCOUNTING PRONOUNCEMENTS

In December 2003, the FASB issued Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements ("FIN 46R"), which replaced FIN 46. FIN 46 clarifies the application of Accounting Research Bulletin No. 51 to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. The Company is required to adopt the provisions of FIN 46R by the beginning of the first annual period beginning after December 15, 2004. The adoption of FIN 46R is not expected to have a material effect on the Company's consolidated financial statements.

In March 2004, the FASB issued an exposure draft entitled Share-Based Payment - an amendment of Statements No. 123 and 95 (Proposed Statement of Financial Accounting Standards). The proposed Statement would eliminate the ability to account for share-based compensation transactions using APB Opinion No. 25 and generally require instead that such transactions be accounted for using a fair-value-based method. This accounting, if approved, could result in significant compensation expense charges to our future results of operations. The exposure draft, if adopted as presently drafted, would be applied to public entities prospectively for fiscal years beginning after December 15, 2004, as if all share-based compensation awards granted, modified, or settled after December 15, 1994, had been accounted for using the fair-value method of accounting. Retrospective application of the proposed Statement is not permitted.

Management of the Company is considering the impact of EITF Issue 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments ("EITF 03-1"). The EITF has concluded that EITF 03-1 indicates that an investor must have the intent and ability to hold an investment until a forecasted recovery of the fair value up to or beyond the cost of the investment in order to determine that any impairment is temporary. If the investor does not have the intent and ability to hold the investment until a forecasted recovery, then an other-than-temporary impairment must be recorded. The consensus by the EITF is effective for periods beginning after June 15, 2004, however FASB Staff Position (FSP) EITF Issue 3-1-1 has delayed the effective date of paragraphs 10 through 20 until implementation guidance within proposed FSP EITF Issue 03-1-a has been finalized. Management has determined that the impact of EITF 03-1 is not material at September 30, 2004, but is continuing to evaluate the possible future impact on the Company's financial position and results of operations.

NOTE D: MARKETABLE SECURITIES

The Company's investments in marketable securities, which are classified as available for sale, currently consist entirely of equity securities. These equity securities have a combined original cost of approximately \$4,140,000 and a combined fair market value of approximately \$5,851,000 as of September 30, 2004. Unrealized gains and losses from marketable securities classified as available for sale are recorded as a component of accumulated other comprehensive income in shareholders' equity. For the nine month period ended September 30, 2004 the Company had a net unrealized gain in market value of \$65,000, net of deferred income taxes. At September 30, 2004 the total unrealized gain, net of deferred income taxes, in accumulated other comprehensive income was approximately \$1,011,000. During the first nine months of 2004 there were no sales or reclassifications of marketable securities.

NOTE E: STOCK BASED COMPENSATION

 The Company adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS No. 123). The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003

	(in thousands, except per share data)			
Net income	\$ 3,148	\$ 2,965	\$ 8,826	\$ 9,828
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(74)	(82)	(222)	(245)
	-----	-----	-----	-----
Pro forma net income	\$ 3,074	\$ 2,883	\$ 8,604	\$ 9,583
	=====	=====	=====	=====
Earnings per share:				
Basic - as reported	\$.28	\$.26	\$.78	\$.87
Basic - pro forma	\$.27	\$.26	\$.76	\$.85
Diluted - as reported	\$.28	\$.26	\$.78	\$.87
Diluted - pro forma	\$.27	\$.25	\$.76	\$.85

NOTE F: BUSINESS ACQUISITIONS

 On January 31, 2003, P.A.M. Transportation Services, Inc. acquired substantially all of the assets of East Coast Transport, Inc. The results of East Coast Transport, Inc. have been included in the consolidated financial statements since that date. In accordance with SFAS No. 141, "Business Combinations", the acquisition was accounted for under the purchase method of accounting. The Company paid cash of approximately \$1.9 million, entered into a seven year installment note in the amount of approximately \$5.0 at an interest rate of 6%, and entered into a non-compete agreement requiring payment of \$1.0 million over a five year period. Goodwill resulting from the transaction totaled approximately \$6.9 million.

On April 3, 2003, P.A.M. Transportation Services, Inc. acquired substantially all of the assets of McNeill Trucking, Inc. The results of McNeill Trucking, Inc. have been included in the consolidated financial statements since that date. In accordance with SFAS No. 141, "Business Combinations", the acquisition was accounted for under the purchase method of accounting. The Company paid cash of approximately \$8.8 million and assumed liabilities of approximately \$70,000, and entered into a non-compete agreement requiring payment of \$300,000 over a two year period. Goodwill resulting from the transaction totaled approximately \$370,000.

PART I - FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial
Condition and Results of Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING INFORMATION

Certain information included in this Quarterly Report on Form 10-Q constitutes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may relate to expected future financial and operating results or events, and are thus prospective. Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Potential risks and uncertainties include, but are not limited to, excess capacity in the trucking industry; surplus inventories; recessionary economic cycles and downturns in customers' business cycles; increases or rapid fluctuations in fuel prices, interest rates, fuel taxes, tolls, license and registration fees; the resale value of the Company's used equipment and the price of new equipment; increases in compensation for and difficulty in attracting and retaining qualified drivers and owner-operators; increases in insurance premiums and deductible amounts relating to accident, cargo, workers' compensation, health, and other claims; unanticipated increases in the number or amount of claims for which the Company is self insured; inability of the Company to continue to secure acceptable financing arrangements; seasonal factors such as harsh weather conditions that increase operating costs; competition from trucking, rail, and intermodal competitors including reductions in rates resulting from competitive bidding; the ability to identify acceptable acquisition candidates, consummate acquisitions, and integrate acquired operations; a significant reduction in or termination of the Company's trucking service by a key customer; and other factors, including risk factors, referred to from time to time in filings made by the Company with the Securities and Exchange Commission. The Company undertakes no obligation to update or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

CRITICAL ACCOUNTING POLICIES

The Company's management makes estimates and assumptions in preparing the consolidated financial statements that affect reported amounts and disclosures therein. In the opinion of management, the accounting policies that generally have the most significant impact on the financial position and results of operations of the Company include:

Accounts Receivable. We continuously monitor collections from our customers, third parties and vendors and maintain a provision for estimated credit losses based upon our historical experience and any specific collection issues that we have identified. While such credit losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past.

Property and equipment. Management must use its judgment in the selection of estimated useful lives and salvage values for purposes of depreciating tractors and trailers which in some cases do not have guaranteed residual values. Estimates of salvage value at the expected date of trade-in or sale are based on the expected market values of equipment at the time of disposal which, in many cases include guaranteed residual values by the manufacturers.

Self Insurance. The Company is self-insured for health and workers' compensation benefits up to certain stop-loss limits. Such costs are accrued based on known claims and an estimate of incurred, but not reported (IBNR) claims. IBNR claims are estimated using historical lag information and other data either provided by outside claims administrators or developed internally. This estimation process is subjective, and to the extent that future actual results differ from original estimates, adjustments to recorded accruals may be necessary.

Revenue Recognition. Revenue is recognized in full upon completion of delivery to the receiver's location. For freight in transit at the end of a reporting period, the Company recognizes revenue prorata based on relative transit miles completed as a portion of the estimated total transit miles with estimated expenses recognized upon recognition of the related revenue.

Prepaid Tires. Tires purchased with revenue equipment are capitalized as a cost of the related equipment. Replacement tires are included in prepaid expenses and deposits and are amortized over a 24-month period. Costs related to tire recapping are expensed when incurred.

Business Segment and Concentrations of Credit Risk. The Company operates in one business segment, motor carrier operations. The Company provides transportation services to customers throughout the United States and portions of Canada and Mexico. The Company performs ongoing credit evaluations and generally does not require collateral from its customers. The Company maintains reserves for potential credit losses. In view of the concentration of the Company's revenues and accounts receivable among a limited number of customers within the automobile industry, the financial health of this industry is a factor in the Company's overall evaluation of accounts receivable. At September 30, 2004, one customer's accounts receivable balance represented 59.8% of the Company's total accounts receivable.

Business Combinations and Goodwill. Upon acquisition of an entity, the cost of the acquired entity must be allocated to assets and liabilities acquired. Identification of intangible assets, if any, that meet certain recognition criteria is necessary. This identification and subsequent valuation requires significant judgments. The carrying value of goodwill was tested for impairment on September 30, 2004. The impairment testing requires an estimate of the value of the Company as a whole, as the Company has determined it only has one reporting unit as defined in SFAS No. 142.

BUSINESS OVERVIEW

The Company's administrative headquarters are in Tontitown, AR. From this location we manage operations conducted through nine wholly owned subsidiaries based in various locations around the United States and Canada. The operations of these subsidiaries can generally be classified into either truckload services or brokerage and logistics services. Truckload services include those transportation services in which we utilize company owned tractors or owner-operator owned tractors. Both our truckload operations and our brokerage/logistics operations have similar economic characteristics and are impacted by virtually the same economic factors as discussed elsewhere herein. All of the Company's operations are in the trucking and transportation segment.

For both operations substantially all of our revenue is generated by transporting freight for customers. For the three and nine month periods ended September 30, 2004 truckload revenues, excluding fuel surcharges, represented approximately 86% of total revenues, excluding fuel surcharges, with remaining revenues being generated by our brokerage and logistics services. For the three and nine month periods ended September 30, 2003 truckload revenues, excluding fuel surcharges, represented approximately 86% and 87% of total revenues, excluding fuel charges, respectively, with remaining revenues being generated by our brokerage and logistics services. Our revenue is predominantly affected by the rates per mile received from our customers, equipment utilization, and our percentage of non-compensated miles. These aspects of our business are carefully managed and efforts are continuously underway to achieve favorable results.

The main factors that impact our profitability on the expense side are costs incurred in transporting freight for our customers. Currently our most challenging costs include fuel, driver recruitment, training, wage and benefit costs, independent broker costs (which we record as purchased transportation), insurance, and maintenance and capital equipment costs.

RESULTS OF OPERATIONS - TRUCKLOAD SERVICES DIVISION

The following table sets forth, for the truckload services division, the percentage relationship of expense items to operating revenues, before fuel surcharges, for the periods indicated. Operating supplies expense, which includes fuel costs, are shown net of fuel surcharges.

	Three Months Ended		Nine Months Ended	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
Operating revenues, before fuel surcharge	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Salaries, wages and benefits	42.4	46.5	43.1	46.3
Operating supplies (1)	23.6	22.5	23.4	21.6
Rent and purchased transportation	0.5	0.2	0.5	0.2
Depreciation and amortization	11.7	10.3	11.2	10.1
Operating taxes and licenses	5.7	5.7	5.8	5.7
Insurance and claims	5.9	4.8	5.9	5.4
Communications and utilities	0.9	0.9	0.9	0.9
Other	0.9	1.6	1.6	1.5
Loss on sale or disposal of property	0.5	0.0	0.3	0.0
Total operating expenses	92.1	92.5	92.7	91.7
Operating income	7.9	7.5	7.3	8.3
Interest expense	(0.4)	(0.5)	(0.4)	(0.4)
Income before income taxes	7.5	7.0	6.9	7.9

(1) Net of fuel surcharges.

THREE MONTHS ENDED SEPTEMBER 30, 2004 VS. THREE MONTHS ENDED SEPTEMBER 30, 2003

For the quarter ended September 30, 2004, truckload services revenues, before fuel surcharges, increased 1.6% to \$64.9 million as compared to \$63.9 million for the quarter ended September 30, 2003. The increase was due to a 7.5% increase in the average rate per total mile from \$1.07 during the third quarter of 2003 to \$1.15 during the third quarter of 2004. The revenue growth attributable to the increase in average rate per mile was partially offset by a 5.7% reduction in average miles per tractor per work day.

Salaries, wages and benefits decreased from 46.5% of revenues, before fuel surcharges, in the third quarter of 2003 to 42.4% of revenues, before fuel surcharges, in the third quarter of 2004. The decrease relates primarily to the effect of a higher average rate per mile charged to customers without a corresponding increase in salaries and wages. However, effective October 1, 2004 a new driver pay package has been implemented and the Company expects salaries, wages and benefits to increase approximately \$.03 per mile as a result. Also contributing to the decrease was the continued benefit of the restructuring of workers compensation plans which resulted in a decrease in amounts expensed for workers compensation coverage. Although to a lesser extent, salaries, wages and benefits also decreased due to a decrease in driver lease expense as the average number of owner operators under contract decreased from 112 in the third quarter of 2003 to 92 in the third quarter of 2004. The decrease associated with driver lease expense was partially offset by an increase in amounts paid to the corresponding company driver replacement, and in other costs normally absorbed by the owner operator such as repairs and fuel.

Operating supplies and expenses increased from 22.5% of revenues, before fuel surcharges, in the third quarter of 2003 to 23.6% of revenues, before fuel surcharges in the third quarter of 2004. The increase relates to an increase in fuel costs resulting from a 30.8% increase in the average price per gallon paid by the Company during the third quarter of 2004 as compared to the third quarter of 2003. During periods of rising fuel prices the Company is often able to recoup at least a portion of the increase through fuel surcharges passed along to its customers. Fuel costs, net of fuel surcharges, increased to \$10.0 million in the third quarter of 2004 from \$9.0 million in the third quarter of 2003. The Company collected approximately \$3.7 million in fuel surcharges during the third quarter of 2004 and \$1.2 million during the third quarter of 2003. Fuel costs were also affected by the replacement of owner operators with company drivers as discussed above.

Rent and purchased transportation increased from 0.2% of revenues, before fuel surcharges, in the third quarter of 2003 to 0.5% of revenues, before fuel surcharges in the third quarter of 2004. The increase relates primarily to rental and mileage fees incurred on equipment used past scheduled trade-in dates due to manufacturers delays in providing replacement equipment.

Depreciation and amortization increased from 10.3% of revenues, before fuel surcharges, in the third quarter of 2003 to 11.7% of revenues, before fuel surcharges, in the third quarter of 2004. The increase was primarily due to the combined effect of higher tractor purchase prices and lower tractor guaranteed residual values offered by the manufacturers.

Insurance and claims expense increased from 4.8% of revenues, before fuel surcharges, in the third quarter of 2003 to 5.9% of revenues, before fuel surcharges, in the third quarter of 2004. The increase in expense relates to the purchase of additional auto liability coverage which was not in place during the third quarter of 2003 and to an increase in the amount of auto liability and cargo claims incurred by the Company.

Other expenses decreased from 1.6% of revenues, before fuel surcharges, in the third quarter of 2003 to 0.9% of revenues, before fuel surcharges, in the third quarter of 2004. The decrease relates to the settlement of a lawsuit in which the Company settled with the payment of approximately \$25,000. The original estimate of approximately \$660,000 had been expensed in a prior period and was recaptured during the current quarter as a decrease in other expenses and had a positive impact of \$.03 on both diluted and basic earnings per share. This decrease was partially offset by an increase in driver recruitment advertising and fees paid to the Company's external auditors.

The truckload services division operating ratio, which measures the ratio of operating expenses, net of fuel surcharges, to operating revenues, before fuel surcharges, decreased to 92.1% for the third quarter of 2004 from 92.5% for the third quarter of 2003.

NINE MONTHS ENDED SEPTEMBER 30, 2004 VS. NINE MONTHS ENDED SEPTEMBER 30, 2003

For the nine months ended September 30, 2004, truckload services revenues, before fuel surcharges, increased 5.2% to \$200.3 million as compared to \$190.3 million for the nine months ended September 30, 2003. Approximately \$3.6 million of the \$10.0 million increase was attributable to the McNeill Trucking, Inc. asset acquisition which closed on April 3, 2003 and therefore had no comparable revenue for the first three months of 2003. The remaining increase was due to an increase in the average rate per total mile from \$1.08 during the first nine months of 2003 to \$1.12 during the first nine months of 2004.

Salaries, wages and benefits decreased from 46.3% of revenues, before fuel surcharges, in the first nine months of 2003 to 43.1% of revenues, before fuel surcharges, in the first nine months of 2004. The decrease relates primarily to the effect of a higher average rate per mile charged to customers without a corresponding increase in salaries and wages. However, effective October 1, 2004 a new driver pay package has been implemented and the Company expects salaries, wages and benefits to increase approximately \$.03 per mile as a result. Also contributing to the decrease was the continued benefit of the restructuring of workers compensation plans which resulted in a decrease in amounts expensed for workers compensation coverage. Although to a lesser extent, salaries, wages and benefits also decreased due to a decrease in driver lease expense as the average number of owner operators under contract decreased from 122 in the first nine months of 2003 to 95 in the first nine months of 2004. The decrease associated with driver lease expense was partially offset by an increase in amounts paid to the corresponding company driver replacement, and in other costs normally absorbed by the owner operator such as repairs and fuel.

Operating supplies and expenses increased from 21.6% of revenues, before fuel surcharges, in the first nine months of 2003 to 23.4% of revenues, before fuel surcharges, in the first nine months of 2004. The primary reason for the increase relates to an increase in fuel costs resulting from a 14.9% increase in the average price per gallon paid by the Company during the first nine months of 2004 as compared to the first nine months of 2003. During periods of rising fuel prices the Company is often able to recoup at least a portion of the increase through fuel surcharges passed along to its customers. Fuel costs, net of fuel surcharges, increased to \$30.6 million in the first nine months of 2004 from \$26.2 million in the first nine months of 2003. The Company collected approximately \$9.1 million in fuel surcharges during the first nine months of 2004 and \$5.7 million during the first nine months of 2003. Fuel costs were also affected by the replacement of owner operators with company drivers as discussed above.

Rent and purchased transportation increased from 0.2% of revenues, before fuel surcharges, in the first nine months of 2003 to 0.5% of revenues, before fuel surcharges, in the first nine months of 2004. The increase relates primarily to rental and mileage fees incurred on equipment used past scheduled trade-in dates due to manufacturers delays in providing replacement equipment.

Depreciation and amortization increased from 10.1% of revenues, before fuel surcharges, in the first nine months of 2003 to 11.2% of revenues, before fuel surcharges, in the first nine months of 2004. The increase was primarily due to the combined effect of higher tractor purchase prices and lower tractor guaranteed residual values offered by the manufacturers.

Insurance and claims expense increased from 5.4% of revenues, before fuel surcharges, in the first nine months of 2003 to 5.9% of revenues, before fuel surcharges, in the first nine months of 2004. The increase in expense relates to the purchase of additional auto liability coverage which was not in place during the first nine months of 2003 and to an increase in the amount of auto liability claims incurred by the Company.

Other expenses increased from 1.5% of revenues, before fuel surcharges, in the first nine months of 2003 to 1.6% of revenues, before fuel surcharges, in the first nine months of 2004. The increase relates to an increase in amounts paid for both driver recruitment advertising and fees paid to the Company's external auditors which was partially offset by the settlement of a lawsuit which allowed the Company to recapture approximately \$660,000 of previously reported expense. The recapture contributed approximately \$.03 to both diluted and basic earnings per share.

The truckload services division operating ratio, which measures the ratio of operating expenses, net of fuel surcharges, to operating revenues, before fuel surcharges, increased to 92.7% for the first nine months of 2004 from 91.7% for the first nine months of 2003.

RESULTS OF OPERATIONS - LOGISTICS AND BROKERAGE SERVICES DIVISION

The following table sets forth, for the logistics and brokerage services division, the percentage relationship of expense items to operating revenues, before fuel surcharges, for the periods indicated. Brokerage service operations occur specifically in certain divisions; however, brokerage operations occur throughout the Company in similar operations having substantially similar economic characteristics. Rent and purchased transportation, which includes costs paid to third party carriers, are shown net of fuel surcharges.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2004	2003	2004	2003
	----	----	----	----
Operating revenues	100.0%	100.0%	100.0%	100.0%
	-----	-----	-----	-----
Operating expenses:				
Salaries, wages and benefits	5.6	4.4	5.4	4.3
Operating supplies	0.0	0.0	0.0	0.0
Rent and purchased transportation (1)	87.4	88.2	87.8	88.0
Depreciation and amortization	0.3	0.0	0.3	0.0
Operating taxes and licenses	0.0	0.0	0.0	0.0
Insurance and claims	0.1	0.1	0.1	0.1
Communications and utilities	0.4	0.4	0.4	0.4
Other	1.5	1.5	1.5	1.6
	-----	-----	-----	-----
Total operating expenses	95.3	94.6	95.5	94.4
	-----	-----	-----	-----
Operating income	4.7	5.4	4.5	5.6
Interest expense	(0.7)	(0.8)	(0.7)	(1.1)
	-----	-----	-----	-----
Income before income taxes	4.0	4.6	3.8	4.5
	-----	-----	-----	-----

(1) Net of fuel surcharges.

THREE MONTHS ENDED SEPTEMBER 30, 2004 VS. THREE MONTHS ENDED SEPTEMBER 30, 2003

Logistics and brokerage services revenues, before fuel surcharges, of approximately \$10.3 million in the third quarter of 2004 was unchanged as compared to the third quarter of 2003.

Salaries, wages and benefits increased from 4.4% of revenues, before fuel surcharges, in the third quarter of 2003 to 5.6% of revenues, before fuel surcharges, in the third quarter of 2004. The increase relates to the hiring of an administrative staff at East Coast Transport, Inc. for functions which had previously been outsourced to a third party and to an increase in corporate general and administrative salaries being allocated to the division.

Rent and purchased transportation decreased from 88.2% of revenues, before fuel surcharges, in the third quarter of 2003 to 87.4% of revenues, before fuel surcharges, in the third quarter of 2004. The decrease relates to an increase in fuel surcharges collected on brokered loads which offset amounts paid to third parties for logistics and brokerage services.

The logistics and brokerage services division operating ratio, which measures the ratio of operating expenses, net of fuel surcharges, to operating revenues, before fuel surcharges, increased to 95.3% for the third quarter of 2004 from 94.6% for the third quarter of 2003.

NINE MONTHS ENDED SEPTEMBER 30, 2004 VS. NINE MONTHS ENDED SEPTEMBER 30, 2003

For the first nine months ended September 30, 2004, logistics and brokerage services revenues, before fuel surcharges, increased 9.5% to \$31.7 million as compared to \$29.0 million for the first nine months ended September 30, 2003. The increase of approximately \$2.7 million was attributable to the additional one month revenues, before fuel surcharges, generated by East Coast Transport, Inc. which wasn't acquired until January 31, 2003.

Salaries, wages and benefits increased from 4.3% of revenues, before fuel surcharges, in the first nine months of 2003 to 5.4% of revenues, before fuel surcharges, in the first nine months of 2004. The increase relates to the hiring of an administrative staff at East Coast Transport, Inc. for functions which had previously been outsourced to a third party and to an increase in corporate general and administrative salaries being allocated to the division.

The logistics and brokerage services division operating ratio, which measures the ratio of operating expenses, net of fuel surcharges, to operating revenues, before fuel surcharges, increased to 95.5% for the first nine months of 2004 from 94.4% for the first nine months of 2003.

LIQUIDITY AND CAPITAL RESOURCES

During the first nine months of 2004, the Company generated \$21.5 million of cash from operating activities. Investing activities used \$12.6 million in cash in the first nine months of 2004. Financing activities used \$2.1 million in the first nine months of 2004.

Our primary use of funds is for the purchase of revenue equipment. We typically use our existing lines of credit, proceeds from the sale or trade of equipment, and cash flows from operations to finance capital expenditures and repay long-term debt. During the first nine months of 2004 we utilized cash on hand and our lines of credit to finance revenue equipment purchases of approximately \$34.7 million.

Occasionally we finance the acquisition of revenue equipment through installment notes with fixed interest rates and terms ranging from 36 to 48 months, however as of September 30, 2004, we had no outstanding indebtedness under such installment notes.

In order to maintain our tractor fleet count it is often necessary to purchase replacement tractors and place them in service before trade units are removed from service. The timing difference created during this process often requires the Company to pay for new units without any reduction in price for trade units. In this situation, the Company later receives payment for the trade units as they are delivered to the equipment vendor and have passed vendor inspection. During the nine months ended September 30, 2004, the Company received approximately \$17.5 million for tractors delivered for trade.

During the remainder of 2004 we expect to purchase approximately 140 new tractors and approximately 400 new trailers while continuing to sell or trade older equipment, which we expect to result in net capital expenditures of approximately \$11.4 million.

We maintain a \$20.0 million revolving line of credit and a \$30.0 million revolving line of credit (Line A and Line B, respectively) with separate financial institutions. Amounts outstanding under Line A bear interest at LIBOR (determined as of the first day of each month) plus 1.40%, are secured by our accounts receivable and mature on May 31, 2005. At September 30, 2004 outstanding advances on Line A were approximately \$1.3 million, consisting entirely of letters of credit, with availability to borrow \$18.7 million. Amounts outstanding under Line B bear interest at LIBOR (determined on the last day of the previous month) plus 1.15%, are secured by revenue equipment and mature on June 30, 2006. At September 30, 2004, \$27.0 million, including \$7.0 million in letters of credit were outstanding under Line B with availability to borrow \$3.0 million. In an effort to reduce interest rate risk associated with these floating rate facilities, we have entered into interest rate swap agreements in an aggregate notional amount of \$20.0 million. For additional information regarding the interest rate swap agreements, see Note B to the condensed consolidated financial statements.

Trade accounts receivable at September 30, 2004 increased approximately \$7.7 million from December 31, 2003. Certain of the Company's largest customers regularly schedule plant shutdowns for various periods during December and the volume of freight we ship is reduced during such scheduled shutdowns. This reduction in freight volume results in a reduction in accounts receivable at the end of each year.

Prepaid expenses and deposits at September 30, 2004 increased approximately \$3.5 million as compared to December 31, 2003. The increase relates to the Company's annual registration fees for tractors and trailers which occurs each January, and to the prepayment of certain insurance policies. These prepaid expenses will be amortized to expense through the remainder of the year.

NEW ACCOUNTING PRONOUNCEMENTS

See Note C to the condensed consolidated financial statements for a description of the most recent accounting pronouncements and their impact, if any, on the Company.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The Company's primary market risk exposures include commodity price risk (the price paid to obtain diesel fuel for our tractors) and interest rate risk. The potential adverse impact of these risks and the general strategies the Company employs to manage such risks are discussed below.

The following sensitivity analyses do not consider the effects that an adverse change may have on the overall economy nor do they consider additional actions the Company may take to mitigate our exposure to such changes. Actual results of changes in prices or rates may differ materially from the hypothetical results described below.

COMMODITY PRICE RISK

Prices and availability of all petroleum products are subject to political, economic and market factors that are generally outside of our control. Accordingly, the price and availability of diesel fuel, as well as other petroleum products, can be unpredictable. Because our operations are dependent upon diesel fuel, significant increases in diesel fuel costs could materially and adversely affect our results of operations and financial condition. Based upon our 2003 fuel consumption, a 10% increase in the average annual price per gallon of diesel fuel would increase our annual fuel expenses by \$3.5 million.

In August 2000 and July 2001, we entered into agreements to obtain price protection and reduce a portion of our exposure to fuel price fluctuations. Under these agreements, we were obligated to purchase minimum amounts of diesel fuel per month, with a price protection component, for the six month periods ended March 31, 2001 and February 28, 2002. The agreements also provide that if during the 48 months commencing April 2001, the average monthly price of heating oil on the New York Mercantile Exchange ("NY MX HO") falls below \$.58 per gallon, we are obligated to pay, for a maximum of twelve different months selected by the contract holder during such 48-month period, the difference

between \$.58 per gallon and NY MX HO average price, multiplied by 900,000 gallons. Accordingly, in any month in which the holder exercises such right, we would be obligated to pay the holder \$9,000 for each cent by which \$.58 exceeds the average NY MX HO price for that month. The estimated fair value of the agreements are periodically adjusted and as of September 30, 2004 the estimated fair value of \$625,000 is included in accrued liabilities in the accompanying condensed consolidated financial statements. For the three and nine month period ended September 30, 2004 an adjustment of \$125,000 was made which had the effect of reducing operating supplies expense and other current liabilities each by \$125,000 in the accompanying condensed consolidated financial statements.

INTEREST RATE RISK

Our lines of credit each bear interest at a floating rate equal to LIBOR plus a fixed percentage. Accordingly, changes in LIBOR, which are effected by changes in interest rates generally, will affect the interest rate on, and therefore our costs under, the lines of credit. In an effort to manage the risks associated with changing interest rates, we entered into interest rate swap agreements effective February 28, 2001 and May 31, 2001, on notional amounts of \$15,000,000 and \$5,000,000, respectively. The "pay fixed rates" under the \$15,000,000 and \$5,000,000 swap agreements are 5.08% and 4.83%, respectively. The "receive floating rate" for both swap agreements is "1-month" LIBOR. These interest rate swap agreements terminate on March 2, 2006 and June 2, 2006, respectively. Assuming \$20.0 million of variable rate debt was outstanding under each of Line A and Line B for a full fiscal year, a hypothetical 100 basis point increase in LIBOR would result in approximately \$200,000 of additional interest expense, net of the effect of the swap agreements. For additional information see Note B to the condensed consolidated financial statements.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures.

In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), the Company's management evaluated, with the participation of the Company's President and Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-14(c) and 15d-14(c) under the Exchange Act) as of September 30, 2004. Based upon that evaluation of these disclosure controls and procedures, the President and Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures were effective as of September 30, 2004 so that material information relating to the Company, including its consolidated subsidiaries, was made known to them by others within those entities, particularly during the period in which this quarterly report on Form 10-Q was being prepared.

Changes in internal controls over financial reporting.

There was no change in the Company's internal control over financial reporting that occurred during the quarter ended September 30, 2004 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On October 10, 2002, a suit was filed against one of the Company's subsidiaries entitled "The Official Committee of Unsecured Creditors of Bill's Dollar Stores, Inc. v. Allen Freight Services Co." The suit, which was filed in the United States Bankruptcy Court for the District of Delaware, alleged preferential transfers of \$660,055 were made to the defendant, Allen Freight Services Co., within the 90 day period preceding the bankruptcy petition date of Bill's Dollar Stores, Inc. This suit was settled on October 21, 2004 at a cost of approximately \$25,000. Accordingly, the remaining amount of approximately \$635,000 has been removed as a liability on the Company's financial statements and the related expense originally recorded as a bad debt expense has been appropriately reduced.

In addition to the specific legal action mentioned above, the nature of our business routinely results in litigation, primarily involving claims for personal injuries and property damage incurred in the transportation of freight. We believe that an unfavorable outcome in one or more of those cases would not have a material adverse effect on our financial condition.

Item 6. Exhibits

Exhibits required by Item 601 of Regulations S-K:

- 3.1 - Amended and Restated Certificate of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to the Company's report on Form 10-Q for the period ending March 31, 2002.)
- 3.2 - Amended and Restated By-Laws of the Registrant (Incorporated by reference to Exhibit 3.2 to the Company's report on Form 10-Q for the period ending March 31, 2002.)
- 10.1 - P.A.M. Transportation Services, Inc. Employee Non-Qualified Stock Option Agreement
- 10.2 - P.A.M. Transportation Services, Inc. Director Non-Qualified Stock Option Agreement
- 10.3 - Executive Officers and Certain Other Employees Incentive Compensation Plan, as amended
- 11.1 - Statement Re: Computation of Diluted Earnings Per Share
- 31.1 - Rule 13a-14(a) Certification of Principal Executive Officer
- 31.2 - Rule 13a-14(a) Certification of Principal Financial Officer
- 32.1 - Section 1350 Certification of Chief Executive Officer
- 32.2 - Section 1350 Certification of Chief Financial Officer

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.

P.A.M. TRANSPORTATION SERVICES, INC.

Dated: November 8, 2004

By: /s/ Robert W. Weaver

Robert W. Weaver
President and Chief Executive Officer
(principal executive officer)

Dated: November 8, 2004

By: /s/ Larry J. Goddard

Larry J. Goddard
Vice President-Finance, Chief Financial
Officer, Secretary and Treasurer
(principal accounting and financial officer)

P.A.M. TRANSPORTATION SERVICES, INC.

INDEX TO EXHIBITS TO FORM 10-Q

Exhibit Number	Exhibit Description
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31.2	Rule 13a-14(a) Certification of Principal Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer

P.A.M. TRANSPORTATION SERVICES, INC.
NON-QUALIFIED STOCK OPTION AGREEMENT

THIS NON-QUALIFIED STOCK OPTION AGREEMENT ("Option Agreement") is made and entered into as of _____ (the "Option Date"), by and between P.A.M. TRANSPORTATION SERVICES, INC. (the "Company") and _____ (the "Employee");

W I T N E S S E T H:

WHEREAS, the Board of Directors of the Company has adopted the Company's 1995 Stock Option Plan, which has been approved by the shareholders of the Company, and has been amended by an Amendment to 1995 Stock Option Plan adopted by the Board of Directors of the Company on _____ (as amended, the "Plan"). Pursuant to the terms of the Plan, the Board of Directors or the Committee designated by the Board of Directors to administer the Plan has selected the Employee to participate in the Plan and desires to grant to the Employee a non-qualified stock option to purchase shares of the Company's authorized \$.01 par value common stock ("Stock"), subject to the terms and conditions set forth below in this Option Agreement;

NOW, THEREFORE, 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 which is consistent with the terms of the Plan, the provisions of which are incorporated by reference into this Option Agreement. Unless specifically provided otherwise, all terms used in this Option Agreement shall have the same meaning as in the Plan.

2. GRANT OF OPTION

Subject to the further terms and conditions of this Option Agreement, the Employee is granted a non-qualified stock option to purchase _____ shares of Stock, effective as of the Option Date. This stock option is intended to be a non-qualified stock option and is not intended to be an incentive stock option as provided in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

3. OPTION PRICE

The Board of Directors or the Committee has determined that the price for each share of Stock purchased under this Option Agreement shall be \$_____, which is the Market Price per share as provided for in Section 8(a) of the Plan.

4. EXPIRATION OF OPTIONS

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

- (a) _____, 20__
- (b) The date which is three months following the date upon which the Employee ceases to be employed by the Company or any majority-owned subsidiary of the Company, otherwise than as a result of the Employee's death or permanent and total disability (as defined in Section 8(g) of the Plan);
- (c) The date which is the first anniversary of the date upon which the Employee ceases to be employed by the Company, or any majority-owned subsidiary of the Company, by reason of the Employee's death or permanent and total disability; or
- (d) The date upon which the Employee ceases to be employed by the Company or any majority-owned subsidiary of the Company, for any reason, including death or permanent and total disability, with respect to any portion of this option which is not then exercisable on the date the Employee ceases his employment with the Company.

5. EXERCISE OF OPTION

Unless the option to acquire Stock pursuant to this Option Agreement shall earlier lapse or expire pursuant to Article 4 hereof, this option may be exercised with respect to the aggregate number of shares subject to this Option Agreement in accordance with the vesting schedule applicable to the Employee and subject to the performance criteria for vesting, set forth in Exhibit A to this Option Agreement.

To the extent that this option become exercisable in accordance with the above, the Employee may exercise this non-qualified stock option, in whole or in part from time to time. The option exercise price may be paid by the Employee either in cash, or at the discretion of the Committee, by surrender of other shares of Stock of the Company held by Employee or a combination of cash and such shares. If the Committee permits the surrender of other shares of Stock of the Company as all or part of the option exercise price, the Employee shall be given credit against the option exercise price for such shares surrendered in an amount equal to the Market Price per share of Stock determined as provided for in Section 2(g) of the Plan on the day preceding the day of the exercise of the option, times the number of shares of Stock surrendered.

6. MANNER OF EXERCISE

This non-qualified stock option may be exercised by written notice to the Company specifying the number of shares to be purchased and signed by the Employee or such other person who may be entitled to acquire stock under this Option Agreement. If any such notice is signed by a person other than the Employee, such person shall also provide such other information and documentation as the Board of Directors or the Committee may reasonably require to assure that such person is entitled to acquire Stock under the terms of the Plan and this Option Agreement.

7. RESTRICTIONS ON TRANSFERABILITY

The non-qualified stock option granted under this Option Agreement shall not be transferable by the Employee otherwise than by will or by the laws of descent and distribution, and such non-qualified stock option shall be exercisable during the Employee's lifetime only by the Employee.

8. FURTHER RESTRICTIONS ON EXERCISE AND SALE OF STOCK

Subject to the provisions of the third paragraph of this Article 8, neither this Option nor any portion thereof shall be exercisable at any time during which there is not on file with the Securities and Exchange Commission an effective Registration Statement covering the option shares on Form S-8, or on any other or similar form promulgated by the Securities and Exchange Commission.

Nothing contained in this section shall be construed to obligate the Company to, or to grant any right to the holder of this 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 said Registration Statement in effect.

If at any time during which this Option 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 hereunder, the Board of Directors or the Committee shall permit this Option to be exercised by the holder hereof, upon its satisfaction that the offer and sale of such option shares to the option holder is exempt in fact 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 shall deem necessary to determine and document the availability of any such exemption and may further condition such exercise upon such undertakings by the holder hereof or such restriction upon the transferability of the shares to be acquired hereunder as it shall determine to be necessary to effectuate and protect the claim to any such exemption.

IN WITNESS WHEREOF, 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 Employee has executed this Option Agreement as of the Option Date.

P.A.M. TRANSPORTATION SERVICES, INC.

By: _____

Its: _____

ATTEST:

Secretary or Assistant Secretary

"EMPLOYEE"

Name:

P.A.M. TRANSPORTATION SERVICES, INC.
NON-QUALIFIED STOCK OPTION AGREEMENT

THIS NON-QUALIFIED STOCK OPTION AGREEMENT ("Option Agreement") made and entered into as of _____, by and between P.A.M. TRANSPORTATION SERVICES, INC. (the "Company") and _____ ("Non-Employee Director");

W I T N E S S E T H;

WHEREAS, the Board of Directors of the Company has adopted that certain 1995 Stock Option Plan, as amended (the "1995 Plan"), a copy of which will be provided to Non-Employee Director at his request. Pursuant to the terms of the 1995 Plan, and more specifically, Section 10, Non-Employee Director will be granted certain non-qualified stock options to purchase shares of the Company's authorized \$.01 par value common stock ("Stock"), subject to the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual promises, agreements and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. INCORPORATION OF PROVISIONS

This Option Agreement is subject to and is to be construed in all respects in a manner which is consistent with the terms of the 1995 Plan, the provisions of which are hereby incorporated by reference into this Option Agreement. Unless specifically provided otherwise, all terms used in this Option Agreement shall have the same meaning as in the 1995 Plan.

2. GRANT OF OPTION

Subject to the further terms and conditions of this Option Agreement, Non-Employee Director is hereby granted a non-qualified stock option to purchase 2,000 shares of Stock, effective as of the date first written above. Hereafter, on March 2 of each year during the term of the 1995 Plan, Non-Employee Director shall be granted, without the necessity of action by the Board of Directors or any committee thereof, an option to purchase 2,000 shares of Stock. The total number of shares granted pursuant to options that Non-Employee Director holds under the 1995 Plan is reflected in Exhibit A, attached hereto, which will be updated annually and delivered to Non-Employee Director for attachment to this Option Agreement.

3. OPTION EXERCISE PRICE

Pursuant to the terms of the 1995 Plan, the option exercise price for each share of stock purchased under this Option Agreement shall be equal to 100% of the "Market Price" of the Stock as determined by the Board of Directors or the Committee pursuant to the 1995 Plan. The option exercise price is reflected in Exhibit A, attached hereto.

4. EXPIRATION OF OPTIONS

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

5. EXERCISE OF OPTION

Unless options hereunder shall earlier lapse or expire pursuant to Article 4 hereof, this option may be exercised with respect to the aggregate number of shares subject to this Option Agreement commencing on the date of grant.

To the extent such option becomes exercisable in accordance with the foregoing, Non-Employee Director may exercise this non-qualified stock option, in whole or in part from time to time. The option exercise price may be paid by Non-Employee Director either in cash or by surrender of other shares of Stock of the Company held by Non-Employee Director, or a combination of both, as authorized by the Board of Directors or the Committee. Non-Employee Director shall be given credit against the option exercise price hereunder for such shares surrendered equal to the Market Price of the Stock.

6. MANNER OF EXERCISE

This non-qualified stock option may be exercised by written notice to the Company specifying the number of shares to be purchased and signed by Non-Employee Director or such other persons who may be entitled to acquire Stock under this Option Agreement. If any such notice is signed by a person other than Non-Employee Director, such person shall also provide such other information and documentation as the Board of Directors may reasonably require to assure that such person is entitled to acquire Stock under the terms of the 1995 Plan and this Option Agreement.

7. RESTRICTIONS ON TRANSFERABILITY

The non-qualified stock option granted hereunder shall not be transferable by Non-Employee Director otherwise than by will or by the laws of descent and distribution, and such non-qualified stock option shall be exercisable during Non-Employee Director's lifetime only by Non-Employee Director.

8. FURTHER RESTRICTIONS ON EXERCISE AND SALE OF STOCK

Neither this option nor any portion thereof shall be exercisable at any time during which there is not on file with the Securities and Exchange Commission an effective Registration Statement covering the option shares on Form S-8, or similar for promulgated by the Securities and Exchange Commission.

Nothing contained in this section shall be construed to obligate the Company to, or to grant any right to the holder of this 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 said Registration Statement in effect.

If at any time during which this option 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 hereunder, the Board of Directors may, in its sole discretion, permit this option to be exercised by the holder hereof, upon its satisfaction that the offer and sale of such option shares to the option holder is exempt in fact 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 shall deem necessary to determine and document the availability of any such exemption and may further condition such exercise upon such undertakings by the holder hereof or such restriction upon the transferability of the shares to be acquired hereunder as it shall determine to be necessary to effectuate and protect the claim to any such exemption.

IN WITNESS WHEREOF, 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 Non-Employee Director has executed this Option Agreement as of the date first above written.

P.A.M. TRANSPORTATION SERVICES, INC.

By: _____
President

ATTEST:

Secretary

"NON-EMPLOYEE DIRECTOR"

EXHIBIT A

TO

NON-QUALIFIED STOCK OPTION AGREEMENT
DATED _____ BETWEEN
P.A.M. TRANSPORTATION SERVICES, INC.
AND THE NON-EMPLOYEE DIRECTOR

OUTSTANDING OPTIONS AS OF _____

DATE	SHARES SUBJECT TO OPTION GRANTED	EXERCISE PRICE PER SHARE
----	-----	-----

P.A.M. TRANSPORTATION SERVICES, INC.
INCENTIVE COMPENSATION PLAN - 2000C
CALENDAR YEARS 2000 - 2002

THIS IS THE INCENTIVE COMPENSATION PLAN of P.A.M. Transportation Services, Inc., a Delaware corporation (the "Company"), under which bonuses may be granted to certain employees of the Company and its subsidiaries subject to the limitations, provisions and requirements hereinafter stated. The Plan is as follows:

1. PURPOSES

The purposes of the P.A.M. Transportation Services, Inc. Incentive Compensation Plan 2000C (the "Plan") are as follows:

- (a) To encourage each participant in the Plan to make exceptional contributions to further the growth, success and profits of the Company.
- (b) To foster teamwork and personal involvement in the Company's success.
- (c) To provide the Company with an objective method of recognizing and rewarding certain employees who have been or will be given substantial responsibility for the direction and management of the Company.
- (d) The pronouns "he" and "his" are used throughout this document. These pronouns shall be used to describe male and female employees without discrimination.

2. ADMINISTRATION OF PLAN

This Plan shall be administered by the Compensation and Stock Option Committee of the Company's Board of Directors (the "Committee"). This Committee shall interpret the Plan in a manner consistent with its purposes; and, subject to the terms of the Plan, will have discretion to determine who shall participate in the Plan and the amounts of any incentive compensation to be awarded pursuant to the Plan. All actions and determinations of the Committee taken in connection with the Plan, including the awarding of any incentive compensation, shall be final and conclusive. The Committee may adopt rules from time to time for carrying out the Plan.

3. ELIGIBLE EMPLOYEES

- (a) Upon the adoption of the Plan and at or near the start of each succeeding calendar year, eligible employees shall include:
 - (i) all full-time employees of the Company and its subsidiaries that are individually selected by the Compensation Committee, in its discretion, and
 - (ii) additionally, the Committee may, in its discretion, allow a recently promoted or hired officer or employee to participate in the Plan commencing with the date of his promotion or his employment, as the case may be.
- (b) Eligible employees shall be paid the Incentive Compensation as provided in this Plan only if:
 - (i) the eligible employee was employed without interruption during the applicable calendar year from January 1 through December 31, except as provided in Sections 3(a)(ii) and 4(d) herein, and
 - (ii) the eligible employee must be employed at the time that the bonus is actually paid pursuant to Section 4(c). In the event that the participant's employment is terminated, by reason of (x) discharge with or without cause or (y) voluntary termination by the participant, at any time during the calendar year or before the actual payment date in Section 4(c), such terminated participant shall not be entitled to any bonus for such calendar year, unless specifically authorized by the Committee.

- (c) Any eligible employee that participates in this Plan is not eligible to participate in Incentive Bonus Plan 2000A or Plan 2000B.

4. MECHANICS OF THE PLAN

The Plan will award participants for above-average profitability and revenue growth, as measured by the Company's operating ratio and year over year increase in operating revenues:

- (a) Annual Plan. This Plan is an "annual plan" and incentive awards shall be based on audited results of operations for each respective fiscal year ending December 31.
- (b) Incentive Awards. The Board of Directors or Committee shall establish the targeted operating ratios and corresponding Effective Bonus Percentages for each calendar year at or near the completion of the audit of the Company's financial statements for the previous calendar year; provided, however, that the targeted operating ratios and effective bonus percentages for the 2000-2002 calendar years shall be established by the Board of Directors upon the adoption of this Plan. Upon adoption by the Board of Directors or Committee, the targeted operating ratio and bonus percentages for the current calendar year shall be set forth on a schedule and attached hereto as an exhibit. Under the Plan, each participant shall be awarded a bonus not to exceed the sum of the following calculations:
- (i) Annual base compensation multiplied by the product of the effective bonus percentage times 95%. However, no bonus shall be payable under this subpart (i) if the Company's Consolidated Operating Ratio exceeds 93.5%; and
- (ii) Annual compensation multiplied by the product of the effective bonus percentage times 5%. However, no bonus shall be payable under this subpart (ii) unless the Consolidated Operating Revenues for the bonus calculation year are 110% or more of the Consolidated Operating Revenues reported by the Company for the immediately preceding bonus calculation year, and
- (iii) The subpart (i) and subpart (ii) bonus calculations are independent of each other and entitlement to a bonus under either subpart is not dependent on whether a bonus is due under the other subpart, and
- (iv) The Company's Board of Directors recognizes that the long term well being of the Company may require actions which adversely affect the Consolidated Operating Ratio or Consolidated Operating Revenues over the short term. Accordingly, upon recommendation by the Committee, the Company's Board of Directors may in its sole discretion waive the Consolidated Operating Ratio and/or the Consolidated Operating Revenue thresholds set forth in subpart (i) and subpart (ii), respectively.
- (c) Payment of Awards. Any bonus awarded hereunder shall be paid by the Company upon the determination of the bonus as defined in this Plan by the Company's independent accountants. The payments of the bonuses shall be as follows:
- (i) Any bonus that is awarded for the 2000 calendar year shall be made as follows:
- (x) fifty percent (50%) of the bonus shall be paid on or before March 31, 2001;
- (y) twenty five percent (25%) of the bonus shall be paid on or before March 31, 2002; and
- (z) twenty five percent (25%) of the bonus shall be paid on or before March 31, 2003.
- (ii) Any bonus that is awarded for the 2001 calendar year shall be made as follows:
- (x) fifty percent (50%) of the bonus shall be paid on or before March 31, 2002;

- (y) twenty five percent (25%) of the bonus shall be paid on or before March 31, 2003; and
 - (z) twenty five percent (25%) of the bonus shall be paid on or before March 31, 2004.
- (iii) Any bonus that is awarded for the 2002 calendar year shall be made as follows:
 - (x) fifty percent (50%) of the bonus shall be paid on or before March 31, 2003;
 - (y) twenty five (25%) of the bonus shall be paid on or before March 31, 2004; and
 - (z) twenty five (25%) of the bonus shall be paid on or before March 31, 2005.
- (d) Death or Disability. Notwithstanding anything contained herein to the contrary, if a participant's employment ceases on account of death or total disability, as defined in 105 (d)(4) of the Internal Revenue Code, such participant shall be entitled to receive a pro-rata portion of any bonus he otherwise would be awarded. In either event, the participant shall be entitled to an amount equal to a normal bonus award under Section 4(b) multiplied by a fraction the numerator of which shall be the number of days in a year during which the participant was participating in the Plan and the denominator of which shall be 365 days. For example, a participant with annual base compensation of \$50,000 dies on July 1 of a calendar year. The Company has a Effective Bonus Percentage of 20% for that calendar year which otherwise would entitle the participant to a bonus of 20% of his annual base compensation or \$10,000. Such participant would be entitled to a bonus equal to $\$10,000 \times 182/365$ or \$4,986. All bonus amounts payable to a deceased or disabled participant shall be paid to such participant or his personal representative, as the case may be.
- (e) Recently Promoted or Hired Employees. In the event the Committee allows a recently promoted or hired employee to participate in the Plan, pursuant to Section 3(a)(ii) such participant shall be entitled to receive a pro-rata portion of any bonus he otherwise would be awarded. Such pro-rata bonus shall be the amount equal to a normal bonus award under Section 4(b) multiplied by a fraction the numerator of which shall be the number of days in the year during which the participant was participating in the Plan and denominator of which shall be 365 days. For example, a participant commences participation in the Plan on July 1 of a calendar year at annual base compensation of \$50,000. The Company has a Effective Bonus Percentage for that calendar year which otherwise would entitle the participant to a bonus of 20% of his annual base compensation or \$5,000. Such participant would be entitled to a bonus equal to $\$5,000 \times 183/365$ or \$4,986.
- (f) Applicable Base Annual Compensation: For purposes of calculating all bonus awards hereunder, whenever the term "annual base compensation" of a participant is referred in this Plan it shall mean the following:
 - (i) With respect to any eligible employee who is compensated on the basis of a fixed salary, annual base compensation shall be the amount of such base salary determined at December 31 of each calendar year.
 - (ii) With respect to any eligible employee who is compensated on the basis of hourly wages, the annual base compensation shall be equal to the base wage of such eligible employee at December 31 of each calendar year and then annualized.
 - (iii) In the event an eligible employee is terminated prior to the end of the plan year and the Committee specifically authorizes the payment of the Incentive Bonus pursuant to section 3(b)(iii), then the annual base compensation shall be determined as of the date of termination.

5. NOTICES

The Board of Directors or the Committee shall notify all employees selected to participate in the Plan as soon as practicable after such determination has been made. The participants shall be notified of the targeted operating ratios and corresponding effective bonus percentages for each calendar year, and any subsequent modifications thereto, as soon as practicable after such determinations have been made by the Committee.

6. OTHER BENEFITS

This Plan is employees for exceptional contributions made by such employees and any awards hereunder are intended to be in addition to any other benefits which the Company provides to the participants.

The Board of Directors or the Committee may, but is not obligated to, award one or more of the participants additional bonuses in such amounts and at such times as the Board of Directors or the Committee, in its sole discretion, shall determine.

7. AMENDMENTS TO PLAN

The Board of Directors or the Committee may from time to time make such amendments to the Plan as the Board or the Committee, in its sole discretion, shall deem desirable, including modifying the targeted operating ratios and corresponding bonus percentages established pursuant to Section 4(b) at any time during a calendar year.

8. TERMINATION OF THE PLAN

The Board of Directors may at any time terminate the Plan. In the event the Plan is terminated, the Company shall not have any obligation to the participants under the Plan unless the Board of Directors states that the Company has assumed an obligation. For example, assume the Plan is terminated on December 15 of a calendar year. No participant shall have a right to receive, and the Company shall not have any obligation to pay, any bonus amount under the Plan for that calendar year unless the Board of Directors expressly states the Company shall pay such bonus amount.

9. NONASSIGNABILITY

No participant shall have the right to assign or transfer any of his benefits or expected benefits under the Plan except by will or by the laws of descent and distribution.

10. GLOSSARY OF TERMS

The following definitions apply to the terms as used in this Plan.

Eligible Salaries of Plan Participants: The salaries of each Plan Participant, as of December 31 of each calendar year, shall be added together. The sum of these salaries shall be the Eligible Salaries of Plan Participants.

Company Annual Consolidated Revenue: The calendar year revenues of the following subsidiaries shall be added together. The sum of the revenues of the subsidiaries listed herein, shall be the Company Annual Consolidated Revenue. For purposes of this Plan, operating revenue shall not include interest income, other non-operating income or extraordinary items, and operating expenses shall not include any incentive compensation awarded hereunder, interest expense or income taxes but shall include loss (gain) on sale of equipment. For purposes of this Plan, the operating ratio shall be determined to the nearest one-hundredth of one percent (.01%). The revenue of the following subsidiaries shall include: P.A.M. Transport, Inc., P.A.M. Dedicated Services, Inc., Choctaw Express, Inc., Allen Freight Services, Inc., and Decker Transport Co., Inc. With respect to the revenues of Decker Transport Co., Inc., the revenue generated by the brokerage division of Decker Transport Co., Inc., shall not apply toward the revenue of Decker Transport Co., Inc., for the purposes of this Plan. With respect to Allen Freight Services, Inc., the annual revenues and expenses shall be divided into Allen Freight Services, Inc., and Bill's Dollar Store. Allen Freight Services, Inc., and Bill's Dollar Stores shall be treated as two separate Company subsidiaries for this Plan. In the event, the Company acquires a new subsidiary during any calendar year under this Plan, the subsidiary's revenue shall not apply toward the Company's Annual Consolidated Revenue.

Subsidiary Annual Revenue and Expenses: The calendar year revenues and expenses generated by each individual subsidiary of the Company, to-wit: P.A.M. Transport, Inc., P.A.M. Dedicated Services, Inc., Choctaw Express, Inc., Allen Freight Services, Inc., and Decker Transport Co., Inc. With respect to the revenues of Decker Transport Co., Inc., the revenue generated and the expenses incurred by the brokerage division of Decker Transport Co., Inc., shall not apply toward the Subsidiary Annual Revenue of Decker Transport Co., Inc., for the purposes of this Plan. With respect to Allen Freight Services, Inc., the annual revenues and expenses shall be divided into Allen Freight Services, Inc., and Bill's Dollar Store. Allen Freight Services, Inc., and Bill's Dollar Stores shall be treated as two separate Company subsidiaries for this Plan. Any amount of money accrued during the calendar year for bonus payment expense shall not apply toward the Annual Expenses for the Subsidiary.

Subsidiary Percent of Revenue: The Subsidiary Percent of Revenue is calculated by dividing the Subsidiary Annual Revenue by the Company Annual Consolidated Revenue expressed as a percentage.

Subsidiary Bonus Eligible Salaries: The Subsidiary Bonus Eligible Salaries is calculated by multiplying the Subsidiary Percent of Revenue times the Eligible Salaries of Plan Participants.

Operating Ratio of Subsidiary: This term shall mean the operating ratio of each individual subsidiary of P.A.M. Transportation Services, Inc. The operating ratio shall be determined to the nearest one-hundredth of one percent (.01%).

Subsidiary Bonus Factor: Determine the Bonus Percentage from the Bonus Percentage Table found in Attachment One by using the Annual Operating Ratio of the Subsidiary. Multiply the Subsidiary Bonus Eligible Salaries by the Bonus Percentage. The product of these two numbers is the Subsidiary Bonus Factor.

Consolidated Bonus Factor: The Consolidated Bonus Factor is the sum of the Subsidiary Bonus Factors.

Effective Bonus Percentage: The Effective Bonus Percentage is calculated by dividing the Consolidated Bonus Factor by the Eligible Salaries of Plan Participants as expressed in a percentage.

Percentage: All percentages shall be determined to the nearest 1/100th.

This Plan has been adopted and approved at a meeting of the Board of Directors of the Company on the 15th day of June, 2000 and shall be effective for calendar years 2000 through 2002 inclusive, unless otherwise amended by the Board of Directors.

EXHIBIT A

P.A.M. TRANSPORTATION SERVICES, INC.
INCENTIVE COMPENSATION PLAN 2000C

TARGETED CONSOLIDATED OPERATING RATIOS AND
CORRESPONDING BONUS PERCENTAGES
FOR 2000 - 2002 CALENDAR YEARS

Subsidiary Operating Ratio	Bonus Percentage
-----	-----
90.0% and above	0.0%
89.0% to 89.9%	20.0%
88.0% to 88.9%	30.0%
87.0% to 87.9%	40.0%
86.0% to 86.9%	50.0%
85.0% to 85.9%	60.0%
84.0% to 84.9%	70.0%
83.0% to 83.9%	80.0%
82.0% to 82.9%	90.0%
81.0% to 81.9%	100.0%
80.0% to 80.9%	110.0%
Under 80%	120.0%

EXCERPTS OF RESOLUTIONS OF THE
COMPENSATION AND STOCK OPTION COMMITTEE
OF THE BOARD OF DIRECTORS OF P.A.M. TRANSPORTATION SERVICES, INC. ADOPTED
FEBRUARY 17, 2004
AMENDING INCENTIVE COMPENSATION PLAN 2000C WHICH IS APPLICABLE TO EXECUTIVE
OFFICERS AND CERTAIN OTHER EMPLOYEES

INCENTIVE COMPENSATION PLANS - EXTENSION THROUGH 2004

The Committee discussed the Company's Incentive Compensation Plan - 2000A, Incentive Compensation Plan 2000B, and Incentive Compensation Plan 2000C, which are currently in effect for employees of the Company and its subsidiaries. These plans originally applied to the years 2000, 2001 and 2002, and were previously extended to also apply to 2003. The Committee discussed the purposes of these plans. The Committee also discussed their continued appropriateness, and the extent to which they are likely to meet the Company's objectives for compensating and motivating its employees, and increasing the return for the shareholders of the Company. [text omitted] The Committee also considered a Schedule provided by the Company's executive officers recommending the employees who should participate in Incentive Compensation Plan 2000B and 2000C. After further discussion, upon motion duly made and seconded, the following resolutions were unanimously adopted.

RESOLVED, that the Committee has determined that Incentive Compensation Plan - 2000A ("Plan A"), Incentive Compensation Plan 2000B ("Plan B"), and Incentive Compensation Plan 2000C ("Plan C"), which are presently in effect (collectively the "Plans"), should be extended for an additional year so they will also apply to the calendar year 2004, and the Plans are extended to apply to 2004.

RESOLVED FURTHER, that the provisions of Exhibit A to each of the three Plans, respectively, which establish the targeted consolidated operating ratios and corresponding bonus percentages for 2000-2002 calendar years, and which were also applied for calendar year 2003, shall, subject to the provisions of the Plans, also apply to 2004.

RESOLVED FURTHER, that the employees who should participate in each of Plan B and Plan C are those listed for those plans in the schedule presented to this meeting, and subject to the provisions of the Plans, such employees are designated to participate in Plan B and Plan C as set forth in the schedule. [text omitted]

RESOLVED FURTHER, that pursuant to Section 7 of Plan B and Plan C, respectively, Sections 4(c) (Payments of Awards) of each of such Plans are amended by adding new clauses (iv) and (v) to each that follow the timing patterns of awards for prior years, while making specific provision for corresponding timing for 2003 and 2004 awards, and provide as follows:

- (iv) Any bonus that is awarded for the 2003 calendar year shall be made as follows:
 - (x) fifty percent (50%) of the bonus shall be paid on or before March 31, 2004;
 - (y) twenty-five percent (25%) of the bonus shall be paid on or before March 31, 2005; and
 - (z) twenty-five percent (25%) of the bonus shall be paid on or before March 31, 2006.

- (iv) Any bonus that is awarded for the 2004 calendar year shall be made as follows:
 - (x) fifty percent (50%) of the bonus shall be paid on or before March 31, 2005;
 - (y) twenty-five percent (25%) of the bonus shall be paid on or before March 31, 2006; and
 - (z) twenty-five percent (25%) of the bonus shall be paid on or before March 31, 2007. [text omitted]

EXHIBIT 11.1

STATEMENT RE: COMPUTATION OF DILUTED EARNINGS PER SHARE

Diluted earnings per share computations assume the exercise of stock options to purchase shares of common stock. The shares assumed exercised are based on the weighted average number of shares under options outstanding during the period and only include those options for which the exercise price is less than the average share price during the period. The net additional shares issuable are calculated based on the treasury stock method and are added to the weighted average number of shares outstanding during the period.

DILUTED EARNINGS PER SHARE FOR THE PERIOD ENDED SEPTEMBER 30, 2004	Three Months	Nine Months
-----	-----	-----
Actual net income (A)	\$ 3,147,789	\$ 8,825,729
	=====	=====
Assumed exercise of stock options and warrants	64,152	62,628
Application of assumed proceeds (\$698,997 and \$659,966) toward repurchase of outstanding common stock at an average market price of \$18.340 and \$18.066, respectively.	(38,113)	(36,531)
	-----	-----
Net additional shares issuable	26,039	26,097
	=====	=====
Adjustment of shares outstanding:		
Weighted average common shares outstanding	11,298,055	11,296,411
Net additional shares issuable	26,039	26,097
	-----	-----
Adjusted shares outstanding (B)	11,324,094	11,322,508
	=====	=====
Net income per common share (A) divided by (B)	\$ 0.28	\$ 0.78
	=====	=====
DILUTED EARNINGS PER SHARE FOR THE PERIOD ENDED SEPTEMBER 30, 2003	Three Months	Nine Months
-----	-----	-----
Actual net income (A)	\$ 2,964,507	\$ 9,828,644
	=====	=====
Assumed exercise of stock options and warrants	63,059	377,254
Application of assumed proceeds (\$671,180 and \$7,918,746) toward repurchase of outstanding common stock at an average market price of \$22.678 and \$23.522, respectively.	(29,596)	(336,653)
	-----	-----
Net additional shares issuable	33,463	40,601
	=====	=====
Adjustment of shares outstanding:		
Weighted average common shares outstanding	11,293,147	11,289,927
Net additional shares issuable	33,463	40,601
	-----	-----
Adjusted shares outstanding (B)	11,326,610	11,330,528
	=====	=====
Net income per common share (A) divided by (B)	\$ 0.26	\$ 0.87
	=====	=====

RULE 13a-14(a) CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, ROBERT W. WEAVER, President and Chief Executive Officer, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of P.A.M. TRANSPORTATION SERVICES, INC., a Delaware corporation (the "registrant");
- (2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2004

By: /s/ Robert W. Weaver

Robert W. Weaver
President and Chief Executive Officer
(principal executive officer)

RULE 13a-14(a) CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, LARRY J. GODDARD, Chief Financial Officer, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of P.A.M. TRANSPORTATION SERVICES, INC., a Delaware corporation (the "registrant");
- (2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2004

By: /s/ Larry J. Goddard

Larry J. Goddard
Vice President-Finance, Chief Financial
Officer, Secretary and Treasurer
(principal accounting and financial officer)

SECTION 1350 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

In connection with the Quarterly Report of P.A.M. Transportation Services, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2004, (the "Report") filed with the Securities and Exchange Commission, I, Robert W. Weaver, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2004

By: /s/ Robert W. Weaver

Robert W. Weaver
President and Chief Executive Officer
(chief executive officer)

SECTION 1350 CERTIFICATION OF CHIEF FINANCIAL OFFICER

In connection with the Quarterly Report of P.A.M. Transportation Services, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2004, (the "Report") filed with the Securities and Exchange Commission, I, Larry J. Goddard, Vice President-Finance, Chief Financial Officer, Secretary and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2004

By: /s/ Larry J. Goddard

Larry J. Goddard
Vice President-Finance, Chief Financial
Officer, Secretary and Treasurer
(chief accounting and financial officer)