QUALITY DISTRIBUTION INC Form 10-Q August 06, 2013 Table of Contents

# 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 June 30, 2013

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: 000-24180

# **Quality Distribution, Inc.**

(Exact name of registrant as specified in its charter)

Florida (State or other jurisdiction of

59-3239073 (I.R.S. Employer

incorporation or organization)

Identification No.)

4041 Park Oaks Boulevard, Suite 200, Tampa, FL (Address of Principal Executive Offices)

33610 (Zip Code)

813-630-5826

(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 or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer " Accelerated filer x

Non-accelerated filer "(Do not check if a smaller reporting company) Smaller reporting company Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes "No x

As of August 1, 2013, the registrant had 26,905,339 shares of Common Stock, no par value, outstanding.

# QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

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# QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

#### PART I FINANCIAL INFORMATION

#### ITEM 1 FINANCIAL STATEMENTS

# **Consolidated Statements of Operations**

# **Unaudited (In 000 s, Except Per Share Amounts)**

	Three mor	nths ended	Six mont June	
	2013	2012	2013	2012
OPERATING REVENUES:				
Transportation	\$ 174,647	\$ 150,519	\$ 338,641	\$ 283,725
Service revenue	32,705	30,034	66,159	58,019
Fuel surcharge	31,944	32,180	63,918	62,904
Total operating revenues	239,296	212,733	468,718	404,648
ODED A TIME DVDENGEG				
OPERATING EXPENSES:	150 200	1.42.200	202.252	074.106
Purchased transportation	150,380	142,309	293,252	274,186
Compensation	25,501	18,516	51,971	35,147
Fuel, supplies and maintenance	26,328	18,445	53,346	32,911
Depreciation and amortization	6,729	4,622	13,422	8,413
Selling and administrative Insurance costs	8,155	10,089	15,634	16,599
	4,373	4,139	8,870	7,358
Taxes and licenses	1,308	624	2,251	1,372
Communication and utilities	922	907	2,017	1,744
Loss (gain) on disposal of property and equipment	1,591	(362)	(1,498)	(364)
Impairment charge	55,692		55,692	
Total operating expenses	280,979	199,289	494,957	377,366
Operating (loss) income	(41,683)	13,444	(26,239)	27,282
Interest expense	7,884	7,180	15,607	14,369
Interest income	(234)	(229)	(445)	(408)
Other (income) expense, net	(271)	72	(7,243)	(164)
(Loss) income before income taxes	(49,062)	6,421	(34,158)	13,485
Benefit from income taxes	(17,915)	(22,383)	(12,155)	(22,019)
Net (loss) income	\$ (31,147)	\$ 28,804	\$ (22,003)	\$ 35,504
PER SHARE DATA:				
Net (loss) income per common share				
Basic	\$ (1.18)	\$ 1.07	\$ (0.83)	\$ 1.38
Diluted	\$ (1.18)	\$ 1.04	\$ (0.83)	\$ 1.34
Weighted-average number of shares				
Basic	26,460	26,804	26,542	25,675

Diluted 26,460 27,600 26,542 26,516

The accompanying notes are an integral part of these consolidated financial statements.

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# QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

# **Consolidated Statements of Comprehensive Income**

# Unaudited (In 000 s)

	Three mon June		Six month June	
	2013	2012	2013	2012
Net (loss) income	\$ (31,147)	\$ 28,804	\$ (22,003)	\$ 35,504
Other comprehensive income, net of tax:	207	200	772	776
Amortization of prior service costs and losses	387	388	773	776
Foreign currency translation adjustment	56	45	91	6
Total other comprehensive income, net of tax	443	433	864	782
Comprehensive (loss) income	\$ (30,704)	\$ 29,237	\$ (21,139)	\$ 36,286

The accompanying notes are an integral part of these consolidated financial statements.

# QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

#### **Consolidated Balance Sheets**

# Unaudited (In 000 s)

ASSETS           Carbent acsets:         129650         13,096           Prepaid expenses         12,492         14,651           Deferred tax asset, net         20,866         16,009           Other         8,309         9,694           Total current assets         173,759         157,564           Property and equipment, net         177,206         190,342           Assets held-for-sale         2,691         2           Goodwill         50,553         104,294           Intagibles, net         35,996         37,654           Non-current deferred tax asset, net         2,691         12,701           Other assets         21,720         11,713           Other assets         21,720         11,713           Other assets         \$74,396         \$ 513,603           LIABILITIES AND SHAREHOLDERS DEFICIT           Current maturities of indebtedness         \$2,371         \$ 3,918           Current maturities of indebtedness         \$2,371         \$ 3,918           Current maturities of indebtedness         \$2,371         \$ 3,918           Current maturities of indebtedness         \$1,781         4,782           Current maturities of indebtedness.         \$7,272         \$ 2		June 30, 2013	December 31, 2012	
Cash and cash equivalents         \$2,442         \$2,704           Accounts receivable, net         12,665         13,906           Prepaid expenses         12,402         14,615           Deferred tax asset, net         20,806         16,009           Other         8,309         187,554           Property and equipment, net         177,296         190,342           Assets held-for-sale         2,601         190,424           Goodwill         50,553         104,294           Intangibles, net         35,996         37,654           Rone-current deferred tax asset, net         21,720         11,713           Other assets         \$474,309         \$513,030           Total assets         \$474,309         \$513,030           Current factifications         \$1,748         3,918           Current maturities of indebtedness         \$2,371         \$3,918           Current maturities of indebtedness, sea current maturities of indeb	ASSETS			
Accounts receivable, net         12,950         11,300           Prepaid expenses         12,492         14,651           Deferred tax asset, net         20,866         16,609           Other         173,759         157,564           Property and equipment, net         177,296         190,342           Assets held-for-sale         2,691         2           Goodwill         50,553         104,294           Intangibles, net         35,956         37,654           Non-current deferred tax asset, net         21,720         11,713           Other assets         21,720         11,713           Total assets         \$474,396         \$13,608           User assets         \$2,371         \$13,608           User assets         \$2,371         \$3,918           User asset asset asset	Current assets:			
Prepaid expenses         12,492         14,651           Deferred tax asset, net         20,866         16,609           Other         8,309         9,694           Total current assets         173,759         157,564           Property and equipment, net         172,096         190,342           Assets held-for-sale         2,691         1           Goodwill         35,956         37,654           Non-current deferred tax asset, net         21,720         11,713           Other assets         12,381         12,381           Total assets         \$474,396         \$13,603           LIABILITIES AND SHAREHOLDERS DEFICIT           Current maturities of indebtedness         \$2,371         \$3,918           Current maturities of indebtedness         \$1,448         3,913           Accounts payable         12,051         9,966           Independent affiliates and independent owner-operators payable         12,351         14,243           Accrued expenses         29,304         37,889           Environmental liabilities         3,357         2,739           Accrued loss and damage claims         1,458         1,454           Copical lease obligations, less current maturities         40,1616         408,850	Cash and cash equivalents	\$ 2,442	\$ 2,704	
Deferred tax asset, net         20,866         16,609           Other         8,309         9,694           Other         8,309         9,694           Other         173,759         157,564           Property and equipment, net         177,209         190,342           Assets held-for-sale         2,605         3104,294           Goodwill         35,906         37,654           Non-current deferred tax asset, net         21,238         12,381           Other assets         11,238         12,381           Total assets         \$474,396         \$513,605           Total assets         \$2,307         \$3,918           Current maturities of indebtedness         \$2,311         \$3,918           Current maturities of capital lease obligations         \$1,488         3,913           Accounts payable         \$1,281         1,424           Accounce in maturities of capital lease obligations and damage c	Accounts receivable, net	129,650	113,906	
Other         8,309         9,694           Total current assets         173,759         157,564           Property and equipment, net         177,296         190,342           Assets held-for-sale         2,691         2           Goodwill         50,553         104,294           Inlangibles, net         12,702         11,713           Ono-current deferred tax asset, net         12,736         12,381           Total assets         \$474,396         \$13,600           Current maturities of indebtedness         2,371         \$3,918           Accounts payable         17,48         3,913           Account spayable         17,85         14,243           Accured expenses         29,304         37,889           Environmental liabilities         3,18         7,279           Total current liabilities         3,18         6,20           C	Prepaid expenses	12,492	14,651	
Total current assets	Deferred tax asset, net	20,866	16,609	
Property and equipment, net         177,296         190,342           Assets held-for-sale         2,691         10,293           Goodwill         50,553         104,294           Intangibles, net         35,996         37,654           Non-current deferred tax asset, net         12,738         12,318           Total assets         \$ 474,396         \$ 513,603           LIABILITIES AND SHAREHOLDERS DEFICIT           Current inabilities:           Current maturities of indebtedness         \$ 2,371         \$ 3,918           Current maturities of capital lease obligations         1,748         3,918           Curent maturities and independent owner-operators payable         12,05         14,248           Accrued expenses         29,304         37,889           Environmental liabilities         3,357         2,739           Accrued oss and damage claims         40,161         408,850           Long-term indebtedness, less current maturities         40,161         408,850           Capital lease obligations, less current maturities         5,118         6,022           Exprise promomental liabilities         3,357         2,739           Accrued loss and damage claims         10,162         408,850           Environmental liabili	Other	8,309	9,694	
Property and equipment, net         177,296         190,342           Assets held-for-sale         2,691         10,293           Goodwill         50,553         104,294           Intangibles, net         35,996         37,654           Non-current deferred tax asset, net         12,738         12,318           Total assets         \$ 474,396         \$ 513,603           LIABILITIES AND SHAREHOLDERS DEFICIT           Current inabilities:           Current maturities of indebtedness         \$ 2,371         \$ 3,918           Current maturities of capital lease obligations         1,748         3,918           Curent maturities and independent owner-operators payable         12,05         14,248           Accrued expenses         29,304         37,889           Environmental liabilities         3,357         2,739           Accrued oss and damage claims         40,161         408,850           Long-term indebtedness, less current maturities         40,161         408,850           Capital lease obligations, less current maturities         5,118         6,022           Exprise promomental liabilities         3,357         2,739           Accrued loss and damage claims         10,162         408,850           Environmental liabili	Total current assets	173,759	157,564	
Assets held-for-sale         2,691           Goodwill         50,553         104,294           Intangibles, net         35,996         37,654           Non-current deferred tax asset, net         21,720         11,713           Other assets         \$474,396         \$13,603           Total assets         \$474,396         \$13,603           LIABILITIES AND SHAREHOLDERS DEFICT           Current maturities of indebtedness         \$2,371         \$3,918           Current maturities of capital lease obligations         1,748         3,918           Accounts payable         12,051         9,966           Independent affiliates and independent owner-operators payable         17,851         14,243           Accrued expenses         29,304         37,889           Environmental liabilities         3,357         2,739           Accrued loss and damage claims         8,108         7,326           Total current liabilities         401,616         408,850           Capital lease obligations, less current maturities         401,616         408,850           Capital lease obligations, less current maturities         5,118         5,02           Carcued loss and damage claims         10,22         49,44	Property and equipment, net			
Goodwill         50,553         104,294           Intangibles, net         35,906         37,656           Non-current deferred tax asset, net         21,720         11,713           Other assets         12,381         12,036           Total assets         \$474,396         \$513,603           LIABILITIES AND SHAREHOLDERS DEFICIT           Urrent inaturities of indebtedness         \$2,371         \$3,918           Current maturities of indebtedness         \$2,371         \$3,918           Current maturities of capital lease obligations         1,748         39,13           Accounts payable         12,051         9,906           Independent affiliates and independent owner-operators payable         17,851         14,243           Accrued expenses         29,304         37,889           Environmental liabilities         3,357         2,738           Accrued loss and damage claims         40,161         408,850           Capital lease obligations, less current maturities         401,616         408,850           Capital lease obligations, less current maturities         871         2,125           Capital lease obligations, less current maturities         25,118         6,302           Capital lease obligations, less current maturities         37,		· · · · · · · · · · · · · · · · · · ·	,	
Intangibles, net         35,96         37,654           Non-current deferred tax asset, net         21,720         11,713           Other assets         \$474,308         \$12,030           Total assets         \$474,309         \$513,603           LIABILITIES AND SHAREHOLDERS DEFICIT           Current liabilities:           Current maturities of indebtedness         \$2,371         \$3,918           Current maturities of capital lease obligations         1,748         3,913           Accounds payable         12,051         9,966           Independent affiliates and independent owner-operators payable         12,051         9,966           Independent affiliates and independent owner-operators payable         3,357         2,739           Accrued expenses         29,304         37,889           Environmental liabilities         3,357         2,739           Accrued loss and damage claims         401,616         408,850           Capital lease obligations, less current maturities         871         2,125           Environmental liabilities         5,118         6,302           Capital lease obligations, less current maturities         5,118         6,302           Capital lease obligations, less current maturities         51,18         6,302 </td <td>Goodwill</td> <td></td> <td>104,294</td>	Goodwill		104,294	
Non-current deferred tax asset, net         21,720         11,713           Other assets         12,381         12,036           Total assets         \$474,396         \$513,603           LIABILITIES AND SHAREHOLDERS DEFICIT           Current maturities of indebtedness         \$2,371         \$3,918           Current maturities of capital lease obligations         1,748         3,913           Accounts payable         12,051         9,966           Independent affiliates and independent owner-operators payable         17,851         14,243           Accrued expenses         29,304         37,889           Environmental liabilities         3,357         2,739           Accrued loss and damage claims         401,616         408,850           Capital lease obligations, less current maturities         401,616         408,850           Capital lease obligations, less current maturities         5,118         6,302           Accrued loss and damage claims         10,262         9,494           Other non-current liabilities         516,444         532,043           Commitments and contingencies Note 14           Commitments and contingencies Note 14           Commitments and contingencies Note 14 <td cols<="" td=""><td></td><td></td><td></td></td>	<td></td> <td></td> <td></td>			
Other assets         \$ 474,396         \$ 513,603           LABILITIES AND SHAREHOLDERS DEFICIT           Current maturities of indebtedness         \$ 2,371         \$ 3,918           Current maturities of capital lease obligations         \$ 2,371         \$ 3,918           Current maturities of capital lease obligations         1,748         3,918           Accrued typaspable         17,851         14,243           Accrued expenses         29,304         37,889           Environmental liabilities         3,357         2,739           Accrued loss and damage claims         8,108         7,326           Total current liabilities         40,161         408,850           Capital lease obligations, less current maturities         871         2,125           Environmental liabilities         5,118         6,022           Accrued loss and damage claims         10,262         9,494           Other non-current liabilities         5,18         6,32           Total liabilities         5,18         6,302           Accrued loss and damage claims         10,262         9,494           Other non-current liabilities         43,18         3,302           Commitments and contingencies Note 14         5,18         3,23				
LIABILITIES AND SHAREHOLDERS DEFICIT           Current liabilities:           Current maturities of indebtedness         \$2,371         \$3,918           Current maturities of capital lease obligations         1,748         3,913           Accounts payable         12,051         9,966           Independent affiliates and independent owner-operators payable         17,851         14,243           Accrued expenses         29,304         37,889           Environmental liabilities         3,357         2,739           Accrued loss and damage claims         74,790         79,994           Long-term indebtedness, less current maturities         401,616         408,850           Capital lease obligations, less current maturities         871         2,125           Environmental liabilities         5,118         6,302           Accrued loss and damage claims         10,262         9,494           Other non-current liabilities         516,444         532,043           Total liabilities         516,444         532,043           Commitments and contingencies Note 14         54         54           SHAREHOLDERS DEFICIT         439,187         437,192           Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012         439,187         <				
Current liabilities:         \$ 2,371         \$ 3,918           Current maturities of indebtedness         1,748         3,913           Current maturities of capital lease obligations         12,051         9,966           Independent affiliates and independent owner-operators payable         17,851         14,243           Accrued expenses         29,304         37,889           Environmental liabilities         3,357         2,739           Accrued loss and damage claims         41,790         79,994           Long-term indebtedness, less current maturities         401,616         408,850           Capital lease obligations, less current maturities         871         2,125           Environmental liabilities         5,118         6,302           Accrued loss and damage claims         5,118         6,302           Accrued loss and damage claims         10,262         9,494           Other non-current liabilities         516,444         532,043           Common store, no par value; 49,000 shares authorized; 28,433 issued and 26,907 outstanding at June 30,           Common stock, no par value; 49,000 shares authorized; 28,433 issued and 29,007 outstanding at June 30,           2013 and 28,102 issued and 27,223 outstanding at December 31, 2012         439,187         437,192           Te	Total assets	\$ 474,396	\$ 513,603	
Current maturities of indebtedness         \$ 2,371         \$ 3,918           Current maturities of capital lease obligations         1,748         3,913           Accounts payable         12,051         9,966           Independent affiliates and independent owner-operators payable         17,851         14,243           Accrued expenses         29,304         37,889           Environmental liabilities         29,304         37,889           Accrued loss and damage claims         8,108         7,326           Total current liabilities         74,790         79,994           Long-term indebtedness, less current maturities         401,616         408,850           Capital lease obligations, less current maturities         871         2,125           Environmental liabilities         5,118         6,302           Accrued loss and damage claims         10,262         9,494           Other non-current liabilities         516,444         532,043           Commitments and contingencies Note 14         516,444         532,043           Commitments and contingencies Note 14         516,444         532,043           Common stock, no par value; 49,000 shares authorized; 28,433 issued and 26,907 outstanding at June 30,         439,187         437,192           Teasury stock, 1,526 shares at June 30, 2013 and 87				
Current maturities of capital lease obligations         1,748         3,913           Accounts payable         12,051         9,966           Independent affiliates and independent owner-operators payable         17,851         14,243           Accrued expenses         29,304         37,889           Environmental liabilities         3,357         2,739           Accrued loss and damage claims         8,108         7,326           Total current liabilities         74,790         79,994           Long-term indebtedness, less current maturities         401,616         408,850           Capital lease obligations, less current maturities         871         2,125           Environmental liabilities         5,118         6,302           Accrued loss and damage claims         10,262         9,494           Other non-current liabilities         23,787         25,278           Total liabilities         516,444         532,043           **Commitments and contingencies Note 14         ****           **** SHAREHOLDERS DEFICIT         ***         ***           Common stock, no par value; 49,000 shares authorized; 28,433 issued and 26,907 outstanding at June 30, 2013 and 879 shares at December 31, 2012         439,187         437,192           Tessury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2				
Accounts payable         12,051         9,966           Independent affiliates and independent owner-operators payable         17,851         14,243           Accrued expenses         29,304         37,889           Environmental liabilities         3,357         2,739           Accrued loss and damage claims         8,108         7,326           Total current liabilities         74,790         79,994           Long-term indebtedness, less current maturities         401,616         408,850           Capital lease obligations, less current maturities         871         2,125           Environmental liabilities         5,118         6,302           Accrued loss and damage claims         10,262         9,494           Other non-current liabilities         23,787         25,278           Total liabilities         516,444         532,043           Commitments and contingencies Note 14         516,444         532,043           Common stock, no par value; 49,000 shares authorized; 28,433 issued and 26,907 outstanding at June 30,         439,187         437,192           Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012         439,187         437,192           Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012         (10,313)         (5,849)				
Independent affiliates and independent owner-operators payable         17,851         14,243           Accrued expenses         29,304         37,889           Environmental liabilities         3,357         2,739           Accrued loss and damage claims         8,108         7,326           Total current liabilities         74,790         79,994           Long-term indebtedness, less current maturities         401,616         408,850           Capital lease obligations, less current maturities         871         2,125           Environmental liabilities         5,118         6,302           Accrued loss and damage claims         10,262         9,494           Other non-current liabilities         23,787         25,278           Total liabilities         516,444         532,043           Commitments and contingencies Note 14         516,444         532,043           Commitments and contingencies Note 14         516,444         532,043           Common stock, no par value; 49,000 shares authorized; 28,433 issued and 26,907 outstanding at June 30, 2013 and 28,102 issued and 27,223 outstanding at December 31, 2012         439,187         437,192           Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012         (10,313)         5,849           Accumulated deficit         (250,470)         (228				
Accrued expenses         29,304         37,889           Environmental liabilities         3,357         2,739           Accrued loss and damage claims         8,108         7,326           Total current liabilities         74,790         79,994           Long-term indebtedness, less current maturities         401,616         408,850           Capital lease obligations, less current maturities         871         2,125           Environmental liabilities         5,118         6,302           Accrued loss and damage claims         10,262         9,494           Other non-current liabilities         23,787         25,278           Total liabilities         516,444         532,043           Commitments and contingencies Note 14         516,444         532,043           Common stock, no par value; 49,000 shares authorized; 28,433 issued and 26,907 outstanding at June 30, 2013 and 28,102 issued and 27,223 outstanding at December 31, 2012         439,187         437,192           Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012         439,187         437,192           Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012         (10,313)         (5,849)           Accumulated deficit         (250,470)         (228,467)           Stock recapitalization         (30,888)				
Environmental liabilities         3,357         2,739           Accrued loss and damage claims         8,108         7,326           Total current liabilities         74,790         79,994           Long-term indebtedness, less current maturities         401,616         408,850           Capital lease obligations, less current maturities         871         2,125           Environmental liabilities         5,118         6,302           Accrued loss and damage claims         10,262         9,494           Other non-current liabilities         23,787         25,278           Total liabilities         516,444         532,043           Commitments and contingencies Note 14         STAREHOLDERS DEFICIT         439,187         437,192           Common stock, no par value; 49,000 shares authorized; 28,433 issued and 26,907 outstanding at June 30, 2013 and 28,102 issued and 27,223 outstanding at December 31, 2012         439,187         437,192           Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012         (10,313)         (5,849)           Accumulated deficit         (250,470)         (228,467)           Stock recapitalization         (189,589)         (30,888)         (31,752)				
Accrued loss and damage claims       8,108       7,326         Total current liabilities       74,790       79,994         Long-term indebtedness, less current maturities       401,616       408,850         Capital lease obligations, less current maturities       871       2,125         Environmental liabilities       5,118       6,302         Accrued loss and damage claims       10,262       9,494         Other non-current liabilities       23,787       25,278         Total liabilities       516,444       532,043         Commitments and contingencies Note 14       SHAREHOLDERS DEFICTT       SHAREHOLDERS DEFICTT         Common stock, no par value; 49,000 shares authorized; 28,433 issued and 26,907 outstanding at June 30, 2013 and 28,102 issued and 27,223 outstanding at December 31, 2012       439,187       437,192         Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012       (10,313)       (5,849)         Accumulated deficit       (250,470)       (228,467)         Stock recapitalization       (189,589)       (189,589)         Accumulated other comprehensive loss       (30,888)       (31,752)				
Total current liabilities         74,790         79,994           Long-term indebtedness, less current maturities         401,616         408,850           Capital lease obligations, less current maturities         871         2,125           Environmental liabilities         5,118         6,302           Accrued loss and damage claims         10,262         9,494           Other non-current liabilities         23,787         25,278           Total liabilities         516,444         532,043           Commitments and contingencies Note 14         SHAREHOLDERS DEFICIT         Value of the commitments and contingencies Note 14           SHAREHOLDERS DEFICIT         2013 and 28,102 issued and 27,223 outstanding at December 31, 2012         439,187         437,192           Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012         439,187         437,192           Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012         (10,313)         (5,849)           Accumulated deficit         (250,470)         (228,467)           Stock recapitalization         (189,589)         (189,589)           Accumulated other comprehensive loss         (30,888)         (31,752)				
Long-term indebtedness, less current maturities         401,616         408,850           Capital lease obligations, less current maturities         871         2,125           Environmental liabilities         5,118         6,302           Accrued loss and damage claims         10,262         9,494           Other non-current liabilities         23,787         25,278           Total liabilities         516,444         532,043           Commitments and contingencies Note 14         ***         ***           SHAREHOLDERS DEFICIT         ***         ***           Common stock, no par value; 49,000 shares authorized; 28,433 issued and 26,907 outstanding at June 30,         439,187         437,192           Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012         439,187         437,192           Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012         (10,313)         (5,849)           Accumulated deficit         (250,470)         (228,467)           Stock recapitalization         (189,589)         (189,589)           Accumulated other comprehensive loss         (30,888)         (31,752)	Accrued loss and damage claims	8,108	7,326	
Capital lease obligations, less current maturities         871         2,125           Environmental liabilities         5,118         6,302           Accrued loss and damage claims         10,262         9,494           Other non-current liabilities         23,787         25,278           Total liabilities         516,444         532,043           Commitments and contingencies Note 14           SHAREHOLDERS DEFICIT           Common stock, no par value; 49,000 shares authorized; 28,433 issued and 26,907 outstanding at June 30,         439,187         437,192           Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012         439,187         437,192           Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012         (10,313)         (5,849)           Accumulated deficit         (250,470)         (228,467)           Stock recapitalization         (189,589)         (189,589)           Accumulated other comprehensive loss         (30,888)         (31,752)	Total current liabilities	74,790	79,994	
Environmental liabilities         5,118         6,302           Accrued loss and damage claims         10,262         9,494           Other non-current liabilities         23,787         25,278           Total liabilities         516,444         532,043           Commitments and contingencies Note 14           SHAREHOLDERS DEFICIT           Common stock, no par value; 49,000 shares authorized; 28,433 issued and 26,907 outstanding at June 30,         439,187         437,192           2013 and 28,102 issued and 27,223 outstanding at December 31, 2012         439,187         437,192           Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012         (10,313)         (5,849)           Accumulated deficit         (250,470)         (228,467)           Stock recapitalization         (189,589)         (189,589)           Accumulated other comprehensive loss         (30,888)         (31,752)	Long-term indebtedness, less current maturities	401,616	408,850	
Accrued loss and damage claims       10,262       9,494         Other non-current liabilities       23,787       25,278         Total liabilities       516,444       532,043         Commitments and contingencies Note 14         SHAREHOLDERS DEFICIT         Common stock, no par value; 49,000 shares authorized; 28,433 issued and 26,907 outstanding at June 30,         2013 and 28,102 issued and 27,223 outstanding at December 31, 2012       439,187       437,192         Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012       (10,313)       (5,849)         Accumulated deficit       (250,470)       (228,467)         Stock recapitalization       (189,589)       (189,589)         Accumulated other comprehensive loss       (30,888)       (31,752)	Capital lease obligations, less current maturities	871	2,125	
Other non-current liabilities       23,787       25,278         Total liabilities       516,444       532,043         Commitments and contingencies Note 14         SHAREHOLDERS DEFICIT         Common stock, no par value; 49,000 shares authorized; 28,433 issued and 26,907 outstanding at June 30, 2013 and 28,102 issued and 27,223 outstanding at December 31, 2012       439,187       437,192         Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012       (10,313)       (5,849)         Accumulated deficit       (250,470)       (228,467)         Stock recapitalization       (189,589)       (189,589)         Accumulated other comprehensive loss       (30,888)       (31,752)	Environmental liabilities	5,118	6,302	
Total liabilities       516,444       532,043         Commitments and contingencies Note 14       SHAREHOLDERS DEFICIT         Common stock, no par value; 49,000 shares authorized; 28,433 issued and 26,907 outstanding at June 30, 2013 and 28,102 issued and 27,223 outstanding at December 31, 2012       439,187       437,192         Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012       (10,313)       (5,849)         Accumulated deficit       (250,470)       (228,467)         Stock recapitalization       (189,589)       (189,589)         Accumulated other comprehensive loss       (30,888)       (31,752)	Accrued loss and damage claims	10,262	9,494	
Commitments and contingencies Note 14         SHAREHOLDERS DEFICIT         Common stock, no par value; 49,000 shares authorized; 28,433 issued and 26,907 outstanding at June 30,         2013 and 28,102 issued and 27,223 outstanding at December 31, 2012       439,187       437,192         Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012       (10,313)       (5,849)         Accumulated deficit       (250,470)       (228,467)         Stock recapitalization       (189,589)       (189,589)         Accumulated other comprehensive loss       (30,888)       (31,752)	Other non-current liabilities	23,787	25,278	
SHAREHOLDERS DEFICIT           Common stock, no par value; 49,000 shares authorized; 28,433 issued and 26,907 outstanding at June 30,         439,187         437,192           2013 and 28,102 issued and 27,223 outstanding at December 31, 2012         439,187         437,192           Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012         (10,313)         (5,849)           Accumulated deficit         (250,470)         (228,467)           Stock recapitalization         (189,589)         (189,589)           Accumulated other comprehensive loss         (30,888)         (31,752)	Total liabilities	516,444	532,043	
2013 and 28,102 issued and 27,223 outstanding at December 31, 2012       439,187       437,192         Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012       (10,313)       (5,849)         Accumulated deficit       (250,470)       (228,467)         Stock recapitalization       (189,589)       (189,589)         Accumulated other comprehensive loss       (30,888)       (31,752)				
Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012       (10,313)       (5,849)         Accumulated deficit       (250,470)       (228,467)         Stock recapitalization       (189,589)       (189,589)         Accumulated other comprehensive loss       (30,888)       (31,752)	Common stock, no par value; 49,000 shares authorized; 28,433 issued and 26,907 outstanding at June 30,			
Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012       (10,313)       (5,849)         Accumulated deficit       (250,470)       (228,467)         Stock recapitalization       (189,589)       (189,589)         Accumulated other comprehensive loss       (30,888)       (31,752)	2013 and 28,102 issued and 27,223 outstanding at December 31, 2012	439,187	437,192	
Accumulated deficit       (250,470)       (228,467)         Stock recapitalization       (189,589)       (189,589)         Accumulated other comprehensive loss       (30,888)       (31,752)			(5,849)	
Stock recapitalization(189,589)(189,589)Accumulated other comprehensive loss(30,888)(31,752)				
Accumulated other comprehensive loss (30,888) (31,752)				

Total shareholders deficit (42,048) (18,440)

Total liabilities and shareholders deficit \$474,396 \$513,603

The accompanying notes are an integral part of these consolidated financial statements.

# QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

#### Consolidated Statements of Shareholders Deficit

# For the Six Months Ended June 30, 2013 and 2012

# Unaudited (In 000 s)

								Ac	cumulated			
	Shares of	Shares of							Other	Stock	Total	l
	Common	Treasury	Common	Treasury	Accumulated		Stock	Con	prehensive		Sharehold	
D 1	Stock	Stock	Stock	Stock	Deficit	Rec	apitalization		Loss	Warrants	Defici	it
Balance,	24.207	(2(7)	¢ 202 050	e (1.070)	e (270.542)	ф	(100 500)	ф	(21.201)	¢ 1247	ф (10C 1	105)
December 31, 2011	24,207	(267)	\$ 393,859	\$ (1,878)	\$ (278,543)	\$	(189,589)	\$	(31,381)	\$ 1,347	\$ (106,1	
Net income Issuance of restricted					35,504						35,5	304
stock	163											
Forfeiture of	103											
restricted stock		(5)		(66)								(66)
Amortization of		(3)		(00)								(00)
restricted stock			658								$\epsilon$	658
Amortization of stock												
options			860								8	860
Stock warrant												
exercises	346		1,322							(1,322)		
Stock option												
exercises	47		254								2	254
Proceeds from equity												
offering, net of												
transaction costs	2,500		30,523								30,5	523
Issuance of stock for												
acquisitions	785		7,920								7,9	920
Amortization of prior												
service costs and												
losses (pension											_	
plans), net of tax									776			776
Foreign currency												
translation adjustments, net of												
tax									6			6
tax									U			U
Balance, June 30,												
2012	28,048	(272)	\$ 435,396	\$ (1,944)	\$ (243,039)	Φ	(189,589)	\$	(30,599)	\$ 25	\$ (29,7	750)
2012	20,040	(212)	Ψ +33,390	ψ (1,944)	\$ (243,039)	Ψ	(109,309)	Ψ	(30,399)	Ψ 23	$\Psi$ (29,	150)
Balance,												
December 31, 2012	28,102	(879)	\$ 437,192	\$ (5,849)	\$ (228,467)	\$	(189,589)	\$	(31,752)	\$ 25	\$ (18,4	
Net loss					(22,003)						(22,0	003)
Issuance of restricted												
stock	247											
Forfeiture of				,,								(4.0)
restricted stock		(30)		(10)								(10)
Amortization of			010									010
restricted stock			910								ç	910

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Amortization of stock									
options			870						870
Stock option									
exercises	84		215						215
Purchases of treasury									
stock		(617)		(4,454)					(4,454)
Amortization of prior									
service costs and									
losses (pension									
plans), net of tax							773		773
Foreign currency									
translation									
adjustments, net of									
tax							91		91
Balance, June 30,									
2013	28,433	(1,526)	\$ 439,187	\$ (10,313)	\$ (250,470)	\$ (189,589)	\$ (30,888)	\$ 25	\$ (42,048)

The accompanying notes are an integral part of these consolidated financial statements.

# QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

#### **Consolidated Statements of Cash Flows**

# Unaudited (In 000 s)

	Six Month June	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (22,003)	\$ 35,504
Adjustments to reconcile to net cash and cash equivalents provided by (used in) operating activities:		
Deferred income tax expense	(13,545)	
Depreciation and amortization	13,422	8,413
Bad debt recoveries	(392)	(24)
Gain on disposal of property and equipment	(1,498)	(364)
Impairment charge	55,692	
Stock-based compensation	1,780	1,518
Amortization of deferred financing costs	1,196	1,055
Amortization of bond discount	108	108
Release of deferred tax asset valuation allowance	(720)	(22,777)
Contingent consideration adjustment	(7,300)	
Changes in assets and liabilities:		
Accounts and other receivables	(15,261)	(25,884)
Prepaid expenses	2,198	610
Other assets	(50)	(3,103)
Accounts payable	478	3,316
Accrued expenses	(1,059)	263
Environmental liabilities	(566)	(743)
Accrued loss and damage claims	1,549	(1,562)
Independent affiliates and independent owner-operators payable	3,608	7,563
Other liabilities	(281)	373
Current income taxes	1,092	(872)
Net cash provided by operating activities	18,448	3,394

#### CASH FLOWS FROM INVESTING ACTIVITIES:

Capital expenditures