UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2014

OR

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

For the transition period from __________ to __________

0-19858

(Commission file number)

USA Truck, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**71-0556971**
(State or other jurisdiction of incorporation)	**(I.R.S. Employer Identification No.)**
3200 Industrial Park Road Van Buren, Arkansas	**72956**
(Address of principal executive offices)	**(Zip Code)**

(479) 471-2500

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 Par Value	**The NASDAQ Stock Market LLC (NASDAQ Global Select Market)**

Securities registered pursuant to Section 12(g) of the Act

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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

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

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

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

Large Accelerated Filer ¨	Accelerated Filer ¨
Non-Accelerated Filer ¨ (Do not check if a smaller reporting company)	Smaller Reporting Company x

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

The aggregate market value of the common equity held by non-affiliates of the Registrant (assuming for these purposes that all executive officers, directors, and affiliated holders of more than 10% of the Registrant s outstanding common stock are affiliates of the Registrant) as of June 30, 2014, the last business day of the Registrant s most recently completed second fiscal quarter, was approximately $134,172,879 (based on the closing sale price of the Registrant s common stock on that date as reported by Nasdaq).

As of February 20, 2015, 10,532,633 shares of the registrant s common stock, par value $0.01 per share, were outstanding.

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USA TRUCK, INC.

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This Annual Report on Form 10-K for the year ended December 31, 2014 (this Form 10-K) contains certain statements that may be considered forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, and such statements are subject to the safe harbor created by those sections, and the Private Securities Litigation Reform Act of 1995, as amended. All statements, other than statements of historical or current fact, are statements that could be deemed forward-looking statements, including without limitation: any projections of earnings, revenue, or other financial items; any statement of plans, strategies, and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; and any statements of belief and any statement of assumptions underlying any of the foregoing. In this Form 10-K, statements relating to future insurance and claims experience, future driver market, future driver compensation, future acquisitions and dispositions of revenue equipment, future prices of revenue equipment, future profitability, future fuel prices, hedging arrangements, and efficiency, our ability to recover costs through our fuel surcharge program, future purchased transportation expense, future operations and maintenance costs, future depreciation and amortization, future effects of inflation, expected capital resources and sources of liquidity, future indebtedness, expected capital expenditures, and future income tax rates, among others, are forward-looking statements. Such statements may be identified by their use of terms or phrases such as expects, estimates, projects, believes, anticipates, intends, plans, goals, may, will, should, could, potential, continue, future and similar terms and phrases. Forward-looking statements are based on currently available operating, financial, and competitive information. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, which could cause future events and actual results to differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section entitled Item 1A., Risk Factors. Readers should review and consider the factors discussed under the heading Risk Factors in Item 1A of this Form 10-K, along with various disclosures in our press releases, stockholder reports, and other filings with the Securities and Exchange Commission (the SEC).

All such forward-looking statements speak only as of the date of this Form 10-K. You are cautioned not to place undue reliance on such forward-looking statements. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in the events, conditions, or circumstances on which any such information is based.

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

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

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PART I

Item 1. *BUSINESS*
General

USA Truck is one of the nation s twenty-five largest truckload carriers based on 2013 operating revenue according to Transport Topics. In 2014, the Company generated approximately $602.5 million in operating revenue and approximately $17.2 million in operating income. As of December 31, 2014, the Company s fleet included 1,987 tractors (including tractors owned by independent contractors).

The Company transports commodities throughout the continental United States and into and out of portions of Canada. USA Truck also transports general commodities into and out of Mexico by allowing through-trailer service from its terminal in Laredo, Texas. In addition to truckload services, the Company provides freight brokerage and rail intermodal services through its Strategic Capacity Solutions (SCS) segment. USA Truck is headquartered in Van Buren, Arkansas, with terminals, offices, and staging facilities located throughout the United States.

The Company has two reportable segments: (i) trucking, consisting of the Company s truckload and dedicated freight service offerings and (ii) SCS, consisting of the Company s freight brokerage and rail intermodal service offerings. Based on several factors, including the relatively small size of the Company s rail intermodal service offering and the interrelationship of the freight brokerage and rail intermodal operations, the Company aggregates its freight brokerage and rail intermodal service offerings into a single reportable segment. Financial information regarding these segments is provided in the notes to the consolidated financial statements in Item 8 of Part II of this Form 10-K.

Truckload freight services utilize company-owned equipment or equipment owned by independent contractors for the pick-up and delivery of freight. Truckload services transport freight over irregular routes as a medium-to long-haul common carrier. Dedicated freight services provide similar transportation services, but do so pursuant to agreements whereby the Company makes equipment available to a specific customer for shipments over particular routes at specified times.

SCS is intended to provide services which complement USA Truck s trucking services, primarily to existing customers of its trucking segment. A majority of customers using the Company s SCS services are also customers of its trucking segment. SCS represented approximately 30%, 25%, and 26% of USA Truck s consolidated operating revenue in 2014, 2013, and 2012, respectively.

Turnaround Plan

USA Truck s top priorities are improving its operating performance and increasing stockholder value. The Company s turnaround plan has three main components: profitable revenue growth, operational execution, and cost effectiveness. Progress in executing the Company s turnaround plan has contributed to a 450 basis point increase in operating margin versus 2013, positive cash flow, and our most profitable year since 2006. Looking ahead, our goal is to create sustained profitability and additional stockholder value.

Profitable Revenue Growth: SCS operating revenue grew approximately 31% in 2014, which has assisted the Company in diversifying its product offerings to its customers. In addition, the Company continues to refine its freight network toward a more efficient mix of lanes and markets in its truckload business, particularly focusing on better utilization of company tractors with an emphasis on key metrics, such as miles per seated truck per week and base trucking revenue per seated truck per week. Base trucking revenue per seated truck per week improved approximately 7% during 2014, compared to 2013. Additionally, USA Truck has supplemented those elements with a more robust and defined strategy to market its broad offerings of services to existing customers and to accelerate the growth and development of its dedicated freight service offering, which grew approximately 35% during 2014. The Company expects to continue the growth in its dedicated freight services offering in 2015.

Operational Execution and Cost Effectiveness. During 2014, the Company focused on improved customer service and cost reduction initiatives for fuel, maintenance, interest and debt costs, as well as other areas requiring cost containment. The Company s focus produced the following results for the year ended December 31, 2014, as compared to the year ended December 31, 2013: fuel efficiency improved approximately 5%, interest expense improved approximately 18%, and debt was reduced by approximately 9%. Going forward, the Company intends to focus on operational execution initiatives that it believes will improve safety performance, asset productivity, driver retention, fuel economy, maintenance operations and customer service.

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Operations

The Company focuses significant marketing efforts on customers with premium service requirements and who have consistent shipping needs within USA Truck s primary operating areas which are primarily in the eastern half of the United States. One or more offerings are marketed to customers, with over 90% of the Company s top 100 customers utilizing more than one service in 2014. This permits the strategic positioning of available equipment and allows the Company to provide its customers with a full array of transportation solutions. In addition, USA Truck team members have cultivated a thorough understanding of the needs of shippers in key industries. The Company believes this helps it develop long-term, service-oriented relationships and allows the Company to provide its customers a full array of transportation solutions.

USA Truck has a diversified freight base, while depending upon a relatively small number of customers for a large portion of its business volume. During 2014, the Company s largest 5, 10, 25 and 50 customers comprised approximately 21%, 35%, 56% and 71% of its revenues, respectively. No single customer generated more than 10% of the Company s revenues in 2014. USA Truck s 2014 revenues reflected industry groups as follows: 21% food and beverage, 18% retailers, 15% packaging, 13% industrials, 9% automotive, 6% health, beauty, cosmetics, 5% appliances, and 13% all other. The Company provided service to 986 customers in 2014 across all USA Truck service offerings, 292 of which used the Company s services for the first time in 2014.

While the Company prefers direct relationship with customers, obtaining shipments through other providers of transportation or logistics services is a significant opportunity. Securing freight through a third party enables USA Truck to provide services for high-volume shippers to which it might not otherwise have access because many of these shippers require their carriers to conduct business with their designated third party logistics provider.

Customers are billed at or shortly after delivery and, during 2014, receivables collection averaged approximately 44 days from the billing date, compared to an average of approximately 40 days and 38 days during 2013 and 2012, respectively. The increase in days to collection has resulted from significant growth in the Company s SCS segment during the preceding two years. The Company has implemented various initiatives in an attempt to decrease the days to collection and expects to see improvement during 2015.

The Company primarily operates in the United States and also has operations in Mexico and Canada. Most of the Company s operating revenue is generated from within the United States. In 2014, approximately 10% of the Company s operating revenue was generated in Mexico and Canada, with a growing portion of its revenue from operations in Mexico. In 2013, the Company generated approximately 10% of its operating revenues in Mexico and Canada, and in 2012, less than 10% of the Company s operating revenue was generated in these countries. All company tractors are domiciled in the United States. The Company does not separately track domestic and foreign long-lived assets. Providing such information would not be meaningful to the business. Substantially all of the Company s long-lived assets are, and have been for the last three fiscal years, located within the United States.

The Company s trucking segment is supported primarily by driver managers, load planners and customer service representatives. These teams monitor the location of equipment and direct its movement in a safe, efficient and practicable manner. Each driver manager supervises assigned drivers and is the primary contact with the drivers. Load planners assign all available units and loads in a manner designed to maximize profit and minimizes costs. Customer service representatives work to fulfill shipper s needs, solicit freight, and ensure on-time delivery by monitoring loads. The Company makes trucks available for dispatch, selecting profitable freight with a network and yield management focus, and efficiently matches that freight to available truck capacity, all of which the Company strives to achieve without sacrificing customer service, equipment utilization, driver retention or safety.

The SCS segment has a network of eleven branch offices, with the newest office opened in 2014, located throughout the continental United States. The business model is built around the capabilities of Company employees to make available consistent service to customers. The specific locations of branch offices are selected for the availability of talent in those markets. SCS employed approximately 100 people as of December 31, 2014. Most of the SCS team interacts directly with customers, matching customers freight needs with available third party capacity in the marketplace. SCS also has staff that screen and select third party carriers that are used to transport the freight.

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Revenue Equipment

The Company s equipment purchase and replacement decisions are based on a number of factors, including new equipment prices, the used equipment market, demand for freight services, prevailing interest rates, technological improvements, regulatory changes, cost per mile, fuel efficiency, equipment durability, equipment specifications and driver comfort. Therefore, depending on the circumstances, the Company may accelerate or delay the acquisition and disposition of its tractors or trailers from time to time. Generally, USA Truck s primary business strategy of fully leveraging the significant capital investment in the current fleet of tractors and trailers requires the Company to strive to maximize the profitability of its existing assets before considering a material increase in the fleet size.

The following table provides the number of units, both company-owned and independent contractors, and the average age of revenue equipment owned or operated under capital leases, excluding assets held for sale, for the periods presented below.

	Year Ended December 31,		
	2014	2013	2012
Tractors:			
Acquired	**350**	350	325
Disposed	**402**	430	383
Assets held for sale	**127**		
End of period total	**1,987**	2,166	2,246
Average age at end of period (in months)	**32**	33	32
Trailers:			
Acquired	**550**	400	300
Disposed	**375**	437	527
Assets held for sale	**13**		
End of period total	**6,216**	6,054	6,091
Average age at end of period (in months)	**85**	84	77

To simplify driver and mechanic training, control the cost of spare parts and tire inventory and provide for a more efficient vehicle maintenance program, the Company purchases tractors and trailers manufactured to its specifications. The Company has a comprehensive preventive maintenance program designed to minimize equipment downtime and enhance sale or trade-in values.

The Company finances the purchase of revenue equipment through its revolving credit agreement, capital lease arrangements, fair market value lease agreements, proceeds from sales or trades of used equipment and cash flows from operations. Substantially all of the Company s tractors and trailers are pledged to secure its obligations under financing arrangements.

During 2014, all company and independent contractor tractors were equipped with PeopleNet in-cab technology, enabling two-way communications between the Company and its drivers, through both standardized and freeform messaging, including electronic logging. This enables USA Truck to dispatch drivers efficiently in response to customers requests, to provide real-time information to customers about the status of their shipments and to provide documentation supporting various accessorial charges. Accessorial costs are charges to customers for additional services such as loading, unloading or equipment delays. In addition, the Company utilizes satellite-based equipment tracking devices and cargo sensors on virtually all of its trailers. These tracking devices provide the Company with visibility on the locations and load status of its trailers.

Beginning January 1, 2010, new federal emissions requirements became effective for all heavy-duty engines. These new requirements reduce the levels of specified emissions from heavy-duty engines manufactured in or after 2010, and resulted in cost increases when acquiring tractors equipped with these engines. In order to comply with the standards, new emissions control technologies, such as selective catalytic reduction (SCR) strategies and advanced exhaust gas recirculation (EGR) systems, are being utilized. The Company also continues to update its fleet with more fuel efficient, EPA emission-compliant post-2014 model engines. As of December 31, 2014, the Company had 1,601 tractors, or 81% of its fleet, with the 2010 emission engines including 1,531 tractors with SCR technology and 70 tractors with advanced EGR technology.

Safety and Risk Management

The Company emphasizes safe work habits as a core value throughout the entire organization, and provides proactive training and education relating to safety concepts, processes and procedures. The Company conducts pre-employment, random, reasonable suspicion and post-accident alcohol and substance abuse testing in accordance with the Department of Transportation (DOT) regulations and the Company s own policies.

Safety training for new drivers begins in orientation, when newly hired team members are taught safe driving and work techniques that emphasize the Company s commitment to safety. Upon completion of orientation, new student drivers are required to undergo on-the-road training for four to six weeks with experienced commercial motor vehicle drivers who have been selected for their professionalism and commitment to safety and who are trained to communicate safe driving techniques to new drivers. New drivers who graduate from the program must also successfully complete post-training classroom and road testing before being assigned to their own tractor. Additionally, all company drivers participate in on-going training that focuses on collision and injury prevention, among other safety concepts.

The primary risks for which the Company is insured are cargo loss and damage, personal injury, property damage, workers compensation and employee medical claims. USA Truck also self-insures for a portion of claims exposure in each of these areas. The Company s self-insurance retention levels are $0.5 million for workers compensation claims per occurrence, $0.05 million for cargo loss and damage claims per occurrence and $1.0 million for bodily injury and property damage claims per occurrence. For medical benefits, the Company self-insures up to $0.25 million per plan participant per year with an aggregate claim exposure limit determined by the Company s year-to-date claims experience and its number of covered team members. The Company maintains insurance above the amounts for which it self-insures, to certain limits, with licensed insurance carriers. The Company has excess general, auto and employer s liability coverage in amounts substantially exceeding minimum legal requirements. The Company is completely self-insured for physical damage to its own tractors and trailers, except that the Company carries catastrophic physical damage coverage to protect against natural disasters.

Although the Company believes the aggregate insurance limits should be sufficient to cover reasonably expected claims, it is possible that one or more claims could exceed the Company s aggregate coverage limits. An unexpected loss or changing conditions in the insurance market could adversely affect premium levels. As a result, the Company s insurance and claims expense could increase, or USA Truck could raise its self-insured retention or decrease the Company s aggregate coverage limits when its policies are renewed or replaced. If these costs increase, if reserves are increased, if claims in excess of coverage limits are experienced, or if a claim is experienced where coverage is not provided, the Company s results of operations and financial condition in any one quarter or annual period could be materially and adversely affected.

Employee Associates and Independent Contractors

As of December 31, 2014, the Company had approximately 2,800 employees, of which about 75% were company drivers. No team members are subject to union contracts or part of a collective bargaining unit. The Company considers team member relations to be good.

Recruitment, training, and retention of a professional driver workforce, one of the Company s most valuable assets, are essential to the Company s continued growth and meeting the service requirements of its customers. USA Truck hires qualified professional drivers who hold a valid commercial driver s license, satisfy applicable federal and state safety performance and measurement requirements, and meet USA Truck s hiring parameters. These guidelines relate primarily to safety history, road test evaluations, and various evaluations, which include physical examinations and mandatory drug and alcohol testing. In order to attract and retain safe drivers who are committed to customer service and safety, the Company focuses its operations for drivers around a collaborative and supportive team environment. The Company provides comfortable, late model equipment, direct communication with senior management, competitive wages and benefits, and other incentives designed to encourage driver safety, retention, and long-term employment. The Company values its relationship with its drivers and structures its driver retention model with a focus on a long-term career with USA Truck. Drivers are compensated on a per mile basis, based on the length of haul and a predetermined number of miles. Drivers are also compensated for additional services provided to customers.

Drivers and other employees are encouraged to participate in the Company s 401(k) program, and company-sponsored health, life, and dental plans. The Company believes these factors help in attracting, recruiting, and retaining professional drivers in a competitive driver market.

In addition to company drivers, USA Truck enters into contracts with independent contractors, who provide a tractor and a driver and are responsible for all operating expenses in exchange for a fixed payment per mile. The Company intends to continue to grow the use of independent contractors. As of December 31, 2014, the Company had contracts with about 200 independent contractors, representing a 45.5% increase compared to the prior year end.

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Competition

The trucking industry includes both private fleets and for-hire carriers. Private fleets consist of trucks owned and operated by shippers that move their own goods. For-hire carriers include both truckload and less-than-truckload operations. The for-hire segment is highly competitive and includes thousands of carriers, none of which dominates the market. This segment is characterized by many small carriers having revenues of less than $1 million per year and as few as one truck and relatively few carriers with revenues exceeding $100 million per year. According to Transport Topics, USA Truck was the 23rd largest for-hire carrier based on operating revenue for 2013 in the Truckload / Dedicated sector.

USA Truck competes primarily with other truckload carriers, private fleets and, to a lesser extent, railroads and less-than-truckload carriers. A number of truckload carriers have greater financial resources, own more revenue equipment and carry a larger volume of freight than USA Truck. The principal competitive factors in the truckload segment of the industry are service and price, with rate discounting becoming particularly important during economic downturns. USA Truck s focus is to differentiate itself primarily on the basis of service rather than rates. Although an increase in the size of the market would benefit all truckload carriers, management believes that successful carriers are likely to grow by offering additional services to their customers based on customer needs and acquiring a greater market share.

Regulation

The Company s operations are regulated and licensed by various United States federal and state, Canadian provincial, and Mexican federal agencies. Interstate motor carrier operations are subject to safety requirements prescribed by the DOT. Matters such as weight and equipment dimensions are also subject to United States federal and state regulation and Canadian provincial regulations. The Company operates in the United States pursuant to operating authority granted by the DOT, in various Canadian provinces pursuant to operating authority granted by the Ministries of Transportation and Communications in such provinces, and within Mexico pursuant to operating authority granted by Secretaria de Comunicaciones y Transportes. To the extent that the Company conducts operations outside the United States, it is subject to the Foreign Corrupt Practices Act, which generally prohibits United States companies and their intermediaries from bribing foreign officials for the purpose of obtaining or retaining favorable treatment.

The DOT, through the Federal Motor Carrier Safety Administration (the FMCSA), imposes safety and fitness regulations on the Company and its drivers, including rules that restrict driver hours-of-service. In December 2011, the FMCSA published its 2011 Hours-of-Service Final Rule (the 2011 Rule). The 2011 Rule requires drivers to take 30-minute breaks after eight hours of consecutive driving and reduces the total number of hours a driver is permitted to work during each week from 82 hours to 70 hours. The 2011 Rule provides that the 34-hour restart may only be used once per week and must include two rest periods between one a.m. and five a.m. (together, the 2011 Restart Restrictions). These rule changes became effective on July 1, 2013.

On December 13, 2014, Congress passed the 2015 Omnibus Appropriations bill, which was signed into law December 16, 2014. Among other things, the legislation provides relief from the 2011 Restart Restrictions, which essentially reverts back to the more straight forward 34-hour restart that was in effect before the 2011 Rule became effective.

The FMCSA is considering revisions to the existing safety rating system and the safety labels assigned to motor carriers evaluated by the DOT. The Company currently has a satisfactory DOT safety rating, which is the highest available rating under the current safety rating scale. If USA Truck were to receive a conditional or unsatisfactory DOT safety rating, it could adversely affect the Company s business as some of its existing customer contracts require a satisfactory DOT safety rating, and a conditional or unsatisfactory rating could negatively impact or restrict the Company s operations. Under the revised rating system being considered by the FMCSA, USA Truck s safety rating could be evaluated more regularly, and its safety rating would reflect a more in-depth assessment of safety-based violations.

The FMCSA has adopted the Compliance Safety Accountability program (CSA) as its safety enforcement and compliance model that evaluates and ranks both fleets and individual drivers on certain safety-related standards. The methodology for determining a carrier s DOT safety rating has been expanded to include the on-road safety performance of the carrier s drivers and is detailed in the Federal Motor Carrier Safety Administration s Carrier Safety Measurement System Methodology. As a result, certain current and potential drivers may no longer be eligible to drive for the Company, the Company s fleet could be ranked poorly as compared to the Company s peer firms, and its safety rating could be adversely impacted. The occurrence of future deficiencies could affect driver recruiting and retention by causing high-quality drivers to seek employment with other carriers, or could cause USA Truck s customers to direct their business away from the Company and to carriers with higher fleet safety rankings, either of which would adversely affect its results of operations and productivity. Additionally, the Company may incur greater than expected expenses in its attempts to improve its scores as a result of those scores.

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Currently, the Company is exceeding the established intervention thresholds in more than one of the seven safety-related Behavioral Analysis and Safety Improvement Categories (BASIC) categories of CSA, in comparison to its peer group; however, the Company continues to maintain a satisfactory rating with the DOT. Exceeding the established intervention thresholds in additional BASIC categories may result in another compliance review or the prioritization of roadside inspections, either of which may adversely affect the Company s results of operations. To promote improvement in all CSA BASIC categories, including those both over and under the established scoring threshold, the Company continually reviews all safety-related policies, programs and procedures for their effectiveness and revises them to establish positive improvement.

In 2011, the FMCSA issued new rules that would require nearly all carriers, including USA Truck, to install and use electronic on-board recording devices (EOBRs, now referred to as electronic logging devices, or ELDs) in their tractors to electronically monitor truck miles and enforce hours-of-service. These rules, however, were vacated by the Seventh Circuit Court of Appeals in August 2011. Congress passed a federal transportation bill in July 2012 that requires promulgation of rules mandating the use of ELDs by July 2013 with full adoption for all trucking companies no later than July 2015. The Company has proactively installed ELDs on 100% of its tractor fleet both company-owned tractors and tractors owned by independent contractors.

In the aftermath of the September 11, 2001 terrorist attacks, federal, state and municipal authorities implemented and continue to implement various security measures, including checkpoints and travel restrictions on large trucks. The Transportation Security Administration (the TSA) has adopted regulations that require determination by the TSA that each driver who applies for or renews his license for carrying hazardous materials is not a security threat. This could reduce the pool of qualified drivers, which could require USA Truck to increase driver compensation, limit fleet growth, or allow trucks to sit idle. These regulations also could complicate the successful pairing of available equipment with hazardous material shipments, thereby increasing the Company s response time and deadhead miles on customer shipments. Consequently, it is possible that the Company may fail to meet the needs of its customers or may incur increased expenses.

The Company is subject to various environmental laws and regulations dealing with the hauling and handling of hazardous materials, fuel storage tanks, air emissions from our vehicles and facilities, engine idling, and discharge and retention of storm water. Its truck terminals often are located in industrial areas where groundwater or other forms of environmental contamination could occur. The Company s operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. Certain of the Company s facilities have waste oil or fuel storage tanks and fueling islands. A small percentage of the Company s freight consists of low-grade hazardous substances, which subjects it to a wide array of regulations. Additionally, increasing efforts to control emissions of greenhouse gases may have an adverse effect on USA Truck. Federal and state lawmakers are considering a variety of climate-change proposals that could increase the cost of new tractors, impair productivity, and increase operating expenses. Although the Company has instituted programs to monitor and control environmental risks and promote compliance with applicable environmental laws and regulations, if it is involved in a spill or other accident involving hazardous substances, if there are releases of hazardous substances it transports, if soil or groundwater contamination is found at its facilities or results from its operations, or if it is found to be in violation of applicable laws or regulations, the Company could be subject to cleanup costs and liabilities, including substantial fines or penalties or civil and criminal liability, any of which could have a materially adverse effect on its business and operating results.

EPA regulations limiting exhaust emissions became more restrictive in 2010. In 2010, an executive memorandum was signed directing the National Highway Traffic Safety Administration (NHTSA) and the EPA to develop new, stricter fuel efficiency standards for heavy trucks. In 2011, the NHTSA and the EPA adopted final rules that established the first-ever fuel economy and greenhouse gas standards for medium-and heavy-duty vehicles. These standards apply to model years 2014 to 2018, which are required to achieve an approximate 20 percent reduction in fuel consumption by 2018, and equates to approximately four gallons of fuel for every 100 miles traveled. In addition, in February 2014, President Obama announced that his administration will begin developing the next phase of tighter fuel efficiency standards for medium-and heavy-duty vehicles and directed the EPA and NHTSA to develop new fuel-efficiency and greenhouse gas standards by March 31, 2016. The Company believes these requirements could result in increased new tractor prices and additional parts and maintenance costs incurred to retrofit its tractors with technology to achieve compliance with such standards, which could adversely affect its operating results and profitability, particularly if such costs are not offset by potential fuel savings. The Company cannot predict, however, the extent to which its operations and productivity will be impacted.

The California Air Resource Board (CARB) also has adopted emission control regulations which will be applicable to all heavy-duty tractors that pull 53-foot or longer box-type trailers within the state of California. The tractors and trailers subject to these regulations must be either EPA Smart Way certified or equipped with low-rolling, resistance tires and retrofitted with Smart Way-approved aerodynamic technologies. Enforcement of these CARB regulations for model year 2011 equipment began in 2010 and will be phased in over several years for older equipment. The Company currently purchases Smart Way certified equipment in its new tractor and trailer acquisitions. Federal and state lawmakers also have proposed potential limits on carbon emissions under a variety of climate-change proposals. Compliance with such regulations may increase the cost of new tractors and trailers, may require USA Truck to retrofit its equipment, and could impair equipment productivity and increase the Company s operating expenses. These adverse effects, combined with the uncertainty as to the reliability of the newly designed diesel engines and the residual value of these vehicles, could materially increase USA Truck s operating expenses or otherwise adversely affect its business or operations.

Since October 2013, any entity acting as a broker or a freight forwarder is required to obtain authority from the FMCSA, and is subject to a minimum $75,000 financial security requirement, increased from the previous requirement of $10,000. The Company is licensed by the FMCSA as a property broker and is in compliance with the financial security requirement. This new requirement may limit entry of new brokers into the market or cause current brokers to exit the market. Such persons may seek agent relationships with companies such as USA Truck to avoid this increased cost. If they do not seek out agent relationships, the number of brokers in the industry could decrease.

In order to reduce exhaust emissions, some states and municipalities have begun to restrict the locations and amount of time where diesel-powered tractors may idle. These restrictions could force the Company to alter its drivers behavior, purchase on-board power units that do not require the engine to idle, or face a decrease in productivity.

For further discussion regarding such environmental laws and regulations, refer to the Risk Factors section under Item 1A of Part 1 of this Form 10-K.

Seasonality

In the trucking industry, revenue typically follows a seasonal pattern for various commodities and customer businesses. Peak freight demand has historically occurred in the months of September, October and November. After the December holiday season and during the remaining winter months, freight volumes are typically lower as many customers reduce shipment levels. Operating expenses have historically been higher in the winter months due primarily to decreased fuel efficiency, increased cold weather-related maintenance costs of revenue equipment and increased insurance and claims costs attributed to adverse winter weather conditions. The Company attempts to minimize the impact of seasonality through its diverse customer solutions offerings by seeking additional freight from certain customers during traditionally slower shipping periods and focusing on transporting consumer nondurable products. Revenue can also be impacted by weather, holidays and the number of business days that occur during a given period, as revenue is directly related to the available working days of shippers.

Available Information

USA Truck was incorporated in Delaware in September 1986 as a wholly owned subsidiary of ABF Freight System, Inc., and was purchased by management in December 1988. The initial public offering of the Company s common stock was completed in March 1992.

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

The Company maintains a website where additional information regarding USA Truck s business and operations may be found. The website address is www.usa-truck.com. The website provides certain investor information available free of charge, including the Company s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, stock ownership reports filed under Section 16 of the Exchange Act, and any amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. The website also includes Interactive Data Files required to be posted pursuant to Rule 405 of SEC Regulation S-T. Information provided on the Company website is not incorporated by reference into this Form 10-K, and you should not consider information on our website to be part of this Form 10-K.

Additionally, you may read all of the materials that we file with the SEC by visiting the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. If you would like information about the operation of the Public Reference Room, you may call the SEC at 1-800-SEC-0330. You may also visit the SEC s website at www.sec.gov. This site contains reports, proxy and information statements and other information regarding USA Truck and other companies that file electronically with the SEC.

Item 1A. *RISK FACTORS*

The following risks and uncertainties may cause our actual results, business, financial condition and cash flows to differ from those anticipated in the forward-looking statements included in this Form 10-K. You should not place undue reliance on forward-looking statements made herein because such statements speak only to the date they were made. We undertake no obligation or duty to revise or update any forward-looking statements contained herein to reflect subsequent events or circumstances or the occurrence of unanticipated events. Also refer to the Cautionary Note Regarding Forward-Looking Statements in Item 7 of Part II of this Form 10-K.

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

Our industry is highly cyclical, and our business is dependent on a number of factors that may have a material adverse effect on our results of operations, many of which are beyond our control. Some of the most significant of these factors are economic changes that affect supply and demand in transportation markets, including recessionary economic cycles, such as the period from 2007 to 2009; changes in customers inventory levels and in the availability of funding for their working capital; excess tractor capacity in comparison with shipping demand; and downturns in customers business cycles.

We are also affected by recessionary economic cycles, such as the period from 2007 to 2009. Such economic conditions can decrease freight demand and increase the supply of tractors and trailers, thereby exerting downward pressure on rates and equipment utilization and may adversely affect our customers and their ability to pay for our services. The risks associated with these factors are heightened when the United States economy is weakened. Some of the principal risks during such times, which risks we have experienced during prior recessionary periods, are as follows: reduction in overall freight levels, which may impair asset utilization; customers facing credit issues and cash flow problems that may lead to payment delays, increased credit risk, bankruptcies, and other financial hardships that could result in even lower freight demand and may require us to increase our allowance for doubtful accounts; changing freight patterns as supply chains are redesigned, resulting in an imbalance between capacity and freight demand; customers bidding our freight or selecting competitors that offer lower rates from among existing choices in an attempt to lower costs, in which case, we may be forced to lower rates or lose freight; accepting more freight from brokers, where freight rates are typically lower, or incurrence of more non-revenue miles to obtain loads; and lack of access to current sources of credit or lack of lender access to capital, leading to an inability to secure financing on satisfactory terms, or at all.

We are subject to increases in costs and other events that are outside our control that could materially affect our results of operations. Such cost increases include, but are not limited to, fuel and energy prices, taxes and interest rates, tolls, license and registration fees, insurance premiums, revenue equipment and related maintenance costs, and healthcare and other benefits for our employees. We could be affected by strikes or other work stoppages at our service centers or at customer, port, border, or other shipping locations. Changing impacts of regulatory measures could impair our operating efficiency and productivity, decrease our operating revenue and profitability, and result in higher operating costs. In addition, declines in the resale value of revenue equipment can also affect our operating income and cash flows. From time-to-time, various federal, state or local taxes also increase, including taxes on fuels. We cannot predict whether, or in what form, any such increase applicable to us will be enacted, but such an increase could adversely affect our results of operations and profitability.

In addition, we cannot predict future economic conditions, fuel price fluctuations, or how consumer confidence could be affected by actual or threatened armed conflicts or terrorist attacks, government efforts to combat terrorism, military action against a foreign state or group located in a foreign state, or heightened security requirements. Enhanced security measures could impair our operating efficiency and productivity and result in higher operating costs.

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

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

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

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Many of our competitors periodically reduce their freight rates to gain business, especially during times of reduced economic growth, which may limit our ability to maintain or increase freight rates, maintain our margins, or maintain growth in our business.

Some of our customers also operate their own private trucking fleets, and they may decide to transport more of their own freight.

Many customers reduce the number of carriers they use by selecting so-called core carriers as approved service providers, and in some instances we may not be selected.

Many customers periodically accept bids from multiple carriers for their shipping needs, and this process may depress freight rates or result in the loss of some of our business to competitors.

The trend toward consolidation in the trucking industry may create large carriers with greater financial resources and other competitive advantages relating to their size, and we may have difficulty competing with these larger carriers.

Advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher freight rates to cover the cost of these investments.

Competition from non-asset-based and other logistics and freight brokerage companies may adversely affect our customer relationships and freight rates.

Economies of scale that may be passed on to smaller carriers by procurement aggregation providers may improve their ability to compete with us.

We have a recent history of net losses and may be unsuccessful in sustaining or increasing profitability.

We have generated a profit in only one of the last five years. Maintaining and improving profitability depends upon numerous factors, including the ability to increase average revenue per tractor, increase velocity, improve driver retention and control operating expenses. Despite recent results, we may not be able to sustain or increase profitability in the future. If we are unable to sustain our profitability, then our liquidity, financial position, and results of operations may be adversely affected.

We may not be successful in implementing new management, operating procedures and cost savings initiatives.

As part of the long-term turnaround plan, we have implemented changes to the management team and structure, as well as operating procedures. These changes may not be successful or may not achieve the desired results. Additional training or different personnel may be required, which may result in additional expense, delays in obtaining results, or disruptions to operations. Some of these implemented changes include customer service and driver management changes and cost savings initiatives. These changes and initiatives may not improve our results of operations, including asset productivity, tractor utilization, driver retention and base revenue per mile. In addition, we may not be successful in achieving the expected savings in our cost structure, including the areas of insurance and claims, equipment maintenance, equipment operating costs, and fuel economy. In such event, our revenue, financial results, and ability to operate profitably could be negatively impacted. Further, our operating results may be negatively affected by a failure to further penetrate our existing customer base, cross-sell our services, pursue new customer opportunities, and manage the operations and expenses of our new or growing services.

We self-insure for a significant portion of our claims exposure, which could significantly increase the volatility of, and decrease the amount of, our earnings.

Our future insurance and claims expense could reduce our earnings and make our earnings more volatile. We self-insure for a significant portion of our claims exposure and related expenses. We accrue amounts for liabilities based on our assessment of claims that arise and our insurance coverage for the periods in which the claims arise, and we evaluate and revise these accruals from time to time based on additional information. Due to our significant self-insured amounts, we have significant exposure to fluctuations in the number and severity of claims and the risk of being required to accrue or pay additional amounts if estimates are revised or claims ultimately prove to be more severe than originally assessed. Historically, we have had to adjust our reserves, and future significant adjustments may occur. Further, our self-insured retention levels could change and result in more volatility than in recent years.

We maintain insurance above the amounts for which we self-insure with licensed insurance carriers. Although we believe our aggregate insurance limits will be sufficient to cover reasonably expected claims, it is possible that one or more claims could exceed our aggregate coverage limits. If any claim was to exceed our coverage, we would bear the excess, in addition to other self-insured amounts. Our insurance and claims expense could increase, or we could find it necessary to raise our self-insured retention or decrease our aggregate coverage limits when our policies are renewed or replaced. Our operating results and financial condition may be adversely affected if these expenses increase, if we experience a claim in excess of our coverage limits, if we experience a claim for which we do not have coverage, if we experience an increase in a number of claims, or if we have to increase our reserves.

Healthcare legislation and inflationary cost increases also could negatively impact financial results by increasing annual employee healthcare costs going forward. We cannot presently determine the extent of the impact healthcare costs will have on our financial performance. In addition, rising healthcare costs could force us to make changes to existing benefits program, which could negatively impact our ability to attract and retain employees.

Our revolving credit agreement and other financing arrangements contain certain covenants, restrictions, and requirements, and we may be unable to comply with the covenants, restrictions, and requirements. A default could result in the acceleration of all or part of any outstanding indebtedness, which could have an adverse effect on our financial condition, liquidity, results of operations, and the market price of our common stock.

In February 2015, we entered into a new senior secured revolving credit agreement (the Credit Facility) with a group of lenders and Bank of America, N.A., as agent (Agent). Contemporaneously with the funding of the Credit Facility, we paid off the obligations under our prior credit facility and terminated such facility. We also have other financing arrangements.

The Credit Facility contains a single springing financial covenant, which requires a consolidated fixed charge coverage ratio of at least 1.0 to 1.0. The financial covenant springs only in the event excess availability under the Credit Facility drops below 10% of the lenders total commitments under the Credit Facility. The Credit Facility contains certain restrictions and covenants related to, among other things, dividends, liens, acquisitions and dispositions, affiliate transactions, and other indebtedness. The Credit Facility is secured by a pledge of substantially all of our assets, with the notable exclusion of any real estate or revenue equipment financed outside the Credit Facility. The Credit Facility includes usual and customary events of default for a facility of this nature and provides that, upon the occurrence and continuation of an event of default, payment of all amounts payable under the Credit Facility may be accelerated, and the lenders commitments may be terminated.

If we fail to comply with any of our financing arrangement covenants, restrictions, and requirements, we will be in default under the relevant agreement, which could cause cross-defaults under our other financing arrangements. In the event of any such default, if we failed to obtain replacement financing or amendments to, or waivers under, the applicable financing arrangements, existing lenders could cease to make further advances, could declare existing debt to be immediately due and payable, could fail to renew letters of credit, could impose significant restrictions and requirements on our operations, could institute foreclosure proceedings against collateralized assets or could impose significant fees and transaction costs. If acceleration occurs, it may be difficult or expensive to refinance the accelerated debt or the issuance of additional equity securities could dilute stock ownership. Even if new financing can be procured, more stringent borrowing terms could mean that credit is not available to us on acceptable terms. A default under these financing arrangements could cause a materially adverse effect on the liquidity, financial condition and results of operations.

Our substantial indebtedness and capital and operating lease obligations could adversely affect our ability to respond to changes in our industry or business.

As a result of our level of debt, capital leases, operating leases, and encumbered assets, management believes:

our vulnerability to adverse economic conditions and competitive pressures is heightened;

we will continue to be required to dedicate a substantial portion of our cash flows from operations to lease payments and repayment of debt, limiting the availability of cash for other purposes;

our flexibility in planning for, or reacting to, changes in our business and industry will be limited;

profitability is sensitive to fluctuations in interest rates because some of our debt obligations are subject to variable interest rates, and future borrowings and lease financing arrangements will be affected by any such fluctuations;

our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, or other purposes may be limited; and

we may be required to issue additional equity securities to raise funds, which would dilute the ownership position of our stockholders.

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Our financing obligations could negatively impact our future operations, ability to satisfy our capital needs, or ability to engage in other business activities. We also cannot assure you that additional financing will be available to us when required or, if available, will be on terms satisfactory to us.

We have significant ongoing capital requirements that could adversely affect profitability if we are unable to generate sufficient cash from operations, or obtain financing on favorable terms.

The truckload industry is capital intensive, and our policy of operating newer equipment requires us to expend significant amounts annually. We except to pay for projected capital expenditures with cash flows from operations, borrowings under the Credit Facility, proceeds from the sale of used revenue equipment, and, to a lesser extent, capital and operating leases. Capital expenditures for revenue equipment are expected to increase from 2014, as we continue to replace and upgrade our existing fleet. We base our equipment purchase and replacement decisions on a number of factors, including new equipment prices, the used equipment market, demand for freight services, prevailing interest rates, technological improvements, regulatory changes, cost per mile, fuel efficiency, equipment durability, equipment specifications and driver comfort.

In the future, if we are unable to generate sufficient cash from operations or obtain borrowing on favorable terms, we may be forced to limit our fleet size, enter into less favorable financing arrangements, or operate revenue equipment for longer periods, any of which could materially and adversely affect profitability.

We depend on the proper functioning, availability, and security of our information and communication systems, and a systems failure or unavailability or a security breach could cause a significant disruption to and adversely affect our business.

We depend on the proper functioning, availability, and security of our information systems, including financial reporting and operating systems, in operating our business. These systems are protected through physical and software safeguards, but are still vulnerable to fire, storm, flood, power loss, telecommunications failures, physical or software break-ins, terrorist attacks, Internet failures, computer viruses and similar events beyond our control. If the communication systems fail, otherwise become unavailable or experience a security breach, manually performing functions could temporarily impact our ability to manage our fleet efficiently, to respond to customers requests effectively, to maintain billing and other records reliably, to bill for services accurately or in a timely manner, to communicate internally and with drivers, customers, and vendors, and to prepare financial statements accurately or in a timely manner. Business interruption insurance may be inadequate to protect us in the event of a catastrophe. Any system failure, upgrade complication, security breach or other system disruption could interrupt or delay operations, damage our reputation, impact our ability to manage our operations and report financial performance, and cause the loss of customers, any of which could have a material adverse effect on existing and future business.

We are in the midst of a multi-year process to migrate our legacy mainframe platform and internally developed software applications to server-based platforms. We still have a few remaining systems to convert, and could experience delays, complications or additional costs, any of which could have a material adverse effect on our business and operating results. We anticipate the legacy mainframe applications should be completely migrated to newer platforms by December 2015.

During 2014, we began to host all of our production systems at a remote data center. This data center replicates all production data back to the data center at our headquarters, which protects our information in the event of a fire or other significant natural disasters. This redundant data center allows any system to be recovered within four hours of an incident. Although we attempt to reduce the risk of disruption to our business operations should a disaster occur through redundant computer systems and networks and backup systems, there can be no assurance that such measures will be effective.

We receive and transmit confidential data with and among our customers, drivers, vendors, employees, and service providers in the normal course of business. Despite our implementation of secure transmission techniques, internal data security measures, and monitoring tools, our information and communication systems are vulnerable to security threats and breach attempts from both external and internal sources. Any such breach could result in disruption of communications with our customers, drivers, vendors, employees, and service providers and access, viewing, misappropriation, altering, or deleting information in our systems, including customer, driver, vendor, employee, and service provider information and our proprietary business information. A security breach could damage our business operations and reputation and could cause us to incur costs associated with repairing our systems, increased security, customer notifications, lost operating revenue, litigation, regulatory action, and reputational damage.

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We derive a significant portion of our revenues from our major customers, the loss of one or more of which could have a material adverse effect on business.

We generate a significant portion of our operating revenue from our major customers. Generally, we do not have long-term contracts with our major customers. Accordingly, in response to economic conditions, supply and demand in the industry, our performance, our customers internal initiatives, or other factors, our customers may reduce or eliminate their use of our services, or threaten to do so to gain pricing or other concessions from us.

Economic conditions and capital markets may adversely affect our customers and their ability to remain solvent. Financial difficulties of our customers can negatively impact our results of operations and financial condition, especially if these customers were to delay or default on payments. For some of our customers, we have entered into multi-year contracts, and the rates we charge may not remain advantageous. A reduction in or termination of our services by one or more of our major customers could have a material adverse effect on our business and operating results.

Continued management and key employee turnover or failure to attract and retain qualified management and other key personnel, could harm our business, financial condition and results of operations.

We are dependent upon the services of our executive management team, which has experienced significant changes in recent years. Continuing or unexpected turnover in key leadership positions may adversely impact our ability to manage our business efficiently and effectively, and such turnover can be disruptive and distracting to management, may lead to additional departures of existing personnel, and could have a material adverse effect on our operations and future profitability. We must continue to develop and retain a core group of managers to realize our goal of expanding our operations, improving our earnings consistency and positioning ourselves for long-term operating revenue growth.

We operate in a highly regulated industry, and changes in existing regulations or violations of existing or future regulations could have a material adverse effect on our operations and profitability.

We operate in the United States pursuant to operating authority granted by the DOT, in various Canadian provinces pursuant to operating authority granted by the Ministries of Transportation and Communications, and our Mexican business activities are subject to operating authority granted by Secretaria de Communicaciones y Transportes. Company drivers and independent contractors also must comply with the safety and fitness regulations of the DOT, including those relating to drug and alcohol testing, driver safety performance and hours-of-service. Matters such as weight, equipment dimensions and exhaust emissions are also subject to government regulations. We also may become subject to new or more restrictive regulations relating to exhaust emissions, drivers hours-of-service, ergonomics, on-board reporting of operations, collective bargaining, security at ports, and other matters affecting safety or operating methods. Future laws and regulations may be more stringent, require changes in our operating practices, influence the demand for transportation services, or require us to incur significant additional costs. Higher costs we incur, or higher costs incurred by suppliers who pass the costs on to us, could adversely affect our results of operations.

The Regulation section in Item 1 of Part 1 of this Form 10-K discusses in detail several proposed, pending and final regulations that could significantly affect our business and operations.

CSA could adversely affect our profitability and operations, our ability to maintain or grow our fleet, and our customer relationships.

Under CSA, drivers and fleets are evaluated and ranked based on certain safety-related standards. The methodology for determining a carrier s DOT safety rating has been expanded to include the on-road safety performance of the carrier s drivers. As a result, certain current and potential drivers may no longer be eligible to drive for us, our fleet could be ranked poorly as compared to our peer firms, and our safety rating could be adversely impacted. We recruit and retain first-time drivers to be part of our fleet, and these drivers may have a higher likelihood of creating adverse safety events under CSA. The occurrence of future deficiencies could affect driver recruitment by causing high-quality drivers to seek employment with other carriers or could cause our customers to direct their business away from us and to carriers with higher fleet safety rankings, either of which would adversely affect our results of operations. Additionally, competition for drivers with favorable safety ratings may increase and thus could necessitate increases in driver-related compensation costs. Further, we may incur greater than expected expenses in our attempts to improve our scores or as a result of those scores.

We have exceeded the established intervention thresholds under certain categories. Based on these unfavorable ratings, we may be prioritized for an intervention action or roadside inspection, either of which could adversely affect our results of operations. In addition, customers may be less likely to assign loads to us. We have procedures in place in an attempt to address areas where we have exceeded the thresholds. However, we cannot assure you these measures will be effective.

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Fluctuations in the price or availability of fuel, hedging activities, the volume and terms of diesel fuel purchase commitments, surcharge collection and surcharge policies approved by customers may increase our costs of operation, which could materially and adversely affect our profitability.

Fuel is one of our largest operating expenses. Diesel fuel prices fluctuate greatly due to economic, political, weather and other factors beyond our control, each of which may lead to an increase in the price of fuel. Fuel pricing is also affected by regional differences. Additionally, fuel pricing also can be affected by the rising demand in developing countries and could be adversely impacted by the use of crude oil and oil reserves for other purposes and diminished drilling activity. Such events may lead not only to increases in fuel prices, but also to fuel shortages and disruptions in the fuel supply chain. Our operations are dependent upon diesel fuel, and accordingly, significant diesel fuel cost increases, shortages or supply disruptions could materially and adversely affect our results of operations and financial condition.

From time to time, we may use hedging contracts and volume purchase arrangements to attempt to limit the effect of price fluctuations. If we do enter into hedging contracts, we may be forced to make cash payments under the hedging arrangements. In addition, in times of falling diesel fuel prices, including recently, our costs will not be reduced to the same extent they would have reduced had we not entered into the hedging contracts. Accordingly, in times of falling diesel fuel prices, our profitability may not increase to the extent it would have increased without the hedging contract.

We use a fuel surcharge program to recapture a portion of the increases in fuel prices over a base rate negotiated with our customers. The fuel surcharge program does not protect us from the full effect of increases in fuel prices. The terms of each customer s fuel surcharge program vary, and certain customers have sought to modify the terms of their fuel surcharge programs to minimize recoverability for fuel price increases. A failure to improve our fuel price protection through these measures, increases in fuel prices, a shortage or rationing of diesel fuel, or significant payments under hedging arrangements could materially and adversely affect our results of operations.

Increases in driver compensation or difficulty in attracting and retaining qualified drivers could adversely affect our profitability.

Like many truckload carriers, from time to time we experience substantial difficulty in attracting and retaining sufficient numbers of qualified professional drivers, including independent contractors. The trucking industry periodically experiences a shortage of qualified drivers, particularly during periods of economic expansion, in which alternative employment opportunities are more plentiful and freight demand increases, or during periods of economic downturns, in which unemployment benefits might be extended and financing is limited for independent contractors who seek to purchase equipment or for students who seek financial aid for driving school. Regulatory requirements, including CSA and hours-of-service, and an improved economy could further reduce the number of eligible drivers or force us to increase driver compensation to attract and retain drivers. Due to the shortage of qualified professional drivers and intense competition for drivers from other trucking companies, we expect to continue to face difficulty increasing the number of our drivers, including independent contractors. The compensation we offer our drivers and independent contractors is subject to market conditions, and, as market conditions change, we may find it necessary to increase driver and independent contractor compensation in future periods. In addition, we and our industry suffer from a high driver turnover rate. The high driver turnover rate requires us to continually recruit a substantial number of drivers to operate existing revenue equipment. If we are unable to continue to attract and retain a sufficient number of drivers, we could be required to, among other things, adjust our compensation packages, increase the number of tractors without drivers, or operate with fewer tractors and face difficulty meeting shipper demands, all of which could adversely affect our growth and profitability.

If our independent contractors are deemed by regulators or judicial process to be employees, our business and results of operations could be adversely affected.

Tax and other regulatory authorities have asserted that independent contractor drivers in the trucking industry are employees rather than independent contractors. Federal legislation has been introduced in the past that would make it easier for tax and other authorities to reclassify independent contractors as employees, including legislation to increase the recordkeeping requirements for those that engage independent contractor drivers and to heighten the penalties of companies who misclassify their employees and are found to have violated employees overtime and/or wage requirements. Additionally, federal legislators have sought to abolish the current safe harbor allowing taxpayers meeting certain criteria to treat individuals as independent contractors if they are following a long-standing, recognized practice, extend the Fair Labor Standards Act to independent contractors, and impose notice requirements based on employment or independent contractor status and fines for failure to comply. Some states have put initiatives in place to increase their revenue from items such as unemployment, workers compensation, and income taxes, and a reclassification of independent contractors as employees would help states with this initiative. Taxing and other regulatory authorities and courts apply a variety of standards in their determination of independent contractor status. If our independent contractors are determined to be employees, we would incur additional exposure under federal and state tax, workers compensation, unemployment benefits, labor, employment, and tort laws, including for prior periods, as well as potential liability for employee benefits and tax withholdings.

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

We are subject to various environmental laws and regulations dealing with the transportation and handling of hazardous materials, fuel storage tanks, air emissions from our vehicles and facilities, engine idling, and discharge and retention of storm water. We operate in industrial areas, where truck terminals and other industrial activities are located, and where groundwater or other forms of environmental contamination may have occurred. Our operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. We also maintain above-ground bulk fuel storage tanks and fueling islands at four of our facilities and one leased facility has below-ground bulk fuel storage tanks. A small percentage of our freight consists of low-grade hazardous substances, which subjects us to a wide array of regulations. Additionally, increasing efforts to control emissions of greenhouse gases may have an adverse effect on us. Federal and state lawmakers are considering a variety of climate-change proposals and new greenhouse gas regulations that could increase the cost of new tractors, impair productivity and increase our operating expenses. Although we have instituted programs to monitor and control environmental risks and promote compliance with applicable environmental laws and regulations, if we are involved in a spill or other accident involving hazardous substances, if there are releases of hazardous substances we transport, or if we are found to be in violation of applicable laws or regulations, we could be subject to liabilities, including substantial fines or penalties or civil and criminal liability, any of which could have a material adverse effect on our business and operating results.

The Regulation section in Item 1 of Part 1 of this Form 10-K discusses in detail several proposed, pending and final regulations that could significantly affect our business and operations.

If we cannot effectively manage the challenges associated with doing business internationally, our operating revenue and profitability may suffer.

A component of our operations is the business we conduct in Mexico, and to a lesser extent Canada, and we are subject to risks of doing business internationally, including fluctuations in foreign currencies, changes in the economic strength of Mexico and Canada, difficulties in enforcing contractual obligations and intellectual property rights, burdens of complying with a wide variety of international and United States export and import laws, and social, political, and economic instability. Additional risks associated with our foreign operations, including restrictive trade policies and imposition of duties, taxes, or government royalties by foreign governments, are present but largely mitigated by the terms of NAFTA.

Seasonality and the impact of weather affect our operations and profitability.

Our tractor productivity decreases during the winter season because inclement weather impedes operations, and some shippers reduce their shipments after the winter holiday season. Revenue can also be affected by bad weather and holidays, since revenue is directly related to available working days of shippers. At the same time, operating expenses increase, with fuel efficiency declining because of engine idling and harsh weather creating higher accident frequency, increased claims and more equipment repairs. We could also suffer short-term impacts from weather-related events such as hurricanes, blizzards, ice storms and floods that could make our results of operations more volatile.

Increased prices, reduced productivity and scarcity of financing for new revenue equipment may adversely affect our earnings and cash flows.

We are subject to risk with respect to higher prices for new tractors. Prices have increased and may continue to increase, due in part to government regulations applicable to newly manufactured tractors and diesel engines and the pricing discretion of equipment manufacturers. In addition, we have recently equipped our tractors with safety, aerodynamics, and other options that increase the price of new tractors. More restrictive EPA emissions standards have required vendors to introduce new engines. Compliance with such regulations has increased the cost of our new tractors and could impair equipment productivity, lower fuel mileage, and increase operating expenses. These adverse effects, combined with the uncertainty as to the reliability of the vehicles equipped with the newly designed diesel engines and the residual values realized from the disposition of these vehicles, could increase our costs or otherwise adversely affect our business or operations as the regulations become effective.

We have a combination of agreements and non-binding statements of indicative trade values covering the terms of trade-in commitments from our primary equipment vendors for disposal of a portion of our revenue equipment. From time to time, prices we expect to receive under these arrangements may be higher than the prices we would receive in the open market. We may suffer a financial loss upon disposition of our equipment if these vendors refuse or are unable to meet their financial obligations under these agreements, if we do not enter into definitive agreements consistent with the indicative trade values, if we fail to or are unable to enter into similar arrangements in the future, or if we do not purchase the number of replacement units from the vendors required for such trade-ins.

The Regulation section in Item 1 of Part 1 of this Form 10-K discusses in detail several proposed, pending and final regulations that could significantly affect our business and operations.

Fluctuations in the prices of used revenue equipment may adversely affect our earnings and cash flows.

A decreased demand for used revenue equipment could adversely affect us and our operating results. We rely on the sale and trade-in of used revenue equipment to partially offset the cost of new revenue equipment. The market demand for used equipment is difficult to forecast and, although our equipment disposal schedule may fluctuate, we currently expect the market demand and gains on disposal in 2015 to be comparable to demand experienced in 2014. When the used equipment market is weak, it may increase our net capital expenditures for new revenue equipment, decrease our gains on sale of revenue equipment (or create a loss on sale of revenue equipment), or increase our maintenance costs if we decide to extend the use of revenue equipment in a depressed market, any of which could have a material adverse effect on our operating results.

We depend on third parties, particularly in our brokerage and rail intermodal businesses, and service instability from these providers could increase our operating costs and reduce our ability to offer brokerage or rail intermodal services, which could adversely affect our revenue, results of operations and customer relationships.

Our brokerage business is dependent upon the services of third-party capacity providers, including other truckload carriers. For this business, we do not own or control the transportation assets that deliver our customers   freight, and do not employ the people directly involved in delivering the freight. This reliance could also cause delays in reporting certain events, including recognizing revenue and claims. These third-party providers seek other freight opportunities and may require increased compensation in times of improved freight demand or tight trucking capacity. Our inability to secure the services of these third parties could significantly limit our ability to serve our customers on competitive terms. Additionally, if we are unable to secure sufficient equipment or other transportation services to meet our commitments to our customers or provide services on competitive terms, our operating results could be materially and adversely affected. Our ability to secure sufficient equipment or other transportation services is affected by many risks beyond our control, including equipment shortages in the transportation industry, particularly among contracted truckload carriers, interruptions in service due to labor disputes, changes in regulations impacting transportation, and changes in transportation rates.

Certain provisions of our corporate documents and Delaware law could deter acquisition proposals and make it difficult for a third party to acquire control of the Company. This could have a negative effect on the price of our common stock.

Provisions in our certificate of incorporation may discourage, delay or prevent a merger or acquisition involving the Company that our stockholders may consider favorable. For example, our certificate of incorporation authorizes the Board of Directors to issue up to 1,000,000 shares of   blank check   preferred stock. Without stockholder approval, our Board of Directors has the authority to attach special rights, including voting and dividend rights, to this preferred stock, which could make it more difficult for a third party to acquire the Company. Our certificate of incorporation also provides:

- for a classified Board of Directors, whereby directors serve for three-year terms, with approximately one-third of the directors coming up for re-election each year, making it more difficult for a third party to obtain control of the Board of Directors through a proxy contest;

- that vacancies on the Board of Directors may be filled only by the remaining directors in office, even if only one director remains in office;

- that directors may only be removed for cause and only by the affirmative vote of the holders of at least a majority of our outstanding common stock;

- that the affirmative vote of the holders of at least 66 2/3% of the voting power of our outstanding common stock is required to approve any merger or consolidation with any other business entity that requires approval of the stockholders;

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that stockholders can only act by written consent if such consent is signed by the holders of at least 66 2/3% of our outstanding common stock; and

that each of the provisions set forth above may only be amended by the holders of at least 66 2/3% of our outstanding common stock.

Our bylaws also require advance notice of all stockholder proposals, including nominations for election as director. We have in the past adopted a shareholder rights plan, which was voluntarily terminated by the Board of Directors in April 2014. We are also subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law. Under these provisions, if anyone becomes an interested stockholder, we may not enter into a business combination with that person for three years without special approval, which could discourage a third party from making a takeover offer and could delay or prevent a change of control. For purposes of Section 203, interested stockholder means, generally, someone owning 15% or more of our outstanding voting stock or an affiliate of ours that owned 15% or more of the outstanding voting stock during the past three years, subject to certain exceptions as described in Section 203.

Knight Transportation, Inc. s unsolicited takeover proposal was, and any future unsolicited offers may be, disruptive to our business.

In September 2013, Knight Transportation, Inc. (Knight) announced its unsolicited takeover proposal for our outstanding common stock. Responding to Knight s unsolicited proposal, exploring the availability of alternative transactions that reflected our full intrinsic value and instituting legal action in connection with Knight s tender offer created a significant distraction for our management team and required us to expend significant time and resources, and any future unsolicited proposals may lead to similar disruptions. Moreover, the hostile and unsolicited nature of the proposal may have further disrupted our business by causing uncertainty among current and potential employees, suppliers and customers, which could negatively impact our financial condition, results of operations and strategic initiatives and cause volatility in our stock price. These consequences, alone or in combination, may have a material adverse effect on our business. Additionally, we have entered into a change in control/severance plan with certain of our officers, including our named executive officers, and members of our management team. The participants of the change in control arrangements may be entitled to severance payments and benefits upon a termination of their employment by us without cause or by them for good reason in connection with a change of control of the Company (each as defined in the applicable plan). The change in control arrangements may not be adequate to allow us to retain critical employees during a time when a change in control is being proposed or is imminent. The legal action we instituted in connection with Knight s unsolicited offer settled in February 2014, pursuant to which Knight entered into a voting agreement and a standstill agreement with us. While this resolved the uncertainty with respect to Knight s unsolicited offer, any future takeover attempt could have a disruptive impact on our business.

We face various risks associated with stockholder activists.

Activist stockholders have advocated for certain changes at the Company. Such activist stockholders or potential stockholders may attempt to gain additional representation on or control of our Board of Directors, the possibility of which may create uncertainty regarding our future. These perceived uncertainties may make it more difficult to attract and retain qualified personnel, raise customer concerns, or cause volatility in the price of our common stock. The presence of such activist stockholders also may create a significant distraction for our management team and require us to expend significant time and resources, depending on the nature of the activists activities.

A potential proxy contest would be disruptive to our operations and cause it to incur substantial costs. The SEC has proposed to give stockholders the ability to include their director nominees and their proposals relating to a stockholder nomination process in our proxy materials, which would make it easier for activists to nominate directors to our Board of Directors. The SEC s proposed rule was struck down by a federal court in 2011. However, if the SEC is successful in implementing a similar rule in the future, we may face an increase in the number of stockholder nominees for election to our Board of Directors. Future proxy contests and the presence of additional activist stockholder nominees on our Board of Directors could interfere with our ability to execute our long-term turnaround plan and other strategic initiatives, be costly and time-consuming, disrupt our operations, and divert the attention of our management and employees.

Additionally, we could be subjected to activist stockholder lawsuits. Such lawsuits are time-consuming and could require us to incur substantial legal fees and proxy costs in defending our position. Among other things, such lawsuits divert management s time and attention from operations and can also cause distractions among our employees.

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Item 1B. ***UNRESOLVED STAFF COMMENTS***
There are no unresolved written SEC staff comments regarding the Company s periodic or current reports under the Securities Exchange Act of 1934 received 180 days or more before the end of the fiscal year to which this Form 10-K relates.

Item 2. ***PROPERTIES***
USA Truck s executive offices and headquarters are located on approximately 104 acres in Van Buren, Arkansas. This facility consists of approximately 117,000 square feet of office, training, SCS and driver facilities and approximately 30,000 square feet of maintenance space. The headquarters also has approximately 11,000 square feet of warehouse space and two other structures with approximately 22,000 square feet of office and warehouse space which are currently leased to a third party.

The Company s network consists of 20 facilities, which includes SCS offices and one terminal facility in Laredo, Texas, which is one of the largest inland freight gateway cities between the United States and Mexico, operated by a wholly owned subsidiary, International Freight Services, Inc. The Company is actively seeking locations for additional facilities as the Company expands its brokerage footprint. As of December 31, 2014, the Company s active facilities were located in or near the following cities:

	Shop	Driver Facilities	Fuel	Dispatch Office	Own or Lease
Trucking facilities:					
Van Buren, Arkansas	Yes	Yes	No	Yes	Own
West Memphis, Arkansas	Yes	Yes	Yes	Yes	Own/Lease (1)
Atlanta, Georgia	Yes	Yes	No	Yes	Lease
Chicago, Illinois	Yes	Yes	No	No	Lease
Vandalia, Ohio	Yes	Yes	Yes	No	Own
Carlisle, Pennsylvania	Yes	Yes	No	No	Lease
Spartanburg, South Carolina	Yes	Yes	No	No	Own
Denton, Texas	Yes	No	No	No	Lease
Laredo, Texas	Yes	Yes	No	Yes	Own/Lease (2)
SCS facilities:					
Springdale, Arkansas	No	No	No	Yes	Lease
Van Buren, Arkansas	Yes	Yes	Yes	Yes	Own
Roseville, California	No	No	No	Yes	Lease
Los Angeles, California	No	No	No	Yes	Lease
Jacksonville, Florida	No	No	No	Yes	Lease
Atlanta, Georgia	No	No	No	Yes	Lease
Oakbrook, Illinois	No	No	No	Yes	Lease
Buffalo, New York	No	No	No	Yes	Lease
Addison, Texas	No	No	No	Yes	Lease
Salt Lake City, Utah	No	No	No	Yes	Lease
Seattle, Washington	No	No	No	Yes	Lease

Administrative facilities:					
Burns Harbor, Indiana	No	No	No	Yes	Lease

(1) USA Truck, Inc. owns the terminal facility and holds an easement relating to less than one acre.
(2) USA Truck, Inc. owns the terminal facility and leases an adjacent four acres for tractor and trailer parking.

Item 3. ***LEGAL PROCEEDINGS***

USA Truck is a party to routine litigation incidental to its business, primarily involving claims for personal injury and property damage incurred in the transportation of freight. Though the Company believes these claims to be routine and immaterial to its long-term financial position, adverse results of one or more of these claims could have a material adverse effect on its financial position, results of operations or cash flow in a quarter or annual reporting period.

Item 4. ***MINE SAFETY DISCLOSURES***

None.

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PART II

Item 5. ***MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

USA Truck s common stock is quoted on the NASDAQ Global Select Market under the symbol USAK. The following table sets forth, for the periods indicated, the high and low sale prices of the Company s common stock as reported by the NASDAQ Global Select Market.

	2014		2013	
	High	Low	High	Low
Quarter Ended:				
March 31	**$ 15.77**	**$ 11.95**	$ 5.95	$ 3.30
June 30	**19.57**	**14.67**	6.89	4.37
September 30	**19.50**	**16.59**	9.33	5.28
December 31	**28.70**	**13.90**	16.38	8.77

As of February 20, 2015, there were 181 holders of record (including brokerage firms and other nominees) of USA Truck common stock. On February 20, 2015, the closing price per share of USA Truck common stock on the NASDAQ Global Select Market was $31.31.

Dividend Policy

The Company has not paid any dividends on its common stock to date, and does not anticipate paying any dividends at the present time. The Company currently intends to retain all of its earnings, if any, for use in the expansion and development of its business and reduction of debt. The Company s Credit Facility places restrictions on its ability to pay dividends. Future payments of dividends will depend upon the Company s financial condition, results of operations, capital commitments, restrictions under then-existing agreements, and other factors the Company deems relevant.

Equity Compensation Plan Information

For information on USA Truck s equity compensation plans, please refer to Item 12 of Part III of this Form 10-K.

Repurchase of Equity Securities

The table below sets forth the information with respect to purchases of the Company s common stock made by or on behalf of USA Truck during the quarter ended December 31, 2014:

Period	**(a) Total Number of Shares Purchased (1)**	**(b) Average Price Paid per Share**	**(c) Total Number of Shares**	**(d) Maximum Number of Common**

			Purchased as Part of Publicly Announced Plans or Programs	Shares that May Yet Be Purchased Under the Publicly Announced Plans or Programs
October 1-31, 2014	131	$ 15.04		
November 1-30, 2014				
December 1-31, 2014				
Total	131	$ 15.04		

(1) Shares of common stock withheld to offset tax withholding obligations that occurred upon vesting and release of restricted shares. The withholding of shares was permitted under the applicable award agreements and was not part of any stock repurchase plan.

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Item 6. ***SELECTED FINANCIAL DATA***

The following selected financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, below and the consolidated financial statements and notes under Item 8 of Part II of this Form 10-K.

	Year Ended December 31,				
(dollar amounts in thousands, except per share amounts)	**2014**	2013	2012	2011	2010
Consolidated statement of operations data:					
Operating revenue	**$ 602,477**	$ 555,005	$ 512,428	$ 519,408	$ 460,161
Operating income (loss)	**17,243**	(8,667)	(23,272)	(12,649)	92
Net income (loss)	**6,033**	(9,110)	(17,671)	(10,777)	(3,308)
Diluted earnings (loss) per share	**0.58**	(0.88)	(1.71)	(1.05)	(0.32)
Consolidated balance sheet data:					
Cash and cash equivalents	**$ 205**	$ 14	$ 1,742	$ 2,659	$ 2,726
Total assets	**321,848**	314,946	331,494	336,191	327,385
Long-term debt, capital leases and note payable, including current portion	**117,512**	128,891	138,285	119,443	99,525
Stockholders equity	**105,348**	98,930	107,822	125,364	136,100
Total debt, less cash, to total capitalization ratio	**52.6%**	56.6%	55.5%	47.7%	41.1%
Other financial data:					
Adjusted operating ratio (1) (unaudited)	**96.5%**	102.0%	105.7%	103.1%	99.9%

(1) USA Truck uses the term adjusted operating ratio throughout this Form 10-K. Adjusted operating ratio, as defined here, is a non-GAAP financial measure, as defined by the SEC. Management uses adjusted operating ratio as a supplement to the Company s GAAP results in evaluating certain aspects of its business, as described below.

Adjusted operating ratio is calculated as total operating expenses, net of fuel surcharges, as a percentage of operating revenue excluding fuel surcharge revenue.

USA Truck s Board of Directors and chief operating decision-makers also focus on adjusted operating ratio as an indicator of the Company s performance from period to period. Management believes fuel surcharge can be volatile and eliminating the impact of this source of revenue (by netting fuel surcharge revenue against fuel expense) affords a more consistent basis for comparing results of operations.

Management believes its presentation of adjusted operating ratio is useful because it provides investors and securities analysts the same information that the Company uses internally for purposes of assessing its core operating performance.

Adjusted operating ratio is not a substitute for operating margin or any other measure derived solely from GAAP measures. There are limitations to using non-GAAP measures such as adjusted operating ratio. Although management believes that adjusted operating ratio can make an evaluation of the Company s operating performance more consistent because it removes items that, in management s opinion, do not reflect its core operating performance, other companies in the transportation industry may define adjusted operating ratio differently. As a result, it may be difficult to use adjusted operating ratio or similarly named non-GAAP measures that other companies may use to compare the performance of those companies to USA Truck s performance.

Pursuant to the requirements of Regulation G, reconciliations of non-GAAP financial measures to GAAP financial measures have been provided in the tables below for operating ratio (dollar amounts in thousands):

	Year Ended December 31,				
(dollar amounts in thousands)	**2014**	2013	2012	2011	2010
Operating revenue	**$ 602,477**	$ 555,005	$ 512,428	$ 519,408	$ 460,161
Less:					
Fuel surcharge revenue	**108,132**	111,150	103,709	108,382	73,278
Base revenue	**494,345**	443,855	408,719	411,026	386,883
Operating expense	**585,234**	563,672	535,700	532,057	460,069
Adjusted for:					
Fuel surcharge revenue	**(108,132)**	(111,150)	(103,709)	(108,382)	(73,278)
Adjusted operating expense	**$ 477,102**	$ 452,522	$ 431,991	$ 423,675	$ 386,791
Operating ratio	**97.1%**	101.6%	104.5%	102.4%	100.0%
Adjusted operating ratio	**96.5%**	102.0%	105.7%	103.1%	99.9%

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

Cautionary Note Regarding Forward-Looking Statements

This Form 10-K contains certain statements that may be considered forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, and such statements are subject to the safe harbor created by those sections, and the Private Securities Litigation Reform Act of 1995, as amended. All statements, other than statements of historical or current fact, are statements that could be deemed forward-looking statements, including without limitation: any projections of earnings, revenue, or other financial items; any statement of plans, strategies, and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; and any statements of belief and any statement of assumptions underlying any of the foregoing. In this Item 7, statements relating to future insurance and claims experience, future driver market, future driver compensation, future acquisitions and dispositions of revenue equipment, future prices of revenue equipment, future profitability, future fuel prices, hedging arrangements, and efficiency, our ability to recover costs through our fuel surcharge program, future purchased transportation expense, future operations and maintenance costs, future depreciation and amortization, future effects of inflation, expected capital resources and sources of liquidity, future indebtedness, expected capital expenditures, and future income tax rates, among others, are forward-looking statements. Such statements may be identified by their use of terms or phrases such as expects, estimates, projects, believes, anticipates, intends, plans, goals, may, will, should, could, potential, continue, future and similar terms and phrases. Forward-looking statements are based on currently available operating, financial, and competitive information. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, which could cause future events and actual results to differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section entitled Item 1A., Risk Factors, set forth above. Readers should review and consider the factors discussed under the heading Risk Factors in Item 1A of this Form 10-K, along with various disclosures in our press releases, stockholder reports, and other filings with the Securities and Exchange Commission.

All such forward-looking statements speak only as of the date of this Form 10-K. You are cautioned not to place undue reliance on such forward-looking statements. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in the events, conditions, or circumstances on which any such information is based.

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

Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) summarizes the financial statements from management s perspective with respect to the Company s financial condition, results of operations, liquidity and other factors that may affect actual results. The MD&A is organized in the following sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Contractual Obligations and Commitments
- Off-Balance Sheet Arrangements
- Critical Accounting Policies

Overview

USA Truck offers a broad range of truckload and logistics services to a diversified customer base that spans a variety of industries. The Company has two reportable segments: (i) trucking, consisting of truckload and dedicated freight and (ii) SCS, consisting of freight brokerage and rail intermodal service offerings. The trucking segment provides truckload transportation, including dedicated services, of various products, goods, and materials. The Company s SCS service offering matches customer shipments with available equipment of authorized carriers and provides services that complement the Company s trucking operations. SCS provides these services primarily to existing trucking customers, many of whom prefer to rely on a single carrier, or a small group of carriers, to provide all their transportation solutions.

Revenue for the Company s trucking segment is substantially generated by transporting freight for customers, and is predominantly affected by the rates per mile received from customers. USA Truck enhances its operating revenue by charging for fuel surcharge, stop-off pay, loading and unloading activities, tractor and trailer detention and other ancillary services.

Operating expenses that have a major impact on the profitability of the trucking segment are primarily the variable costs of transporting freight for customers. Variable costs include driver salaries and benefits, fuel and fuel taxes, payments to independent contractors, operating and maintenance expense and insurance and claims.

To mitigate the Company s exposure to fuel price increases, it recovers from its customers additional fuel surcharges that generally recoup a majority of the increased fuel costs; however, the Company cannot assure the recovery levels experienced in the past will continue in future periods. Although its fuel surcharge program mitigates some exposure to rising fuel costs, the Company continues to have exposure to increasing fuel costs related to empty miles, fuel inefficiency due to engine idle time, and other factors, including the extent to which the surcharge paid by the customer is insufficient to compensate for fuel expense, particularly in times of rapidly increasing fuel prices. The main factors that affect fuel surcharge revenue are the price of diesel fuel and the number of loaded miles. The fuel surcharge is billed on a lagging basis, meaning the Company typically bills customers in the current week based on the previous week s applicable United States Department of Energy, or DOE, index. Therefore, in times of increasing fuel prices, the Company does not recover as much as it is currently paying for fuel. In periods of declining prices, the opposite is true.

The key statistics used to evaluate trucking revenue, net of fuel surcharge, are (i) base trucking revenue per seated tractor per week (ii) average miles per seated tractor per week, (iii) empty mile factor, also referred to as deadhead, (iv) average loaded miles per trip and (v) average number of seated tractors. In general, the Company s average miles per tractor per week, rate per mile, and deadhead percentage are affected by industry-wide freight volumes, industry-wide trucking capacity and the competitive environment, which factors are beyond the Company s control, as well as by its service levels and efficiency of its operations, over which the Company has significant control.

The SCS segment provides services that complement trucking services, primarily to existing customers of the trucking segment. Unlike the trucking segment, the SCS segment is non asset based and is instead dependent upon qualified employees, information systems and qualified third-party capacity providers. The largest expense related to the SCS segment is purchased transportation expense. Other operating expenses consist primarily of salaries, wages and benefits. The Company evaluates the SCS segment s financial performance by reviewing the gross margin percentage (revenue less purchased transportation expenses expressed as a percentage of revenue) and the operating income percentage. The gross margin can be impacted by the rates charged to customers and the costs of securing third-party capacity.

In 2014, USA Truck achieved record operating revenue of $602.5 million. The Company s focus is to drive profitable revenue growth, improve asset utilization, and strive for continued improvement in processes and cost

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control. By focusing on these areas, management believes it will make progress on its goals of improving the Company s business and improving stockholder value. USA Truck generated earnings per share, or EPS, of $0.58 per diluted share for the year ended December 31, 2014, compared to a loss of $(0.88) per diluted share in 2013. The growth in EPS was driven primarily by improvements in the Company s SCS operating segment. The Company s trucking segment continues to improve, but generated an operating ratio of 100.8% for 2014.

Results of Operations

The following table summarizes the consolidated statements of operations (dollar amounts in thousands) and percentage of total consolidated GAAP operating revenue and the percentage increase or decrease in the dollar amounts of those items compared to the prior year.

	2014		2013		2012		% Change in Dollar Amounts	
	$	**%**	$	%	$	%	2014 to 2013(%)	2013 to 2012 (%)
Base revenue	**$ 494,345**		$ 443,855		$ 408,719		11.4%	8.6%
Fuel surcharge revenue	**108,132**		111,150		103,709		(2.7)	7.2
Operating revenue	**$ 602,477**	**100.0%**	$ 555,005	100.0%	$ 512,428	100.0%	8.6%	8.3%
Total operating expenses	**585,234**	**97.1**	563,672	101.6	535,700	104.5	3.8	5.2
Operating income (loss)	**17,243**	**2.9**	(8,667)	(1.6)	(23,272)	(4.5)	298.9	62.8
Other expenses (income):								
Interest expense	**3,008**	**0.5**	3,662	0.7	4,052	(0.8)	(17.8)	(9.6)
Defense costs (1)	**2,764**	**0.5**	1,480	0.3			86.8	
Other, net	**245**		(711)	(0.1)	(64)	(0.0)	134.4	(1,010.9)
Total other expenses, net	**6,017**	**1.0**	4,431	0.8	3,988	(0.8)	35.8	11.1
Income (loss) before income taxes	**11,226**	**1.9**	(13,098)	(2.4)	(27,260)	(5.3)	185.7	52.0
Income tax expense (benefit)	**5,193**	**0.9**	(3,988)	(0.7)	(9,589)	(1.9)	230.2	58.4
Net income (loss)	**$ 6,033**	**1.0%**	$ (9,110)	(1.7)%	$ (17,671)	(3.4)%	166.2%	48.5%

(1) Defense costs are the legal and related defense costs incurred in connection with the unsolicited proposal from Knight Transportation to acquire USA Truck and related litigation and activist costs, pretax.

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Results of Operations Segment Review

	Year Ended December 31,		
	2014	2013	2012
Trucking:			
Revenue *(in thousands)*	**$ 424,082**	$ 418,601	$ 381,569
Operating loss *(in thousands)* (1)	**(3,532)**	(17,667)	(29,843)
Adjusted operating ratio (2)	**101.1%**	105.4%	110.0%
Total miles *(in thousands)* (3)	**215,479**	223,923	205,776
Deadhead percentage (4)	**12.7%**	11.8%	11.4%
Base revenue per loaded mile	**1.788**	1.654	1.632
Average number of in-service tractors (5)	**2,202**	2,232	2,184
Average number of seated tractors (6)	**2,047**	2,119	2,012
Average miles per seated tractor per week	**2,019**	2,027	1,956
Base revenue per seated tractor per week	**$ 3,151**	$ 2,957	$ 2,829
Average loaded miles per trip	**612**	599	542
Strategic Capacity Solutions (7):			
Revenue *(in thousands)*	**$ 192,924**	$ 146,492	$ 156,349
Operating income *(in thousands)* (1)	**20,775**	9,000	6,571
Gross margin (8)	**17.7%**	14.2%	14.6%

(1) Operating income or loss is calculated by deducting total operating expenses from operating revenue.
(2) The following tables sets forth the trucking and SCS segment adjusted operating ratio (non-GAAP) as if fuel surcharges are excluded from total revenue and instead reported as a reduction of operating expenses, excluding intersegment activity. Pursuant to the requirements of Regulation G, reconciliations of non-GAAP financial measures to GAAP financial measures have been provided in the tables below for operating ratio (dollar amounts in thousands).

Trucking Segment	Year Ended December 31,		
	2014	2013	2012
Revenue	**$ 424,082**	$ 418,601	$ 381,569
Less: fuel surcharge revenue	**87,198**	91,840	83,921
Less: intersegment eliminations	**587**	486	24
Base revenue	**336,297**	326,275	297,624
Operating expense	**427,614**	436,268	411,412
Adjusted for:			
Fuel surcharge revenue	**(87,198)**	(91,840)	(83,921)
Intersegment eliminations	**(587)**	(486)	(24)
Adjusted operating expense	**$ 339,829**	$ 343,942	$ 327,467

Operating ratio	**100.8%**	104.2%	107.8%
Adjusted operating ratio	**101.1%**	105.4%	110.0%

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SCS Segment	Year Ended December 31,		
	2014	2013	2012
Revenue	**$ 192,924**	$ 146,492	$ 156,349
Less: fuel surcharge revenue	**20,935**	19,310	19,788
Less: intersegment eliminations	**13,942**	9,602	25,466
Base revenue	**158,047**	117,580	111,095
Operating expense	**172,149**	137,492	149,778
Adjusted for:			
Fuel surcharge revenue	**(20,935)**	(19,310)	(19,788)
Intersegment eliminations	**(13,942)**	(9,602)	(25,466)
Adjusted operating expense	**$ 137,272**	$ 108,580	$ 104,524
Operating ratio	**89.2%**	93.9%	95.8%
Adjusted operating ratio	**86.9%**	92.3%	94.1%

(3) Total miles include both loaded and empty miles.
(4) Deadhead percentage is calculated by dividing empty miles into total miles.
(5) Tractors include company-operated tractors in service, plus tractors operated by independent contractors.
(6) Seated tractors are those occupied by drivers.
(7) Includes results of the Company s rail intermodal operating segment.
(8) Gross margin is calculated by taking revenue less purchased transportation expense and dividing that amount by revenue. This calculation includes intercompany revenue and expenses.

Trucking operating revenue

Trucking operating revenue increased by $5.4 million, or 1.3%, in 2014, compared to 2013. During 2014, trucking s base operating revenue increased $10.0 million, or 3.1%, compared to 2013. This increase in trucking s operating revenue was primarily the result of a 6.7% increase in the trucking base operating revenue per seated tractor per week, driven by a 8.3% increase in trucking base operating revenue per loaded mile. The increase in trucking operating revenue was partially offset by a decrease of 72 seated tractors in 2014 as compared to 2013.

Trucking operating revenue increased from $381.5 million for the year ended December 31, 2012 to $418.1 million for the year ended December 2013. Trucking base revenue increased 9.6%, from $297.6 million to $326.3 million, for the year ended December 31, 2013, compared to 2012. The increase in total trucking operating revenue and a 9.6% increase in trucking base operating revenue were driven primarily by the increase in total miles and average miles per seated tractor per week of 8.8% and 3.6%, respectively. These increases were muted by a 3.5% higher deadhead percentage and a 2.1% decrease in loaded dispatches.

Trucking operating loss

Trucking operating loss decreased $14.1 million for the year ended December 31, 2014, compared to 2013, which contributed to the trucking segment operating ratio improving 340 basis points to 100.8% and the trucking segment adjusted operating ratio improving 430 basis points to 101.1%. This improvement in operating ratio and adjusted operating ratio was primarily driven by the increase in average base operating revenue per loaded mile noted above, a continued focus on controlling costs, and a 7.6% improvement in the fuel economy (measured by miles per gallon) in company tractors due to specific ongoing initiatives targeted at improving fuel efficiency, as well as the addition of more fuel efficient tractors to the Company s fleet. Additionally, overall lower fuel pricing during 2014 yielded savings for the Company of approximately $5.8 million, compared to the year ended December 31, 2013.

Trucking s operating loss decreased from ($29.8) million for the year ended December 31, 2012, to ($17.7) million for the same period in 2013, which resulted in the trucking segment operating ratio improving 360 basis points to 104.2% and trucking segment adjusted operating ratio improving 460 basis points of base trucking revenue to 105.4%. The 2013 operating ratio and adjusted operating ratio improvement was driven by a 10.5% increase in loaded length-of-haul, a 34.3% decrease in the number of unseated tractors, and a 7.7% increase in base trucking revenue per in-service tractor per week.

SCS operating revenue

SCS operating revenue was $179.0 million for the year ended December 31, 2014, compared to $136.9 million for the same period in 2013. Increased revenues were primarily related to a 9.7% increase in load volumes. For the year ended December 31, 2014, total revenue per SCS employee increased 30.2% compared to the same period in 2013.

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For the year ended December 31, 2013, operating revenue from the SCS segment increased 4.6% to $136.9 million from $130.9 million for the same period in 2012. The increased operating revenue was primarily due to a 10.5% increase in operating revenue per order.

SCS operating income

SCS operating income increased 130.8%, to $20.8 million from $9.0 million for the year ended December 31, 2014, compared to 2013. Increased operating income was largely due to increased revenue discussed above, partially offset by a 24.8% increase in purchased transportation expense as a result of increased transportation costs in a tight market for capacity and increased volumes in this segment. Additionally, gross profit per SCS employee grew 63.1% during 2014, compared to 2013.

SCS operating income increased 37.0% to $9.0 million from $6.6 million for the year ended December 31, 2013, compared to 2012. The increased operating income was primarily due to lower operating costs resulting from closing underperforming branches as part of the Company s internal efforts to improve efficiency in its SCS segment.

Consolidated Operating Expense

The following table summarizes the consolidated operating expenses (dollar amounts in thousands) and percentage of total consolidated operating revenue and the percentage increase or decrease in the dollar amounts of those items compared to the prior year.

	2014		2013		2012		% Change in Dollar Amounts	
							2014 to 2013	2013 to 2012
	$	**%**	$	%	$	%	(%)	(%)
Operating expenses:								
Salaries, wages and employee benefits	**$ 153,410**	**25.5%**	$ 143,762	25.9%	$ 142,263	27.8%	6.7%	1.1%
Fuel expense	**116,092**	**19.3**	135,548	24.4	131,162	25.6	(14.4)	3.3
Depreciation and amortization	**43,830**	**7.3**	44,947	8.1	45,058	8.8	(2.5)	(0.2)
Insurance and claims	**24,910**	**4.1**	27,253	4.9	20,556	4.0	(8.6)	32.6
Operations and maintenance	**49,374**	**8.2**	49,494	8.9	43,559	8.5	(0.2)	13.6
Purchased transportation	**172,117**	**28.6**	139,091	25.1	127,949	25.0	23.7	8.7
Operating taxes and licenses	**5,589**	**0.9**	5,406	1.0	5,504	1.1	3.4	1.8
Communications and utilities	**4,062**	**0.7**	4,117	0.7	4,124	0.8	(1.3)	(0.2)
Gain on sale of assets	**(1,107)**	**(0.2)**	(1,648)	(0.3)	(2,151)	(0.4)	32.8	23.4
Other	**16,957**	**2.8**	15,702	2.8	17,676	3.4	8.0	10.8
Total operating expenses	**$ 585,234**	**97.1%**	$ 563,672	101.6%	$ 535,700	104.5%	3.8%	5.2%

Salaries, wages and employee benefits

Salaries, wages, and employee benefits consist primarily of compensation for all employees. Salaries, wages, and employee benefits are primarily affected by the total number of miles driven by company drivers, the rate per mile the Company pays its company drivers, employee benefits (including, but not limited to, health care and workers compensation), and to a lesser extent by the number of, and compensation and benefits paid to, non-driver employees.

For the year ended December 31, 2014, salaries, wages and employee benefits expense increased by $9.6 million, or 44 basis points of consolidated operating revenue and 136 basis points of consolidated base operating revenue, compared to 2013. These increases were due to the continuation of increased driver labor costs in a tight market for drivers, as well as associated payroll taxes. During July 2014, the Company implemented a banded pay increase to its drivers which accounted for approximately $5.7 million of the increase in salaries, wages and employee benefits expense. Additionally, employee medical benefit costs increased approximately $3.0 million during the year ended December 31, 2014, compared to 2013.

For the year ended December 31, 2013, salaries, wages and employee benefits expense decreased by 1.9 percentage points of consolidated operating revenue, and 2.4 percentage points of consolidated base operating revenue when compared to 2012. The slight decrease was the result of internal efforts to increase efficiency by reducing non-driver employee headcount and an 8.6% increase in consolidated base operating revenue. Contributing to the change were lower employee benefit and workers compensation costs resulting from more favorable claims experience. However, this decrease was partially offset by an increase in the Company s long term claims liability reserve. As part of the in-depth operational reviews conducted by the Company s new management team, a third-party actuary was engaged to provide a better estimate of the claims reserve. These efforts produced an upward adjustment to the reserves at December 31, 2013, increasing workers compensation expense by approximately $2.0 million.

Fuel and fuel taxes expense

Fuel and fuel taxes expense consists primarily of diesel fuel expense for company-owned tractors and fuel taxes. The primary factors affecting the Company s fuel expense are the cost of diesel fuel, the fuel economy of its equipment, and the number of miles driven by company drivers.

During the year ended December 31, 2014, fuel and fuel taxes expense decreased approximately $19.5 million, or 5.1 percentage points of consolidated operating revenue and 7.0 percentage points of consolidated base operating revenue, compared to 2013. The overall positive experience with fuel expense during the year was primarily a reflection of increased efficiency, lower pricing and lower volume. Improved fuel efficiency in the Company s fleet resulted in savings of $9.1 million in 2014 as compared to 2013. Overall fuel prices during 2014 yielded savings for the Company of approximately $5.8 million, compared to the year ended December 31, 2013. Decreased volume in 2014 reflected savings to the Company of approximately $4.5 million, compared to the year ended December 31, 2013. During periods of downward trending fuel prices, such as those experienced in 2014, the fuel surcharge realized recovers a greater percentage of purchased fuel costs, as the prior week s fuel prices are used to determine the surcharge.

Compared to 2012, fuel and fuel taxes expense in 2013 increased 3.3%, or $4.4 million of consolidated operating revenue. While decreasing fuel prices and more favorable fuel pricing discounts created approximately $5.7 million in savings to the Company, the savings were offset by approximately $10.1 million in greater fuel volumes and decreased fuel efficiency from our tractors.

The Company expects to continue managing its idle time and truck speeds, investing in more fuel-efficient tractors to improve our fuel miles per gallon, locking in fuel hedges when deemed appropriate, and partnering with customers to adjust fuel surcharge programs that are inadequate to recover a fair portion of rising fuel costs. Going forward, the Company s net fuel expense is expected to fluctuate as a percentage of revenue based on factors such as diesel fuel prices, percentage recovered from fuel surcharge programs, percentage of uncompensated miles, the percentage of revenue generated from independent contractors, and the success of fuel efficiency initiatives.

Depreciation and amortization

Depreciation and amortization of property and equipment consists primarily of depreciation for company-owned tractors and trailers and amortization of those financed with capital leases. The primary factors affecting this expense include the size and age of company tractors and trailers and the acquisition cost of new equipment.

For 2014, depreciation and amortization expense decreased by $1.1 million, or 2.5% of consolidated operating revenue, compared to 2013. As a percentage of consolidated operating revenue, such expenses decreased to 7.3% in 2014, compared to 8.1% in 2013, and as a percentage of consolidated base operating revenue, such expenses decreased to 8.9% in 2014, compared to 10.1% for 2013. These decreases primarily reflected a 3.1% reduction in the number of company tractors. Depreciation and amortization expense may be affected in the future as equipment manufacturers change prices and if the prices of used equipment fluctuate.

Depreciation and amortization expense for the year ended December 31, 2013 decreased by 0.7 percentage points of consolidated operating revenue, and decreased by 0.9 percentage points of consolidated base operating revenue, when compared to the same period in 2012, primarily due to 8.6% growth in consolidated base operating revenue with only a 1.6% increase in company tractors.

The Company expects the acquisition cost of new revenue equipment to increase, largely due to the continued implementation of emissions requirements. As a result, management expects to see an increase in depreciation and amortization expense going forward, absent an offsetting revenue increase. Additionally, trailer purchases to reduce the average age of the fleet may result in an increase in depreciation and amortization expense.

Insurance and claims

Insurance and claims expense consists of insurance premiums and the accruals the Company makes for estimated payments and expenses for claims for bodily injury, property damage, cargo damage, and other casualty events. The primary factors affecting the Company s insurance and claims expense are the number of miles driven by its company drivers and independent contractors, the frequency and severity of accidents, trends in the development factors used in the Company s actuarial accruals, and developments in prior-year claims.

Insurance and claims expense decreased $2.3 million, or 8.6% in 2014, compared to 2013. As a percentage of consolidated operating revenue and consolidated base operating revenue, insurance and claims expense decreased 0.8 and 1.1 percentage points, respectively, compared to 2013. Excluding the $4.0 million actuarial adjustment recorded in December 2013, insurance and claims expense increased $1.7 million, or 7.1%, compared to 2013, and was flat as a percentage of consolidated operating revenue. The year over year increase was due primarily to the increase in reserves associated with unfavorable developments on prior year loss layers based on new information during the current period. The Company expects insurance and claims expense to improve over the long-term, absent an increase in the frequency or severity of claims.

When comparing 2013 to 2012, insurance and claims expense increased by $6.7 million, or 32.6%, which is an increase of 0.9 percentage points of consolidated operating revenue and a increase of 1.1 percentage points of consolidated base operating revenue, primarily due to an increase in the Company s long-term claims liability reserve arising from the actuarial reserve analysis.

Operations and maintenance

Operations and maintenance expense consists primarily of vehicle repairs and maintenance, payments for tractors and trailers financed with operating leases, general and administrative expenses, and other costs. Operating and maintenance expenses are primarily affected by the age of the company-owned fleet of tractors and trailers, the number of miles driven in a period and, to a lesser extent, by efficiency measures in the Company s maintenance facility.

Operations and maintenance expense decreased $0.1 million during the year ended December 31, 2014, compared to the same period in 2013. As a percentage of consolidated operating revenue, operations and maintenance expense decreased, from 8.9% in 2013, to 8.2% in 2014. As a percentage of consolidated base operating revenue, this expense decreased 1.2 percentage points, from 11.2% in 2013 to 10.0% in 2014.

When comparing 2013 to the same period in 2012, operations and maintenance expense increased $5.9 million, or 13.6%. As a percentage of consolidated operating revenue, operations and maintenance increased from 8.5% in 2012 to 8.9% in 2013. As a percentage of consolidated base operating revenue, this expense increased from 10.7% in 2012 to 11.2% in 2013. These increases were primarily due to a $7.9 million increase in direct repair costs on tractors and trailers.

Purchased transportation

Purchased transportation expense consists of the payments the Company makes to independent contractors, railroads, and third-party carriers that haul loads brokered to them, including fuel surcharge reimbursement paid to such parties.

Purchased transportation expense increased 3.5 percentage points of both consolidated operating revenue and of consolidated base operating revenue for the year ended December 31, 2014, compared to the same period in 2013. These increases were primarily the result of the 34.4% base revenue growth in the Company s SCS segment and the 45.5% increase in the size of the Company s independent contractor fleet.

When comparing purchased transportation expense for the year ended 2013 to 2012, this expense increased approximately 0.1 percentage points of consolidated operating revenue, and was essentially flat as a percentage of consolidated base operating revenue. These changes were primarily the result of the 10.5% increase in load volumes in the SCS segment, a 13.2% increase in the size of the independent contractor fleet from 106 to 120, and 16.1% growth in the cross-border Mexico revenue in which the Company compensates Mexican carriers for the transportation of its customers freight within Mexico.

Going forward, the Company believes purchased transportation expense could increase in absolute terms, and as a percentage of revenue absent an increase in revenue to offset increased costs and absent additional increases in independent contractors as a percentage of the Company s total fleet. In particular, management expects driver pay for independent contractors may further increase as the Company seeks to reduce the number of unseated trucks in its fleet in a tight market for drivers. The Company is continuing to pursue its objective of growing its independent contractor fleet as a percentage of its total fleet, which could further increase these expenses. Increasing independent contractor capacity has shifted (and assuming all other factors remain equal, is expected to continue to shift) expenses to the purchased transportation line item with offsetting reductions in employee driver wages and related expenses, net of fuel (as independent contractors generate fuel surcharge revenue, while the related cost of their fuel is included with their compensation in purchased transportation), maintenance, and capital costs.

Operating taxes and licenses

Operating taxes and licenses expense primarily represents the costs of taxes and licenses associated with the Company s fleet of equipment and will vary according to the size of its fleet in future periods.

For 2014, operating taxes and licenses expense increased $0.2 million, as compared to 2013. As a percentage of consolidated operating revenue, operating taxes and licenses expense remained essentially flat from 2013 to 2014.

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For 2013, operating taxes and licenses expense remained relatively flat as compared to 2012, decreasing $0.1 million. Additionally, as a percentage of consolidated operating revenue, operating taxes and licenses expense decreased 0.1 percentage points from 2012 to 2013.

Gain on disposal of assets

Gain on disposal of assets remained relatively flat as a percentage of both consolidated operating revenue and consolidated base operating revenue for the year ended December 31, 2014, when compared to the same period in 2013 and 2012.

The Company expects gains on the sale of used equipment to be less significant than those in the most recent years, assuming no significant changes in the macroeconomic environment and the related supply and demand of used equipment.

Other expenses

Other expenses increased approximately $1.3 million for the year ended 2014. As a percentage of consolidated operating revenue this expense remained relatively flat year over year and increased 0.1 percentage points of consolidated base operating revenue for the year ended December 31, 2014, compared to 2013. This slight increase was primarily the result of an upward adjustment in the Company s bad debt reserve during 2014, and increased expenses related to driver retention and recruiting.

Other expenses decreased 10.8%, or 0.6 percentage points of consolidated operating revenue, for the year ended December 31, 2013, when compared to the same period in 2012.

Consolidated Non-Operating Expense

Interest expense

Interest expense decreased 17.8% for the year ended December 31, 2014, as compared to 2013, primarily due to the Company s payments on its various financing arrangements throughout the year. The Company has focused on reducing its debt balances as it has strengthened its balance sheet over the last two years. The strengthening of the Company s balance sheet has afforded the Company the opportunity to take advantage of historically low interest rates and replace its former revolving credit facility with a new revolving credit facility with Bank of America, which closed subsequent to December 31, 2014. See Item 8. Financial Statements and Supplementary Data Note 15: Subsequent Events in this Form 10-K for further discussion.

Defense costs

For the year ended December 31, 2014, the Company recorded $2.8 million in legal and defense costs, or $0.27 per diluted share, compared to approximately $1.5 million, or $0.14 per diluted share, in 2013. These costs were incurred primarily in connection with Knight Transportation s unsolicited proposal to acquire USA Truck, the related litigation and the February 2014 Settlement Agreement. These unusual non-operating costs have been recorded in Other expenses (income) in the accompanying consolidated statement of operations and comprehensive income (loss). In 2012, the Company did not record any such costs.

Income tax expense (benefit)

The Company s effective tax rate for the years ended December 31, 2014, 2013 and 2012, were 46.3%, 30.4% and 35.2%, respectively. The Company s effective tax rate, when compared to the federal statutory rate of 35%, is primarily affected by state income taxes, net of federal income tax effect, and permanent differences, the most significant of which is the effect of the partially non-deductible per diem pay structure for our drivers. The recurring impact of this permanent non-deductible difference incurred in operating our business causes our tax rate to increase as our pre-tax earnings or loss approaches zero. Generally, as pre-tax income increases, the impact of the driver per diem program on our effective tax rate decreases, because aggregate per diem pay becomes smaller in relation to pre-tax income, while in periods where earnings are at or near breakeven the impact of the per diem program on our effective tax rate is significant.

Liquidity and Capital Resources

USA Truck s business has required, and will continue to require, significant investments. In the Company s trucking business, where investments are substantial, the primary investments are in new tractors and trailers and to a lesser extent, in technology, service centers and working capital. In the Company s SCS business, where investment is modest, the primary investments are in technology and working capital. USA Truck s primary sources of liquidity have been funds provided by operations, borrowings under the Company s line of credit, sales of used revenue equipment and, to a lesser extent, capital and operating leases. Based on expected financial conditions, net capital expenditures, results of operations and related net cash flows and other sources of financing, management believes the Company s sources of liquidity to be adequate to meet current and projected needs and the Company does not expect to experience any material liquidity constraints in the foreseeable future.

During the year ended December 31, 2014, the Company incurred net capital expenditures of $37.5 million, of which $36.3 million was for the purchase of revenue equipment and the remaining $1.2 million was for other expenditures. In 2014, the Company received proceeds from the sale of property and equipment of approximately $16.9 million and purchased approximately $54.4 million of property and equipment. The Company incurred net capital expenditures of $(2.8) million and $4.4 million in 2013 and 2012, respectively. The increase in net capital expenditures in 2014 as compared to 2013 was primarily due to the Company entering into more capital leases in 2013 for the acquisition of its revenue equipment.

The Company routinely monitors equipment acquisition needs and adjusts purchase schedules from time to time based on an analysis of factors such as new equipment prices, the condition of the used equipment market, demand for freight services, prevailing interest rates, technological improvements, fuel efficiency, equipment durability, equipment specifications, operating performance, the percentage of the fleet comprised of company drivers, and the availability of qualified drivers.

During the year ended December 31, 2014, USA Truck generated cash flow from operations of $49.7 million, a 38.5% increase compared to the same period in 2013. This increase was primarily a result of generating higher operating income during the year ended December 31, 2014, compared to the corresponding period in 2013.

Cash generated from operations increased $20.3 million during 2013 as compared to the same period in 2012, primarily due to the net effect of several factors, including a decrease in net loss in 2013 compared to 2012, a decrease in the change in trade accounts payable and accrued expenses, increased cash from improved billing and collection efficiencies, an increase in insurance and claims expense, a decrease in deferred tax liability, a decrease in the gain on disposal of revenue equipment, and a slight decrease in depreciation and amortization.

For the year ended December 31, 2014, net cash used in investing activities was $37.4 million, compared to $2.9 million of cash provided by investing activities during the same period in 2013. The $40.3 million increase in cash used in investing activities in 2014 primarily reflected a $41.4 million increase in capital expenditures as compared to 2013, offset by $1.1 million in proceeds from the sale of revenue equipment.

For the year ended December 31, 2013, net cash provided by investing activities was $2.9 million, compared to $4.3 million of cash used in investing activities during the same period of 2012. The $7.2 million increase in cash provided by investing activities primarily resulted from a $9.1 million decrease in purchases of property and equipment offset by a $1.9 million decrease in the proceeds from the sale of property and equipment.

Cash used in financing activities was $12.1 million for the year ended December 31, 2014, compared to $40.5 million during the same period in 2013. Overall, the $28.4 million reduction in cash used was primarily the result of reinvesting cash generated by operating activities instead of paying down debt. During the year ended December 31, 2014, the Company made net repayments of long-term debt, financing notes and capital leases of $12.8 million.

Cash used in financing activities increased $28.4 million in 2013 compared to 2012. The Company made net repayments on its revolving credit facility of $19.7 million in 2013 compared to $12.7 million of net borrowings in 2012, resulting in a $32.4 million decrease in net borrowings on the facility. For the year ended December 31, 2013, borrowings decreased $198.1 million and principal payments on long-term debt increased $165.6 million, both as compared to the comparable period of the prior year. The changes were primarily due to improved cash flow from operations, as described above. Principal payments on capitalized lease obligations decreased $5.9 million during 2013 compared to 2012, primarily due to a reduction in the number of leases reaching the end of their contractual term. The decrease of approximately $1.9 million in bank drafts payable was primarily the result of reduced equipment purchases and payrolls.

Debt and Capitalized Lease Obligations

See Item 8. Financial Statements and Supplementary Data Note 6: Long-term Debt and Item 8. Financial Statements and Supplementary Data Note 7: Leases and Commitments in this Form 10-K for a discussion of the Company s revolving credit facility and capital lease obligations.

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Contractual Obligations and Commitments

The following table represents USA Truck s contractual obligations and commercial commitments as of December 31, 2014.

		Payments Due By Period			
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Debt (1)	**$ 71,896**	$ 896			