USA TRUCK INC
Form 10-K
February 27, 2019

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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, 2018

OR

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

For the transition period from __________ to __________

1-35740
(Commission file number)

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)

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 every Interactive Data File required to be submitted 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 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, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ______	Accelerated Filer	Non-Accelerated Filer ______	Smaller Reporting Company ______
Emerging Growth Company ______			

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 29, 2018, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately $185,374,908 (based on the closing sale price of the Registrant's common stock on that date as reported by Nasdaq).

As of February 15, 2019, 8,361,435 shares of the registrant's common stock, par value $0.01 per share, were outstanding.

USA TRUCK, INC.

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Part I.

Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K for the year ended December 31, 2018 (this "Form 10-K") 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, revenue,costs or other financial items;*
•*any statement of projected future operations or processes;*
•*any statement of plans, strategies,goals, and objectives of management for future operations;*
•*any statement concerning proposed new services or developments;*
•*any statement regarding future economic conditions or performance; and*
•*any statement of belief and any statement of assumptions underlying any of the foregoing.*

In this Form 10-K, statements relating to:

•*future driver market,*
•*future ability to grow market share,*
•*future driver and customer-facing employee compensation,*
•*future abilityand cost to recruit and retain drivers and customer-facing employees,*
•*future asset utilization,*
•*the amount,timing and price of future acquisitions and dispositions of revenue equipment, size and age of the Company's fleet, mix of fleet between company-owned and independent contractors and anticipated gains or losses resulting from dispositions,*
•*future depreciation and amortization expense,including useful lives and salvage values of equipment and intangible assets,*
•*futuresafety performance,*
•*future profitability,*
•*future industry capacity,*
•*future effectsof restructuring actions,*
•*future deployment of technology, including front and inside-facing event recorders,*
•*future pricing ratesand freight network,*
•*future fuel prices and surcharges, fuel efficiency and hedging arrangements,*
•*future insurance and claimsand litigation expense,*
•*futuresalaries, wages and employee benefits costs,*
•*future purchased transportation use and expense,*
•*future operations and maintenance costs,*
•*future USAT Logistics growth and profitability,*
•*future trends in operating expenses expected to result from growing our USAT Logistics business and increasing independent contractors,*
•*future asset sales ofnon-revenue assets,*
•*future impact of regulations,including enforcement of the ELD mandate,*
•*future use of derivative financial instruments,*
•*our strategy,*
•*our intention about the payment of dividends,*
•*inflation,*
•*future indebtedness,*
•*future liquidity and borrowing availability and capacity,*
•*the impact of pending and future litigation and claims,*

- *future availability and compliance with covenants under our revolving credit facility,*
- *expected amount and timing of capital expenditures,*
- *expectedliquidity and sources of capital resources, including the mix of capital and operating leases,*
- *future size ofour independent contractor fleet, and*
- *future income tax rates*

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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," "focus," "intends," "plans," "goals," "may," "if," "will," "should,"
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, except as required by law.

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 subsidiaries.

ITEM 1. *BUSINESS*

General

USA Truck is one of the nation's top 30 truckload carriers when measured by operating revenue, as determined by Transport Topics' most recent annual ranking. In 2018, the Company generated $534.1 million in consolidated operating revenue. As of December 31, 2018, the Company's fleet consisted of 1,976 tractors, which included 429 independent contractor tractors, and 6,226 trailers.

The Company has two reportable segments: (i) Trucking, consisting of the Company's truckload and dedicated freight service offerings, and (ii) USAT Logistics, consisting of the Company's freight brokerage and rail intermodal service offerings. The Company's Trucking segment transports customer freight over irregular routes utilizing equipment owned or leased by either the Company or independent contractors as a medium-haul common carrier. Our dedicated freight services provide similar freight transport 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, typically over a multi-year period. USAT Logistics provides freight brokerage, logistics, and intermodal rail service to its customers by utilizing third party capacity.

On October 18, 2018, USA Truck, Inc. acquired 100% of the outstanding equity of Davis Transfer Company Inc., a Georgia corporation ("DTC"), Davis Transfer Logistics Inc. and B & G Leasing, L.L.C. ("B & G," and collectively with DTC and DTL, "Davis Transfer Company"). As of December 31, 2018, our corporate structure included USA Truck, Inc., and its wholly owned subsidiaries: International Freight Services, Inc. ("IFS"), a Delaware corporation; Davis Transfer Company Inc., a Georgia corporation ("DTC"), Davis Transfer Logistics Inc., a Georgia corporation ("DTL"), and B & G Leasing, L.L.C., a Georgia limited liability company, ("B & G," and collectively with DTC and DTL, "Davis Transfer Company").

Operations

The Company focuses marketing efforts on customers who have consistent shipping needs within the eastern half of the United States, which is the predominant operating area for our Trucking operations. USAT Logistics offers services nationwide, and the cross-marketing of service offerings permits us to strategically position available equipment while providing a full array of supply chain transportation solutions to our customers. USA Truck team members have cultivated a thorough understanding of the needs of shippers in key industries, which the Company believes helps it develop long-term, service-oriented relationships with its customers.

USA Truck has a diversified freight and customer base. During 2018, one customer, Walmart Inc., accounted for more than 10% of the consolidated operating revenues. USAT Logistics is also dependent upon a single customer for more than 10% of its operating revenue. The Company's largest 10 customers comprised approximately 49% of the Company's consolidated operating revenue. Overall, the Company provided service to more than 700 customers in 2018 across all USA Truck service offerings.

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While the Company prefers direct relationships with customers, some high volume shippers require their carriers to conduct business with a designated third party logistics provider. Obtaining shipments through other providers of transportation or logistics services is a significant opportunity that allows the Company to provide services for high-volume shippers to which it might not otherwise have access.

During 2018, receivables collection averaged approximately 38 days from the invoice date, compared to an average of approximately 46 days and 47 days during 2017 and 2016, respectively. Factors contributing to the decrease in days to collection in 2018 were the result of more thorough and expedient invoicing and collections processes by our accounts receivable team, offset by customer requests for longer payment terms.

USA Truck is headquartered in Van Buren, Arkansas, with trucking facilities concentrated in the eastern half of the United States for density and efficiency. Logistics operations provide services throughout North America by utilizing a regional office model. The Company transports commodities throughout the contiguous United States and into and out of portions of Canada. USA Truck also transports general commodities into and out of Mexico by offering through-trailer service from its terminal in Laredo, Texas. In addition to truckload and dedicated freight service offerings, the Company provides freight brokerage, logistics, and rail intermodal service offerings through its logistics segment. During 2018, 2017 and 2016, approximately 8%, 8%, and 9%, respectively, of the Company's operating revenue was generated in Mexico and Canada. All foreign revenue is collected in United States dollars, and all Company-owned tractors are domiciled in the United States. The Company does not separately track domestic and foreign long-lived assets, as 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 leads a team of professional drivers and is their primary company contact. Load planners assign all available units to loads in a manner intended to maximize profit and minimize costs. Customer service representatives work to fulfill shippers' needs, solicit freight, and ensure on-time delivery by monitoring load movement. The Company strives to operate a safe and productive fleet while providing superior customer service.

The USAT Logistics segment has a network of regional sales offices located throughout the continental United States. We believe that regionalization allows greater market insight and strengthens relationships with customers and carriers alike while capitalizing on the skills and local market insight of the leaders managing these centers. The specific locations of branch offices are selected for the availability of talent in those markets. USAT Logistics employed approximately 120 people as of December 31, 2018. Most of the USAT Logistics team interacts directly with customers and carriers, matching customers' freight needs with available third-party capacity in the marketplace.

Revenue Equipment

The Company operates its tractor fleet in a way that is intended to promote safe driving operations, attract drivers, and reduce operating and maintenance costs. The following table shows the number of Company-owned and leased tractors and trailers by model year as of December 31, 2018:

Model Year:	Tractors (1)(2)	Trailers (3)
2019	**366**	**30**
2018	**110**	**399**
2017	**360**	**893**
2016	**393**	**1,534**
2015	**213**	**497**
2014	**91**	**494**
2013	**11**	**434**
2012	**3**	**355**

2011	**—**	**64**
2010	**—**	**384**
2009	**—**	**419**
2008	**—**	**488**
2007 and earlier and earlier	**—**	**235**
Total	**1,547**	**6,226**

1.Excludes 429 independent contractor tractors.
2.Includes 409 tractors under operating leases and 607 tractors financed by capital leases.
3.Includes 296 trailers financed by capital leases.
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The average age of the Company's tractor fleet was approximately 34.2 months at December 31, 2018. The Company's equipment purchase and replacement decisions are based on a number of factors, including but not limited to, new equipment prices, the used equipment market, trade-in values, demand for freight services, prevailing interest rates, the attractiveness of lease terms, 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, or may choose to acquire revenue equipment through operating leases or on-balance sheet financing.

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 in place a preventive maintenance program intended to minimize equipment downtime and maintenance costs.

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

All Company and independent contractor tractors are equipped with in-cab communication technology, enabling two-way communications between the Company and its drivers, through both standardized and free-form messaging, including electronic logging. The Company also has installed automatic on board recording devices ("AOBRs") on 100% of its tractor fleet. This technology 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 accessorial charges. Accessorial charges are charges to customers for additional services such as loading, unloading and detainment or equipment delays. In addition, the Company utilizes satellite-based equipment tracking devices and cargo sensors on the majority of its trailers. These tracking devices provide the Company with visibility on the locations and load status of its trailers. The installation of forward-facing and in-ward facing event recorders on all of the Company's tractor fleet was completed during the first quarter of 2018.

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, general liability, personal injury, property damage, workers' compensation and employee medical expenses. USA Truck is also self-insured 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. Davis Transfer Company is also self-insured for a portion of claims exposure in each of these areas. Davis Transfer 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 \$0.05 million for bodily injury and property damage claims per occurrence. The Company maintains insurance above the amounts for which it self-insures, subject 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 or result in our inability to find excess coverage in amounts we deem sufficient. As a result, the Company's insurance and claims expense could increase, or the Company could raise its self-insured retention or decrease its aggregate coverage limits when its policies are renewed or replaced. If these costs increase, if reserves are increased, if the Company becomes unable to find excess coverage in amounts it deems sufficient, if

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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.

Team Members

As of December 31, 2018, the Company had approximately 2,500 team members, of which approximately 73% were Company drivers. No team members are subject to union contracts or part of a collective bargaining unit. The Company believes team member relations to be good.

Recruitment, training, and retention of a professional driver workforce, the Company's most valuable asset, are essential to the Company's continued growth and fulfillment of customer needs. 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 criteria. These guidelines relate primarily to safety history, road test evaluations, and various other 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 driver operations around a collaborative and supportive team environment. The Company provides comfortable, late model equipment, encourages direct communication with senior management, and pays competitive wages and benefits, and other incentives intended to encourage driver safety, retention, and long-term employment. 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 accessorial 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 aid in attracting, recruiting, and retaining professional drivers in a competitive driver market.

Independent Contractors

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 an agreed upon fee structure. As of December 31, 2018, the Company had contracts with 429 independent contractors, which comprised approximately 24% of the professional driving fleet during 2018, up from approximately 16% at year end.

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 ("LTL") operations. The for-hire segment is highly competitive and includes thousands of carriers, none of which controls a meaningful share of 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.

USA Truck competes primarily with other truckload carriers, private fleets and, to a lesser extent, railroads and LTL carriers. The principal competitive factors in the truckload segment of the industry are service and price, with rate discounting becoming particularly important during economic downturns or periods of uncertainty. 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 market share by providing multiple service offerings, combined with superior customer service, at an equitable price.

Environmental Regulation

In August 2011, the National Highway Traffic Safety Administration ("NHTSA") and the Environmental Protection Agency ("EPA") adopted final rules that established the first-ever fuel economy and greenhouse gas standards for medium and heavy-duty vehicles, including the tractors the Company employs (the "Phase 1 Standards"). The Phase 1 Standards apply to tractor model years 2014 to 2018 and require the achievement of an approximate 20 percent reduction in fuel consumption by the 2018 model year, which equates to approximately four fewer gallons of fuel used for every 100 miles traveled. In October 2016, the EPA and NHTSA published the final rule mandating the next phase of tighter fuel efficiency and greenhouse gas standards for medium and heavy-duty tractors and trailers (the "Phase 2 Standards") that will apply to trailers beginning with model year 2018 and tractors beginning with model year 2021. The Phase 2 Standards require nine percent and twenty-five percent reductions in emissions and fuel consumption for trailers and tractors, respectively, by 2027. The Company believes these requirements could result in increased new tractor and trailer prices and additional parts and maintenance costs required to retrofit its tractors and trailers 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. In October 2017, the EPA announced a proposal to repeal the Phase 2 Standards as they relate to gliders (which mix refurbished older components, including transmissions and pre-emission-rule engines, with a new frame, cab, steer axle, wheels, and other standard equipment). Additionally, implementation of the Phase 2 Standards as they relate to trailers has been delayed due to a provisional stay granted in October 2017 by the U.S. Court of Appeals for the District of Columbia, which is overseeing a case against the EPA

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by the Truck Trailer Manufacturers Association, Inc. regarding the Phase 2 Standards. In August 2018, the Truck Trailer Manufacturers Association filed a motion to compel the agencies to submit a detailed status report and timeline for the completion of administrative review. The EPA opposed the motion stating that it was working to develop a proposed rule while the NHTSA opposed the motion on the grounds that it is continuing to assess next steps. That federal stay continues to be reviewed every 90 days. If the trailer provisions of the Phase 2 Standards are permanently removed, the Company expects that Phase 2 Standards would have a reduced impact on its operations.
The California Air Resources Board ("CARB") also adopted emission control regulations that will apply to all heavy-duty tractors that pull 53-foot or longer box-type trailers within the State of California regardless of the state of origin. The tractors and trailers subject to these CARB regulations must be either EPA SmartWay certified or equipped with low-rolling resistance tires and retrofitted with SmartWay-approved aerodynamic technologies. The Company currently purchases SmartWay certified equipment in its new tractor and trailer acquisitions. In addition, in February 2017 CARB proposed additional phase 2 standards that generally align with the federal Phase 2 standards with respect to model year 2018 to 2021 tractors, with some minor additional requirements. As proposed, the enhanced California standards would stay in place even if the federal standards are vacated or otherwise diminished due to legislative or executive action. The CARB Board approved the proposed standards in March 2018 with direction to staff to make additional 15-day changes. Those changes and subsequent final rulemaking were expected to be delivered by the end of 2018. We will continue monitoring the developments and our compliance with the CARB regulations. Federal and state lawmakers also have proposed potential limits on carbon emissions under a variety of climate-change proposals. In December 2018, a coalition of nine Northeast and mid-Atlantic states and the District of Columbia announced an agreement to develop regional limits on carbon emissions from transportation sources. Compliance with such regulations has increased the cost of our new tractors, may increase the cost of any new trailers that we will operate, may require us to retrofit certain of our pre-2011 model year trailers that operate in California, and could impair equipment productivity and increase our operating expenses, including with respect to our Plus Power fleet. These adverse effects, combined with the uncertainty as to the reliability of the newly designed diesel engines and the residual values of these vehicles, could materially increase our costs or otherwise adversely affect our business or operations.
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. Further, the Phase 2 Standards include requirements to reduce particulate emissions caused by idling diesel engines. These restrictions could force the Company to purchase on-board power units that do not require the engine to idle or to alter our drivers' behavior, either of which could result in a decrease in productivity, or increase in driver turnover.
The Company's terminals often are located in industrial areas where groundwater or other forms of environmental contamination may have occurred or 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 and one leased facility has below-ground bulk fuel storage tanks. A small percentage of the Company's freight consists of low-grade hazardous substances, which subjects it to a wide array of regulations. The Company has instituted programs to monitor and control environmental risks and promote compliance with applicable environmental laws and regulations; however, if (i) the Company is involved in a spill or other accident involving hazardous substances; (ii) there are releases of hazardous substances the Company transports; (iii) soil or groundwater contamination is found at the Company's facilities or results from its operations; or (iv) the Company is found to be in violation of, or fails to comply with, applicable environmental laws or regulations, then it could be subject to clean-up costs and liabilities, including substantial fines or penalties or civil and criminal liability, any of which could have a materially adverse effect on the Company's business and results of operations.
Other 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 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 ("FMCSA"), imposes safety and fitness regulations on the Company and its drivers, including rules that restrict driver hours-of-service ("HOS"). Changes to such HOS rules can negatively impact the Company's productivity and affect its operations and profitability by reducing the number of hours per day or week its drivers may operate and/or disrupting its network. On August 23, 2018, FMCSA released proposed rulemaking for public comment in response to Congressional, industry and citizen concerns. The proposed rulemaking seeks to revise

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existing hours-of-serve rules in order to alleviate unnecessary burdens placed on drivers by extending the 14-hour on-duty limitation by up to two hours during adverse driving conditions, revising mandatory breaks after 8-hours of continuous driving, reinstating the option for splitting up the required 10-hour off-duty rest break for drivers operating trucks that are equipped with a sleeper-berth compartment and expanding short-haul exemptions from 12 hours on-duty to 14 hours on-duty in order to be consistent with the rules for long-haul drivers. The proposed rule underwent a public comment period that ended in September 2018. The FMCSA expects to deliver final rulemaking in spring 2019, and several industry groups expressed their support. While the proposed rulemaking may alleviate certain burdens on the Company's productivity and operations, any future changes to hours-of-service rules could materially and adversely affect the Company's operations and profitability.

There are two methods of evaluating the safety and fitness of carriers. The first method is the application of a safety rating that is based on an onsite investigation. The Company currently has a satisfactory DOT safety rating under this method, which is the highest available rating under the current safety rating scale. If the Company were to receive a conditional or unsatisfactory DOT safety rating, it could affect or restrict our operations as well as adversely affect the Company's business, as some of its existing customer contracts require a satisfactory DOT safety rating. In January 2016, FMCSA published a Notice of Proposed Rulemaking outlining a revised safety rating measurement system, which would replace the current methodology. Under the proposed rule, the current three safety ratings of "satisfactory," "conditional," and "unsatisfactory" would be replaced with a single safety rating of "unfit," and a carrier would be deemed fit when no rating was assigned. Moreover, the proposed rules would use roadside inspection data, in addition to investigations and onsite reviews, to determine a carrier's safety fitness on a monthly basis. Under the current rules, a safety rating can only be given upon completion of a comprehensive onsite audit or review. The proposed rule underwent a public comment period that ended in June 2016 and several industry groups and lawmakers expressed their disagreement with the proposed rule, arguing that it violates the requirements of the Fixing America's Surface Transportation Act (the "FAST Act") and that the FMCSA must first finalize its review of the CSA scoring system, described in further detail below. Based on this feedback and other concerns raised by industry stakeholders, in March 2017, FMCSA withdrew the Notice of Proposed Rulemaking related to the new safety rating system. In its notice of withdrawal, the FMCSA noted that a new rulemaking related to a similar process may be initiated in the future. Therefore, it is uncertain if, when, or under what form any such rule could be implemented.

In addition to the safety rating system, FMCSA has adopted the Compliance Safety Accountability ("CSA") program as an additional safety enforcement and compliance model that evaluates and ranks fleets on certain safety-related standards. The CSA program analyzes data from roadside inspections, moving violations, crash reports from the last two years, and investigation results. The data is organized into seven categories. Carriers are grouped by category with other carriers that have a similar number of safety events (e.g., crashes, inspections, or violations) and carriers are ranked and assigned a rating percentile to prioritize them for interventions if they are above a certain threshold. Currently, these scores do not have a direct impact on a carrier's safety rating. However, the occurrence of unfavorable scores in one or more categories may (i) impact driver recruiting and retention by causing high-quality drivers to seek employment with other carriers, (ii) cause the Company's customers to direct their business away from the Company and to carriers with higher fleet rankings (iii), subject the Company to an increase in compliance reviews and roadside inspections, or (iv) cause the Company to incur greater than expected expenses in its attempts to improve unfavorable scores, any of which could adversely affect the Company's results of operations and profitability.

Under the CSA, these scores were initially made available to the public in five of the seven categories. However, pursuant to the FAST Act, which was signed into law in December 2015, FMCSA was required to remove from public view the previously available CSA scores while it reviews the reliability of the scoring system. During this period of review by FMCSA, the Company will continue to have access to its scores and will still be subject to intervention by FMCSA when such scores are above the intervention thresholds. A congressionally mandated report by the National Academy of Sciences ("NAS") related to the CSA program was released in June 2017 which recommended: (i) reconfiguring the underlying statistical model under the CSA's Safety Measurement System (the percentile ranking categories used to target carriers for intervention) with a so-called item response theory model to more accurately target at-risk carriers, (ii) making the scoring system more transparent and easier for carriers to replicate and understand, and (iii) departing from using relative metrics as the sole means for targeting carriers. In

August 2018, FMCSA delivered its report to Congress detailing the following changes it will make to the CSA program in response to the NAS report: FMCSA is developing and testing an item response theory model ("ITM"), with a testing to be completed by June 2019 to improve scoring system data sources and identify ways to make that information more accessible, including the development of a webpage whereby researchers, carriers, safety consultants and the public can obtain simplified data snapshots. Insofar as any of these changes increase the likelihood of us receiving unfavorable scores, our results of operations and profitability could be adversely affected. The Company will continue to monitor the FMCSA's ITM testing and subsequent proposed rules that may affect the scoring methodology in order to continue to promote improvement of scores in all seven categories with ongoing reviews of all safety-related policies, programs and procedures for their effectiveness.

We have on certain occasions exceeded the established intervention thresholds in a number of the seven CSA safety-related categories. Based on these unfavorable ratings, we may be prioritized for an intervention action or roadside inspection, either of which could have a materially adverse effect our results of operations. In addition, customers may be less likely to

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assign loads to us. We have put procedures in place in an attempt to address areas where we have exceeded the thresholds. However, we cannot guarantee these measures will be effective.
In 2015, FMCSA issued final rules requiring nearly all carriers, including the Company, to install and use electronic logging devices ("ELDs") in their tractors starting in December 2017, in order to electronically monitor truck miles and enforce HOS. Carriers are subject to citations, on a state-by-state basis, for non-compliance with the rule after the December 2017 compliance deadline. Prior to the December 2017 deadline, the Company installed AOBRs on 100% of its tractor fleet, which has exempted us from being 100% ELD compliant on our tractor fleet until December 2019. The Company expects to be compliant with ELDs on 100% of all required vehicles prior to the December 2019 deadline.
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 ("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.
In November 2015, FMCSA published its final rule related to driver coercion, which took effect in January 2016. Under this rule, carriers, shippers, receivers, or transportation intermediaries that are found to have coerced drivers to violate certain FMCSA regulations (including HOS rules) may be fined up to $16,000 for each offense.
In December 2016, FMCSA and DOT published the Commercial Driver's License Drug and Alcohol Clearinghouse rule as mandated by the Moving Ahead for Progress in the 21st Century Act. The rule establishes and mandates a query to the Clearinghouse by employers and prospective employers to determine if current or prospective drivers have had any drug/alcohol positives or refusals. The rule went into effect in January 2017 and mandates compliance by January 2020 to allow time for the design and implementation of the clearinghouse IT systems. When compliance becomes mandatory, it could result in a decrease in driver availability and adversely affect the Company's operations.
Other rules have been recently proposed or made final by FMCSA, including (i) a rule requiring the use of speed limiting devices on heavy duty tractors to restrict maximum speeds, which was proposed in 2016, and (ii) a rule setting forth minimum driver training standards for new drivers applying for commercial driver's licenses for the first time and to experienced drivers upgrading their licenses or seeking a hazardous materials endorsement, which was made final in December 2016, with a compliance date in February 2020. In July 2017, the DOT announced that it would no longer pursue a speed limiter rule, but left open the possibility that it could resume such a pursuit in the future. The effect of these rules, to the extent they become effective, could result in a decrease in fleet production and driver availability, either of which could adversely affect the Company's business or operations.
Tax and other regulatory authorities have in the past sought to assert that independent contractor drivers in the trucking industry are employees rather than independent contractors. Federal legislators continue to introduce legislation concerning the classification of independent contractors as employees, including legislation that proposes to increase the tax and labor penalties against employers who intentionally or unintentionally misclassify employees as independent contractors and are found to have violated employee overtime or wage requirements. Additionally, federal legislators have sought to (i) 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, (ii) extend the Fair Labor Standards Act to independent contractors, and (iii) impose notice requirements based upon employment or independent contractor status and fines for failure to comply. Some states have adopted initiatives to increase their revenues from items such as unemployment, workers' compensation, and income taxes, and the Company believes a reclassification of independent contractor drivers as employees would help states with this initiative. Further, class actions and other lawsuits have been filed against certain members of our industry seeking to reclassify independent contractors as employees for a variety of purposes, including workers' compensation and health care coverage. In addition, companies that employ lease-purchase independent contractor programs, such as us, have been more susceptible to reclassification lawsuits and several recent decisions have been made in favor of those seeking to classify independent contractor truck drivers as employees. Federal and state taxing and other regulatory authorities and courts apply a variety of standards in their determination of independent contractor status. If the independent contractors the Company engages were determined to be its employees, it would incur additional exposure under federal and state tax, workers' compensation, unemployment benefits, labor, employment, and tort laws, which could

potentially include prior periods, as well as potential liability for employee benefits and tax withholdings. The Company currently observes and monitors its compliance with current related and applicable laws and regulations, but it cannot predict whether laws and regulations adopted in the future regarding the classification of the independent contractor drivers it engages will adversely affect the Company's business or operations.

The regulatory environment has changed under the administration of President Trump. In January 2017, the President signed an executive order requiring federal agencies to repeal two regulations for each new one they propose and imposing a regulatory budget, which would limit the amount of new regulatory costs federal agencies can impose on individuals and businesses each year. The Company does not believe the order has had a significant impact on its industry. However, the order,

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and other anti-regulatory action by the President and/or Congress, may inhibit future new regulations and/or lead to the repeal or delayed effectiveness of existing regulations. Therefore, it is uncertain how the Company may be impacted in the future by existing, proposed, or repealed regulations.

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

Seasonality

In the trucking industry, revenue has historically followed a seasonal pattern for various commodities and customer businesses. Peak freight demand has historically occurred in the third and early fourth quarters. 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. 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 ArcBest Corporation (formerly, 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. At December 31, 2018, our corporate structure included USA Truck, Inc., and its wholly owned subsidiaries: International Freight Services, Inc. ("IFS"), a Delaware corporation; Davis Transfer Company Inc., a Georgia corporation ("DTC"), Davis Transfer Logistics Inc., a Georgia corporation ("DTL"), and B & G Leasing, L.L.C., a Georgia limited liability company, ("B & G," and collectively with DTC and DTL, "Davis Transfer Company").

The Company's principal offices are located at 3200 Industrial Park Road, Van Buren, Arkansas 72956, and its 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, as soon as reasonably practicable after electronically filing such materials with the SEC. These materials include 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 we file or furnish pursuant to Section 13(a) or 15(d) of the Exchange Act. 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.

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, except as required by law. Also refer to the Cautionary Note Regarding Forward-Looking Statements in Part I 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 materially adverse effect on our operating results.

The truckload industry is highly cyclical, and our business is dependent on a number of factors that may have a materially adverse effect on our results of operations, many of which are beyond our control. We believe that some of the most significant of these factors include (i) excess tractor and trailer capacity in the trucking industry in comparison with shipping demand; (ii) driver shortages and increases in driver compensation; (iii) declines in the resale value of used revenue equipment; (iv) compliance with ongoing regulatory requirements; (v) strikes, work stoppages or work slowdowns at our facilities or at customer, port, border crossing or other shipping-related facilities; (vi) increases in interest rates, fuel taxes, tolls, and license and registration fees; and (vii) rising costs of healthcare.

We are affected by (i) recessionary economic cycles such as the 2017 freight environment, which was characterized by weak demand and downward pressure on rates; (ii) changes in customers' inventory levels and practices, including shrinking product/package sizes, and in the availability of funding for their working capital; and (iii) downturns in our customers' business cycles, particularly in market segments and industries, such as retail and manufacturing, where we have significant customer concentration, and regions of the country, such as the Midwest and Southeast, where we have a significant amount of

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business. Economic conditions may adversely affect our customers and their demand for and ability to pay for our services. We may be required to increase our allowance for doubtful accounts for customers encountering adverse economic conditions.

Economic conditions that decrease shipping demand or increase the supply of available tractors and trailers can exert downward pressure on rates and equipment utilization, thereby decreasing asset productivity. For our USAT Logistics segment, imbalance between capacity and demand is usually favorable to our financial performance, while market equilibrium is usually unfavorable to our financial performance as logistics services are generally of less value to either shippers or carriers in such environment. 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:

•we may experience low overall freight levels, which may reduce our asset utilization;

•freight patterns may change as supply chains are redesigned, resulting in an imbalance between our capacity and our customers' freight demand;

•customers may bid out freight or utilize competitors that offer lower rates in an attempt to lower their costs, and we might be forced to lower our rates or lose freight;

•we may be forced to accept more loads from freight brokers, where freight rates are typically lower, or may be forced to incur more non-revenue generating miles to obtain loads; and

•lack of access to current sources of capital, leading to an inability to secure financing on satisfactory terms, or at all.

We are subject to cost increases that are outside our control that could materially reduce our profitability if we are unable to increase our rates sufficiently. Such costs include, but are not limited to, increases in driver and office employee wages, fuel prices, purchased transportation costs, taxes, interest rates, tolls, license and registration fees, insurance and claims, revenue equipment and related maintenance, tires and other components and healthcare and other benefits for our employees. Further, we may not be able to appropriately adjust our costs to changing market demands. In order to maintain high efficiencies in our business model, it is necessary to adjust staffing levels to changing market demands. In periods of rapid change, it is more difficult to match our staffing level to our business levels.

Changing impacts of regulatory measures could adversely impact our operating efficiency and productivity, decrease our operating revenues and profitability, and result in higher operating costs. In addition, declines in the resale value of used revenue equipment can also affect our profitability and cash flows. From time to time, various federal, state, or local taxes could also increase, including taxes on fuel. We cannot predict whether, or in what form, any such increase will be enacted that may be applicable to us, but such an increase could adversely affect our results of operations.

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 in connection with such events could impair our operating efficiency and productivity and result in higher operating costs.

We operate in a highly competitive and fragmented industry, and numerous competitive factors could impair our ability to maintain or improve our results of operations.

Numerous competitive factors present in our industry could impair our ability to maintain or improve our current profitability and could have a materially adverse effect on our results of operations. These factors include the following:

•We compete with many other truckload carriers of varying sizes and, to a lesser extent, with less-than-truckload carriers, railroads, intermodal providers, freight brokers, and other transportation and logistics companies, many of which have access to more equipment and greater capital resources than we do.

•Many of our competitors periodically reduce their freight rates to gain business, especially during times of reduced growth rates in the economy or overcapacity, which may limit our ability to maintain or increase freight rates or maintain growth in our business or may require us to reduce our freight rates in order to maintain business and keep our equipment productive.

•We may increase the size of our fleet during periods of high freight demand during which our competitors also increase their capacity, and we may experience losses in greater amounts than such competitors during subsequent cycles of softened freight demand if we are required to dispose of assets at a loss to match reduced customer demand;
•Some of our customers are other transportation companies or also operate their own private trucking fleets, and they may decide to transport more of their own freight.

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•Many customers reduce the number of carriers they use by selecting so-called "core carriers" as approved service providers or by engaging dedicated providers, and in some instances we may not be selected as a core carrier.
•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.
•The market for qualified drivers is increasingly competitive, and our inability to attract and retain drivers could reduce our equipment utilization or cause us to increase compensation, both of which would adversely affect our profitability.
•Competition from non-asset-based and other logistics and freight brokerage companies may adversely affect customer relationships.
•Economies of scale that procurement aggregation providers may pass on to smaller carriers may improve their ability to compete with us.
•Advances in technology may require us to increase investments in order to remain competitive, and our customers may not be willing to accept higher freight rates to cover the cost of these investments.
•the USA Truck brand name is a valuable asset that is subject to the risk of adverse publicity (whether or not justified), which could result in the loss of value attributable to our brand and reduced demand for our services.
•Higher fuel prices and, in turn, higher fuel surcharges to our customers may cause some of our customers to consider freight transportation alternatives, including rail transportation.

We face various risks associated with stockholder activists, which may be disruptive to our business.

Activist stockholders have in the past advocated for certain changes at USA Truck and may attempt to gain representation on or control of our board of directors, through a proxy contest or other means, 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, a potential proxy contest, or an activist stockholder lawsuit 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' agendas, and could interfere with our ability to execute our strategic initiatives. Although we are not currently aware of any activist stockholders who own a substantial portion of our stock at this time, we cannot assure you that we will be able to agree to favorable terms with activist stockholders that might acquire an interest in our Company.

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

Our level of indebtedness and lease obligations is significant. As a result of our current level of debt, capital leases, operating leases and encumbered assets, we believe:
•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 and interest 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 may be limited;
•our results of operations and cash flows are 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 may 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;
•we may be placed at a competitive disadvantage relative to some of our competitors that have less, or less restrictive, debt than us; 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, our ability to satisfy our capital needs, or our ability to engage in other business activities or strategic opportunities. 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.

In the future, we may need to obtain additional financing that may not be available or, if it is available, may resul