USA TRUCK INC
Form 10-Q
April 30, 2018

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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 **March 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 - .

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)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	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 number of shares outstanding of the registrant's common stock, as of April 20, 2018, was 8,342,573.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
USA TRUCK, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(in thousands, except share data)

	March 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash	**$*6***	$*71*
Accounts receivable, net of allowance for doubtful accounts of $787 and $639, respectively	***56,444***	*55,138*
Other receivables	***2,711***	*2,787*
Inventories	***428***	*458*
Assets held for sale	***151***	*112*
Prepaid expenses and other current assets	***6,655***	*6,025*
Total current assets	***66,395***	*64,591*
Property and equipment:		
Land and structures	***31,679***	*31,452*
Revenue equipment	***249,132***	*252,484*
Service, office and other equipment	***26,363***	*26,209*
Property and equipment, at cost	***307,174***	*310,145*
Accumulated depreciation and amortization	***(127,471)***	*(122,329)*
Property and equipment, net	***179,703***	*187,816*
Other assets	***1,386***	*1,448*
Total assets	**$*247,484***	$*253,855*
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	**$*31,854***	$*24,332*
Current portion of insurance and claims accruals	***14,922***	*13,552*
Accrued expenses	***10,619***	*9,108*
Current maturities of capital leases	***8,172***	*12,929*
Insurance premium financing	***1,330***	*4,115*
Total current liabilities	***66,897***	*64,036*
Deferred gain	***429***	*480*
Long-term debt	***53,750***	*61,225*
Capital leases, less current maturities	***27,600***	*29,216*
Deferred income taxes	***20,187***	*21,136*
Insurance and claims accruals, less current portion	***11,274***	*11,274*

Total liabilities	***180,137***	*187,367*
Stockholders' equity:		
Preferred Stock, $0.01 par value; 1,000,000 shares authorized; none issued	**--**	--
Common Stock, $0.01 par value; 30,000,000 shares authorized; issued 12,090,812 shares, and 12,142,391 shares, respectively	***121***	*121*
Additional paid-in capital	***66,397***	*68,667*
Retained earnings	***66,495***	*65,460*
Less treasury stock, at cost (3,849,683 shares, and 3,853,064 shares, respectively)	***(65,666***)	*(67,760*)
Total stockholders' equity	***67,347***	*66,488*
Total liabilities and stockholders' equity	**$*247,484***	$*253,855*

See accompanying notes to condensed consolidated financial statements.

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**USA TRUCK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (UNAUDITED)**
(in thousands, except per share data)

	Three Months Ended March 31,	
	2018	2017
Revenue		
Operating revenue	**$*125,013***	$*101,670*
Operating expenses		
Salaries, wages and employee benefits	***32,237***	*30,639*
Fuel and fuel taxes	***13,479***	*10,774*
Depreciation and amortization	***7,180***	*7,644*
Insurance and claims	***5,602***	*8,332*
Equipment rent	***2,718***	*2,114*
Operations and maintenance	***7,961***	*6,571*
Purchased transportation	***49,038***	*37,403*
Operating taxes and licenses	***502***	*950*
Communications and utilities	***713***	*666*
Gain on disposal of assets, net	***(169*** **)**	*(260*)
Reversal of restructuring, impairment and other costs	***(639*** **)**	--
Other	***3,999***	*3,236*
Total operating expenses	***122,621***	*108,069*
Operating income (loss)	***2,392***	*(6,399*)
Other expenses		
Interest expense, net	***818***	*1,003*
Other, net	***120***	*98*
Total other expenses, net	***938***	*1,101*
Income (loss) before income taxes	***1,454***	*(7,500*)
Income tax expense (benefit)	***419***	*(2,610*)
Net income (loss) and comprehensive income (loss)	**$*1,035***	$*(4,890*)
Net earnings (loss) per share		
Average shares outstanding (basic)	***8,035***	*7,998*
Basic earnings (loss) per share	**$*0.13***	$*(0.61*)

Average shares outstanding (diluted)	***8,040***	*7,998*
Diluted earnings (loss) per share	**$*0.13***	$*(0.61*)

See accompanying notes to condensed consolidated financial statements.

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**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, 2017	*12,142*	$ *121*	$ *68,667*	$ *65,460*	$ *(67,760)*	$ *66,488*
Issuance of treasury stock	--	--	*(2,094)*	--	*2,094*	--
Stock-based compensation	--	--	*(136)*	--	--	*(136)*
Restricted stock award grant	--	--	--	--	--	--
Forfeited restricted stock	*(49)*	--	--	--	--	--
Net share settlement related to restricted stock vesting	*(2)*	--	*(40)*	--	--	*(40)*
Net income	--	--	--	*1,035*	--	*1,035*
Balance at March 31, 2018	***12,091***	**$ *121***	**$ *66,397***	**$ *66,495***	**$ *(65,666)***	**$ *67,347***

See accompanying notes to condensed consolidated financial statements.

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USA TRUCK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Three Months Ended March 31, 2018	2017
Operating activities:		
Net income (loss)	**$*1,035***	$*(4,890)*
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	***7,180***	*7,644*
Deferred income tax, net	***(949)***	*(3,723)*
Share-based compensation	***(136)***	*21*
Gain on disposal of assets, net	***(169)***	*(260)*
Reversal of restructuring, impairment and other costs	***(639)***	--
Other	***(51)***	*(19)*
Changes in operating assets and liabilities:		
Accounts receivable	***(1,230)***	*573*
Inventories and prepaid expenses	***(598)***	*(275)*
Accounts payable and accrued liabilities	***9,734***	*4,929*
Insurance and claims accruals	***1,369***	*3,737*
Other long-term assets and liabilities	***61***	*31*
Net cash provided by operating activities	***15,607***	*7,768*
Investing activities:		
Capital expenditures	***(307)***	*(2,312)*
Proceeds from sale of property and equipment	***1,308***	*4,739*
Proceeds from operating sale leaseback	**--**	*10,980*
Net cash provided by investing activities	***1,001***	*13,407*
Financing activities:		
Borrowings under long-term debt	***5,878***	*6,305*
Payments on long-term debt	***(16,138)***	*(24,044)*
Payments on capitalized lease obligations	***(6,373)***	*(2,771)*
Net change in bank drafts payable	**--**	*(667)*
Net payments from stock based awards	***(40)***	--
Net cash used in financing activities	***(16,673)***	*(21,177)*
Decrease in cash	***(65)***	*(2)*
Cash:		
Beginning of period	***71***	*122*

End of period	**$*6***	$*120*
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	**$*834***	$*993*
Income taxes	--	--

See accompanying notes to condensed consolidated financial statements.

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USA TRUCK, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2018

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* month period ended *March 31, 2018* are *not* necessarily indicative of the results that *may* be expected for the year ended *December 31, 2018.* 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, 2017.*

References to the "Company," "we," "us," "our" or similar terms refer to USA Truck, Inc. and its subsidiary.

NOTE *2* – NEW ACCOUNTING PRONOUNCEMENTS

In *May 2014,* the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") *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 revenue 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 provides for 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 modified retrospective approach with the cumulative effect of initially adopting ASU *2014-09* recognized at the date of adoption (which includes additional footnote disclosures). Transportation revenue within our USAT Logistics segment under the new standard changed from recognition of revenue at completion to recognizing revenue proportionately as the transportation services are performed. This change did *not* materially impact our operations or IT infrastructure. In our Trucking segment, where revenue is recognized as services are provided, revenue recognition remained the same. The Company adopted ASU *2014-09* effective *January 1, 2018* using the modified retrospective method. The effect of adoption was immaterial to retained earnings at

January 1, 2018 and to net income for the *three* month period ended *March 31, 2018.*

In *February 2016,* the FASB issued ASU *No. 2016-02,* Leases, which requires lessees to recognize a right-to-use asset and a lease obligation for all leases. Lessees are permitted to make an accounting policy election to *not* recognize an asset and liability for leases with a term of *twelve* months or less. Lessor accounting under the new standard is substantially unchanged. Additional qualitative and quantitative disclosures, including significant judgments made by management, will be required. The new standard, which will become effective for the Company beginning with the *first* quarter *2019,* requires a modified retrospective transition approach and includes a number of practical expedients. Early adoption of the standard is permitted. The Company expects the adoption of this standard to have a material impact on our consolidated balance sheets but *not* our statement of operations. See Note *9* for further discussion of our lease types and positions.

NOTE *3* – REVENUE RECOGNITION

Revenue is measured based upon consideration specified in a contract with a customer. The Company recognizes revenue when contractual performance obligations are satisfied by transferring the benefit of the service to our customer. The benefit is transferred to the customer as the service is being provided and revenue is recognized accordingly via time based metrics. The Company is entitled to receive payment as it satisfies performance obligations with customers. Our business consists of *two* reportable segments, Trucking and USAT Logistics. For more detailed information about our reportable segments, see Note *4.*

Trucking

Trucking is comprised of *one*-way truckload and dedicated freight motor carrier services. Truckload provides motor carrier services as a medium- to long-haul common and contract carrier. USA Truck has provided truckload motor carrier services since its inception, and continues to derive the largest portion of its gross revenue from these services. Dedicated freight provides truckload motor carrier services to specific customers for movement of freight over particular routes at specified times. Trucking revenue is recognized as performance obligations are satisfied throughout the service provided.

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USAT Logistics

USAT Logistics' service offerings consist of freight brokerage and rail intermodal services. The Company engages *third*-party carriers to move shipments for USAT Logistics customers. Since USAT Logistics has the ability to direct the actions of the *third*-party carrier, USAT Logistics is the principal in these transactions. Therefore, USAT Logistics will recognize revenue upon satisfaction of its contractual performance obligations by recognizing the gross amount of consideration as revenue and the consideration paid to the carrier as purchased transportation throughout the service provided.

Disaggregation of revenue

The Company's revenue types are line haul, fuel surcharge and accessorial. Line haul revenue represents the majority of our revenue and consists of fees earned for freight transportation, excluding fuel surcharge. Fuel surcharge revenue consists of additional fees earned by the Company in connection with the performance of line haul services to partially or completely offset the cost of fuel. Accessorial revenue consists of ancillary services provided by the Company, including but *not* limited to, stop-off charges, loading and unloading charges, tractor or trailer detention charges, expedited charges, repositioning charges, etc. These accessorial charges are recognized as revenue throughout the service provided. The following tables set forth revenue disaggregated by revenue type (in thousands):

	Three Months Ended March 31, 2018		
Revenue type	Trucking	USAT Logistics	Total
Freight	$*66,804*	$*40,478*	$*107,282*
Fuel surcharge	*11,175*	*3,559*	*14,734*
Accessorial	*754*	*2,243*	*2,997*
Total	$*78,733*	$*46,280*	$*125,013*

	Three Months Ended March 31, 2017		
Revenue type	Trucking	USAT Logistics	Total
Freight	$*59,850*	$*28,101*	$*87,951*
Fuel surcharge	*9,187*	*2,655*	*11,842*
Accessorial	*1,243*	*634*	*1,877*
Total	$*70,280*	$*31,390*	$*101,670*

NOTE *4* – EQUITY COMPENSATION AND EMPLOYEE BENEFIT PLANS

The Company adopted the *2014* Omnibus Incentive Plan (the “Incentive Plan”) in *May 2014.* The Incentive Plan replaced the *2004* Equity Incentive Plan and provided for the granting of up to *500,000* shares of common stock through equity-based awards to directors, officers and other key employees and consultants. The First Amendment to the Incentive Plan was adopted in *May 2017,* which, among other things, increased the number of shares of common stock available for issuance under the Incentive Plan by an additional *500,000* shares. As of *March 31, 2018, 546,697* shares remain available under the Incentive Plan for the issuance of future equity-based compensation awards.

NOTE *5* – SEGMENT REPORTING

The Company’s *two* reportable segments are Trucking and USAT Logistics.

Trucking. Trucking is comprised of *one*-way truckload and dedicated freight motor carrier services. Truckload provides motor carrier services as a medium to long-haul common and contract carrier. USA Truck has provided truckload motor carrier services since its inception, and continues to derive the largest portion of its gross revenue from these services. Dedicated freight provides truckload motor carrier services to specific customers for movement of freight over particular routes at specified times.

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USAT Logistics. USAT Logistics' service offerings consist of freight brokerage, logistics, and rail intermodal services. Each of these service offerings match customer shipments with available equipment of authorized *third*-party motor carriers and other service providers and provide services that complement the Company's Trucking operations. The Company provides these services primarily to existing Trucking customers, many of whom prefer to rely on a single service provider, or a small group of service providers, to provide all their transportation solutions.

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

Revenue equipment assets are *not* allocated to USAT Logistics as freight services for customers are brokered through arrangements with *third*-party motor 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 USAT Logistics based on the Company-owned assets specifically utilized to generate USAT Logistics revenue. All intercompany transactions between segments reflect rates similar to those that would be negotiated with independent *third* parties. All other expenses for USAT Logistics are specifically identifiable direct costs or are allocated to USAT Logistics based on relevant cost drivers, as determined by management.

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

	Three Months Ended March 31,	
Operating revenue	**2018**	2017
Trucking revenue (1)	**$*78,846***	$*70,471*
Trucking intersegment eliminations	***(113)***	*(191)*
Trucking operating revenue	***78,733***	*70,280*
USAT Logistics revenue (2)	***46,775***	*32,650*
USAT Logistics intersegment eliminations	***(495)***	*(1,260)*
USAT Logistics operating revenue	***46,280***	*31,390*
Total operating revenue	**$*125,013***	$*101,670*

(*1*) Includes foreign revenue of *$9.9* million and *$8.8* million for the *three* months ended *March 31, 2018* and *2017,* respectively. All foreign revenue is collected in U.S. dollars.

(*2*) USAT Logistics de Mexico was dissolved during the *first* quarter of *2018.*

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

	Three Months Ended March 31,	
Operating income (loss)	**2018**	2017
Trucking	**$*(464*)**	$*(7,128)*
USAT Logistics	***2,856***	*729*
Total operating income (loss)	**$*2,392***	$*(6,399)*

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

	Three Months Ended March 31,	
Depreciation and amortization	**2018**	2017
Trucking	**$*7,026***	$*7,564*
USAT Logistics	***154***	*80*
Total depreciation and amortization	**$*7,180***	$*7,644*

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NOTE *6* – ACCRUED EXPENSES

Accrued expenses consisted of the following (in thousands):

Accrued expenses	**March 31, 2018**	December 31, 2017
Salaries, wages and employee benefits	**$*4,862***	$ *3,604*
Federal and state tax accruals	***4,684***	*3,587*
Restructuring, impairment and other costs (1)	**--**	*770*
Other (2)	***1,073***	*1,147*
Total accrued expenses	**$*10,619***	$ *9,108*

(*1*) Refer to Note *13* for additional information regarding the restructuring, impairment and other costs.

(2) As of *March 31, 2018* and *December 31, 2017, no* single item included within other accrued expenses exceeded *5.0%* of our total current liabilities.

NOTE *7* – INSURANCE PREMIUM FINANCING

In *October 2017,* the Company executed an unsecured note payable for *$4.1* million to a *third*-party financing company for a portion of the Company's annual insurance premiums. The note, which is payable in installments of principal and interest of approximately *$1.4* million, bears interest at *3.0%* and matures in *October 2018.* The balance of the note payable as of *March 31, 2018* was *$1.3* million.

NOTE *8* – LONG-TERM DEBT

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

	March 31, 2018	December 31, 2017
Revolving credit agreement	**$*53,750***	$ *61,225*

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 and terminated its prior credit 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 between *0.25%* and *1.00%* that is adjusted quarterly based on the Company's consolidated fixed charge coverage ratio. LIBOR loans accrue interest at the London Interbank Offered Rate ("LIBOR") plus an applicable margin between *1.25%* and *2.00%* that is adjusted *two* days prior to each *30*-day interest period for a term equivalent to such period 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 swingline sub-facility (the "Swingline") 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, except for any real estate or revenue equipment financed outside the Credit Facility.

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 by 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.

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The Credit Facility contains a single financial covenant, which requires a consolidated fixed charge coverage ratio of at least *1.0* to *1.0* that springs in the event excess availability under the Credit Facility falls below *10%* of the lenders' total commitments. Also, certain restrictions regarding the Company's ability to pay dividends, make certain investments, prepay certain indebtedness, execute share repurchase programs and enter into certain acquisitions and hedging arrangements are triggered in the event excess availability under the Credit Facility falls below *20%* of the lenders' total commitments. Management believes the Company's excess availability will *not* fall below *20%,* or *$34.0* million, and expects the Company to remain in compliance with all debt covenants during the next *twelve* months.

The Company had *no* overnight borrowings under the Swingline as of *March 31, 2018.* The average interest rate including all borrowings made under the Credit Facility as of *March 31, 2018,* was *3.33%.* As debt is repriced on a monthly basis, the borrowings under the Credit Facility approximate fair value. As of *March 31, 2018,* the Company had outstanding *$5.4* million in letters of credit and had approximately *$73.2* million available to borrow under the Credit Facility.

Note *9* – LEASES AND Commitments

As of *March 31, 2018,* 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):

	2018	2019	2020	2021	2022	Thereafter
Capital leases	$*8,936*	$*11,836*	$*14,642*	$*326*	$*326*	$ *1,497*
Operating leases	*10,658*	*7,803*	*3,405*	*523*	*290*	*411*

CAPITAL LEASES

The Company 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
March 31, 2018	**$ *50,263***	**$ *14,576***	**$*35,687***

December 31, 2017	*66,785*	*23,254*	*43,531*

The Company has capitalized lease obligations relating to revenue equipment as of *March 31, 2018* of *$35.8* million, of which *$8.2* million represents the current portion. Such leases have various termination dates extending through *November 2024* and contain renewal or fixed price purchase options. The effective interest rates on the leases range from *nil* to *3.11%* as of *March 31, 2018.* The lease agreements require payment of property taxes, maintenance and operating and non-operating expenses. Amortization of capital leases was *$1.4* million and *$1.9* million for the *three* months ended *March 31, 2018* and *2017,* respectively.

OPERATING LEASES

Rent expense associated with operating leases was *$3.0* million and *$2.5* million for the *three* months ended *March 31, 2018* and *2017,* respectively. Rent expense relating to tractors, trailers and other operating equipment is included in the “Equipment rent,” line item while rent expense relating to office equipment is included in the “Operations and maintenance” line item in the accompanying condensed consolidated statements of operations and comprehensive income (loss).

OTHER COMMITMENTS

As of *March 31, 2018,* the Company had *$58.1* million in commitments for purchases of revenue equipment, of which *none* are cancellable.

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NOTE *10* – INCOME tAXES

During the *three* months ended *March 31, 2018* and *2017,* the Company's effective tax rate was *28.8%* and *34.8%,* respectively. The Company's effective tax rate, when compared to the federal statutory rate of *21%,* is primarily affected by state income taxes, net of federal income tax effect, and permanent differences, the most significant of which is the effect of the partially non-deductible per diem pay structure for our drivers. 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. Per diem pay is partially non-deductible by the Company under current IRS regulations. As a result, salaries, wages and employee benefits costs are slightly lower and effective income tax rates are higher than the statutory rate. Due to the partially non-deductible effect of per diem pay, the Company's tax rate will change based on fluctuations in earnings (losses) and in the number of drivers who elect to receive this pay structure. Generally, as pretax income or loss increases, the impact of the driver per diem program on the Company's effective tax rate decreases, because aggregate per diem pay becomes smaller in relation to pretax income or loss, 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.

When the result of the expected annual effective tax rate is *not* deemed reliable and distorts the income tax provision for an interim period, the Company calculates the income tax provision or benefit using the cut-off method, which results in an income tax provision or benefit based solely on the year-to-date pretax income or loss as adjusted for permanent differences on a pro rata basis.

NOTE *11* – EARNINGS (LOSS) PER SHARE

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

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

	Three Months Ended

	March 31,	
Numerator:	**2018**	2017
Net income (loss)	**$*1,035***	$*(4,890*)
Denominator:		
Denominator for basic earnings (loss) per share – weighted average shares	***8,035***	*7,998*
Effect of dilutive securities:		
Employee restricted stock	***5***	--
Denominator for diluted earnings (loss) per share – adjusted weighted average shares and assumed conversion	***8,040***	*7,998*
Basic earnings (loss) per share	**$*0.13***	$*(0.61*)
Diluted earnings (loss) per share	**$*0.13***	$*(0.61*)
Weighted average anti-dilutive restricted stock	**--**	*4*

NOTE *12* – LEGAL PROCEEDINGS

The Company 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 management believes these claims to be 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 financial position or results of operations in any given reporting period.

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NOTE *13* – RESTRUCTURING, IMPAIRMENT AND OTHER COSTS

During the *three* months ended *March 31, 2018,* the Company's Trucking maintenance facility in South Holland, Illinois was reopened, after having been closed in the *first* quarter of *2016.* Restructuring, impairment and other costs relating to the closure in the amount of *$0.6* million were reversed during the *three* months ended *March 31, 2018.*

The following tables summarize the Company's liabilities, charges, and cash payments related to the restructuring plan made during the *three* months ended *March 31, 2018 (*in thousands):

	Accrued Balance December 31, 2017	Costs Incurred	Payments	Expenses/ Charges	**Accrued Balance March 31, 2018**
Compensation and benefits	$ --	$ --	$ --	$ --	**$ --**
Facility closing expenses	*770*	*(639*)	*(131*)	--	**--**
Total	$ *770*	$ *(639*)	$ *(131*)	$ --	**$ --**

	Three Months Ended March 31,	
Costs incurred	**2018**	2017
Trucking	**$*(587)***	$*4,848*
USAT Logistics	***(52)***	*416*
Total	**$*(639)***	$*5,264*

On *March 26, 2018,* the Company announced the retirement of Mr. James A. Craig, the Company's Executive Vice President, Chief Commercial Officer, and President – USAT Logistics. In connection with Mr. Craig's retirement, the Executive Compensation Committee (the "Committee") approved a separation agreement (the "Separation Agreement") effective *March 23, 2018.* The material terms of the Separation Agreement are as follows: (i) Mr. Craig will receive salary continuation through *May 31, 2018, (*ii) non-compete payments equal to his current salary for a period of *twelve* months subject to ongoing compliance with certain non-competition, non-solicitation, non-disparagement, and confidentiality covenants in favor of the Company, (iii) a prorated cash payment, if and to the extent earned, under the short-term cash incentive compensation program adopted by the Committee for *2018,* and (iv) accelerated vesting of *5,488* shares of time-vested restricted stock of the Company scheduled to vest on *July 30, 2018* and *5,488* shares of performance-vested restricted stock of the Company scheduled to vest on *July 30, 2018* depending on performance relative to USAT Logistics performance goals. At *March 31, 2018,* the Company has accrued severance costs associated with the Mr. Craig's retirement of approximately *$0.7* million, which were recorded in the "Salaries, wages and employee benefits" line item in the accompanying condensed consolidated statements of operations and comprehensive income (loss).

The following tables summarize the Company's liabilities, charges, and cash payments related to executive severance agreements made during the *three* months ended *March 31, 2018 (*in thousands):

	Accrued Balance December 31, 2017	Costs Incurred	Payments	Expenses/ Charges	**Accrued Balance March 31, 2018**
Severance costs included in salaries, wages and employee benefits	$ *35*	$ *711*	$ *35*	$ --	**$ *711***

	Three Months Ended March 31,	
Costs incurred	**2018**	2017
Trucking	**$*484***	$*586*
USAT Logistics	***227***	*231*
Total	**$*711***	$*817*

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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, 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 Quarterly Report on Form 10-Q, statements relating to:

future driver market,
future ability to grow market share,
future driver and customer-facing employee compensation,
future ability and 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,
future safety performance,
future profitability,
future deployment of technology, including front and inside-facing event recorders,
future industry capacity,
future effects of restructuring actions,
future pricing rates and freight network,
future fuel prices and surcharges, fuel efficiency and hedging arrangements,
future insurance and claims and litigation expense,
future salaries, wages and employee benefits costs,
future purchased transportation use and expense,
future operations and maintenance costs,
future USAT Logistics growth and profitability,

future asset sales of non-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,
expected liquidity and sources of capital resources, including the mix of capital and operating leases,
future size of our 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," "intends," "plans," "goals," "may," "will," "would," "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, 2017 and other filings with the Securities and Exchange Commission (the "SEC").

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, 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" 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 our business, the organization of our operations and the service offerings that comprise our operations.

Results of Operations – an analysis of the consolidated results of operations for the periods presented in the condensed consolidated financial statements included in this filing 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.

Our Business

USA Truck offers a broad range of truckload motor carrier and freight brokerage and logistics services to a diversified customer base that spans a variety of industries. The Company has two reportable segments: (i) Trucking, consisting of one-way truckload motor carrier services, in which volumes typically are not contractually committed, and dedicated contract motor carrier services, in which a combination of equipment and drivers is contractually committed to a particular customer, typically for a duration of at least one year, subject to certain cancellation rights, and (ii) USAT Logistics, consisting of freight brokerage, logistics, and rail intermodal service offerings.

The Trucking segment provides one-way truckload transportation, including dedicated services, of various products, goods and materials. The Trucking segment primarily uses its own purchased or leased tractors and trailers to provide services to customers and is commonly referred to as “asset-based” trucking. The Company’s USAT Logistics services match customer shipments with available equipment of authorized third-party motor carriers and other service providers and provide services that complement the Company’s Trucking operations. USAT Logistics provides these services primarily to existing Trucking customers, many of whom prefer to rely on a single service provider, or a small group of service providers, to provide all their transportation solutions.

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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, the number of tractors in operation, and the number of revenue-generating miles per tractor. The Company supplements its Trucking operating revenue by charging for fuel surcharge and ancillary services such as stop-off pay, loading and unloading activities, tractor and trailer detention and other similar services.

Operating expenses that have a major impact on the profitability of the Trucking segment fall into two categories: variable and fixed. Variable costs, or mostly variable costs, constitute the majority of the costs associated with transporting freight for customers, and include driver wages and benefits, fuel and fuel taxes, payments to independent contractors for purchased transportation, operating and maintenance expense and insurance and claims expense. These costs vary primarily according to miles operated, but also have controllable components based on percentage of compensated miles, shop and dispatch efficiency, and safety and claims experience.

The most significant fixed costs, or mostly fixed costs, include the capital costs of our assets (depreciation, rent and interest), compensation of non-driving employees and portions of insurance and maintenance expenses. These expenses are partially controllable through management of fleet size and facilities infrastructure, headcount efficiency, and operating safely.

Fuel and fuel tax expense can fluctuate significantly with changes in diesel fuel prices and is one of our most volatile variable expenses. To mitigate the Company's exposure to fuel price increases, it recovers from its customers fuel surcharges that historically have recouped 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 the Company's fuel surcharge program mitigates some exposure to rising fuel costs, the Company continues to have exposure to increasing fuel costs related to empty miles, out-of-route 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 higher fuel costs, 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 in fuel surcharge revenue as it pays for fuel. In periods of declining prices, the opposite is true.

The key statistics used to evaluate Trucking segment performance, net of fuel surcharge revenue, include (i) base Trucking revenue per available tractor per week, (ii) average base revenue per loaded mile, (iii) loaded miles per available tractor per week, (iv) deadhead percentage, (v) average loaded miles per trip, (vi) average number of available tractors and (vii) adjusted operating ratio. In general, the Company's loaded miles per available 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 mostly beyond the Company's control, as well as by its sales and marketing efforts, service levels and efficiency of its operations, over which the Company has significant control.

Unlike the Trucking segment, the USAT Logistics 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 USAT Logistics segment is purchased transportation expense. Other operating expenses consist primarily of salaries, wages and employee benefits. The Company evaluates the financial performance of the USAT Logistics segment by reviewing gross margin (USAT Logistics operating revenue less purchased transportation expense) and the gross margin percentage (USAT Logistics operating revenue less purchased transportation expense expressed as a percentage of USAT Logistics operating revenue). The gross margin can be impacted by the rates charged to customers and the costs of securing third-party capacity. USAT Logistics often achieves better gross margins during periods of imbalance between supply and demand than times of balanced supply and demand, although periods of transition to tight capacity also can compress margins.

We plan to continue our focus on improving results through disciplined network management and pricing, enhanced partnerships with customers, and improved execution in our day-to-day operations, as well as our ongoing safety initiatives. By focusing on these key objectives, management believes it will make progress on its goals of improving the Company’s operating performance and increasing stockholder value.

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Results of Operations

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

	Three Months Ended March 31, **2018**			2017			
	$	**% Operating Revenue**	**% Adjusted Operating Ratio (1)**	$	% Operating Revenue	% Adjusted Operating Ratio (1)	% Change in Dollar Amounts
Base revenue	**$110,279**	**88.2 %**		$89,828	88.4 %		22.8 %
Fuel surcharge revenue	**14,734**	**11.8**		11,842	11.6		24.4
Operating revenue	**$125,013**	**100.0 %**		$101,670	100.0 %		23.0
Operating expenses	**122,621**	**98.1**	**97.8 %**	108,069	106.3	106.2 %	13.5
Operating income	**2,392**	**1.9**	**2.2**	(6,399)	(6.3)	(6.2)	(137.4)
Other expenses:							
Interest expense	**818**	**0.7**		1,003	0.9		(18.4)
Other, net	**120**	**0.1**		98	0.1		22.4
Total other expenses, net	**938**	**0.8**		1,101	1.0		(14.8)
Income (loss) before income taxes	**1,454**	**1.1**		(7,500)	(7.3)		119.4
Income tax expense (benefit)	**419**	**0.3**		(2,610)	(2.6)		(116.1)
Consolidated net income (loss)	**$1,035**	**0.8 %**		$(4,890)	(4.7)%		121.2 %

(1) Adjusted operating ratio is calculated as operating expenses, less restructuring, impairment and other costs and severance costs included in salaries, wages and employee benefits, net of fuel surcharge revenue, as a percentage of operating revenue excluding fuel surcharge revenue. See Note 13 of the footnotes in this Form 10-Q for additional information regarding these costs. Adjusted operating ratio is a non-GAAP financial measure. See “Use of Non-GAAP Financial Information”, “Consolidated Reconciliations” and “Segment Reconciliations” below for the uses and limitations associated with adjusted operating ratio and other non-GAAP financial measures.

Use of Non-GAAP Financial Information

The Company uses the terms “adjusted operating ratio” and “adjusted earnings (loss) per diluted share” throughout this Form 10-Q. Adjusted operating ratio and adjusted earnings (loss) per diluted share, as defined here, are non-GAAP financial measures as defined by the SEC. Management uses adjusted operating ratio and adjusted earnings (loss) per diluted share as supplements to the Company’s GAAP results in evaluating certain aspects of its business, as discussed below.

Adjusted operating ratio is calculated as operating expenses less restructuring, impairment and other costs and severance costs included in salaries, wages and employee benefits, net of fuel surcharge revenue, as a percentage of operating revenue excluding fuel surcharge revenue. Adjusted earnings (loss) per diluted share is defined as net income (loss) per share plus the per share impact of restructuring, impairment and other, and severance costs included in salaries, wages and employee benefits, less the per share tax impact of those adjustments using a statutory income tax rate. The per share impact of each item is determined by dividing it by the weighted average diluted shares outstanding.

The Company’s chief operating decision-makers focus on adjusted operating ratio and adjusted earnings (loss) per diluted share as indicators of the Company’s performance from period to period.

Management believes removing the impact of the above described items from the Company’s operating results affords a more consistent basis for comparing results of operations. Management believes its presentation of adjusted operating ratio and adjusted earnings (loss) per diluted share is useful to investors and other users because it provides them the same information that we use internally for purposes of assessing our core operating performance.

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Adjusted operating ratio and adjusted earnings (loss) per diluted 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 (loss) per diluted share. Although management believes that adjusted operating ratio and adjusted earnings (loss) 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 (loss) per diluted share differently. As a result, it may be difficult to use adjusted operating ratio, adjusted earnings (loss) 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 S-K, reconciliations of non-GAAP financial measures to GAAP financial measures have been provided in the tables below (dollar amounts in thousands).

Consolidated Reconciliations

Adjusted operating ratio:

Consolidated	Three Months Ended March 31,	
	2018	2017
Operating revenue	**$125,013**	$101,670
Less:		
Fuel surcharge revenue	**14,734**	11,842
Base revenue	**$110,279**	$89,828
Operating expense	**$122,621**	$108,069
Adjusted for:		
Reversal of restructuring, impairment and other costs	**639**	--
Severance costs in salaries, wages and employee benefits	**(711)**	(817)
Fuel surcharge revenue	**(14,734)**	(11,842)
Adjusted operating expense	**$107,815**	$95,410
Operating ratio	**98.1 %**	106.3 %
Adjusted operating ratio	**97.8 %**	106.2 %

Adjusted earnings (loss) per diluted share:

Three Months Ended

	March 31,	
	2018	2017
Earnings (loss) per diluted share	**$0.13**	$(0.61)
Adjusted for:		
Severance costs in salaries, wages and employee benefits	**0.09**	0.10
Reversal of restructuring, impairment and other costs	**(0.08)**	--
Income tax effect of adjustments	**(0.00)**	(0.04)
Adjusted earnings (loss) per diluted share	**$0.14**	$(0.55)

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Segment Reconciliations

Trucking segment	Three Months Ended March 31,	
	2018	2017
Revenue	**$78,846**	$70,471
Less: intersegment eliminations	**113**	191
Operating revenue	**78,733**	70,280
Less: fuel surcharge revenue	**11,175**	9,187
Base revenue	**$67,558**	$61,093
Operating expense	**$79,197**	$77,408
Adjusted for:		
Reversal of restructuring, impairment and other costs	**587**	--
Severance costs in salaries, wages and employee benefits	**(484)**	(586)
Fuel surcharge revenue	**(11,175)**	(9,187)
Adjusted operating expense	**$68,125**	$67,635
Operating ratio	**100.6 %**	110.1 %
Adjusted operating ratio	**100.8 %**	110.7 %

USAT Logistics segment	Three Months Ended March 31,	
	2018	2017
Revenue	**$46,775**	$32,650
Less: intersegment eliminations	**495**	1,260
Operating revenue	**46,280**	31,390
Less: fuel surcharge revenue	**3,559**	2,655
Base revenue	**$42,721**	$28,735
Operating expense	**$43,424**	$30,661
Adjusted for:		
Reversal of restructuring, impairment and other costs	**52**	--
Severance costs in salaries, wages and employee benefits	**(227)**	(231)
Fuel surcharge revenue	**(3,559)**	(2,655)
Adjusted operating expense	**$39,690**	$27,775
Operating ratio	**93.8 %**	97.7 %
Adjusted operating ratio	**92.9 %**	96.7 %

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Key Operating Statistics by Segment

	Three Months Ended March 31,	
Trucking:	**2018**	2017
Operating revenue *(in thousands)*	**$78,733**	$70,280
Operating loss *(in thousands)* (1)	**(464)**	(7,128)
Operating ratio (2)	**100.6 %**	110.1 %
Adjusted operating ratio (3)	**100.8 %**	110.7 %
Total miles *(in thousands)* (4)	**38,542**	40,449
Deadhead percentage (5)	**12.7 %**	13.2 %
Base revenue per loaded mile	**$2.009**	$1.740
Average number of seated tractors (6)	**1,534**	1,563
Average number of available tractors (7)	**1,619**	1,653
Average number of in-service tractors (8)	**1,654**	1,704
Loaded miles per available tractor per week	**1,616**	1,652
Base revenue per available tractor per week	**$3,246**	$2,875
Average loaded miles per trip	**539**	579
USAT Logistics:		
Operating revenue *(in thousands)*	**$46,280**	$31,390
Operating income *(in thousands)* (1)	**2,856**	729
Gross margin *(in thousands)* (9)	**7,884**	5,359
Gross margin percentage (10)	**17.0 %**	17.1 %

(1) Operating income (loss) is calculated by deducting operating expenses from operating revenue.
(2) Operating ratio is calculated as operating expenses as a percentage of operating revenue.
(3) Adjusted operating ratio is calculated as operating expenses less restructuring, impairment and other costs, and severance costs included in salaries, wages and employee benefits, net of fuel surcharge revenue, as a percentage of operating revenue excluding fuel surcharge revenue.
(4) Total miles include both loaded and empty miles.
(5) Deadhead percentage is calculated by dividing empty miles into total miles.
(6) Seated tractors are those occupied by a driver, both Company-paid and independent contractor.
(7) Available tractors are all those Company-tractors that are available to be dispatched, including available unseated tractors, and our independent contractor fleet.
(8) In-service tractors include all of the tractors in the Company fleet, including Company-operated tractors and independent contractors.
(9) Gross margin is calculated by deducting purchased transportation expense from USAT Logistics operating revenue.
(10) Gross margin percentage is calculated as gross margin divided by USAT Logistics operating revenue.

Results of Operations—Segment Review

Trucking operating revenue

During the three months ended March 31, 2018, Trucking operating revenue increased 12.0% to $78.7 million, compared to $70.3 million for the same period in 2017. Trucking base revenue increased 10.6% to $67.6 million, compared to $61.1 million for the first quarter of 2017. The increase in operating revenue was the result of a 15.5% increase in base revenue per loaded mile, partially offset by a 4.2% decrease in loaded miles. Looking ahead, the Company expects year-over-year improvements in rate per mile when compared to those experienced during the prior year due to the favorable relationship between industry capacity and demand and the implementation of Company initiatives.

Trucking operating loss

For the first quarter of 2018, Trucking reported an operating loss of $0.5 million compared to an operating loss of $7.1 million for the same period in 2017, primarily resulting from a 12.9% increase in base revenue per available tractor per week, offset slightly by a 2.1% decrease in average available tractor count driving 4.2% fewer loaded miles.

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USAT Logistics operating revenue

For the three months ended March 31, 2018, USAT Logistics operating revenue increased 47.4% to $46.3 million compared to $31.4 million for the same period in 2017. The year-over-year change in operating revenue was the result of a 45.3% increase in revenue per load combined with a 1.5% increase in load volume. Additionally, USAT Logistics saw higher volumes when compared to the same period last year, driven primarily by increased spot market participation due to favorable movement in industry demand relative to capacity.

USAT Logistics operating income

USAT Logistics generated operating income of $2.9 million in the first quarter of 2018, an increase of $2.1 million, or 291.8%, compared to $0.7 million in the first quarter of 2017. As mentioned above, the 47.4% increase in operating revenue and 1.5% increase in load volume contributed primarily to the growth in operating income.

Consolidated Operating Expenses

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

	Three Months Ended March 31,						
	2018			2017			% Change
Operating Expenses:	**$**	**% Operating Revenue**	Adjusted Operating Ratio (1)	$	% Operating Revenue	Adjusted Operating Ratio (1)	2018 to 2017
Salaries, wages and employee benefits	**$32,237**						