USA TRUCK INC
Form 10-Q
November 04, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015

or

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

For the transition period from to

Commission File Number: **1-35740**

USA TRUCK, INC.

(Exact name of registrant as specified in its charter)

Delaware	**71-0556971**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3200 Industrial Park Road
Van Buren, Arkansas **72956**
(Address of principal executive offices) (Zip Code)

479-471-2500

(Registrant's telephone number, including area code)

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [X] No [ ]

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

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

The number of shares outstanding of the registrant's common stock, as of October 30, 2015, was 10,144,208.

USA TRUCK, INC.
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The heading (Recast) over the 2014 financial information in this Form 10-Q relates to a change in accounting principle to a more preferable method of accounting for tire inventory that was given effect as if adopted on January 1, 2014. Refer to note 10 of the footnotes to the Company's condensed consolidated financial statements included in Part I, Item 1, in this Form 10-Q for further discussion of the change in accounting principle.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

USA TRUCK, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(in thousands, except share data)

	September 30, 2015	December 31, 2014 (Recast)
Assets		
Current assets:		
Cash	**$ 2,132**	$ 205
Accounts receivable, net of allowance for doubtful accounts of $974 and $1,020, respectively	**56,752**	71,186
Other receivables	**5,268**	5,604
Inventories	**1,426**	1,863
Assets held for sale	**11,343**	3,536
Deferred income taxes	**6,878**	7,707
Prepaid expenses and other current assets	**3,883**	5,197
Total current assets	**87,682**	95,298
Property and equipment:		
Land and structures	**32,360**	31,596
Revenue equipment	**281,706**	348,251
Service, office and other equipment	**21,783**	18,812
Property and equipment, at cost	**335,849**	398,659
Accumulated depreciation and amortization	**(138,897)**	(182,964)
Property and equipment, net	**196,952**	215,695
Other assets	**1,470**	658
Total assets	**$ 286,104**	$ 311,651
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	**$ 33,582**	$ 23,582
Current portion of insurance and claims accruals	**13,516**	10,230
Accrued expenses	**20,757**	8,252
Current maturities of long-term debt and capital leases	**7,231**	24,048
Total current liabilities	**75,086**	66,112
Deferred gain	**1,024**	589
Long-term debt and capital leases, less current maturities	**66,764**	93,464
Deferred income taxes	**34,013**	42,771
Insurance and claims accruals, less current portion	**6,322**	9,647

Total liabilities	**183,209**	212,583
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock, $.01 par value; 1,000,000 shares authorized; none issued	**--**	--
Common Stock, $.01 par value; 30,000,000 shares authorized; issued 11,936,040 shares, and 11,873,071 shares, respectively	**119**	119
Additional paid-in capital	**67,195**	65,850
Retained earnings	**61,934**	54,802
Less treasury stock, at cost (1,578,849 shares, and 1,340,438 shares, respectively)	**(26,353)**	(21,703)
Total stockholders' equity	**102,895**	99,068
Total liabilities and stockholders' equity	**$ 286,104**	$ 311,651

See accompanying notes to condensed consolidated financial statements.

USA TRUCK, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(UNAUDITED)

(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014 (Recast)	**2015**	2014 (Recast)
Revenue:				
Operating revenue	**$123,490**	$153,618	**$389,950**	$452,405
Operating expenses:				
Salaries, wages and employee benefits	**32,028**	39,388	**105,536**	113,930
Fuel expense	**12,960**	28,449	**47,195**	92,156
Depreciation and amortization	**8,702**	10,792	**29,951**	33,395
Insurance and claims	**5,405**	6,466	**17,502**	18,353
Operations and maintenance	**11,533**	10,649	**34,083**	35,999
Purchased transportation	**40,613**	43,755	**122,029**	129,543
Operating taxes and licenses	**1,439**	1,414	**4,221**	4,215
Communications and utilities	**989**	1,026	**2,732**	3,159
Gain on disposal of assets, net	**(3,008)**	(302)	**(5,766)**	(824)
Restructuring, severance and related charges	**2,893**	--	**2,893**	--
Other	**4,477**	4,469	**13,775**	12,412
Total operating expenses	**118,031**	146,106	**374,151**	442,338
Operating income	**5,459**	7,512	**15,799**	10,067
Other expenses:				
Interest expense, net	**493**	816	**1,672**	2,271
Defense costs	**--**	65	**--**	2,593
Loss on extinguishment of debt	**--**	--	**750**	--
Other, net	**78**	4	**650**	52
Total other expenses, net	**571**	885	**3,072**	4,916
Income before income taxes	**4,888**	6,627	**12,727**	5,151
Income tax expense	**2,161**	2,621	**5,595**	2,418
Net income and comprehensive income	**$2,727**	$4,006	**$7,132**	$2,733
Net income per share information:				
Average shares outstanding (basic)	**10,442**	10,357	**10,439**	10,350
Basic earnings per share	**$0.26**	$0.39	**$0.68**	$0.26
Average shares outstanding (diluted)	**10,470**	10,476	**10,515**	10,482

Diluted earnings per share	**$0.26**	$0.38	**$0.68**	$0.26

See accompanying notes to condensed consolidated financial statements.

USA TRUCK, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(UNAUDITED)

(in thousands)

	Common Stock Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance at December 31, 2014	11,873	$ 119	$ 65,850	$ 61,082	$ (21,703)	$ 105,348
Revision due to accounting principle change (see note 10)	--	--	--	(6,280)	--	(6,280)
Balance at December 31, 2014, recast	11,873	119	65,850	54,802	(21,703)	99,068
Exercise of stock options	32	--	168	--	--	168
Excess tax benefit from exercise of stock options	--	--	837	--	--	837
Purchase of common stock	--	--	(52)	--	(4,650)	(4,702)
Share-based compensation	--	--	802	--	--	802
Restricted stock award grant	131	1	(2)	--	--	(1)
Forfeited restricted stock	(84)	(1)	1	--	--	--
Net share settlement related to restricted stock vesting	(16)	--	(409)	--	--	(409)
Net income	--	--	--	7,132	--	7,132
Balance at September 30, 2015	**11,936**	**$ 119**	**$ 67,195**	**$ 61,934**	**$ (26,353)**	**$ 102,895**

See accompanying notes to condensed consolidated financial statements.

USA TRUCK, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(in thousands)

	Nine Months Ended September 30,	
	2015	2014 (Recast)
Operating activities:		
Net income	**$7,132**	$2,733
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**29,951**	33,395
Provision for doubtful accounts	**360**	798
Deferred income taxes, net	**(7,931)**	(3,625)
Share-based compensation	**802**	246
Gain on disposal of assets, net	**(5,766)**	(824)
Loss on extinguishment of debt	**750**	--
Change in vacation policy	**(1,383)**	--
Asset valuation reserve	**281**	(35)
Other	**(6)**	--
Changes in operating assets and liabilities:		
Accounts receivable	**14,077**	(10,066)
Inventories and prepaid expenses	**1,132**	(2,013)
Accounts payable and accrued liabilities	**18,513**	16,264
Insurance and claims accruals	**1,248**	1,203
Other long-term assets and liabilities	**(374)**	--
Net cash provided by operating activities	**58,786**	38,076
Investing activities:		
Capital expenditures	**(45,000)**	(34,577)
Proceeds from sale of property and equipment	**31,212**	12,882
Proceeds from operating sale leaseback	**7,975**	--
Change in other assets, net	**--**	19
Net cash used by investing activities	**(5,813)**	(21,676)
Financing activities:		
Borrowings under long-term debt	**112,237**	48,938
Payments on long-term debt	**(132,356)**	(49,560)
Payments on capitalized lease obligations	**(25,658)**	(12,840)
Net change in bank drafts payable	**(3,422)**	(1,860)
Excess tax benefit from exercise of stock options	**837**	--
Principal payments on note payable	**(896)**	(1,023)
Purchase of common stock	**(4,702)**	--
Proceeds from capital sale leaseback	**3,156**	--

Net (payments) or proceeds on stock based awards	**(242)**	18
Net cash used in financing activities	**(51,046)**	(16,327)
Increase in cash	**1,927**	73
Cash:		
Beginning of period	**205**	14
End of period	**$2,132**	$87
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	**$1,623**	$2,574
Income taxes	**2,996**	407
Supplemental disclosure of non-cash investing activities:		
Purchases of revenue equipment included in accounts payable	**8,422**	3,635

See accompanying notes to condensed consolidated financial statements.

USA TRUCK, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2015

Note 1 – Basis of Presentation

In the opinion of the management of USA Truck, Inc., the accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. Certain information and footnote disclosures normally included in financial statements required by GAAP have been condensed or omitted. All normal recurring adjustments considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. These financial statements should be read in conjunction with the financial statements, and footnotes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Certain previously reported amounts have been reclassified to conform to the current year presentation. Additionally, financial statements and notes to the financial statements previously reported in prior periods have been recast to reflect the change in accounting principle for tires. Refer to note 10 of the footnotes to the Company's condensed consolidated financial statements for further discussion regarding the change in accounting principle.

NOTE 2 – NOTE RECEIVABLE

During November 2010, the Company sold its terminal facility in Shreveport, Louisiana. In connection with this sale, the buyer gave the Company cash in the amount of $0.2 million and a note receivable, collateralized by the property, in the amount of $2.1 million. The note receivable bears interest at an annual rate of 7.0% and has scheduled principal and interest payments based on a 30-year amortization schedule. A balloon payment in the approximate amount of $1.9 million is payable to the Company when the note matures in November 2015. Accordingly, the Company deferred the approximate $0.7 million of gain on the sale of this facility, and records this gain into earnings as payments on the note receivable are received. All principal payments have been received, except for the balloon payment due at maturity. The Company has not recorded any valuation allowance against the note receivable, which is included in other receivables in the accompanying condensed consolidated balance sheet. For the three months ended September 30, 2015 and 2014, the Company recognized approximately $2,100 and $2,000, respectively, of this gain. For the nine months ended September 30, 2015 and 2014, the Company recognized approximately $6,200 and $5,800, respectively, of this gain.

NOTE 3 – SHARE-BASED COMPENSATION

In May 2014, the Company's stockholders approved the USA Truck, Inc. 2014 Omnibus Incentive Plan (the "Incentive Plan"). The Incentive Plan provides for the granting of incentive or nonqualified options or other equity-based awards covering up to 500,000 shares of common stock to directors, officers and other key employees and consultants. As of September 30, 2015, 374,408 shares were available for future options or other equity awards under the Incentive Plan.

In January 2015, the Executive Compensation Committee approved a Long-Term Incentive Plan (the "2015 LTIP") under which participants, including executives and other key management personnel, are eligible to receive long-term equity awards in the form of restricted stock. In January 2015, the 2015 LTIP participants received grants of restricted stock, a portion of which are subject to time-based vesting, in 25% increments over four years beginning on the first anniversary of the grant date, and a portion of which are subject to performance-based vesting upon achievement of certain levels of return on invested capital determined on a cumulative basis over a three-year performance period.

NOTE 4 – REPURCHASE OF EQUITY SECURITIES

In July 2015, the Company's Board of Directors authorized the repurchase of up to 1,000,000 shares of the Company's common stock over a three-year period ending July 28, 2018. Share repurchases, if any, will be made using a variety of methods, which may include open market purchases, privately negotiated transactions or block trades, or any combination of such methods, in accordance with applicable insider trading and other securities laws and regulations. During the quarter ended September 30, 2015, the Company, through a Rule 10b5-1 plan, repurchased a total of 245,979 shares at a weighted average price of $19.11 per share for an aggregate total cost of approximately $4.7 million. As of September 30, 2015, the repurchase authorization had approximately 0.8 million shares remaining. The specific number of shares the Company ultimately repurchases, and the actual timing and amount of share repurchases, will depend on market conditions and other factors, as well as the applicable requirements of federal securities law. In addition, the stock repurchase program may be suspended, extended or terminated by the Company at any time without prior notice, and the Company is not obligated to purchase a specific number of shares.

NOTE 5 – SEGMENT REPORTING

The Company's two reportable segments are Trucking and Strategic Capacity Solutions ("SCS").

Trucking. Trucking is comprised of truckload and dedicated freight services. Truckload provides services as a medium- to long-haul common carrier. USA Truck has provided truckload services since its inception, and derives the largest portion of its revenue from these services. Dedicated freight provides truckload services to specific customers for shipments over particular routes at particular times utilizing Company revenue equipment.

Strategic Capacity Solutions. SCS consists of freight brokerage and rail intermodal services. Both of these service offerings match customer shipments with available equipment of authorized carriers and provide services that complement the Company's trucking operations. USA Truck 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.

In determining its reportable segments, the Company focuses on financial information, such as operating revenues, operating expense categories, operating ratios, operating income and key operating statistics, which the Company's management uses to make operating decisions.

Assets are not allocated to SCS, as those operations provide truckload freight services to customers through arrangements with third party carriers who utilize their own equipment. To the extent rail intermodal operations require the use of Company-owned assets; they are obtained from the Company's trucking segment on an as-needed basis. Depreciation and amortization expense is allocated to SCS based on the assets specifically utilized to generate revenue. All intercompany transactions between segments reflect rates similar to those that would be negotiated with independent third parties. All other expenses for SCS are specifically identifiable direct costs or are allocated to SCS based on relevant drivers.

A summary of operating revenue by segment is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	**2015**	2014
Operating revenue				
Trucking revenue (1)	**$85,369**	$108,440	**$275,617**	$317,664

Trucking intersegment eliminations	**(387)**	(122)	**(1,421)**	(434)
Trucking operating revenue	**84,982**	108,318	**274,196**	317,230
SCS revenue	**39,505**	49,359	**119,781**	144,507
SCS intersegment eliminations	**(997)**	(4,059)	**(4,027)**	(9,332)
SCS operating revenue	**38,508**	45,300	**115,754**	135,175
Total operating revenue	**$123,490**	$153,618	**$389,950**	$452,405

(1) Includes foreign revenue of $10.7 million and $32.5 million for the three and nine months ended September 30, 2015, respectively, and $14.6 million and $45.0 million for the three and nine months ended September 30, 2014, respectively. All foreign revenue is paid in US dollars.

A summary of operating income (loss) by segment is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014 (Recast)	**2015**	2014 (Recast)
Operating income (loss)				
Trucking	**$2,460**	$2,176	**$6,565**	$(6,338)
SCS	**2,999**	5,336	**9,234**	16,405
Total operating income	**$5,459**	$7,512	**$15,799**	$10,067

A summary of depreciation and amortization by segment is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014 (Recast)	**2015**	2014 (Recast)
Depreciation and amortization				
Trucking	**$8,608**	$10,746	**$29,733**	$33,257
SCS	**94**	46	**218**	138
Total depreciation and amortization	**$8,702**	$10,792	**$29,951**	$33,395

NOTE 6 – Assets Held for sale

Assets held for sale as of September 30, 2015 and December 31, 2014 were as follows (in thousands):

	September 30, 2015	December 31, 2014
Revenue equipment assets held for sale	**$ 11,343**	$ 3,536

Assets held for sale are carried at the lower of depreciated cost or estimated fair value less expected selling costs. The Company expects to sell these assets within the next twelve months.

Note 7 – Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	September 30, 2015	December 31, 2014
Salaries, wages and employee benefits	**$ 5,689**	$ 7,043
Federal and state tax accruals	**11,575**	186
Restructuring, severance and related charges (1)	**2,089**	--

Other (2)	**1,404**	1,023
Total accrued expenses	**$ 20,757**	$ 8,252

(1) Refer to note 15 of the footnotes to the Company's condensed consolidated financial statements for additional information regarding the restructuring, severance and related charges.

(2) As of September 30, 2015 and December 31, 2014, no single item included within other accrued expenses exceeded 5.0% of our total current liabilities.

Note 8 – LONG-TERM DEBT

Long-term debt consisted of the following (in thousands):

	September 30, 2015	December 31, 2014
Revolving credit agreement	$ 51,000	$ 71,000
Other	--	896
Total debt	51,000	71,896
Less current maturities	--	(896)
Long-term debt, less current maturities	$ 51,000	$ 71,000

CREDIT FACILITY

In February 2015, the Company entered into a new senior secured revolving credit facility (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, the Company paid off the obligations under its prior credit facility and terminated such facility.

The Credit Facility is structured as a $170.0 million revolving credit facility, with an accordion feature that, so long as no event of default exists, allows the Company to request an increase in the revolving credit facility of up to $80.0 million, exercisable in increments of $20.0 million. The Credit Facility is a five-year facility scheduled to terminate on February 5, 2020. Borrowings under the Credit Facility are classified as either “base rate loans” or “LIBOR loans”. Base rate loans accrue interest at a base rate equal to the Agent’s prime rate plus an applicable margin that is set at 0.50% through May 31, 2016 and adjusted quarterly thereafter between 0.25% and 1.00% based on the Company’s consolidated fixed charge coverage ratio. LIBOR loans accrue interest at LIBOR plus an applicable margin that is set at 1.50% through May 31, 2016 and adjusted quarterly thereafter between 1.25% and 2.00% based on the Company’s consolidated fixed charge coverage ratio. The Credit Facility includes, within its $170.0 million revolving credit facility, a letter of credit sub-facility in an aggregate amount of $15.0 million and a swing line sub-facility in an aggregate amount of $20.0 million. An unused line fee of 0.25% is applied to the average daily amount by which the lenders’ aggregate revolving commitments exceed the outstanding principal amount of revolver loans and the aggregate undrawn amount of all outstanding letters of credit issued under the Credit Facility. The Credit Facility is secured by a pledge of substantially all of the Company’s assets, with the notable exclusion of any real estate or revenue equipment financed outside the Credit Facility. Additionally, the Company recognized charges in the first quarter of 2015 of $0.8 million resulting from the replacement of its previous credit facility representing the write-off of unamortized deferred financing fees.

Borrowings under the Credit Facility are subject to a borrowing base limited to the lesser of (A) $170.0 million; or (B) the sum of (i) 90% of eligible investment grade accounts receivable (reduced to 85% in certain situations), plus (ii) 85% of eligible non-investment grade accounts receivable, plus (iii) the lesser of (a) 85% of eligible unbilled accounts receivable and (b) $10.0 million, plus (iv) the product of 85% multiplied by the net orderly liquidation value percentage applied to the net book value of eligible revenue equipment, plus (v) 85% multiplied the net book value of otherwise eligible newly acquired revenue equipment that has not yet been subject to an appraisal. The borrowing base is reduced by an availability reserve, including reserves based on dilution and certain other customary reserves. 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 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. The Credit Facility contains certain restrictions and covenants relating to, among other things, dividends, liens, acquisitions and dispositions, affiliate transactions, and other indebtedness.

The Company had no overnight borrowings under the Credit Facility as of September 30, 2015. The average interest rate including all borrowings made under the Credit Facility as of September 30, 2015 was 1.74%. As debt is repriced on a monthly basis, the borrowings under the Credit Facility approximate fair value. As of September 30, 2015, the Company had outstanding $4.3 million in letters of credit and had approximately $114.7 million available under the Credit Facility.

Note 9 – LEASES AND Commitments

CAPITAL LEASES

USA Truck leases certain equipment under capital leases with terms ranging from 15 to 60 months. Balances related to these capitalized leases are included in property and equipment in the accompanying condensed consolidated balance sheets and are set forth in the table below for the periods indicated (in thousands).

	Capitalized Costs	Accumulated Amortization	Net Book Value
September 30, 2015	**$ 35,784**	**$ 11,417**	**$24,367**
December 31, 2014	75,188	27,770	47,418

The Company has capitalized lease obligations relating to revenue equipment of $23.0 million, of which $7.2 million represents the current portion. Such leases have various termination dates extending through September 2019 and contain renewal or fixed price purchase options. The effective interest rates on the leases range from 1.88% to 3.11% as of September 30, 2015. The lease agreements require payment of property taxes, maintenance and operating expenses. Amortization of capital leases was $1.8 million and $7.0 million for the three and nine months ended September 30, 2015, respectively, and $3.1 million and $9.7 million for the three and nine months ended September 30, 2014, respectively.

During September 2015, the Company completed a sale-leaseback transaction under which it sold certain owned tractors to an unrelated party for net proceeds of $3.1 million and entered into a 48 month capital lease agreement with the buyer. At September 30, 2015, the Company recorded a liability of approximately $0.1 million representing the total gain on the sale and will amortize such amount to earnings ratably over the lease term. The deferred gain is included in the deferred gain line item on the accompanying condensed consolidated balance sheet

OPERATING LEASES

Rent expense associated with operating leases was $1.7 million and $4.5 million for the three and nine months ended September 30, 2015, respectively, and $1.4 million and $3.9 million for the three and nine months ended September 30, 2014, respectively. Rent expense relating to tractors, trailers and other operating equipment is included in operations and maintenance expense, while rent expense relating to office equipment is included in other operating expenses in the accompanying condensed consolidated statements of operations and comprehensive income.

As of September 30, 2015, the Company has entered into leases with lessors who do not participate in the Credit Facility. Currently, such leases do not contain cross-default provisions with the Credit Facility.

In August 2015, the Company completed two sale-leaseback transactions under which it sold certain owned tractors to an unrelated party for net proceeds of $8.0 million and entered into two operating leases with terms of 58 and 59 months, respectively, with the buyer. During September 2015, the Company recorded a liability of approximately $0.3 million representing the total gain on the sale and will amortize such amount to earnings ratably over the lease term. The deferred gain is included on the deferred gain line item in the accompanying condensed consolidated balance sheet.

As of September 30, 2015, the future minimum payments including interest under capitalized leases with initial terms of one year or more and future rentals under operating leases for certain facilities, office equipment and revenue equipment with initial terms of one year or more were as follows for the years indicated (in thousands).

	2015	2016	2017	2018	2019	Thereafter
Capital leases	$7,707	$11,466	$2,669	$1,872	$--	$ --
Operating leases	6,206	5,991	5,827	3,168	1,950	2,361

OTHER COMMITMENTS

As of September 30, 2015, the Company had commitments of approximately $0.03 million for purchases of non-revenue equipment and commitments of approximately $22.3 million for purchases of revenue equipment, of which none is cancellable. The Company anticipates taking delivery of these purchases throughout the remainder of 2015.

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE

During the third quarter of 2015, the Company changed its accounting policy for tires. Prior to this change, the cost of the replacement tires placed in service was reported as prepaid tires and amortized based on estimated usage of the tires. Under the new policy, the cost of tires mounted on purchased revenue equipment is capitalized as part of the total equipment cost and is depreciated over the useful life of the related equipment. Subsequent replacement tires are expensed at the time those tires are placed in service. Management believes this new policy is preferable under the circumstances because it provides a more precise method for recognizing expenses related to tires consistent with industry practice. Comparative financial statements for all prior periods have been recast to apply the new policy retrospectively, and are reflected under columns marked "Recast".

The following tables present the line items on the statements of operations, balance sheets and statements of cash flows that were impacted by the accounting change at December 31, 2014, and for the three and nine month periods ended September 30, 2014 (in thousands, except per share amounts).

	December 31, 2014		
	Prior to Change in Accounting Principle	Effect of Change	Recast
Balance Sheet:			
Prepaid expenses and other current assets	**$17,318**	$(12,121)	**$5,197**
Deferred income taxes	**46,688**	(3,917)	**42,771**
Property and equipment	**16,648**	2,164	**18,812**
Accumulated depreciation and amortization	**(182,724)**	(240)	**(182,964)**
Retained earnings	**61,082**	(6,280)	**54,802**

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	Three Months Ended September 30, 2014 Prior to Change in Accounting Principle	Effect of Change	Recast	Nine Months Ended September 30, 2014 Prior to Change in Accounting Principle	Effect of Change	Recast
Statement of Operations:						
Operations and maintenance	**$12,863**	$(2,214)	**$10,649**	**$37,554**	$(1,555)	**$35,999**
Depreciation and amortization	**10,671**	121	**10,792**	**33,274**	121	**33,395**
Operating income	**5,419**	2,093	**7,512**	**8,633**	1,434	**10,067**
Income before income taxes	**4,534**	2,093	**6,627**	**3,717**	1,434	**5,151**
Income tax expense	**1,817**	804	**2,621**	**1,867**	551	**2,418**
Net income and Comprehensive income	**2,717**	1,289	**4,006**	**1,850**	883	**2,733**
Average shares outstanding (basic)	**10,357**	--	**--**	**10,350**	--	**--**
Basic earnings per share	**0.26**	0.13	**0.39**	**0.18**	0.09	**0.26**
Average shares outstanding (diluted)	**10,476**	--	**--**	**10,482**	--	**--**
Diluted earnings per share	**0.26**	0.12	**0.38**	**0.18**	0.08	**0.26**

	September 30, 2014 Prior to Change in Accounting Principle	Effect of Change	Recast
Cash Flow:			
Net income	**$1,850**	$883	**$2,733**
Depreciation and amortization	**33,274**	121	**33,395**
Deferred income taxes	**(4,176)**	551	**(3,625)**
Inventories, prepaid expenses and other current assets	**(458)**	(1,555)	**(2,013)**

The following is a summary of the adjusted quarterly results of operations through September 30, 2015 (amounts in thousands).

	Three Months Ended March 31, 2015 Prior to Change in Accounting Principle	Effect of Change	Recast	Three Months Ended June 30, 2015 Prior to Change in Accounting Principle	Effect of Change	Recast	Six Months Ended June 30, 2015 Prior to Change in Accounting Principle	Effect of Change	Recast
Operations and maintenance	**$12,140**	$(1,066)	**$11,074**	**$12,176**	$ (700)	**$11,476**	**$24,316**	$(1,766)	**$22,550**
Depreciation and amortization	**10,671**	131	**10,802**	**10,277**	170	**10,447**	**20,948**	301	**21,249**
Operating income	**3,591**	935	**4,526**	**5,284**	530	**5,814**	**8,875**	1,465	**10,340**
Income before income taxes	**2,009**	935	**2,944**	**4,365**	530	**4,895**	**6,374**	1,465	**7,839**
Income tax expense	**893**	416	**1,309**	**1,905**	220	**2,125**	**2,798**	636	**3,434**
Net income and Comprehensive income	**1,116**	519	**1,635**	**2,460**	310	**2,770**	**3,576**	829	**4,405**
Average shares outstanding (basic)	**10,395**	--	**--**	**10,435**	--	**--**	**10,423**	--	**--**
Basic earnings per share	**0.11**	0.05	**0.16**	**0.24**	0.03	**0.27**	**0.34**	0.08	**0.42**
Average shares outstanding (diluted)	**10,516**	--	**--**	**10,516**	--	**--**	**10,524**	--	**--**
Diluted earnings per share	**0.11**	0.05	**0.16**	**0.23**	0.03	**0.26**	**0.34**	0.08	**0.42**

	Three Months Ended March 31, 2014			Three Months Ended June 30, 2014			Six Months Ended June 30, 2014		
	Prior to Change in Accounting Principle	Effect of Change	Recast	Prior to Change in Accounting Principle	Effect of Change	Recast	Prior to Change in Accounting Principle	Effect of Change	Recast
Operations and maintenance	**$13,062**	$ 9	**$13,071**	**$11,629**	$ 650	**$12,279**	**$24,691**	$ 659	**$25,350**
Operating income (loss)	**(1,043)**	(9)	**(1,052)**	**4,257**	(650)	**3,607**	**3,214**	(659)	**2,555**
Income (loss) before income taxes	**(2,183)**	(9)	**(2,192)**	**1,366**	(650)	**716**	**(817)**	(659)	**(1,476)**
Income tax expense (benefit)	**(594)**	(3)	**(597)**	**644**	(250)	**394**	**50**	(253)	**(203)**
Net income (loss) and Comprehensive income (loss)	**(1,589)**	(6)	**(1,595)**	**722**	(400)	**322**	**(867)**	(406)	**(1,273)**
Average shares outstanding (basic)	**10,339**	--	**--**	**10,346**	--	**--**	**10,343**	--	**--**
Basic earnings (loss) per share	**(0.15)**	0.00	**(0.15)**	**0.07**	(0.04)	**0.03**	**(0.08)**	(0.04)	**(0.12)**
Average shares outstanding (diluted)	**10,399**	--	**--**	**10,478**	--	**--**	**10,343**	--	**--**
Diluted earnings (loss) per share	**(0.15)**	0.00	**(0.15)**	**0.07**	(0.04)	**0.03**	**(0.08)**	(0.04)	**(0.12)**

Under ASC 205-45-5, “Accounting Changes and Error Corrections,” the Company is required to report a change in accounting principle by retrospectively applying the new principle to all prior periods presented, unless it is impractical to determine the prior-period effect. Accordingly, the Company has adjusted previously reported financial information for all periods presented.

NOTE 11 – INCOME tAXES

During the three months ended September 30, 2015 and 2014, the Company’s effective tax rates were 44.2% and 39.6%, respectively. During the nine months ended September 30, 2015 and 2014, the Company’s effective tax rates were 44.0% and 46.9%, respectively. Income tax expense varies from the amount computed by applying the statutory federal tax rate to income before income taxes primarily due to state income taxes, net of federal income tax effect, adjusted for permanent differences, the most significant of which is the effect of the per diem pay structure for the Company’s drivers. Drivers may elect to receive non-taxable per diem pay in lieu of a portion of their taxable wages. This per diem program increases the Company’s drivers’ net pay per mile, after taxes, while decreasing gross pay, before taxes. As a result, salaries, wages and employee benefits costs are slightly lower, and effective income tax rates are higher than the statutory rate. Generally, as pre-tax income increases, the impact of the driver per diem program on the 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 the Company's effective tax rate is significant. Due to the partially nondeductible effect of per diem pay, the Company's tax rate will fluctuate in future periods based on fluctuations in earnings and in the number of drivers who elect to receive this pay structure.

The Company accounts for any uncertainty in income taxes by determining whether it is more likely than not that a tax position taken in a tax return will be sustained upon examination by the appropriate taxing authority based on the technical merits of the position. In that regard, the Company has analyzed filing positions in its federal and applicable state tax returns as well as in all open tax years. Periods subject to examination for the Company's federal returns are the 2011, 2012, 2013 and 2014 tax years. Management believes that the Company's income tax filing positions and deductions will be sustained on examination and does not anticipate any adjustments that will result in a material change to its consolidated financial position, results of operations and cash flows. In conjunction with the foregoing, the Company's policy is to recognize interest related to unrecognized tax benefits as interest expense and penalties as operating expenses. No unrecognized tax benefits have been recorded as of September 30, 2015.

Note 12 – EARNINGS Per Share

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

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014 (Recast)	**2015**	2014 (Recast)
Numerator:				
Net income	**$2,727**	$4,006	**$7,132**	$2,733
Denominator:				
Denominator for basic earnings per share – weighted average shares	**10,442**	10,357	**10,439**	10,350
Effect of dilutive securities:				
Employee stock options and restricted stock	**28**	119	**76**	132
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversion	**10,470**	10,476	**10,515**	10,482
Basic earnings per share	**$0.26**	$0.39	**$0.68**	$0.26
Diluted earnings per share	**$0.26**	$0.38	**$0.68**	$0.26
Weighted average anti-dilutive employee stock options and restricted stock	**59**	2	**69**	4

NOTE 13 – LEGAL PROCEEDINGS

USA Truck is party to routine litigation incidental to its business, primarily involving claims for personal injury and property damage incurred in the transportation of freight. The Company maintains insurance to cover liabilities in excess of certain self-insured retention levels. Though it is the opinion of management that these claims are immaterial to the Company's long-term financial position, adverse results of one or more of these claims could have a material adverse effect on the Company's condensed consolidated financial statements in any given reporting period.

NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to implement this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP. The standard is effective for annual periods beginning after December 15, 2016, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). In July 2015, the FASB approved the delayed effectiveness of ASU 2014-09 for one year. Management is currently evaluating the impact of the pending adoption of ASU 2014-09 on the Company’s condensed consolidated financial statements and has not yet determined the method by which the Company will adopt the standard in its 2018 fiscal year.

NOTE 15 – RESTRUCTURING, SEVERANCE AND RELATED CHARGES

During the quarter ended September 30, 2015, the Company recognized approximately $2.9 million (pretax) in restructuring, severance and related charges relating to the termination of employment of certain executives and the planned closure of two maintenance facilities.

During the quarter ended September 30, 2015, the Company took steps to streamline and simplify its operations to better align the Company's cost structure and better serve its customers. In the Company's truckload segment, the Company announced a plan to close its maintenance facilities in Denton, Texas and Carlisle, Pennsylvania during the third quarter of 2015. Additionally, the Company has committed to a plan to outsource its road assistance function to a third party during the fourth quarter of 2015. These closures and outsourcing initiative are expected to improve operating productivity and enhance capacity utilization.

These initiatives impacted a total headcount of 50 team members. Team members separated or to be separated from the Company as a result of these streamlining initiatives were offered severance. The expenses recorded during the quarter ended September 30, 2015, included costs related to severance; contract termination; development, communication and administration of these initiatives; and asset write-offs. The Company has incurred total pretax expenses of approximately $1.6 million related to these streamlining initiatives, which were recorded in the line item “Restructuring, severance and related charges” in the accompanying condensed consolidated statements of income.

In July 2015, the Company entered into a separation agreement (the “Separation Agreement”) with Mr. John M. Simone regarding the conclusion of Mr. Simone’s tenure as the Company’s President, Chief Executive Officer, and Director. Pursuant to the Separation Agreement: (i) Mr. Simone's separation was effective July 7, 2015 (the "Separation Date"), (ii) Mr. Simone will receive severance pay equal to his base salary as of the Separation Date ($460,000 per year) for a period of twelve months following the Separation Date, (iii) Mr. Simone will receive, to the extent earned, any bonus he would have been entitled to receive under the Company's 2015 Management Bonus Plan, payable at the time and on the same basis as paid to recipients still employed by the Company, pro-rated for the number of days Mr. Simone was employed by the Company in 2015 through the Separation Date, (iv) the Company will pay the actual amount of Mr. Simone's COBRA continuation payments for a period of eighteen months following the Separation Date, (v) Mr. Simone was compensated for any vacation time and paid time off accrued but not used through the Separation Date, (vi) Mr. Simone will be reimbursed for certain expenses associated with the conclusion of his employment with the Company, up to a total of $10,000, and (vii) the following outstanding equity awards held by Mr. Simone will vest as of the Separation Date: (a) 18,750 shares of restricted stock of the Company scheduled to vest on February 18, 2016 and (b) 10,727 nonqualified stock options of the Company scheduled to vest on February 18, 2016. During the quarter ended September 30, 2015, the Company recognized severance costs associated with Mr. Simone’s departure of approximately $1.3 million, which were recorded in the line item “Restructuring, severance and related charges” in the Company’s condensed consolidated statements of income.

The following table summarizes the Company’s restructuring liability and cash payments made related to the restructuring plan as of September 30, 2015 (in thousands):

	Costs Incurred	Payments	Non-cash Expenses	Accrued Balance
Severance pay and benefits (1)	**$ 2,160**	$ (266)	$ (538)	**$ 1,356**
Facility closing expenses	**733**	--	--	**733**
Total	**$ 2,893**	$ (266)	$ (538)	**$ 2,089**

(1) Includes amounts payable to Mr. Simone pursuant to the Separation Agreement.

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This report contains certain statements that may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended, (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, revenues, 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 2, statements relating to future insurance and claims experience, future driver market, future driver compensation, future ability to recruit and retain drivers, future driver recruiting costs, future acquisitions and dispositions of revenue equipment, future revenue equipment prices, future profitability, future pricing rates, future fuel efficiency, future fuel prices, future ability to recover costs through the fuel surcharge program, future employee benefits costs, future purchased transportation use and expense, future operations and maintenance costs, future depreciation and amortization expense, 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 1.A., Risk Factors," in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 and in the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2015 and June 30, 2015. Readers should review and consider the factors that may affect future results and other disclosures by the Company in its press releases, Annual Report on Form 10-K for the year ended December 31, 2014, Quarterly Reports on Form 10-Q for the quarters ended March 31, 2015 and June 30, 2015, and other filings with the Securities and Exchange Commission.*

All such forward-looking statements speak only as of the date of this report. You are cautioned not to place undue reliance on such forward-looking statements. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in management's 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" or similar terms refer to USA Truck, Inc. and its subsidiary.

Overview

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

Our Business – a general description of USA Truck's business, the organization of its operations and the service offerings that comprise its operations.

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

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

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

Our Business

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, include (i) base trucking revenue per seated tractor per week (ii) average miles per seated tractor per week, (iii) deadhead percentage, (iv) average loaded miles per trip, (v) average number of seated tractors and (vi) adjusted operating ratio. In general, the Company's average miles per seated 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 employee 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 ratio. The gross margin can be impacted by the rates charged to customers and the costs of securing third-party capacity.

Results of Operations

The following table sets forth the condensed consolidated statements of operations and comprehensive income in dollars (dollar amounts in thousands) and percentage of consolidated operating revenue and the percentage increase or decrease in the dollar amounts of those items compared to the prior year.

	Three Months Ended				%	Nine Months Ended				%
	September 30, 2015		September 30, 2014		Change	**September 30, 2015**		September 30, 2014		Change
	$	%	$ (Recast)	%	(%)	$	%	$ (Recast)	%	(%)
Base revenue	**$109,752**	**88.9 %**	$125,947	82.0 %	(12.9)%	**$342,443**	**87.8 %**	$368,527	81.5 %	(7.1)
Fuel surcharge revenue	**13,739**	**11.1**	27,671	18.0	(50.3)	**47,506**	**12.2**	83,878	18.6	(43.4)
Operating revenue	**$123,490**	**100.0 %**	$153,618	100.0%	(19.6)%	**$389,950**	**100.0 %**	$452,405	100.0%	(13.8)
Total operating expenses	**118,031**	**95.6**	146,106	95.1	(19.2)	**374,151**	**95.9**	442,338	97.8	(15.4)
Operating income	**5,459**	**4.4**	7,512	4.9	(27.3)	**15,799**	**4.1**	10,067	2.2	56.9
Other expenses										

(income):										
Interest expense	**493**	**0.4**	816	0.5	(39.5)	**1,672**	**0.4**	2,271	0.5	(26.4)
Defense costs	**--**	**--**	65	--	(100.0)	**--**	**--**	2,593	0.6	(100.0)
Loss on extinguishment of debt	**--**	**--**	--	--	--	**750**	**0.2**	--	--	100.0
Other, net	**78**	**0.1**	4	--	(1,850.0)	**650**	**0.2**	52	--	(1,150.0)
Total other expenses, net	**571**	**0.5**	885	0.5	(35.4)	**3,072**	**0.8**	4,916	1.1	(37.5)
Income before income taxes	**4,888**	**3.9**	6,627	4.4	(26.2)	**12,727**	**3.3**	5,151	1.1	147.1
Income tax expense	**2,161**	**1.7**	2,621	1.7	(17.6)	**5,595**	**1.4**	2,418	0.4	(131.4)
Net income	**$2,727**	**2.2 %**	$4,006	2.6 %	(31.9)%	**$7,132**	**1.8 %**	$2,733	0.6 %	161.0 %

For the three months ended September 30, 2015, operating revenue decreased 19.6% to $123.5 million from $153.6 million for the prior-year period. Base revenue, which excludes fuel surcharges, decreased 12.9% to $109.8 million in the September 2015 quarter from $125.9 million in the September 2014 quarter. Net income decreased to $2.7 million in the third quarter of 2015 from $4.0 million for the 2014 quarter. Earnings per diluted share decreased to $0.26 in the September 2015 quarter from $0.38 for the same quarter last year. Excluding the restructuring, severance and related charges of $2.9 million, $0.17 (net of tax) per diluted share, discussed in note 15 to the Company's condensed consolidated financial statements, the Company produced $0.43 adjusted earnings per diluted share for the quarter ended September 30, 2015.

For the nine months ended September 30, 2015, operating revenue decreased 13.8% to $390.0 million from $452.4 million for last year's period. Base revenue, which excludes fuel surcharges, decreased 7.1% to $342.4 million for the 2015 period from $368.5 million for the 2014 period. Net income increased to $7.1 million in the 2015 period from $2.7 million for the same period last year. Adjusted earnings per diluted share increased to $0.89 for the nine months ended September 30, 2015, excluding $0.8 million, $0.04 (net of tax) per diluted share, related to loss on debt extinguishment and $2.9 million, $0.17 (net of tax) per diluted share, related to the restructuring charge, from $0.41 for the 2014 period, excluding $2.6 million, $0.15 (net of tax) per diluted share, related to defense costs.

Use of Non-GAAP Financial Information

USA Truck uses the terms "adjusted operating ratio" and "adjusted earnings per diluted share" throughout this Form 10-Q. Adjusted operating ratio and adjusted earnings per diluted share, as defined here, are non-GAAP financial measures, as defined by the SEC. Management uses adjusted operating ratio and adjusted earnings per diluted share as supplements 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. Adjusted earnings per diluted share is defined as income before income taxes plus loss on extinguishment of debt, defense costs and restructuring, severance and related costs reduced by our income taxes, divided by weighted average diluted shares outstanding.

USA Truck's Board of Directors and chief operating decision-makers also focus on adjusted operating ratio and adjusted earnings per diluted share as indicators of the Company's performance from period to period. Management believes removing the impact of items from the Company's operating results that, in management's opinion, do not reflect core operating performance, affords a more consistent basis for comparing results of operations.

Management believes its presentation of adjusted operating ratio and adjusted earnings per diluted share 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 and adjusted earnings per share are not substitutes 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 and adjusted earnings per diluted share. Although management believes that adjusted operating ratio and adjusted earnings per diluted share can make an evaluation of the Company's operating performance more consistent because these measures remove items that, in management's opinion, do not reflect its core operating performance, other companies in the transportation industry may define adjusted operating ratio and adjusted earnings per diluted share differently. As a result, it may be difficult to use adjusted operating ratio, adjusted earnings per diluted share, 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):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014 (Recast)	**2015**	2014 (Recast)
Operating revenue	**$123,490**	$153,618	**$389,950**	$452,405
Less:				
Fuel surcharge revenue	**13,738**	27,672	**47,506**	83,879
Base revenue	**109,752**	125,946	**342,444**	368,526
Operating expense	**118,031**	146,106	**374,151**	442,338
Adjusted for:				
Restructuring, severance and related charges	**(2,893)**	--	**(2,893)**	--
Fuel surcharge revenue	**(13,738)**	(27,672)	**(47,506)**	(83,879)
Adjusted operating expense	**$101,400**	$118,434	**$323,752**	$358,459
Operating ratio	**95.6 %**	95.1 %	**95.9 %**	97.8 %
Adjusted operating ratio	**92.4 %**	94.0 %	**94.5 %**	97.3 %

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014 (Recast)	**2015**	2014 (Recast)
Earnings per diluted share	**$0.26**	$ 0.38	**$0.68**	$ 0.26
Adjusted for:				
Loss on debt extinguishment, net of tax	--	--	**0.04**	--
Restructuring, severance and related charges, net of tax	**0.17**	--	**0.17**	--
Defense costs, net of tax	--	--	--	0.15
Adjusted earnings per diluted share	**$0.43**	$ 0.38	**$0.89**	$ 0.41

Key Operating Statistic by Segments:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014 (Recast)	**2015**	2014 (Recast)
Trucking:				
Operating revenue *(in thousands)*	**$84,982**	$108,318	**$274,196**	$317,230
Operating income (loss) *(in thousands)* (1)	**$2,460**	$2,176	**$6,565**	$(6,338)
Adjusted operating ratio (2)	**92.8 %**	97.5 %	**96.0 %**	102.5 %
Total miles *(in thousands)* (3)	**44,559**	54,600	**143,927**	163,009
Deadhead percentage (4)	**12.3 %**	13.3 %	**12.3 %**	12.7 %
Base revenue per loaded mile	**$1.902**	$1.819	**$1.871**	$1.753
Average number of in-service tractors (5)	**1,838**	2,179	**2,025**	2,205
Average number of seated tractors (6)	**1,718**	2,066	**1,858**	2,049
Average miles per seated tractor per week	**1,973**	2,011	**1,986**	2,040
Base revenue per seated tractor per week	**$3,293**	$3,170	**$3,260**	$3,122
Average loaded miles per trip	**577**	615	**596**	617
Strategic Capacity Solutions:				
Operating revenue *(in thousands)*	**$38,508**	$45,300	**$115,754**	$135,175
Operating income *(in thousands)* (1)	**$2,999**	$5,336	**$9,234**	$16,405
Gross margin percentage (7)	**18.3 %**	17.3 %	**17.9 %**	17.8 %

(1) Operating income or loss is calculated by deducting total operating expenses from operating revenues.
(2) See GAAP to non-GAAP reconciliation below.