QUALITY DISTRIBUTION INC
Form 10-K
March 13, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

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

For the fiscal year ended December 31, 2012

¨ **TRANSITION REPORT PURSUANT TO SECTIONS 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	**59-3239073**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

4041 Park Oaks Boulevard, Suite 200

Tampa, Florida 33610

(Address of principal executive offices) (zip code)

Registrant s telephone number, including area code:

813-630-5826

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
Common Stock (no par value per share)	**NASDAQ Global Market**

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Title of each class	Name of each exchange on which registered
None	

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

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

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

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

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

Aggregate market value of voting stock held by non-affiliates as of June 30, 2012 was $245.4 million (based on the closing sale price of $11.08 per share).

As of March 1, 2013, the registrant had 27,046,644 outstanding shares of Common Stock, no par value, outstanding.

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DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of Quality Distribution, Inc. Notice of Annual Meeting and Proxy Statement (Proxy Statement) for our Annual Meeting of Shareholders which will be held May 30, 2013. The Proxy Statement will be filed within 120 days of the end of the fiscal year ended December 31, 2012. (Part III of Form 10-K).

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INTRODUCTION

In this Annual Report on Form 10-K, unless the context otherwise indicates, (i) the terms the Company, our Company, Quality Distribution, QDI, we, us and our refer to Quality Distribution, Inc. and its consolidated subsidiaries and their predecessors, (ii) the terms Quality Distribution, LLC and QD LLC refer to our 100% owned subsidiary, Quality Distribution, LLC, a Delaware limited liability company, and its consolidated subsidiaries and their predecessors, (iii) the term QD Capital refers to our 100% owned subsidiary, QD Capital Corporation, a Delaware corporation, (iv) the term QCI refers to our 100% owned subsidiary, Quality Carriers, Inc., an Illinois corporation, (v) the term Boasso refers collectively to our 100% owned subsidiary, Boasso America Corporation, a Louisiana corporation, and Boasso s 100% owned subsidiary, Greensville Transport Company (Greensville), a Virginia corporation, (vi) the term QCER refers collectively to our 100% owned subsidiary, QC Energy Resources, Inc., a Delaware corporation, and its 100% owned subsidiaries, QC Energy Logistics, LLC, a Delaware limited liability company, QC Energy Resources, LLC, a Delaware limited liability company, QC Energy Resources Northwest, LLC, a Delaware limited liability company, and QC Energy Resources Texas, LLC, a Delaware limited liability company, as well as our 100% owned subsidiary QC Environmental Services, Inc., a North Dakota corporation, and (vii) the term CLC refers to our 100% owned subsidiary, Chemical Leaman Corporation, a Pennsylvania corporation.

FORWARD-LOOKING STATEMENTS AND CERTAIN CONSIDERATIONS

This report, along with other documents that are publicly disseminated by us, contains or might contain forward-looking statements within the meaning of the Securities Exchange Act of 1934, as amended. All statements included in this report and in any subsequent filings made by us with the SEC other than statements of historical fact, that address activities, events or developments that we or our management expect, believe or anticipate will or may occur in the future are forward-looking statements. These statements represent our reasonable judgment on the future based on various factors and using numerous assumptions and are subject to known and unknown risks, uncertainties and other factors that could cause our actual results and financial position to differ materially. We claim the protection of the safe harbor for forward-looking statements provided in the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act and Section 21E of the Exchange Act. Examples of forward-looking statements include: (i) projections of revenue, earnings, capital structure and other financial items, (ii) statements of our plans and objectives, (iii) statements of expected future economic performance, and (iv) assumptions underlying statements regarding us or our business. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as targets , bodes , believes, expects, estimates, may, will, should, could, seeks, plans, intends, anticipates or scheduled to or the other variations of those terms or comparable language, or by discussions of strategy or other intentions.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from those contemplated by the statements. The forward-looking information is based on various factors and was derived using numerous assumptions. Important factors that could cause our actual results to be materially different from the forward-looking statements include the following risks and other factors discussed under the Item 1A Risk Factors in this Annual Report on Form 10-K. These factors include:

- the effect of local, national and international economic, credit, capital and labor market conditions on the economy in general, and on the particular industries in which we operate, including excess capacity in the industry, the availability of qualified drivers, changes in fuel and insurance prices, interest rate fluctuations, and downturns in customers business cycles and shipping requirements;

- our substantial leverage and our ability to make required payments and comply with restrictions contained in our debt arrangements or to otherwise generate sufficient cash from operations or borrowings under our ABL Facility to fund our liquidity needs;

- competition and rate fluctuations, including fluctuations in prices and demand for transportation services as well as for commodities such as natural gas and oil;

- our reliance on independent affiliates and independent owner-operators;

- a shift away from or slowdown in production in the shale regions in which we have energy logistics operations;

our liability as a self-insurer to the extent of our deductibles as well as changing conditions and pricing in the insurance marketplace;

increased unionization, which could increase our operating costs or constrain operating flexibility;

changes in or our inability to comply with, governmental regulations and legislative changes affecting the transportation industry generally or in the particular segments in which we operate;

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federal and state legislative and regulatory initiatives, which could result in increased costs and additional operating restrictions upon us or our oil and gas frac shale energy customers;

our ability to access and use our salt water disposal wells and other disposal sites and methods in our energy logistics business;

our ability to comply with current and future environmental regulations and the increasing costs relating to environmental compliance;

potential disruption at U.S. ports of entry;

diesel fuel prices and our ability to recover costs through fuel surcharges;

our ability to attract and retain qualified drivers;

terrorist attacks and the cost of complying with existing and future anti-terrorism security measures;

our dependence on senior management;

the potential loss of our ability to use net operating losses to offset future income;

potential future impairment charges;

the interests of our largest shareholder, which may conflict with your or our interests;

our ability to successfully identify acquisition opportunities, consummate such acquisitions and successfully integrate acquired businesses and converted affiliates and achieve the anticipated benefits and synergies of acquisitions and conversions, the effects of the acquisitions and conversions on the acquired businesses existing relationships with customers, governmental entities, affiliates, owner-operators and employees, and the impact that acquisitions and conversions could have on our future financial results and business performance and other future conditions in the market and industry from the acquired businesses;

our ability to execute plans to profitably operate in the transportation business and disposal well business within the energy logistics market;

our success in entering new markets;

adverse weather conditions;

- changes in health insurance benefit regulations;

- our liability for our proportionate share of unfunded vested benefit liabilities, particularly in the event of our withdrawal from any of our multi-employer pension plans; and

- changes in planned or actual capital expenditures due to operating needs, changes in regulation, covenants in our debt arrangements and other expenses, including interest expenses.

In addition, there may be other factors that could cause our actual results to be materially different from the results referenced in the forward-looking statements. All forward-looking statements contained in this Annual Report on Form 10-K are qualified in their entirety by this cautionary statement. Forward-looking statements speak only as of the date they are made, and we do not intend to update or otherwise revise the forward-looking statements to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect the occurrence of unanticipated events.

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PART I

ITEM 1. BUSINESS

Overview

We operate the largest chemical bulk tank truck network in North America and are also the largest provider of intermodal ISO tank container and depot services in North America. In 2011, we began providing logistics services to the unconventional oil and gas frac shale energy markets. We operate an asset-light business model and service customers across North America through our network of 89 terminals servicing the chemical markets, 9 ISO tank depot services terminals (intermodal) servicing the chemical and other bulk liquid markets and 10 terminals servicing the energy markets.

Financial Reporting Segments

We have three reportable business segments for financial reporting purposes that are distinguished primarily on the basis of services offered:

- Chemical Logistics, which consists of the transportation of bulk chemicals primarily through our network of 25 independent affiliates and company-operated terminals, and equipment rental income;
- Energy Logistics, which consists primarily of the transportation of fresh water, disposal water, and crude oil for the unconventional oil and gas frac shale energy markets, primarily through company-operated terminals and 2 independent affiliates; and
- Intermodal, which consists of Boasso s intermodal ISO tank container transportation and depot services business primarily supporting the international movement of bulk liquids.

Chemical Logistics

Through our subsidiary, QCI, we coordinate the transport of a broad range of chemical products and provide our customers with logistics and other value-added services. Through our North American network, we are a core carrier for many of the major companies engaged in chemical processing. We believe the diversity of our customer base, geography and end-markets provide a competitive advantage.

The bulk tank truck market in North America includes all products shipped by bulk tank truck carriers and consists mainly of liquid and dry bulk chemicals (including plastics) and bulk dry and liquid food-grade products. We estimate, based on industry sources, that the highly fragmented North American for-hire segment of the bulk tank transport market generated revenues of approximately $6.4 billion in 2011. We specifically operate in the for-hire chemical and food grade bulk transport market (which we estimated at $4.4 billion in 2011). We believe we have the leading market share (estimated at 15% in 2011) in this sector based on revenues. We believe managing a larger carrier network facilitates customer service and lane density, and provides a more favorable operating cost structure for us and our independent affiliates. As such, we believe we are well-positioned to expand our business.

Chemical bulk tank truck industry growth is generally dependent on volume growth in the industrial chemical industry, the rate at which chemical companies outsource their transportation needs, the overall capacity of the rail system, and, in particular, the extent to which chemical companies make use of the rail system for their bulk chemical transportation needs. We also believe that North American chemical producers will gain a global competitive advantage and grow domestic production (thus shipments which we can service) through the use of low cost energy sources, primarily natural gas and natural gas liquids.

The chemical bulk tank truck industry is characterized by high barriers to entry such as the time and cost required to develop the operational infrastructure necessary to handle sensitive chemical cargo, the financial and managerial resources required to recruit and train drivers, substantial and increasingly more stringent industry regulatory requirements, strong customer relationships and the significant capital investments required to build a fleet of equipment and establish a network of terminals and independent affiliates.

Our transportation revenue in the chemical logistics segment is principally a function of the volume of shipments by the bulk chemical industry, prices, the average number of miles driven per load, our market share and the allocation of shipments between tank truck transportation and other modes of transportation such as rail. Additionally, it is common practice in the bulk tank truck industry for customers to pay fuel surcharges.

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Energy Logistics

Our energy logistics business began operations in the second quarter of 2011 primarily as a third party logistics (3PL) provider. We operate the business through our subsidiary, QCER. Our energy logistics business services the unconventional oil and gas frac shale energy market through the transportation of crude oil, fresh water, flowback and produced brine water, and the disposal of flowback and produced brine water, as well as providing services ancillary to these activities. During 2012, we expanded our energy logistics business through the following acquisitions:

On April 1, 2012, we acquired certain operating assets of Trojan Vacuum Services, which operates in the Eagle Ford shale. We paid $8.7 million in cash at closing, plus $1.0 million in cash in January 2013 upon the satisfaction of certain operating and financial performance criteria.

On June 1, 2012, we acquired certain operating assets of Wiley Bice Trucking, LLC and certain operating assets and rights of RM Resources, LLC, (collectively Bice), which operates in the Bakken shale region, for $81.4 million in aggregate consideration, with up to an additional $19.0 million in cash consideration, payable one year after the closing date if certain future operating and financial performance criteria are satisfied.

On August 1, 2012, we acquired certain operating assets of Dunn s Tank Services, Inc. and its related company Nassau Disposal, Inc., (collectively Dunn s), which operates in the Marcellus, Woodford and Utica shale regions for an aggregate purchase price of $34.3 million, with up to an additional $3.6 million in cash consideration, payable one year after the closing date if certain future operating and financial performance criteria are satisfied.

As of December 31, 2012, we operate in the Bakken, Eagle Ford, Permian, Marcellus, Woodford, Utica and Mississippian Limestone shale regions in North America, all of which drill for both oil and natural gas with the exception of Marcellus, which is solely natural gas. We continue to evaluate the potential for expansion into additional shales, which would provide additional diversification to our business. Our strategy to target multiple resource rich shales helps to diversify our customer offerings, lessen the impact of swings in any one commodity and optimize equipment utilization. We currently operate approximately 1,400 units (tractors, trailers and combination equipment) of energy equipment in this market across a diverse customer base.

Our energy logistics business is primarily involved in fluid management and logistics in the upstream segment of the energy industry, through its services in connection with the establishment of production wells, and the midstream segment of the energy industry, in connection with the transportation of crude oil. We believe the market for services such as those provided by our energy logistics business was approximately $5.0 to $7.0 billion in 2011. The industry is made up of providers that include independent national or regional trucking and logistics companies such as QCER, trucking and logistics companies owned by or dedicated to large oil and gas companies, and local providers focused on one or more particular shales. Energy logistics providers are impacted by the level of new drilling activity, which impact the transportation of fresh water and flowback water used and the provision of related services used in those activities, and the number of active wells, which impacts the transportation of crude oil and produced water and the provision of related services used in those activities. The energy logistics market is also impacted by market prices for oil and gas, which influence the production activities of our customers, the prices they are willing to pay for our services, and the shales in which they operate. We expect regulation of this industry to increase over time but believe that the scope of our operations and our experience with regulation in our chemical logistics business will facilitate our adaptation to new regulations and may provide us with an advantage over some of our competitors.

Intermodal

Our subsidiary, Boasso, provides intermodal ISO tank container transportation and depot services, through terminals located in the eastern half of the United States. In the fourth quarter of 2011, Boasso expanded its operations through the acquisition of Greensville Transport Company, which operates at a port located in Norfolk, Virginia. Boasso s revenues are impacted by United States chemical import/export volume, in particular the number and volume of shipments through ports at which Boasso has terminals, as well as their market share at those ports.

In addition to intermodal tank transportation services, Boasso provides tank cleaning, heating, testing, maintenance and storage services to customers. Boasso provides local and over-the-road trucking primarily within the proximity of the port cities where its depots are located. Chemical manufacturers have sought to efficiently transport their products on a global basis by utilizing ISO tank containers, and we believe the resulting demand for distributors that can offer a broad range of services within the supply chain will drive future growth in this sector. We believe that our intermodal business will benefit from these trends because of its market leadership, experience and track record.

The intermodal ISO tank container business generally provides services that facilitate the global movement of liquid and dry bulk chemicals, pharmaceuticals and food grade products. The proliferation of global import/export of bulk liquid chemicals has driven the movement of basic manufacturing out of the United States and has resulted in an increase in chemical plant infrastructure to service these off-shore industries. Driven by this globalization, the intermodal ISO tank container market is a growing sector of the overall liquid bulk chemical transportation sector. Demand for intermodal ISO tank containers is impacted by the aggregate volume of imports and exports of chemicals through United States ports. Demand is also impacted by the shift in modes of transportation, from drums to ISO tank containers. Economic conditions and differences among the laws and currencies of foreign nations may also impact the volume of shipments. We operate in the global intermodal ISO tank container transportation and depot services market, which we believe was approximately a $1.0 to $2.0 billion market in 2011.

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Seasonality

Due to the nature of our customers business, our revenues are seasonal. Revenues generally decline during winter months, namely our first and fourth fiscal quarters and over holidays, and rise during our second and third fiscal quarters. Highway transportation can be adversely affected depending upon the severity of the weather in various sections of the country during the winter months. During periods of heavy snow, ice or rain, we may not be able to move our trucks and equipment between locations, thereby reducing our ability to provide services and generate revenues. Additionally, in our energy logistics segment, drilling within certain shales that we service may be adversely affected by the severity of weather in various sections of the country.

Competition

The tank truck business is competitive and fragmented. In our chemical logistics segment, we compete primarily with other tank truck carriers and dedicated private fleets in various states within the United States and Canada. Competition from for-hire carriers is composed of fewer than ten large carriers, most of which have other businesses that do not compete with ours, and more than 200 smaller, primarily regional carriers. With respect to certain aspects of our business, we also compete with intermodal transportation pipelines and railroads. Intermodal transportation has increased in recent years. Competition for the bulk tank truck services is based primarily on rates and service. We believe that we enjoy significant competitive advantages over other tank truck carriers because of our market share, overall fleet size, variable cost structure, strength of our independent affiliates and our national terminal network.

Our intermodal business competes primarily with other national, regional and local tank truck carriers and dedicated private fleets as well as local and regional dry container transporters. Competition in our intermodal ISO tank container services business depends on which competitors have facilities that are proximate to the ports serviced by Boasso. Among competitors for a port location, competition is based primarily on rates and service.

Our energy logistics business competes with national, regional and local trucking companies, dedicated private fleets, providers of temporary pipeline services as well as the integrated oil companies. In certain aspects of our energy business, we may also compete with rail and pipeline companies as well as companies offering water recycling options.

Our Competitive Strengths

We believe the following competitive strengths will enable us to sustain our market leadership and continue to grow our business:

Large Network

We operate the largest chemical tank truck network in North America with an approximate 15% share of the highly fragmented $4.4 billion for-hire chemical and food grade bulk transport market (which excludes fuel transportation), in each case estimated by us based on industry data contained in *Bulk Transporter s Tank Truck Carrier 2011 Annual Gross Revenue Report*. We believe our unique large nationwide network covers all major North American chemical shippers and enables our chemical logistics business to serve customers with both international and national requirements better than our competitors, the majority of which are regionally focused.

We believe that the breadth of our network also provides our energy logistics business with a competitive advantage in the gas and oil frac shale energy market. Although the demand for logistics services is specific to the shale in which drilling occurs, many logistics customers operate across multiple shales. This provides us with the opportunity to provide services on a national basis, unlike those of our competitors that are focused on a single or limited number of shales. In certain instances, our energy logistics equipment can be moved among shales, enabling us to allocate resources as demand shifts.

We operate the largest provider of ISO tank container and depot services in North America. Boasso is the leading provider of intermodal ISO tank container over-the-road transportation and depot services in North America. We have significant exposure to high growth international markets. The intermodal tank container transportation market has experienced significant growth recently as international chemical trade has increased and chemical manufacturers move towards greater utilization of intermodal tanks and standardized intermodal tank containers to efficiently transport their products around the world via sea, land and air. Our intermodal tank container depots, which provide transportation, cleaning, heating, testing, maintenance and storage services, are located at or near ports in New Orleans, LA; Houston, TX; Newark, NJ; Charleston, SC; Chicago, IL; Detroit, MI; Savannah, GA; Jacksonville, FL; and Norfolk, VA. Greensville was acquired in November 2011, which filled a key underserved port that we expect to benefit from the future expansion of the Panama Canal.

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In all of our businesses, our size allows us, our independent affiliates and our independent owner-operators to benefit from economies of scale in the purchasing of supplies and services, including fuel, tires and insurance coverage.

Asset-Light Business Model

Our extensive use of independent affiliates and independent owner-operators results in a highly variable cost structure with relatively minimal net capital investment requirements. We generally expect sustaining capital expenditures for our chemical logistics and intermodal businesses, net of proceeds from property and equipment sales, to be approximately 1% to 2% of operating revenues annually, compared to the industry average of more than 10% for truckload carrier companies. This model contributes to the stability of our cash flow and margins and results in high returns on invested capital. The independent affiliates are generally responsible for capital investments and most of the operating expenses related to the business they service, including the capital costs related to purchasing and maintaining tractors. Typically, independent affiliates purchase or lease tractors for their business directly from the manufacturers, and to a lesser extent from us, and must lease trailers from us in accordance with our affiliate agreements. Independent owner-operators are independent

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contractors who supply one or more tractors and drivers for our own or our independent affiliates use. As with independent affiliates, independent owner-operators are responsible for most of the operating expenses related to the business they service, including costs related to the acquisition and maintenance of tractors. Some independent owner operators have lease-to-buy arrangements with us or independent affiliates for tractors.

With our entry into the energy markets, we have seen increased capital expenditures in order to build capacity for this new business. We expect this business to have higher capital requirements because we operate a number of the energy terminals as company operations. We plan to continue to add independent affiliates and owner-operators, and potentially convert company-owned operations to independent affiliates, with the overall goal to reduce capital needs while improving return on invested capital.

Our Customer Base

We serve customers in a number of diverse industries, whose products reach a diverse group of end-markets. Our chemical logistics business services most of the top 100 chemical producers with North American operations, our energy logistics business provides services to a diverse base of participants in the energy exploration and production market in the U.S., and our intermodal business provides services to all major non-vessel operating common carriers engaged in our operating footprint of ports. Our key customers include Anadarko, Arclin, Arkema, Ashland, BASF, Dow, Hoyer Global, Inc., Hunt Oil, Newport Tank Container, PPG Industries, Procter & Gamble, Stolt-Nielsen USA, and Valspar among others. In each of 2012, 2011 and 2010, no single customer accounted for more than 10.0% of combined revenues in any segment. In many cases, we have established long-term customer relationships with these clients.

Stable Pricing Environment

We believe pricing in the bulk tank truck and ISO tank industries tends to be more stable than pricing in the overall trucking industry. We believe the specialized nature of our industries, including specifically licensed drivers, specialized equipment and more stringent safety requirements, create barriers to entry which limit the more drastic swings in supply experienced by the broader trucking industry. Additionally, it is common practice in the bulk tank truck and ISO tank industries for customers to pay fuel surcharges, which enables trucking companies to recover some fuel costs from customers.

Safe and Efficient Operations

We have a strong emphasis on safety in our operations and have a relentless focus on improving productivity and efficiency. Given the nature of the cargo we haul, which requires a high degree of careful handling, we believe that our strong and proactive focus on safety creates a competitive advantage for us. For example, we completed the installation of electronic on-board recorders (EOBRs) in substantially all of our U.S. chemical logistics fleet in 2011, at a time when there was no regulatory requirement to do so. In 2012, federal legislation was enacted to mandate the use of EOBRs, and as that legislation is implemented the rest of the industry will be required to implement similar safety technology. Further, we believe this strong and proactive focus positions us well to comply with the Federal Motor Carrier Safety Administration s (the FMCSA) Compliance, Safety and Accountability (CSA) program, which imposes additional safety standards on the industry.

Strong Management Team with a Track Record of Success

Our management team, led by our Chief Executive Officer, Gary Enzor, successfully navigated our business through the recent economic slowdown by implementing cost savings measures and by leading the transition to an independent affiliate-based network, among other initiatives. As a result, we believe we are well positioned to benefit from an economic recovery. Mr. Enzor, as well as our President and Chief Operating Officer, Steve Attwood, our Executive Vice President and Chief Financial Officer, Joe Troy, and other senior managers have significant managerial, operational and financial experience and have a demonstrated ability to respond to operational challenges and enhance shareholder value.

Independent Affiliates

In our chemical logistics segment and to a lesser extent our energy logistics segment, we operate with an asset-light structure designed to reduce our assets employed and capital expenditure requirements. In furtherance of this, we maintain contractual relationships with independent trucking companies who agree to provide their equipment and expertise to support the provision of transportation services exclusively to our customers in defined markets. We refer to these independent companies as our independent affiliates.

In exchange for the services rendered, independent affiliates are normally paid an agreed upon percentage of the revenues collected on each load hauled. Independent affiliates pay all tractor operating expenses for tractors they own and lease such as fuel,

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physical damage insurance, tractor maintenance, fuel taxes and highway use taxes. However, we reimburse independent affiliates for certain expenses passed through to our customers, such as tolls and scaling charges. We operate programs intended to benefit independent owner-operators by reducing their operating expenses for business requirements such as tractors, fuel, tires, occupational accident insurance and physical damage insurance.

We generated approximately 90%, 93% and 94% of our chemical logistics transportation revenue in the years ended December 31, 2012, 2011 and 2010, respectively, from independent affiliates. We generated approximately 23% and 45% of our energy logistics transportation revenue in the years ended December 31, 2012 and 2011, respectively, from independent affiliates. This change was the result of the 2012 Energy Acquisitions which are mainly operated as company terminals. Due to several factors, including our ownership of the customer contracts and relationships, our provision of back-office support in areas such as collections, billing and claims, our direct relationships with independent owner-operators, the presence of non-compete agreements with the independent affiliates, and, in some cases, our ownership of the trailers utilized in the contracted business, our relationships with the independent affiliates tend to be long-term in nature, with minimal turnover. We also monitor volume performance of each independent affiliate on a regular basis to ensure operating performance is in line with management s expectations. We work proactively with our affiliates to take corrective action or render assistance where appropriate and have certain contractual mechanisms in place to remedy sustained underperformance.

Independent Owner-Operators

We and our independent affiliates extensively utilize independent owner-operators. Independent owner-operators are independent contractors who, through contracts with our operating subsidiaries, supply one or more tractors and drivers for our subsidiaries or independent affiliates use. Independent owner-operators contracts generally are terminable by either party upon short notice.

In exchange for the services rendered, independent owner-operators are normally paid an agreed upon percentage of the revenues collected on each load hauled or on a per mile rate. The percentage of revenues paid to independent owner-operators by us is lower than the percentage paid to our independent affiliates, which have a different cost structure. Independent owner-operators pay all tractor operating expenses such as fuel, physical damage insurance, tractor maintenance, fuel taxes and highway use taxes. However, we reimburse independent owner-operators for certain expenses passed through to our customers, such as tolls and scaling charges.

We compete with other motor carriers for the services of our drivers and independent owner-operators. Our overall size and our reputation for good relations have enabled us to attract qualified professional drivers and independent owner-operators.

Employees and Independent Owner-Operators

At December 31, 2012, we utilized 3,277 drivers of which 2,289 were utilized in our chemical logistics segment, 615 were utilized in our energy logistics segment and 373 were utilized in our intermodal segment. Of this total, 1,370 were independent owner-operators, 1,277 were independent affiliate drivers, and 630 were company employee drivers. Our energy logistics business also provides 3PL services and therefore utilizes other third party carriers.

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Company Personnel

At December 31, 2012, we employed 1,371 personnel (excluding drivers). Of this total, 598 were employed in our energy logistics segment, 460 were employed in our intermodal segment and 313 were employed in our chemical logistics segment.

Union Labor

At December 31, 2012, we had 137 employees and our independent affiliates had 7 employees who were members of the International Brotherhood of Teamsters. All 144 unionized employees are utilized in our chemical logistics segment.

Tractors and Trailers

As of December 31, 2012, we managed a fleet of approximately 2,800 tractors, 5,200 trailers and 1,400 energy logistics equipment utilized by either us, our independent affiliates, independent owner-operators, or shippers. The majority of our trailers are single compartment, chemical-hauling trailers. The balance of the fleet is made up of multi-compartment trailers, dry bulk trailers, and special use energy equipment. The chemical transport units typically have a capacity between 5,000 and 7,800 gallons and are designed to meet DOT specifications for transporting hazardous materials. Each trailer is designed for a useful service life of 15 to 20 years, though this has successfully been extended by us through upgrades and modifications. Each tractor is designed for a useful life of five to seven years, though this can also be extended through upgrades and modifications. Our energy logistics equipment utilized for transporting fresh water and disposal water, typically has a capacity between 4,600 and 5,500 gallons and typically has a useful service life of 4 to 15 years. Our energy logistics equipment utilized for hauling oil, typically has a capacity between 8,000 and 10,000 gallons, is designed to meet DOT specifications, and typically has a useful service life of 10 to 15 years.

We utilize our own and third-party repair shops for inspecting and repairing our fleets. Our systems enable us to determine when inspections and scheduled maintenance needs to be performed.

The following tables show the approximate number and age of tractors, trailers and energy logistics equipment we managed in all of our businesses as of December 31, 2012 and 2011:

TRACTORS (1)	**LESS THAN 3 YEARS**	**3~5 YEARS**	**6~10 YEARS**	**GREATER THAN 10 YEARS**	**2012 TOTAL**	**2011 TOTAL**
Company	490	198	116	8	812	587
Independent Affiliate	331	241	358	111	1,041	1,173
Independent Owner-Operator	50	155	367	350	922	1,042
Total	871	594	841	469	2,775	2,802

TRAILERS (1)(2)	**LESS THAN 5 YEARS**	**5~10 YEARS**	**11~15 YEARS**	**16~20 YEARS**	**GREATER THAN 20 YEARS**	**2012 TOTAL**	**2011 TOTAL**
Company (3)	601	259	930	890	883	3,563	3,665
Independent Affiliate	139	108	330	273	509	1,359	1,507
Independent Owner-Operator				1		1	
Shipper-Owned	11	137	17	23	44	232	242
Total	751	504	1,277	1,187	1,436	5,155	5,414

ENERGY LOGISTICS EQUIPMENT (4)	LESS THAN 3 YEARS	3~5 YEARS	6~10 YEARS	11-15 YEARS	GREATER THAN 15 YEARS	2012 TOTAL	2011 TOTAL
Company	721	62	85	16	61	945	134
Independent Affiliate	45					45	83
Independent Owner-Operator	69	30	110	80	80	369	
Total	835	92	195	96	141	1,359	217

(1) Age based upon original date of manufacture; tractor/trailer may be substantially refurbished or re-manufactured.

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(2) Excludes approximately 1,500 chassis utilized in the intermodal segment.
(3) Includes approximately 300 chassis utilized in the chemical logistics segment.
(4) Includes tractors, trailers and combination equipment.

Technology

We rely heavily on information technology and communications systems to operate our business and manage our network in an efficient manner. In contrast to many of our smaller competitors, we have equipped our drivers with various mobile communications systems that enable us to monitor our tractors and communicate with our drivers in the field and enable customers to track the location and monitor the progress of their cargo through the Internet. During 2011, we implemented EOBRs within our U.S. chemical logistics network and in 2012 began implementing EOBRs within our intermodal business.

Risk Management, Insurance and Safety

The primary insurable risks associated with our business are motor vehicle related bodily injury and property damage, workers compensation and cargo loss and damage (which includes spills, chemical releases and contaminations). We maintain insurance and self-insurance programs against these risks and are subject to liability as a self-insurer to the extent of the deductible under each policy. We currently maintain liability insurance for bodily injury and property damage with an aggregate limit on the coverage in the amount of $40.0 million, with a $2.0 million per incident deductible.

We currently maintain a $1.0 million per incident deductible for workers compensation insurance coverage, except in those states where state-run workers compensation programs do not provide for deductibles. We are insured over our deductible up to the statutory requirement and we are self-insured for damage or loss to the equipment we own or lease and for cargo losses.

We employ personnel to perform compliance checks and conduct safety tests throughout our operations. A number of safety programs are conducted that are designed to promote compliance with rules and regulations and to reduce accidents and cargo claims. These programs include training programs, driver recognition programs, safety awards, driver safety meetings, distribution of safety bulletins to drivers and participation in national safety associations.

Environmental Matters

It is our policy to comply with all applicable environmental, safety and health laws. We also are committed to the principles of Responsible Care®, an international chemical industry initiative to enhance the industry s responsible management of chemicals. We have obtained independent certification that our management system is in place and functions according to professional standards and we continue to evaluate and continuously improve our Responsible Care® Management System performance. Our current activities involve the handling, transportation and storage of bulk chemicals, both liquid and dry, disposal water, and crude oil, which in many cases are classified as hazardous materials or hazardous substances. The energy logistics business operates disposal wells for non-conventional oil drilling wastewater. In addition, our former tank wash business (which was sold in 2009) and the remaining limited tank wash activities involve the generation, storage, discharge and disposal of wastes that may contain hazardous substances. As such, we and others who operate in our industry are subject to environmental, health and safety laws and regulation by U.S. federal, state and local agencies as well as foreign governmental authorities. Environmental laws and regulations are complex, and address emissions to the air, discharge onto land or water, and the generation, handling, storage, transportation, treatment and disposal of waste materials. These laws change frequently and generally require us to obtain and maintain various licenses and permits. Environmental laws have tended to become more stringent over time, and most provide for substantial fines and potential criminal sanctions for violations. Some of these laws and regulations are subject to varying and conflicting interpretations. Under certain of these laws, we could also be subject to allegations of liability for the activities of our independent affiliates or independent owner-operators.

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We are potentially subject to strict, joint and several liability for investigating and rectifying the consequences of spills and other releases of such substances. From time to time, we have incurred remedial costs and regulatory penalties with respect to chemical or wastewater spills and releases at our facilities and on the road, and, notwithstanding the existence of our environmental management program, we cannot: (1) assure that such obligations will not be incurred in the future, (2) predict with certainty the extent of future liabilities and costs under environmental, health, and safety laws, or (3) assure that such liabilities will not result in a material adverse effect on our business, financial condition, operating results or cash flow. We have established reserves for remediation expenses at known contamination sites when it is probable that such efforts will be required of us and the related expenses can be reasonably estimated. We have also incurred in the past, and expect to incur in the future, expenditures related to environmental compliance; however, we do not anticipate that compliance with existing environmental laws will have a material adverse effect on our earnings or competitive position.

Environmental Reserves

Our policy is to accrue remediation expenses when it is probable that such efforts will be required and the related expenses can be reasonably estimated. Estimates of costs for future environmental compliance and remediation may be impacted by such factors as changes in environmental laws and regulatory requirements, the availability and application of technology, the identification of currently unknown potential remediation sites and the allocation of costs among the potentially responsible parties under the applicable statutes. Our reserves for environmental compliance and remediation are adjusted periodically as remediation efforts progress or as additional technical or legal information becomes available. It is difficult to quantify with certainty the potential financial impact of actions regarding expenditures for environmental matters, particularly remediation, and future capital expenditures for environmental control equipment. Nevertheless, based upon the information currently available, we believe that our ultimate liability arising from such environmental matters, taking into account the reserves described below, should not be material to our business or financial condition. As of December 31, 2012 and 2011, we had reserves in the amount of $9.0 million and $10.1 million, respectively, for all environmental matters, of which the most significant are presented and discussed below.

	Number of Sites		Reserves (in millions)	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Multi-party sites	15	18	$ 1.7	$ 2.2
Sole party sites:				
Bridgeport, New Jersey	1	1	4.8	5.3
William Dick, Pennsylvania	1	1	0.7	0.9
Other Properties	6	6	1.8	1.7
Total	23	26	$ 9.0	$ 10.1

The foregoing amounts include estimates for future expenditures over the next five years that we believe are probable and are reasonably estimable. The estimate of the range of reasonably possible costs is less certain than the estimates upon which the reserves are based, and the estimated high ends of the ranges do not represent our maximum theoretical liability.

Changes to the environmental reserves are reflected in our Consolidated Statements of Operations within the Selling and administrative category.

Property Contamination Liabilities Multi-Party Sites

We have been named as (or are alleged to be) a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA) and similar state laws at approximately 23 sites. At 15 of the 23 sites, we are one of many parties with alleged liability and are negotiating with Federal, State or private parties on the scope of our obligations, if any. At 1 of the 15 sites, we are participating in the initial study to determine site remediation objectives. Since our overall liability cannot be estimated at this time, we have set reserves for only the initial remedial investigation phase. At 2 of the 15 sites, we have explicitly denied any liability and since there has been no subsequent demand for payment we have not established a reserve for these matters. We have estimated all future expenditures for these 15 multi-party environmental matters to be paid over the next five years to be in the range of $1.7 million to $3.8 million. As of December 31, 2012, we have reserved $1.7 million.

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Sole Party Sites

At 8 of the 23 sites, we are alleged to be the only responsible party and are in the process of conducting investigations and/or remediation projects. Five of these projects relate to operations conducted by CLC and its subsidiaries prior to our acquisition of CLC in 1998. These five sites are: (1) Bridgeport, New Jersey; (2) William Dick, Pennsylvania; (3) Tonawanda, New York; (4) Scary Creek, West Virginia; and (5) Charleston, West Virginia. The remaining three sites relate to investigations and potential remediation that were triggered by the New Jersey Industrial Site Recovery Act (ISRA), which requires such investigations and remediation following the sale of industrial facilities. Each of these five CLC sites is discussed in more detail below. We have estimated future expenditures over the next five years for these eight properties to be in the range of $7.3 million to $16.7 million. As of December 31, 2012, we have reserved $7.3 million.

Bridgeport, New Jersey

QDI is required under the terms of three federal consent decrees to perform remediation work at this operating truck terminal and tank wash site. CLC entered into consent orders with the U.S. Environmental Protection Agency (USEPA) in 1991 to treat groundwater, in 1998, to remove contamination in the wetlands, and in 2010, to assess and remediate contaminated soils at the site.

The groundwater treatment remedy negotiated with USEPA required us to construct a treatment facility for in-place treatment of groundwater contamination and a local discharge which was completed in early 2007. After various start-up issues, the treatment facility began long-term operations in July 2011 and is in the operations and maintenance phase. The plant appears to be performing in accordance with its design criteria and meeting permit requirements. Wetlands contamination has been remediated with localized restoration completed. Monitoring of the restored wetlands is required by USEPA to continue in 2012, and USEPA has requested additional monitoring through 2017. In regard to contaminated soils, USEPA finalized the feasibility study and issued a record of decision in 2009 for the limited areas that show contamination and warrant additional investigation or work. We entered into a consent order with USEPA, in 2010, to perform the remediation work, which will consist of in-place thermal treatment. In late 2012, USEPA concluded that our additional required site investigation work for delineation purposes is now complete. The preliminary engineering design effort for the contaminated soils was started. We have estimated aggregate expenditures for the Bridgeport location over the next five years to be in the range of $4.8 million to $8.5 million. As of December 31, 2012, we have reserved $4.8 million.

William Dick, Pennsylvania

CLC entered into a consent order with the Pennsylvania Department of Environmental Protection and USEPA in 1995 to provide a replacement water supply to area residents, treat contaminated groundwater, and perform remediation of contaminated soils at this former wastewater disposal site. The replacement water supply is complete. We completed construction of a groundwater treatment facility with local discharge in 2007 and the treatment facility began operations in 2010. Although initial soil treatment was completed in 2007, test results indicated that soil clean-up objectives were not fully achieved. Soil piles from isolated discrete removal actions were subsequently treated on-site; we are awaiting approval from USEPA that this work is complete. Negotiations are on-going with USEPA over further limited soil remediation consisting of targeted in-situ chemical treatment that may be needed at the site. We have estimated aggregate expenditures for the William Dick location over the next five years to be in the range of $0.7 million to $3.4 million. As of December 31, 2012, we have reserved $0.7 million.

Other Properties

Tonawanda, New York: CLC entered into a consent order with the New York Department of Environmental Conservation (NYSDEC) in 1999 obligating it to perform soil and groundwater remediation at this former truck terminal and tank wash site. The remedial design work plan has been approved by the NYSDEC and the remedial action phase is expected to begin in 2013.

Scary Creek, West Virginia: CLC received a cleanup notice from the state environmental authority in 1994. The state and we have agreed that remediation can be conducted under the state s voluntary clean-up program (instead of the state superfund enforcement program). We are currently completing the originally planned remedial investigation and the additional site investigation work.

Charleston, West Virginia: CLC completed its remediation plan for a former drum disposal area in 1995 at this truck terminal and tank wash site under the terms of a state hazardous waste permit. Supplemental groundwater monitoring was also required and completed. In 2012, we entered into the state s voluntary clean-up program which requires us to perform additional sampling to close the site. Initial sampling work has commenced at the site.

ISRA New Jersey Facilities: We are obliged to conduct investigations and remediation at three current or former New Jersey tank wash and terminal sites pursuant to the state s ISRA, which requires such remediation following the sale of facilities after 1983. Two of the sites are in the process of remedial investigation with projections set in contemplation of limited soil remediation expense for contaminated areas.

One site has completed the investigation phase and a final report was submitted to New Jersey Department of Environmental Protection. In accordance with the report findings and with the concurrence of the NJDEP, remedial efforts included limited soil excavation at the site, deed recordation, placement of clean fill and the designation of a Classification Exception Area for the groundwater. No further field remediation work is expected and this site has entered a long term monitoring phase.

We have estimated aggregate future expenditures over the next five years for Tonawanda, Scary Creek, Charleston and ISRA New Jersey to be in the range of $1.8 million to $4.8 million. As of December 31, 2012, we have reserved $1.8 million.

Other Legal Matters

We are from time to time involved in routine litigation incidental to the conduct of our business. We believe that no such routine litigation currently pending against us, if adversely determined, would have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Motor Carrier and Other Regulation

As a motor carrier, we are subject to regulation by the FMCSA, which is a unit of the DOT. The FMCSA enforces comprehensive trucking safety regulations and performs certain functions relating to such matters as motor carrier registration, cargo and liability insurance, extension of credit to motor carrier customers, and leasing of equipment by motor carriers from independent owner-operators. There are additional regulations specifically relating to the tank truck industry, including testing and specifications of equipment and product handling requirements. We may transport most types of freight to and from any point in the United States over any route selected by us. The trucking industry is subject to possible and anticipated regulatory and legislative changes, including changes contemplated by the Moving Ahead for Progress in the 21st Century Act (Map-21), that may affect the economics of the industry by requiring changes in operating practices, restricting and taxing emissions or by changing the demand for common or contract carrier services or the cost of providing services. Some of these possible changes may include increasingly more stringent environmental regulations, increasing control over the transportation of hazardous materials, changes in the hours-of-service regulations which govern the amount of time a driver may drive in any specific period of time, safety-based driver hiring restrictions, heightened bonding or insurance requirements, limits on vehicle weight and size and changes intended to address climate change. Map-21 requires the U.S. Department of Transportation to promulgate rules and regulations mandating the use of EOBRs.

Interstate motor carrier operations are subject to safety requirements prescribed by the DOT. To a large degree, intrastate motor carrier operations are subject to safety and hazardous material transportation regulations that mirror federal regulations. Such matters as weight and dimension of equipment are also subject to federal and state regulations. DOT regulations mandate drug and alcohol testing of drivers and other safety personnel. In 2012, we underwent a compliance review by the FMCSA in which we retained our satisfactory DOT safety rating. Any downgrade in our DOT safety rating (as a result of the new CSA regulations described below, or otherwise) could adversely affect our business.

The FMCSA rates individual driver safety performance inclusive of all driver violations over 3-year time periods under the CSA. CSA is an FMCSA initiative designed to provide motor carriers and drivers with attention from FMCSA and state partners about their potential safety problems with an ultimate goal of achieving a greater reduction in large truck and bus crashes, injuries, and fatalities. Prior to these regulations, only carriers were rated by the DOT and the rating only included out-of-service violations and ticketed offenses associated with out-of-service violations. Under the CSA, the FMCSA may deem carriers with poor safety performance unfit to operate, which serves to prohibit the carrier from operating until its safety fitness determination improves.

Title VI of The Federal Aviation Administration Authorization Act of 1994 generally prohibits individual states, political subdivisions thereof and combinations of states from regulating price, entry, routes or service levels of most motor carriers. However, the states retained the right to continue to require certification of carriers, based upon two primary fitness criteria safety and insurance and retained certain other limited regulatory rights. Included in those rights, certain states require motor carriers to register with a state if operating on an intrastate basis within that state. In those states in which we operate on an intrastate basis and are required to obtain certifications or permits allowing us to so operate, we obtain those certifications or permits.

We are subject to compliance with cargo security and transportation regulations issued by the Transportation Security Administration and by the Department of Homeland Security, including regulation by the Bureau of Customs and Border Protection. We believe that we will be able to comply with Bureau of Customs and Border Protection rules, requiring pre-notification of cross-border shipments, with no material effect on our operations. We are also subject to the motor carrier laws of Canada and Mexico.

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From time to time, various legislative proposals are introduced including proposals to increase federal, state, or local taxes, including taxes on motor fuels, which may increase our costs and adversely impact the recruitment of drivers. We cannot predict whether, or in what form, any increase in such taxes applicable to us will be enacted.

During 2010, we began marketing transportation services to the oil, gas and frac shale energy market. Material regulatory regimes specifically designed to regulate this industry are not currently in place. However, certain Congressional bills have been advanced that, if enacted, would subject this industry to governmental regulation. Further, federal and state environmental and other agencies might enact rules under existing statutory authority to govern this industry. The enactment of legislation regulating the frac shale natural gas and oil drilling industry, or the exercise of rulemaking authority by governmental agencies, could have a material adverse effect on the customers we serve in this industry, and accordingly could adversely affect demand for our energy logistics services, impact the profitability of this business or subject us to additional regulation.

The federal Oil Pollution Act was enacted in 1990 and amends provisions of the Federal Water Pollution Control Act of 1972, the federal Clean Water Act, and other statutes as they pertain to prevention and response to oil spills. The Oil Pollution Act, and analogous state and local laws, subject owners of facilities used for storing, handling or transporting oil, including trucks, to strict, joint and potentially unlimited liability for containment and removal costs, natural resource damages and certain other consequences of an oil spill, where such spill is into navigable waters, along shorelines or in the exclusive economic zone of the United States.

Disposal wells are subject to the federal Clean Water Act, the Safe Drinking Water Act, state and local laws and regulations relating to all such laws, including those established by the Underground Injection Control Program of the EPA. All of our disposal wells require a permit for operation. These permits may be suspended or modified if a well operation is likely to result in pollution of fresh water, substantial violation of permit conditions or applicable rules, or if the well leaks. Any loss or modification of permit would adversely affect our operation of the affected well, and we could incur substantial costs to return the well to compliance, to close the well and to mitigate any impact on the environment.

Corporate Information

QDI is a Florida corporation formed in 1994. QDI is a holding company with no significant assets or operations other than the ownership of 100% of the membership units of QD LLC. QD LLC in turn owns direct and indirect interests in our operating subsidiaries.

ADDITIONAL INFORMATION AVAILABLE ON COMPANY WEBSITE

Our most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports may be viewed or downloaded electronically or as paper copies from our website: *http://www.qualitydistribution.com* as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our recent press releases are also available to be viewed or downloaded electronically at *http://www.qualitydistribution.com*. We will also provide electronic or paper copies of our SEC filings free of charge on request. We regularly post or otherwise make available information on the Investor Relations section of our website that may be important to investors. Any information on or linked from our website is not incorporated by reference into this Annual Report on Form 10-K.

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ITEM 1A. RISK FACTORS
Risks Related to Our Business

Our business is subject to general and industry specific economic factors that are largely out of our control and could affect our operations and profitability.

Our business is dependent on various economic factors over which we have little control, that include:

- the availability of qualified drivers;
- access to the credit and capital markets;
- changes in regulations concerning shipment and storage of material we transport and depot;
- increases in fuel prices, taxes and tolls;
- increases in costs of equipment;
- interest rate, natural gas, oil and currency fluctuations;
- excess capacity in the chemical logistics, energy logistics or intermodal industry;
- changes in laws or regulations or changes in license and regulatory fees;
- potential disruptions at U.S. ports of entry;
- downturns in customers business cycles; and
- reductions in customers shipping requirements.

As a result, we may experience periods of overcapacity, declining prices, lower profit margins and less availability of cash in the future. We have a large number of customers in the chemical-processing, oil, gas, and consumer-goods industries. If these customers experience fluctuations in their business activity due to an economic downturn, work stoppages, commodity price changes or other industry conditions, transportation and other services provided by us on behalf of those customers may decrease. The volume of shipments of chemical products is affected by many other industries and end use markets. Natural gas and oil drilling is affected by the market prices for those commodities.

Our debt agreements contain restrictions that could limit our flexibility in operating our business.

Our ABL Facility and the indentures governing our 9.875% Second-Priority Senior Secured Notes due 2018 (the 2018 Notes) contain covenants that limit or prohibit our ability, among other things, to:

incur or guarantee additional indebtedness or issue certain preferred shares;

redeem, repurchase, make payments on or retire subordinated indebtedness or make other restricted payments;

make certain loans, acquisitions, capital expenditures or investments;

sell certain assets, including stock of our subsidiaries;

enter into sale and leaseback transactions;

create or incur liens;

consolidate, merge, sell, transfer or otherwise dispose of all or substantially all of our assets; and

enter into certain transactions with our independent affiliates.

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These covenants may prohibit or impair us from taking actions that we believe are best for our business and shareholders. Furthermore, under the ABL Facility, we may be required to satisfy and maintain specified financial ratios under certain conditions. Our ability to meet those financial ratios can be affected by events beyond our control, and we may not meet those ratios. In addition, covenants in our debt agreements limit our use of proceeds from our ordinary operations and from extraordinary transactions. These limits may require us to apply proceeds in a certain manner or prohibit us from utilizing the proceeds in the manner we believe most beneficial.

A failure to comply with any of the covenants contained in the ABL Facility or our other indebtedness could result in an event of default, which, if not cured or waived, could have a material adverse effect on our business, financial condition and results of operations. In the event of default, the lenders of the defaulted indebtedness:

- would not be required to lend any additional amounts to us under the ABL Facility;
- could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due immediately and terminate all commitments to extend further credit; or
- could require us to apply all of our available cash to repay these borrowings.

Such actions by the lenders could cause cross defaults under our other indebtedness. If we were unable to repay amounts under the ABL Facility, the lenders under the ABL Facility could proceed against the collateral granted to them to secure that indebtedness. If any of our indebtedness is accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full.

We have substantial indebtedness and may not be able to make required payments on our indebtedness.

We had consolidated indebtedness and capital lease obligations, including current maturities, of $418.8 million as of December 31, 2012. We must make regular payments under the ABL Facility and our capital leases and semi-annual interest payments under our 2018 Notes.

Our 2018 Notes issued in the quarter ended December 31, 2010 carry high fixed rates of interest. In addition, interest on amounts borrowed under our ABL Facility is variable and will increase as market rates of interest increase. We do not presently hedge against the risk of rising interest rates. Our higher interest expense may reduce our future profitability. Our future higher interest expense and future redemption obligations could have other important consequences with respect to our ability to manage our business successfully, including the following:

- it may make it more difficult for us to satisfy our obligations for our indebtedness, and any failure to comply with these obligations could result in an event of default;
- it will reduce the availability of our cash flow to fund working capital, capital expenditures and other business activities;
- it increases our vulnerability to adverse economic and industry conditions;
- it limits our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- it may make us more vulnerable to further downturns in our business or the economy; and
- it limits our ability to exploit business opportunities.

The ABL Facility matures August 2016. However, the maturity date of the ABL Facility may be accelerated if we default on our obligations. If the maturity of the ABL Facility and/or such other debt is accelerated, we may not have sufficient cash on hand to repay the ABL Facility and/or such other debt or be able to refinance the ABL Facility and/or such other debt on acceptable terms, or at all. The failure to repay or refinance the ABL Facility and/or such other debt at maturity would have a material adverse effect on our business and financial condition, would cause substantial liquidity problems and may result in the bankruptcy of us and/or our subsidiaries. Any actual or potential bankruptcy or liquidity crisis may materially harm our relationships with our customers, suppliers and independent affiliates.

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Our ability to satisfy our interest and principal payment obligations will depend upon, among other things:

- our future financial and operating performance, which will be affected by many factors beyond our control; and
- our future ability to borrow under the ABL Facility, the availability of which depends on, among other things, our complying with the covenants in the ABL Facility.

We may not generate sufficient cash flow from operations, and we may not be able to draw under the ABL Facility, in an amount sufficient to fund our liquidity needs. If our cash flows and capital resources are insufficient to service our indebtedness or fund our operations, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. If we are not able to refinance any of our indebtedness, sell assets or raise capital on commercially reasonable terms, or at all, or for sufficient proceeds, we could default on our obligations and impair our liquidity. Our inability to generate sufficient cash flow to satisfy our debt obligations or to refinance our obligations on commercially reasonable terms would have a material adverse effect on our business, financial condition, results of operations or cash flows.

Despite our substantial indebtedness, we may incur significantly more indebtedness, which could have a material adverse effect on our business, financial condition, results of operations or cash flows.

The ABL Facility and the indentures governing the 2018 Notes contain restrictions on our ability to incur additional indebtedness. These restrictions are subject to a number of important qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. Accordingly, we or our subsidiaries could incur significant additional indebtedness in the future. We had $55.2 million available for additional borrowing under the ABL Facility as of December 31, 2012, including a subfacility for letters of credit, and the covenants under our debt agreements would allow us to borrow a significant amount of indebtedness beyond this amount. Additional leverage could have a material adverse effect on our business, financial condition, results of operations or cash flows and could increase the risks described in Our debt agreements contain restrictions that could limit our flexibility in operating our business, and We have substantial indebtedness and may not be able to make required payments on our indebtedness.

Stock repurchases under our share repurchase program will diminish our cash resources, may not enhance shareholder value and could adversely affect trading in our common stock.

Our Board of Directors has approved a share repurchase program for up to $15.0 million in shares of our common stock. Any repurchases under the program would diminish our cash resources and increase our leverage, which could impact our ability to reduce our indebtedness or pursue other business opportunities that may be more valuable to our shareholders. There is no assurance that we would be able to replenish our cash resources in the future. Share repurchases may not enhance shareholder value as the price of our common stock may decline below our repurchase prices, or the repurchase prices may exceed the intrinsic value of our assets or business. The share repurchase program does not have an expiration date, does not obligate us to acquire a particular number of shares, and may be discontinued at any time. Any discontinuation of or limited repurchases under our program could negatively impact our stock price. Any repurchases would reduce the number of shares available for the public to trade, which could diminish trading volumes, increase the price volatility of our common stock and reduce our equity.

The trucking industry is extremely competitive and fragmented.

The trucking industry is extremely competitive and fragmented. No single carrier in the chemical logistics or energy logistics business has a significant market share. We compete with many other carriers of varying sizes, customers private fleets, railroads and, in the energy logistics market, with pipelines which may limit our growth opportunities and reduce profitability. Historically, competition has created downward pressure on the trucking industry s pricing structure. Some trucking companies with which we compete have greater financial resources than we do.

We believe that the most significant competitive factor that impacts demand for our services is rates, and we may be forced to lower our rates based on our competitors pricing decisions, which would reduce our profitability. In fact, certain markets that we serve have experienced fierce price competition in recent years. With respect to certain aspects of our business, we also compete with intermodal transportation, pipelines and railroads. Intermodal transportation has increased in recent years. Growth in such forms of transport could adversely affect our market share, net sales and profit margins. Competition from non-trucking modes of transportation and from intermodal transportation would likely increase if state or federal fuel taxes were to increase without a corresponding increase in taxes imposed upon other modes of transportation.

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Additional trends include current and anticipated consolidation among our competitors which may cause us to lose market share as well as put downward pressure on pricing. Some of our competitors are larger, have greater financial resources and have less debt than we do. As a result, those competitors may be better able to withstand a change in conditions within our industry and in the economy as a whole. If we do not compete successfully, our operating margins, financial condition, cash flows and profitability could be adversely affected.

Our reliance upon independent affiliates and independent owner-operators could adversely affect customer relationships, our operations and our financial performance.

We rely heavily upon independent affiliates and independent owner-operators to perform the services for which we contract with our customers. We believe that our independent affiliate and independent owner-operator relationships can facilitate our financial and operational goals. However, there can be no assurance that the structure will accomplish the goals for which it was created, and our reliance upon independent affiliates and independent owner-operators creates numerous risks for our business. In addition, while certain of these risks are shared characteristics of both independent affiliates and independent owner-operators, the degree of these risks may differ between the two and certain risks may be characteristic of only one.

We contract with our customers to perform the services provided by our businesses. If our independent affiliates or independent owner-operators fail to meet our contractual obligations or otherwise fail to perform in a manner consistent with our requirements, we may be required to utilize alternative service providers at potentially higher prices or with some degree of disruption of the services that we provide to our customers. If we fail to deliver on time, if our contractual obligations are not otherwise met, or if the costs of our services increase, then our profitability and customer relationships could be harmed.

The financial condition and operating costs of our independent affiliates and independent owner-operators are affected by conditions and events that are beyond our and their control. Adverse changes in the financial condition of our independent affiliates and independent owner-operators or increases in their equipment or operating costs could cause them to seek higher revenues or to cease their business relationships with us. The prices we charge our customers could be impacted by such issues, which may in turn limit our pricing flexibility with customers, resulting in fewer customer contracts and decreasing our revenues.

Although our independent affiliates have substantial contractual obligations to us, we do not control them. Independent affiliates may take actions that maximize their short-term profits or other interests even if they are detrimental to us. Due to their importance in our operations, we have loaned money to and entered into other financing arrangements with certain independent affiliates and may do so again. The inability of our independent affiliates to satisfy their obligations to us could result in accounting charges and losses that materially adversely affect our results of operations. We have in certain instances acquired the operations of underperforming independent affiliates and could again in the future. While these acquisitions seek to preserve our customer relationships and the scope of our operations, there is no assurance that they will succeed in doing so. Further, any such acquisition could require the use of liquidity sources, capital investment and management attention and could materially limit our ability to meet our financial and operations objectives.

Independent affiliates and independent owner-operators typically utilize tractors, trailers and other equipment bearing our tradenames and trademarks. If one of our independent affiliates or independent owner-operators is subject to negative publicity, it could reflect on us and have a material adverse effect on our business, brand and financial performance. Under certain laws, we could also be subject to allegations of liability for the activities of our independent affiliates or independent owner-operators.

Competition for qualified independent owner-operators is substantial, and currently and otherwise from time to time there are shortages of available qualified independent owner-operators. Shortages can result from causes beyond our control or from contractual terms or company policies that make contracting with us less desirable to certain owner-operators. Due to the absence of long-term contracts, independent owner-operators can quickly terminate their relationships with us. We may have insufficient driver capacity to meet the needs of our customers and be forced to forego business that would otherwise be available to us. Driver shortages may decrease our revenues and have a material adverse effect on our results of operations.

Our energy logistics business may suffer if production shifts away from or slows in the shale regions in which we have operations.

Our energy logistics business currently serves customers in the oil, gas and frac shale energy market in the Bakken, Eagle Ford, Marcellus, Mississippian Limestone, Permian, Utica and Woodford shale regions. A shale region may yield only oil or gas or both commodities, depending upon the region. In the past, frac shale drilling activity has shifted among shales as the relative prices of oil and gas make drilling for one commodity more profitable than another. Oil or gas drilling may shift away from the shale regions in which we have operations because of these commodity price swings or for other reasons over which we have no control, such as resource discovery, new pipeline access, local drilling costs or state regulation. While certain business assets may be redistributed among shales, assets such as terminals, disposal wells and certain customer contracts are specific to discrete shale regions. Even

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business assets that may be redistributed or repurposed may require time and expenditures for conversion for optimal use in different shale region or for a different service. A drilling shift away from or slowdown in shales in which we have assets could result in asset-related charges and decreased revenues and have a material adverse effect on our results of operations.

There are risks inherent in utilizing disposal wells and other disposal sites in our energy logistics business.

Rights to deposit flowback and/or production water in disposal wells and other disposal sites proximate to our shales are essential to our energy logistics business. We currently achieve these rights in the various shales in which we operate through well ownership and through contracts with third parties. Neither we nor the third parties with whom we contract can control the performance of disposal wells. Even though a well is legally permitted to accept a certain amount of water, there is no assurance that the well or any specific zone in the well will be capable of absorbing an anticipated amount. Disposal wells may also be ruined or rendered unusable during operations due to technical or mechanical difficulties or natural disaster. Disposal wells can encounter problems that render the well unusable even after a period of successful operation. Further, we will be obligated to retire wells that we own following their productive use in compliance with applicable laws. There can be no assurance that we will be able to successfully operate or access any specific disposal well or other disposal site, or will be able to obtain sufficient well or other disposal site access to achieve efficient operation in any shale. There can be no assurance that our estimates of the useful lives and costs of retirement of wells that we own will prove accurate.

We are self-insured and/or have deductible exposure to certain claims and are subject to the fluctuation of the insurance marketplace, all of which could affect our profitability.

The primary accident risks associated with our business are:

- motor-vehicle related bodily injury and property damage;
- workers compensation claims;
- environmental pollution liability claims;
- cargo loss and damage; and
- general liability claims.

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We currently maintain insurance for:

- motor-vehicle related bodily injury and property damage claims, covering all employees, independent owner operators and independent affiliates;
- workers compensation insurance coverage on our employees and company drivers;
- environmental pollution liability claims; and
- general liability claims.

Our insurance program includes a self insured deductible of $2.0 million per incident for bodily injury and property damage and a $1.0 million deductible for workers compensation. In addition, we currently maintain insurance policies with a total limit of $40.0 million, of which $35.0 million is provided under umbrella and excess liability policies and $5.0 million is provided under a truckers liability policy. The $2.0 million deductible per incident could adversely affect our profitability, particularly in the event of an increase in the frequency or severity of incidents. Additionally, we are self-insured for damage to the equipment that we own and lease, as well as for cargo losses and such self-insurance is not subject to any maximum limitation. We extend insurance coverage to our independent affiliates and independent owner-operators for (i) motor vehicle related bodily injury, (ii) motor-vehicle related property damage, and (iii) cargo loss and damage. Under this extended coverage, independent affiliates and independent owner-operators are responsible for only a small portion of the applicable deductibles. In addition, even where we have insurance, our insurance policies may not provide coverage for certain claims against us or may not be sufficient to cover all possible liabilities.

We are subject to changing conditions and pricing in the insurance marketplace and we cannot assure you that the cost or availability of various types of insurance may not change dramatically in the future. To the extent these costs cannot be passed on to our customers in increased prices, increases in insurance costs could reduce our future profitability and cash flow.

The trucking industry is subject to regulation, and changes in trucking regulations may increase costs.

As a motor carrier, we are subject to regulation by the FMCSA and the DOT, and by various federal, state, and provincial agencies. These regulatory authorities exercise broad powers governing various aspects such as operating authority, safety, hours of service, hazardous materials transportation, financial reporting and acquisitions. There are additional regulations specifically relating to the trucking industry, including testing and specification of equipment, product-handling requirements and drug testing of drivers. In 2012, we underwent a compliance review by the FMCSA in which we retained our satisfactory DOT safety rating. Any downgrade in our DOT safety rating (as a result of the new CSA regulations described below or otherwise) could adversely affect our business.

In December 2010, the FMCSA began to rate individual driver safety performance inclusive of all driver violations over 3-year time periods under regulations known as the CSA. CSA is an FMCSA initiative designed to provide motor carriers and drivers with attention from FMCSA and state partners about their potential safety problems with an ultimate goal of achieving a greater reduction in large truck and bus crashes, injuries, and fatalities. Prior to these regulations, only carriers were rated by the DOT and the rating only included out-of-service violations and ticketed offenses associated with out-of-service violations.

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The trucking industry is subject to possible regulatory and legislative changes that may affect the economics of the industry by requiring changes in operating practices, emissions or by changing the demand for common or contract carrier services or the cost of providing trucking services. Possible changes include:

- increasingly stringent environmental regulations, including changes intended to address climate change;
- restrictions, taxes or other controls on emissions;
- regulation specific to the fracing industry and logistics providers to the industry;
- changes in the hours-of-service regulations, which govern the amount of time a driver may drive in any specific period;
- requirements leading to accelerated purchases of new trailers;
- mandatory limits on vehicle weight and size;
- driver hiring restrictions;
- increased bonding or insurance requirements; and
- mandatory regulations imposed by the Department of Homeland Security.

From time to time, various legislative proposals are introduced, including proposals to increase federal, state, or local taxes, including taxes on motor fuels and emissions, which may increase our or our independent affiliates operating costs, require capital expenditures or adversely impact the recruitment of drivers.

Restrictions on emissions or other climate change laws or regulations could also affect our customers that use significant amounts of energy or burn fossil fuels in producing or delivering the products we carry. We also could lose revenue if our customers divert business from us because we have not complied with their sustainability requirements.

Federal and state legislative and regulatory initiatives could result in increased costs and additional operating restrictions upon us or our oil and gas frac shale energy customers in the energy logistics market.

Frac shale drilling is under significant legislative, regulatory and public scrutiny. Legislation to modify the treatment of hydraulic fracturing under the Safe Drinking Water Act has been proposed in Congress, the EPA is studying the potential environmental impacts of frac shale drilling activities, and the U.S. Department of the Interior has proposed to require companies to publicly disclose the chemicals used in hydraulic fracturing operations on public lands. In addition, some states and localities have adopted, and others are reportedly considering adopting, regulations or ordinances that could restrict frac shale drilling and injection wells in certain circumstances, or that would impose higher taxes, fees or royalties on us or on our energy logistics market customers. For example, North Dakota has adopted regulations requiring the permitting and bonding of injection wells and disclosure of fluids utilized in the hydraulic fracturing process. Similarly, Texas has adopted fluids disclosure requirements. Moreover, public debate over frac shale drilling has been increasing and has reportedly resulted in delays of well permits in some areas.

Future U.S. federal, state or local laws or regulations could significantly restrict, or increase costs associated with, hydraulic fracturing and make it more difficult or costly for producers to conduct hydraulic fracturing operations, which could result in a decline in exploration and production. New laws and regulations, and new enforcement policies by regulatory agencies, could also expressly restrict the quantities, sources and methods of water use and disposal, including in injection wells, and otherwise increase our and our customers costs of compliance, which could minimize water use and disposal needs even if other limits on drilling and completing new wells were not imposed. Any decline in exploration and production or any restrictions on water use and disposal could negatively impact our operation of disposal wells, result in a decline in demand for our energy logistics business and have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our operations involve hazardous materials, which could create environmental liabilities.

Our activities, particularly those relating to our handling, transportation, storage and disposal of bulk chemicals, flowback and produced water and oil, are subject to environmental, health and safety laws and regulation by governmental authorities in the United States as well as foreign governmental authorities. Among other things, these environmental laws and regulations address emissions to the air, discharges onto land and into water, the generation, handling, storage, transportation, treatment and disposal of waste materials, and the health and safety of our employees. These laws generally require us to obtain and maintain various licenses and permits. Most environmental laws provide for substantial fines, penalties and potential criminal sanctions for violations. Additionally, we have been, and may in the future be required to obtain financial guarantees, such as letters of credit, for environmental obligations. Environmental, health and safety laws and regulations are complex, change frequently and have tended to become stricter over time. Some of these laws and regulations are subject to varying and conflicting interpretations. There can be no assurance that violations of such laws, regulations, permits or licenses will not be identified or occur in the future, or that such laws and regulations will not change in a manner that could impose material costs on us.

As a handler of hazardous substances, we are potentially subject to strict, joint and several liability for investigating and rectifying the consequences of spills, leakage from injection wells and other environmental releases of these substances to surface or subsurface soils, surface water or groundwater. We have incurred remedial costs and regulatory penalties for chemical, crude oil or wastewater spills and releases at our facilities or over the road. As a result of environmental studies conducted at our facilities or at third party sites, we have identified environmental contamination at certain sites that will require remediation and we are currently conducting investigation and remediation projects at eight of our facilities. In addition, we may be liable for environmental damages caused by previous owners of property purchased by us. Future liabilities and costs under environmental, health, and safety laws are not easily predicted, and such liabilities could result in a material adverse effect on our financial condition, results of operations or business reputation.

In addition, we have been named a potentially responsible party at various sites under the CERCLA and other environmental regulatory programs. Our current reserves provided for these sites may prove insufficient, which would result in future charges against earnings. Furthermore, we could be named a potentially responsible party at other sites in the future and the costs associated with such future sites could be material.

Potential disruptions at U.S. ports of entry could adversely affect our business, financial condition and results of operations.

Any disruption of the delivery of intermodal ISO tank containers to those ports where we do business would reduce the number of intermodal tank containers that we transport, store, clean or maintain. This reduced activity may have a material adverse effect on our business, results of operations or financial condition.

If fuel prices increase significantly, our results of operations could be adversely affected.

We are subject to risk with respect to purchases of fuel. Prices and availability of petroleum products are subject to political, economic and market factors that are generally outside our control. Political events in the Middle East, Venezuela, and elsewhere, as well as hurricanes and other weather-related events, and current and future legislation (such as market-based (cap-and-trade) greenhouse gas emissions control mechanisms), also may cause the price of fuel to increase. Because our operations are dependent upon diesel fuel, significant increases in diesel fuel costs could materially and adversely affect our results of operations and financial condition if we are unable to pass increased costs on to customers through rate increases or fuel surcharges. Historically, we have recovered the majority of the increases in fuel prices from chemical logistics and intermodal customers through fuel surcharges. Fuel surcharges that can be collected may not always fully offset the increase in the cost of diesel fuel. To the extent fuel surcharges are insufficient to offset our fuel costs or we are unable to continue passing on increased fuel costs to our customers, our results of operations may be adversely affected.

The loss of qualified drivers or other personnel could limit our growth and negatively affect operations.

During periods of high trucking volumes, there is substantial competition for qualified drivers in the trucking industry. Regulatory requirements, including CSA (discussed above), and an improvement in the economy could reduce the number of eligible drivers. Furthermore, certain geographic areas have a greater shortage of qualified drivers than other areas. We operate in many of the geographic areas where there have been driver shortages in the past and have turned down new business opportunities as a result of the lack of qualified new drivers. Our voluntary implementation of EOBRs prior to implementation of the regulatory requirement resulted in greater driver turnover in 2011 and 2012 and could become an on-going competitive disadvantage until our competitors are compelled to implement EOBRs as we anticipate. Difficulty in attracting qualified personnel, particularly qualified drivers, could require us to increase driver compensation, forego available customer opportunities and underutilize the tractors and trailers in our network. These actions could result in increased costs and decreased revenues. In addition, we may not be able to recruit other qualified personnel in the future.

Our business may be harmed by terrorist attacks, future wars or anti-terrorism measures.

In the aftermath of the terrorist attacks of September 11, 2001, federal, state and municipal authorities have implemented and are implementing various security measures, including checkpoints and travel restrictions on large trucks and fingerprinting of drivers in connection with new hazardous materials endorsements on their licenses. Such existing measures and future measures may have significant costs associated with them which a motor carrier is forced to bear. Moreover, large trucks carrying toxic chemicals are potential terrorist targets, and we may be obligated to take measures, including possible capital expenditures intended to protect our trucks. In addition, the insurance premiums charged for some or all of the coverage currently maintained by us could continue to increase dramatically or such coverage could be unavailable in the future.

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We depend on members of our senior management.

We believe that our ability to successfully implement our business strategy and to operate profitably depends in large part on the continued employment of our senior management team. If members of senior management become unable or unwilling to continue in their present positions, our business or financial results could be adversely affected.

Our goodwill and long-lived assets are subject to potential asset impairment.

At December 31, 2012, goodwill and other intangible assets represented approximately $141.9 million, or approximately 27.6% of our total assets and approximately 39.9% of our non-current assets, the carrying value of which may be reduced if we determine that those assets are impaired. In addition, at December 31, 2012, net property and equipment totaled approximately $190.3 million, or approximately 37.1% of our total assets.

We review for potential goodwill impairment on an annual basis as part of our goodwill impairment testing in the second quarter of each year with a measurement date of June 30, and more often if a triggering event or circumstance occurs making it likely that impairment exists. In addition, we test for the recoverability of long-lived assets at year end, and more often if an event or circumstance indicates the carrying value may not be recoverable. We conduct impairment testing based on our current business strategy in light of present industry and economic conditions, as well as future expectations.

If there are changes to the methods used to allocate carrying values, if management s estimates of future operating results change, if there are changes in the identified reporting units or if there are changes to other significant assumptions, the estimated carrying values and the estimated fair value of our goodwill could change significantly, and could result in future impairment charges, which could materially impact our results of operations and financial condition.

Although we expect the Greensville, Trojan, Bice and Dunn s acquisitions to be beneficial, their expected benefits may not be realized, in the time frame anticipated or at all, because of integration or other challenges and we may become liable for liabilities of which we are currently unaware.

Achieving the expected benefits of the Greensville, Trojan, Bice and Dunn s acquisitions will depend on the timely and efficient integration of their operations, business culture, technology and personnel with our Company. The integration may not be completed as quickly as expected, and if we fail to effectively integrate the companies or the integration takes longer than expected, we may not achieve the expected benefits of the acquisitions. In particular, to date the Bice and Dunn s acquisitions have not produced results consistent with our expectations. The challenges involved in acquisitions include, among others:

- potential disruption on our ongoing business and distraction of management,
- unexpected loss of key employees or customers of Greensville, Trojan, Bice and Dunn s,
- conforming Greensville, Trojan, Bice and Dunn s standards, processes, procedures and controls with our operations,
- hiring additional management and other critical personnel, and
- increasing the scope, geographic diversity and complexity of our operations.

We conducted due diligence investigations of Greensville, Trojan, Bice and Dunn s operations prior to consummating these acquisitions. However, we cannot assure you that our efforts were sufficient to uncover all material information concerning such operations. As a result of such acquisitions, we may be held liable for risks and liabilities (including environmental-related costs or liabilities at disposal wells previously operated by Bice or Dunn s or otherwise) of which we are not aware at the present time, some of which may not have been discoverable from our due diligence efforts.

We may be unable to successfully realize all of the intended benefits from future acquisitions, and we may be unable to identify or realize the intended benefits of potential future acquisition candidates.

We may be unable to realize all of the intended benefits of any future acquisitions. As part of our business strategy, we continually evaluate potential future acquisitions, some of which could be material, and engage in discussions with acquisition candidates. We cannot assure you that suitable acquisition candidates will be identified and acquired in the future, that the financing of any such acquisition will be available on satisfactory terms, that we will be able to complete any such acquisition or that we will be able to accomplish our strategic objectives as a result of any such acquisition. Nor can we assure you that our acquisition strategies will be viewed positively by customers or achieve their intended benefits. Often acquisitions are undertaken to improve the operating results of either or both the acquirer and the acquired company and we cannot assure you that we will be successful in this regard. We will encounter various risks in acquiring other companies, including the possible inability to integrate an acquired business into our operations, diversion of management s attention and unanticipated problems or liabilities, some or all of which could have a material adverse effect on our business, financial condition, and results of operations or cash flows.

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Increased unionization could increase our operating costs or constrain operating flexibility.

Although only approximately 2.4% of our driver population, including independent owner-operators and employees of independent affiliates, was subject to collective bargaining agreements at December 31, 2012, unions such as the International Brotherhood of Teamsters have traditionally been active in the U.S. trucking industry. Unionized workers could disrupt our operations by strike, work stoppage or other slowdown. In addition, our non-union workforce has been subject to unionization efforts in the past, and we could be subject to future unionization. Increased unionization of our workforce could result in higher compensation and working condition demands that could increase our operating costs or constrain our operating flexibility.

If we withdraw from any of our multi-employer pension plans, we will be liable for a proportionate share of such plan s unfunded vested benefit liabilities upon our withdrawal.

By their nature, multi-employer pension plans carry with them risks that differ from single-employer plans. We contribute to multi-employer pension and postretirement plans in accordance with our collective bargaining agreements. Other, unrelated, employers contribute to (or have contributed to) those multi-employer plans pursuant to their respective collective bargaining agreements. Assets contributed by an employer to a multi-employer pension plan are not segregated into a separate account and are not restricted to provide benefits only to the employees of that contributing employer. If a participating employer to a multi-employer pension plan no longer contributes to the plan, as has happened in the past and may happen in the future, the unfunded obligations of the plan, including obligations to former employees of the no longer-contributing employer, may be borne by the remaining participating employers, such as us. In the event of the termination of a multi-employer pension plan, union decertification, the mass withdrawal of other employers or if we withdraw from a multi-employer pension plan, we would have material liabilities for our share of the unfunded vested liabilities of such plan.

As of December 31, 2012, we contributed to three multi-employer pension plans for employees under collective bargaining agreements. Two of those multi-employer pension plans, the Central States Southeast and Southwest Areas Pension Fund (Central States plan) and the New York State Teamsters Conference Pension and Retirement Fund, have been classified as carrying red zone status under the Pension Protection Act of 2006 (the PPA), indicating that they are less than 65% funded, while the other multi-employer pension plan to which we contributed, Employer-Teamsters Local Nos. 175 & 505 Pension Trust Fund, is classified as carrying yellow zone status under the PPA, indicating that it is less than 80% funded.

We do not currently intend to withdraw from the remaining three multi-employer pension plans or take any actions that would subject us to payment of contingent obligations upon withdrawal. However, the actions of others could trigger this withdrawal liability. Based on information provided to us from the trustees of these remaining plans, we estimate our portion of the contingent liability in the case of a full withdrawal or termination from these remaining plans to be approximately $73.8 million, of which $68.8 million relates to the Central States plan, and may increase in future years. In the event that we were required to pay this unfunded liability, such payment, if it could be made at all, would have a material impact on our liquidity, operations and financial results.

New markets such as the energy logistics market have risks with which we have limited experience, and we may not be able to operate profitably in these markets and may lose our investment.

We entered into the energy logistics market in 2011 and expanded these activities through a series of acquisitions, as well as through organic growth during 2012. Although we have identified our existing contracts in this market as a source of revenue growth, we may prove unable to perform these contracts and earn anticipated revenue. We have limited experience performing energy logistics services or serving natural gas or oil drilling customers. We plan to leverage our existing network of affiliates to expand our energy market business, but our existing network may prove unsuitable for this new business. Also, our market expansion requires certain capital expenditures for specialized trailers and other start-up costs that we may be unable to recoup.

Hydraulic fracturing is under significant legislative and regulatory scrutiny, the adoption of new laws or regulations at the federal, state or local level could adversely affect our customers hydraulic fracturing operations, which could reduce demand for our logistics services. In addition, heightened political, regulatory and public scrutiny of hydraulic fracturing practices could adversely affect our business, financial condition and results of operations, whether directly or indirectly.

As we expand our business into this new market, we may face increased risks due to the cyclical nature of the energy industry. Depending on the market prices of oil and gas, customers in that industry may delay and decrease their capital and development expenditures, reducing the demand for our transportation services. Such market volatility may lead to fluctuations in results of operations from quarter to quarter. Natural gas prices in recent years have been at historic lows, leading some large producers to announce reduced fracing drilling. If this continues, it could reduce our revenues.

Accordingly, there can be no assurance that we will be able to effectively compete in this new market or that our operations in this market will be successful. If we are unsuccessful, our operating margins, financial condition, cash flows and profitability could be adversely affected.

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Risks Related to our Common Stock

We have a single shareholder who can substantially influence the outcome of all matters voted upon by our shareholders and prevent actions which a shareholder may otherwise view favorably.

As of March 1, 2013, Apollo Investment Fund III, L.P. and its affiliated funds (Apollo) were our largest shareholder and owned or controlled approximately 17.4% of our outstanding common stock. As a result, Apollo can influence substantially all matters requiring shareholder approval, including the election of directors, the approval of significant corporate transactions such as acquisitions, an unsolicited tender offer and any other matters requiring a vote of shareholders. Three of our board members are partners or employees of Apollo. This concentration of ownership and board representation could delay, defer or prevent a change in control of our Company or impede a merger, consolidation, takeover or other business combination that a shareholder may otherwise view favorably.

Our ability to issue blank check preferred stock and Florida law may prevent a change in control of our Company that a shareholder may consider favorable.

Provisions of our articles of incorporation and Florida law may discourage, delay or prevent a change in control of our Company that a shareholder may consider favorable. These provisions include:

- authorization of the issuance of blank check preferred stock that could be issued by our Board of Directors to increase the number of outstanding shares in order to control a takeover attempt which the Board viewed unfavorably;
- elimination of the voting rights of shareholders with respect to shares that are acquired without prior Board approval that would otherwise entitle such shareholder to exercise certain amounts of voting power in the election of directors; and
- prohibition on business combinations with interested shareholders unless particular conditions are met.

As a result, these provisions could limit the price that investors are willing to pay in the future for shares of our common stock.

Future sales and issuances of our common stock in the public market may depress our stock price and result in dilution.

The market price of our common stock could decline as a result of sales by our existing shareholders of a large number of shares of our common stock. These sales might also make it more difficult for us to sell additional equity securities at a time and price that we deem appropriate. As of March 1, 2013, there are approximately 27.0 million shares of common stock outstanding. Approximately 5.9 million shares of common stock, as of March 1, 2013, are restricted securities as defined in Rule 144 under the Securities Act of 1933 or are held by affiliates.

In addition, as of March 1, 2013, we have 1.4 million shares of common stock available for issuance under our 2012 Equity Incentive Plan. As of March 1, 2013, there were outstanding options for approximately 2.3 million shares and outstanding warrants of less than 0.1 million shares of our common stock. Exercise of the warrants and of options that are in-the-money will result in dilution to existing shareholders in an amount equal to the difference in the market and exercise prices multiplied by the number of shares exercised. In addition, prior to their exercise, these options and warrants may depress the market price for our common stock.

We currently do not intend to pay dividends on our common stock.

We do not expect to pay dividends on our common stock in the foreseeable future. In addition, the ABL Facility and indentures governing our 2018 Notes contain certain restrictions on our ability to pay dividends on our common stock. Accordingly, the price of our common stock must appreciate in order to realize a gain on one s investment. This may not occur.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Currently, we lease approximately 68,000 square feet for our administrative and corporate office headquarters in Tampa, Florida. We are currently using approximately half of this space, have subleased a portion of the unused space, and are seeking opportunities to sublet the remainder of the unused space. Our chemical logistics business and our energy logistics business do not have separate headquarters. The lease for our corporate headquarters expires in December 2017. The corporate headquarters for our Intermodal business is located in Chalmette, Louisiana, and consists of 20,000 square feet of office space. The lease expires in November 2023. We have no other location that is material to our operations.

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As of December 31, our network terminals and facilities consisted of the following:

	2012 Terminals	2011 Terminals	2010 Terminals
Chemical logistics independent affiliate trucking terminals	79	89	91
Chemical logistics company-operated trucking terminals	10	6	3
Energy logistics independent affiliate energy terminals	2	2	
Energy logistics company-operated energy terminals	8		
Intermodal container services terminals/depots	9	9	8
Total	108	106	102

We currently own 47 properties. We operate trucking, energy and container services terminals and repair services as well as owning or having disposal rights with respect to 8 disposal wells.

We consider our properties to be in good condition generally and believe that our facilities are adequate to meet our anticipated requirements.

ITEM 3. LEGAL PROCEEDINGS

In addition to those items disclosed under Item 1. Business Environmental Matters, Business Other Legal Matters and Note 20 to our consolidated financial statements contained herein, Commitments and Contingencies Environmental Matters, we are from time to time involved in routine litigation incidental to the conduct of our business. We believe that no such routine litigation currently pending against us, if adversely determined, would have a material adverse effect on our consolidated financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

EXECUTIVE OFFICERS OF THE REGISTRANT

Our executive officers, as of March 1, 2013 were as follows:

Name	Age	Position
Gary R. Enzor	50	Chief Executive Officer and Director
Stephen R. Attwood	61	President and Chief Operating Officer
Joseph J. Troy	49	Executive Vice President and Chief Financial Officer
John T. Wilson	38	Senior Vice President, General Counsel and Secretary
Randall T. Strutz	48	President Quality Carriers

Gary R. Enzor has been a director of QDI since 2008. He has served as our Chief Executive Officer since June 2007 and as President of QDI from November 2005 to July 2010. Mr. Enzor joined QDI in December 2004. Prior to joining QDI, Mr. Enzor served as Executive Vice President and Chief Financial Officer of Swift Transportation since August 2002. Prior to Swift, Mr. Enzor held executive positions with Honeywell International, Dell Computer and AlliedSignal Inc. (now Honeywell International, Inc.).

Stephen R. Attwood joined QDI in July 2008 as Senior Vice President and Chief Financial Officer. He was named President and Chief Operating Officer in July 2010. Prior to joining QDI, Mr. Attwood served as Controller and Vice President of Swift Transportation Co., Inc. Previously, Mr. Attwood held senior management positions with Dell Computer and AlliedSignal Inc. (now Honeywell International, Inc.).

Joseph J. Troy joined QDI in August 2010 as Executive Vice President and Chief Financial Officer. Prior to joining QDI, Mr. Troy held various senior leadership positions with Walter Industries, Inc. (predecessor to Walter Energy), including Executive Vice President and Chief Financial Officer. Prior to that, Mr. Troy held various banking positions with NationsBank and its predecessor institutions. Mr. Troy previously served on the board of directors of Cellu Tissue Holdings, Inc., a producer and seller of tissue papers in the United States. He currently serves on the board of Fisher Communications, Inc., a publicly-traded media company with television, radio, internet and mobile operations throughout the western United States, and various charitable boards.

John T. Wilson joined QDI in July 2012 as our Senior Vice President, General Counsel and Secretary. From March 2011 until July 2012, Mr. Wilson was in private practice. Prior to that, Mr. Wilson held various positions of increasing responsibility at Spectrum Brands Holdings, Inc. and its predecessor Spectrum Brands, Inc. from May 2005 until March 2011, including serving as Spectrum Brands General Counsel and Secretary from May 2007 until March 2011. Prior to joining Spectrum Brands, Mr. Wilson was an attorney with the firm of Sutherland Asbill & Brennan LLP.

Randall T. Strutz joined QDI in April of 2010 and serves as President Quality Carriers the Company s chemical logistics business. Prior to assuming his current position in April 2012, he served as QDI s Senior Vice President of Sales and New Business Development. Before joining QDI, Mr. Strutz held the position of Chief Executive Officer with Morgan Systems, Inc., from 2008 to 2010. Prior to Morgan Systems, Mr. Strutz worked at Pacer International from 2001 to 2007, where he held the positions of Chief Commercial Officer as well as the President of Rail Brokerage and Chief Operating Officer. From 1988 through 2001, Mr. Strutz held the positions of Financial Manager, Plant Controller, Logistics Manager, Manufacturing Manager, and Plant Manager for Thomson, S.A. Mr. Strutz also worked at Price Waterhouse from 1986 to 1988.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER S PURCHASES OF EQUITY SECURITIES

Our common stock is traded on NASDAQ Global Market (NASDAQ) under the symbol QLTY . The table below sets forth the quarterly high and low sale prices for our common stock as reported on NASDAQ.

	Common Stock	
	High	Low
2012		
1st quarter	$ 14.00	$ 10.97
2nd quarter	14.61	9.67
3rd quarter	11.13	8.92
4th quarter	9.50	4.91
2011		
1st quarter	$ 12.39	$ 8.49
2nd quarter	13.65	10.55
3rd quarter	13.53	8.33
4th quarter	12.08	8.01

As of March 1, 2013, there were approximately 62 holders of record of our common stock.

DIVIDEND POLICY

We have not declared cash dividends on our common stock for the periods presented above and have no present intention of doing so. We currently intend to retain our future earnings, if any, to repay debt or to finance the further expansion and continued growth of our business. Additionally, our ABL Facility and the indenture governing our 2018 Notes limit QDI s ability to pay dividends on its common stock. Future dividends, if any, will be determined by our Board of Directors.

EQUITY COMPENSATION PLAN INFORMATION

The Company currently has one active and two frozen equity compensation plans. A description of our equity based compensation plans can be found in Note 19 of the Notes to Consolidated Financial Statements for the year ended December 31, 2012. Each of these equity compensation plans was approved by our shareholders. The following table sets forth information regarding outstanding options and shares available for future issuance under these plans as of December 31, 2012:

Plan category	Number of shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a)) (c)
Equity compensation plans approved by shareholders	2,505,860	$ 6.38	1,922,932
Equity compensation plans not approved by shareholders			
Total	2,505,860	$ 6.38	1,922,932

ISSUER PURCHASES OF EQUITY SECURITIES

The following table lists QDI s share repurchases and deemed share repurchases during the three-months ended December 31, 2012. On November 20, 2012, we announced a share repurchase program pursuant to which our Board of Directors authorized the repurchase of up to $15.0 million of our common stock in an open-ended repurchase program (the Repurchase Program). Stock has been, and may in the future be, purchased pursuant to the Repurchase Program, from time to time, in the open market or through private transactions, subject to market conditions. Subject to applicable laws, repurchases under the Repurchase Program may be made at such times and in such amounts as we deem appropriate

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and may be made pursuant to Rule 10b5-1. We are not obligated to purchase any shares under the Repurchase Program, and it can be discontinued at any time that we feel additional purchases are not warranted. As of December 31, 2012, we have repurchased approximately 0.6 million shares valued at $3.7 million under the Repurchase Program. The remaining shares deemed repurchased were surrendered by employees in order to satisfy statutory tax withholding obligations in connection with the vesting of stock-based compensation awards.

Period	Total Number of Shares Purchased(1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Program (in thousands) (2)
November 2012	213,381	$ 6.24	192,400	$ 13,842
December 2012	392,693	$ 6.50	382,305	$ 11,342
Total	606,074	$ 6.45	574,705	$ 11,342

(1) The difference between the Total Number of Shares Purchased and the Total Number of Shares Purchased as Part of Publicly Announced Program reflects shares deemed repurchased that were surrendered by employees in order to satisfy statutory tax withholding obligations in connection with the vesting of stock-based compensation awards.

(2) Represents the amount remaining in the Repurchase Program as of the end of the period noted.

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PERFORMANCE GRAPH

The following graph depicts a comparison of cumulative total shareholder returns for us as compared to the NASDAQ Transportation Index and the NASDAQ Stock Market (U.S.) Index. The graph assumes the investment of $100 on December 31, 2007 through December 31, 2012 and the reinvestment of any dividends issued during the period.

The comparisons shown in the graph above are based upon historical data. We caution that the stock price performance shown in the graph below is not necessarily indicative of, nor is it intended to forecast, the potential future performance of our common stock. Information used in the graph was obtained from Research Data Group.

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ITEM 6. SELECTED FINANCIAL DATA

The selected historical consolidated financial information set forth below is qualified in its entirety by reference to, and should be read in conjunction with, our consolidated financial statements and notes thereto included elsewhere in this report and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

The consolidated statements of operations data set forth below for the years ended December 31, 2012, 2011 and 2010 and the historical balance sheet data as of December 31, 2012 and 2011 are derived from our audited consolidated financial statements included under Item 8 of this report. The historical statements of operations data for the years ended December 31, 2009 and 2008 and the historical balance sheet data as of December 31, 2010, 2009 and 2008 are derived from our audited consolidated financial statements that are not included in this report.

	YEAR ENDED DECEMBER 31				
	2012	2011	2010	2009	2008
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)				
Statements of Operations Data (1)					
Operating revenues	$ 842,118	$ 745,951	$ 686,598	$ 613,609	$ 815,290
Operating expenses:					
Purchased transportation	552,524	522,866	471,792	369,460	462,706
Depreciation and amortization	21,090	14,413	16,004	20,218	21,002
Impairment charge (2)				148,630	
Other operating expenses	219,361	150,993	162,067	190,477	298,604
Operating income (loss)	49,143	57,679	36,735	(115,176)	32,978
Interest expense, net	29,258	28,912	35,548	28,047	35,120
Write-off of debt issuance costs		3,181	7,391	20	283
Gain on extinguishment of debt				(1,870)	(16,532)
Other (income) expense	(2,864)	214	791	1,912	(2,945)
Income (loss) before taxes	22,749	25,372	(6,995)	(143,285)	17,052
(Benefit from) provision for income taxes	(27,327)	1,941	411	37,249	4,940
Net income (loss) attributable to common shareholders	$ 50,076	$ 23,431	$ (7,406)	$ (180,534)	$ 12,112
Net income (loss) per common share:					
Basic	$ 1.89	$ 1.01	$ (0.36)	$ (9.28)	$ 0.63
Diluted	1.84	0.96	(0.36)	(9.28)	0.62
Weighted average common shares outstanding:					
Basic	26,502	23,088	20,382	19,449	19,379
Diluted	27,207	24,352	20,382	19,449	19,539

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	YEAR ENDED DECEMBER 31				
	2012	2011	2010	2009	2008
	(DOLLARS IN THOUSANDS, EXCEPT TERMINAL, TRAILER, TRACTOR AND ENERGY LOGISTICS EQUIPMENT DATA)				
Other Data (1)					
Net cash provided by operating activities	$ 17,002	$ 35,399	$ 21,071	$ 39,756	$ 19,593
Net cash (used in) provided by investing activities	(131,683)	(30,458)	(1,079)	9,577	(8,524)
Net cash provided by (used in) financing activities	113,332	(2,642)	(23,879)	(50,515)	(13,485)
Number of terminals at end of period	108	106	102	108	149
Number of trailers managed at end of period	5,155	5,414	5,738	6,410	7,115
Number of tractors managed at end of period	2,775	2,802	2,901	2,839	3,224
Number of energy logistics equipment managed at end of period	1,359	217			
Balance Sheet Data at Year-End (1)					
Working capital	$ 77,570	$ 45,790	$ 34,955	$ 19,016	$ 44,967
Total assets	513,603	302,395	271,335	279,616	502,103
Total indebtedness, including current maturities	418,806	307,063	317,332	321,284	362,586
Shareholders (deficit) equity	(18,440)	(106,185)	(146,379)	(140,736)	31,020

(1) On November 1, 2011, we acquired 100% of the stock of Greensville Transport Company (Greensville). The results of Greensville have been included in our results since the date of the acquisition. On April 1, 2012, we acquired certain operating assets of Trojan Vacuum Services (Trojan). The results of Trojan have been included in our results since the date of acquisition. On June 1, 2012, we acquired certain operating assets of Wylie Bice Trucking, LLC and the operating assets and rights of RM Resources, LLC, collectively (Bice). The results of Bice have been included in our results since the date of acquisition. On August 1, 2012, we acquired certain operating assets of Dunn s Tank Service, Inc. and the operating assets and rights of Nassau Disposal, Inc., collectively (Dunn s). The results of Dunn s have been included in our results since the date of acquisition.

(2) The impairment charge resulted from an impairment analysis of goodwill and intangible assets performed during the quarter ended June 30, 2009.

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

The following discussion of our results of operations and financial condition should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this report. The following discussion includes forward-looking statements. For a discussion of important factors that could cause actual results to differ from results discussed in the forward-looking statements, see Forward-Looking Statements and Certain Considerations contained in the Introduction to this report.

OVERVIEW

We operate the largest chemical bulk tank truck network in North America and are also the largest provider of intermodal ISO tank container and depot services in North America. In 2011, we began providing logistics services to the unconventional oil and gas frac shale energy markets. We operate an asset-light business model and service customers across North America through our network of 89 terminals servicing the chemical markets, 9 ISO tank depot services terminals (intermodal) servicing the chemical and other bulk liquid markets and 10 terminals servicing the energy markets.

Chemical Logistics

Through our subsidiary, QCI, we coordinate the transport of a broad range of chemical products and provide our customers with logistics and other value-added services. Through our North American network, we are a core carrier for many of the major companies engaged in chemical processing. We believe the diversity of our customer base, geography and end-markets provide a competitive advantage.

The bulk tank truck market in North America includes all products shipped by bulk tank truck carriers and consists mainly of liquid and dry bulk chemicals (including plastics) and bulk dry and liquid food-grade products. We estimate, based on industry sources, that the highly fragmented North American for-hire segment of the bulk tank transport market generated revenues of approximately $6.4 billion in 2011. We specifically operate in the for-hire chemical and food grade bulk transport market (which we estimated at $4.4 billion in 2011). We believe we have the leading market share (estimated at 15% in 2011) in this sector based on revenues. We believe managing a larger carrier network facilitates customer service and lane density, and provides a more favorable operating cost structure for us and our independent affiliates. As such, we believe we are well-positioned to expand our business.

Chemical bulk tank truck industry growth is generally dependent on volume growth in the industrial chemical industry, the rate at which chemical companies outsource their transportation needs, the overall capacity of the rail system, and, in particular, the extent to which chemical companies make use of the rail system for their bulk chemical transportation needs. We also believe that North American chemical producers will gain a global competitive advantage and grow domestic production (thus shipments which we can service) through the use of low cost energy sources, primarily natural gas and natural gas liquids.

The chemical bulk tank truck industry is characterized by high barriers to entry such as the time and cost required to develop the operational infrastructure necessary to handle sensitive chemical cargo, the financial and managerial resources required to recruit and train drivers, substantial and increasingly more stringent industry regulatory requirements, strong customer relationships and the significant capital investments required to build a fleet of equipment and establish a network of terminals and independent affiliates.

Our transportation revenue in the chemical logistics segment is principally a function of the volume of shipments by the bulk chemical industry, prices, the average number of miles driven per load, our market share and the allocation of shipments between tank truck transportation and other modes of transportation such as rail. Additionally, it is common practice in the bulk tank truck industry for customers to pay fuel surcharges.

Energy Logistics

Our energy logistics business began operations in the second quarter of 2011 primarily as a third party logistics (3PL) provider. We operate the business through our subsidiary, QCER. Our energy logistics business services the unconventional oil and gas frac shale energy market through the transportation of crude oil, fresh water, flowback and produced brine water, and the disposal of flowback and produced brine water, as well as providing services ancillary to these activities. During 2012, we expanded our energy logistics business through the following acquisitions:

On April 1, 2012, we acquired certain operating assets of Trojan Vacuum Services, which operates in the Eagle Ford shale. We paid $8.7 million in cash at closing, plus $1.0 million in cash in January 2013 upon the satisfaction of certain operating and financial performance criteria.

On June 1, 2012, we acquired certain operating assets of Wiley Bice Trucking, LLC and certain operating assets and rights of RM Resources, LLC, (collectively Bice), which operates in the Bakken shale region, for $81.4 million in aggregate consideration, with up to an additional $19.0 million in cash consideration payable one year after the closing date if certain future operating and financial performance criteria are satisfied.

On August 1, 2012, we acquired certain operating assets of Dunn s Tank Services, Inc. and its related company Nassau Disposal, Inc., (collectively Dunn s), which operates in the Marcellus, Woodford and Utica shale regions for an aggregate purchase price of $34.3 million, with up to an additional $3.6 million in cash consideration payable one year after the closing date if certain future operating and financial performance criteria are satisfied.

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As of December 31, 2012, we operate in the Bakken, Eagle Ford, Permian, Marcellus, Woodford, Utica and Mississippian Limestone shale regions in North America, all of which drill for both oil and natural gas with the exception of Marcellus, which is solely natural gas. We continue to evaluate the potential for expansion into additional shales, which would provide additional diversification to our business. Our strategy to target multiple resource rich shales helps to diversify our customer offerings, lessen the impact of swings in any one commodity and optimize equipment utilization. We currently operate approximately 1,400 units (tractors, trailers and combination equipment) of energy equipment in this market across a diverse customer base.

Our energy logistics business is primarily involved in fluid management and logistics in the upstream segment of the energy industry, through its services in connection with the establishment of production wells, and the midstream segment of the energy industry, in connection with the transportation of crude oil. We believe the market for services such as those provided by our energy logistics business was approximately $5.0 to $7.0 billion in 2011. The industry is made up of providers that include independent national or regional trucking and logistics companies such as QCER, trucking and logistics companies owned by or dedicated to large oil and gas companies, and local providers focused on one or more particular shales. Energy logistics providers are impacted by the level of new drilling activity, which impact the transportation of fresh water and flowback water used and the provision of related services used in those activities, and the number of active wells, which impacts the transportation of crude oil and produced water and the provision of related services used in those activities. The energy logistics market is also impacted by market prices for oil and gas, which influence the production activities of our customers, the prices they are willing to pay for our services, and the shales in which they operate. We expect regulation of this industry to increase over time but believe that the scope of our operations and our experience with regulation in our chemical logistics business will facilitate our adaptation to new regulations and may provide us with an advantage over some of our competitors.

Intermodal

Our subsidiary, Boasso, provides intermodal ISO tank container transportation and depot services, through terminals located in the eastern half of the United States. In the fourth quarter of 2011, Boasso expanded its operations through the acquisition of Greensville Transport Company, which operates at a port located in Norfolk, Virginia. Boasso s revenues are impacted by United States chemical import/export volume, in particular the number and volume of shipments through ports at which Boasso has terminals, as well as their market share at those ports.

In addition to intermodal tank transportation services, Boasso provides tank cleaning, heating, testing, maintenance and storage services to customers. Boasso provides local and over-the-road trucking primarily within the proximity of the port cities where its depots are located. Chemical manufacturers have sought to efficiently transport their products on a global basis by utilizing ISO tank containers, and we believe the resulting demand for distributors that can offer a broad range of services within the supply chain will drive future growth in this sector. We believe that our intermodal business will benefit from these trends because of its market leadership, experience and track record.

The intermodal ISO tank container business generally provides services that facilitate the global movement of liquid and dry bulk chemicals, pharmaceuticals and food grade products. The proliferation of global import/export of bulk liquid chemicals has driven the movement of basic manufacturing out of the United States and has resulted in an increase in chemical plant infrastructure to service these off-shore industries. Driven by this globalization, the intermodal ISO tank container market is a growing sector of the overall liquid bulk chemical transportation sector. Demand for intermodal ISO tank containers is impacted by the aggregate volume of imports and exports of chemicals through United States ports. Demand is also impacted by the shift in modes of transportation, from drums to ISO tank containers. Economic conditions and differences among the laws and currencies of foreign nations may also impact the volume of shipments. We operate in the global intermodal ISO tank container transportation and depot services market, which we believe was approximately a $1.0 to $2.0 billion market in 2011.

Our Networks

Our businesses have networks that consist of terminals owned or operated by independent affiliates and terminals owned or operated by us and a driver pool consisting of independent owner-operator drivers, affiliate-employed drivers and company-employed drivers. Independent affiliates are independent companies with which we contract to operate trucking terminals and provide transportation services exclusively on our behalf in defined markets. The independent affiliates generally provide the capital necessary

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to service their contracted business and are also responsible for most of the operating costs associated with servicing the contracted business. Due to several factors, including our ownership of the customer contracts and relationships, our provision of back-office support in areas such as claims, our direct relationship with independent owner-operators,, the presence of non-compete agreements with the independent affiliates, and, in some cases, our ownership of the trailers utilized in the contracted business, our relationships with the independent affiliates tend to be long-term in nature, with minimal voluntary turnover. Independent owner-operators are generally individual drivers who own or lease their tractors and agree to provide transportation services to us under contract.

We believe our use of independent affiliates and independent owner-operators provides us with the following benefits:

Locally owned and operated independent affiliate terminals can provide superior, tailored customer service.

Independent affiliates and independent owner-operators generally are paid a fixed, contractual percentage of revenue collected on each load they transport creating a variable cost structure that mitigates against cyclical downturns.

Reliance on independent affiliates and independent owner-operators creates an asset-light business model that generally reduces our capital investment.

At present, our businesses rely upon independent affiliates and independent owner-operators to varying degrees. Our chemical logistics business operates primarily through independent affiliate terminals located throughout the continental United States and independent owner-operator drivers. Our intermodal business relies primarily on company terminals located near ports in the eastern half of the United States and independent owner-operator drivers. Our energy logistics business currently relies primarily upon company terminals, which will affect the overall mix of our asset-light business, located near shale regions that have historically experienced frac shale drilling for natural gas and oil and independent owner-operator drivers; however, it also operates through independent affiliate terminals in certain shale regions. We expect to continue to add independent affiliates and owner-operators with the goal to reduce the capital burden of this business while improving return on invested capital.

The following table shows the approximate number of terminals, drivers, tractors, trailers, energy logistics equipment and chemical logistics transportation billed miles that we manage (including independent affiliates and independent owner-operators) as of December 31:

	2012	2011	2010
Terminals(1)	108	106	102
Drivers(2)	3,277	2,741	2,730
Tractors	2,775	2,802	2,901
Trailers	5,155	5,414	5,738
Energy logistics equipment(3)	1,359	217	
Chemical Logistics Transportation Billed Miles (in thousands)	103,347	107,760	115,868

(1) Refer to Item 2. Properties for terminals by segment
(2) Includes approximately 600 and 160 drivers for the energy logistics business as of December 31, 2012 and 2011, respectively.
(3) Includes tractors, trailers and combination equipment.

Recent Significant Transactions

November 2012 Share Repurchase Program

On November 20, 2012, we announced a share repurchase program pursuant to which our Board of Directors authorized the repurchase of up to $15.0 million of our common stock in an open-ended repurchase program (the Repurchase Program). Stock has been, and may in the future be, purchased pursuant to the Repurchase Program, from time to time, in the open market or through private transactions, subject to market conditions. We are not obligated to purchase any shares under the Repurchase Program, and it can be discontinued at any time that we feel additional purchases are not warranted. As of December 31, 2012, we have repurchased approximately 0.6 million shares valued at $3.7 million under the Repurchase Program.

October 2012 Acquisition of an Independent Affiliate

Due to financial and operational difficulties encountered by one of our independent affiliates, we terminated our business relationship with this independent affiliate during the third quarter of 2012. On October 17, 2012, we acquired the business, certain operating assets and certain liabilities of this independent affiliate for a purchase price of $17.1 million, paid in cash at closing. Of the total $17.1 million, we allocated $15.5 million to property and equipment and $1.6 million to goodwill. This independent affiliate operated eight terminals within the chemical logistics segment and one terminal within the energy logistics segment. Four chemical logistics terminals were transitioned to other independent affiliates, with the remaining terminals transitioned to company operations. During this transition, operating results for the third and fourth quarters of 2012 were adversely impacted in aggregate by $4.4 million of greater than expected operating costs and reduced profitability. Despite the costs involved in the transition, we were able to provide a smooth transition of the servicing of those customers back to us and to other independent affiliates.

September 2012 ABL Facility Amendment

On September 27, 2012, we entered into an amendment to our ABL Facility. The amendment increased our maximum borrowing capacity under the facility from $250.0 million to $350.0 million. The maturity, interest rate and other material terms and conditions under the ABL Facility remained the same.

August 2012 Asset Acquisition Dunn s Tank Service and Nassau Disposal, Inc.

On August 1, 2012, we acquired the operating assets of Dunn s Tank Service, Inc. and the operating assets and rights of Nassau Disposal, Inc., collectively (Dunn s), for an aggregate purchase price of $34.3 million paid in cash. Of the total $34.3 million, we allocated $12.2 million to property and equipment, $17.3 million to goodwill and $4.8 million to intangibles. An additional $3.6 million in cash consideration may be payable if certain future operating and financial performance criteria are satisfied, although we do not currently expect those criteria to be met. Dunn s is headquartered in Velma, Oklahoma and provides transportation services to the unconventional oil and gas industry within the Marcellus, Woodford and Utica shale regions, primarily hauling flowback and production water for various energy customers. For its fiscal year ended December 31, 2011, Dunn s had revenues of approximately $17.5 million. Pro forma information for the acquisition has not been presented as the acquisition was deemed immaterial. The results of the Dunn s acquisition are included in our energy logistics segment from the date of acquisition.

June 2012 Asset Acquisitions Wylie Bice Trucking, LLC and RM Resources, LLC

On June 1, 2012, we acquired certain operating assets of Wylie Bice Trucking, LLC and the operating assets and rights of RM Resources, LLC, (collectively Bice) for an aggregate purchase price of $81.4 million, plus potential additional consideration of $19.0 million, to be paid in cash, subject to Bice achieving certain future operating and financial performance criteria. Headquartered in Killdeer, ND, Bice provides transportation services to the unconventional oil and gas frac shale industry within the Bakken shale region, primarily hauling fresh water, flowback and production water, and oil for numerous energy and other customers. The flowback and production water Bice hauls is primarily disposed of utilizing five salt water injection wells we originally purchased from Bice. In accordance with the asset purchase agreement, Bice delivered a sixth disposal well in December 2012. On a combined basis for its fiscal year ended December 31, 2011, Bice had revenues of approximately $106.0 million. Unaudited pro forma consolidated results for these acquisitions are presented in Note 1 of Notes to Consolidated Financial Statements included in Item 1 of this report. The results of the Bice acquisitions are included in our energy logistics segment from the date of acquisition.

April 2012 Asset Acquisition Trojan Vacuum Services

On April 1, 2012, we acquired certain operating assets of Trojan Vacuum Services (Trojan). The purchase price was $8.7 million, paid in cash at closing, plus $1.0 million paid in cash upon satisfaction of certain operating and financial performance criteria. Of the total $8.7 million, we allocated $4.1 million to property and equipment, $4.3 million to intangibles and $0.3 million to goodwill. In January 2013, the full $1.0 million was paid in cash as the operating and financial performance criteria were met. Trojan is headquartered in Pleasanton, TX and provides transportation service to the unconventional oil and gas industry within the Eagle Ford shale region, primarily hauling flowback and production water for various energy customers. For its fiscal year ended December 31, 2011, Trojan had revenues of approximately $13.5 million. Pro forma information for the acquisition has not been presented as the acquisition was deemed immaterial. The results of the Trojan acquisition are included in our energy logistics segment from the date of acquisition.

March 2012 Common Stock Offering

On March 13, 2012, we sold 2.5 million shares of our common stock in an underwritten public offering, at a gross price of $13.00 per share, and received net proceeds, after underwriting fees and expenses, of approximately $30.5 million. Certain affiliates of Apollo Management, L.P. also sold 3.2 million shares in the offering. We used our net cash proceeds to repay outstanding borrowings under our ABL Facility.

November 2011 Intermodal Acquisition Greensville Transport Services

On November 1, 2011, Boasso acquired all of the outstanding stock of Greensville Transport Company (Greensville). The initial purchase price was $8.6 million, paid in cash. Of the total $8.6 million, we allocated $3.5 million to goodwill, $2.5 million to intangibles, $1.4 million to accounts receivable and $1.2 million to property and equipment. An additional $0.5 million was paid in cash in December 2012 upon satisfaction of certain operating and financial performance criteria. An additional $0.5 million was paid in cash for a Section 338(h)(10) tax election and a working capital adjustment. Greensville is headquartered in Chesapeake, Virginia and is a leading provider of ISO tank container and depot services with access to ports in Virginia, Maryland and South Carolina. Pro forma information for the acquisition has not been presented as the acquisition was deemed immaterial. The results of the Greensville acquisition are included in our intermodal segment from the date of acquisition.

August 2011 ABL Facility Refinancing

On August 19, 2011, we entered into a credit agreement for a new senior secured asset-based revolving credit facility (the ABL Facility). The ABL Facility provides for a revolving credit facility with a maturity of five years and initially had a maximum borrowing capacity of $250.0 million. The ABL Facility includes a sublimit of up to $150.0 million for letters of credit and up to $30.0 million for swingline borrowings on same-day notice. The ABL Facility replaced our previous asset-based revolving credit facility entered into on December 18, 2007 and its related collateral arrangements and guarantees.

February 2011 Common Stock Offering

On February 9, 2011, we sold 2.0 million shares of our common stock in an underwritten public offering, at a gross price of $9.50 per share, and received net proceeds, after underwriting fees and expenses, of approximately $17.6 million. Certain affiliates of Apollo Management, L.P. also sold 2.6 million shares in the offering. Pursuant to the offering, we used our net cash proceeds to redeem $17.5 million of our 11.75% Senior Subordinated PIK Notes due 2013 (2013 PIK Notes) at par, plus accrued and unpaid interest on March 11, 2011.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). We believe the following are the more critical accounting policies that impact the financial statements, some of which are based on management s best estimates available at the time of preparation. Actual future experience may differ from these estimates.

Property and equipment Property and equipment expenditures, including tractor and trailer rebuilds that extend the useful lives of such equipment, are capitalized and recorded at cost. For financial statement purposes, these assets are depreciated using the straight-line method over the estimated useful lives of the assets to an estimated salvage value.

The asset lives used are presented in the following table:

	Average Lives (in years)
Buildings and improvements	10 - 25
Tractors and terminal equipment	5 - 7
Trailers	15 - 20
Energy logistics equipment	4 - 15
Disposal wells	5 - 15
Furniture and fixtures	3 - 5
Other equipment	3 - 10

Building improvements are recorded at the shorter of the lease term or useful life. Tractor and trailer rebuilds, which are recurring in nature and extend the lives of the related assets, are capitalized and depreciated over the period of extension, generally 3 to 10 years, based on the type and extent of these rebuilds. Maintenance and repairs are charged directly to expense as incurred. Management estimates the useful lives of these assets based on historical trends and the age of the assets when placed in service. Any changes in the actual lives could result in material changes in the net book value of these assets. Additionally, we estimate the salvage values of these assets based on historical sales or disposals, and any changes in the actual salvage values could also affect the net book value of these assets.

Furthermore, we evaluate the recoverability of our long-lived assets whenever adverse events or changes in the business climate indicate that the expected undiscounted future cash flows from the related asset may be less than previously anticipated. If the net book value of the related asset exceeds the undiscounted future cash flows of the asset, the carrying amount would be reduced to the present value of its expected future cash flows and an impairment loss would be recognized. This analysis requires us to make significant estimates and assumptions in projecting future cash flows, and changes in facts and circumstances could result in material changes in the amount of any write-offs for impairment.

Goodwill and Intangible Assets We evaluate goodwill and indefinite-lived intangible assets for impairment at least annually during the second quarter with a measurement date of June 30, and more frequently if indicators of impairment arise, in accordance with Financial Accounting Standards Board (FASB) guidance on goodwill and other intangible assets. We evaluate goodwill for impairment by determining the fair value for each reporting unit to which our goodwill relates. At December 31, 2012, our energy logistics, intermodal and chemical logistics segments contain goodwill and other identifiable intangible assets associated with past and recent acquisitions.

The methodology applied in the analysis performed at June 30, 2012 was consistent with the methodology applied in prior years, but was based on updated assumptions, as appropriate. As a result of our analysis, we concluded no impairment had occurred as of June 30, 2012, 2011 and 2010. We continued to evaluate indicators of impairment quarterly following our annual goodwill impairment test at June 30, 2012 through December 31, 2012. There were no indications that a triggering event has occurred. As of December 31, 2012, we had total goodwill of $104.3 million, of which $71.3 million was allocated to our energy logistics segment, $31.4 million was allocated to our intermodal segment and $1.6 million was allocated to our chemical logistics segment. As of December 31, 2012, we had total intangibles of $37.7 million, of which $20.9 million was allocated to our energy logistics segment, $16.6 million was allocated to our intermodal segment and $0.2 million was allocated to our chemical logistics segment.

Goodwill

Under the FASB guidance, the process of evaluating the potential impairment of goodwill involves a two-step process and requires significant judgment at many points during the analysis. In the first step, we determine whether there is an indication of impairment by comparing the fair value of a reporting unit to its carrying amount, including goodwill. If, based on the first step, we determine that there is an indication of goodwill impairment, we assess the impairment in step two in accordance with the FASB guidance.

In the first step, we determine the fair value for each reporting unit using a combination of two valuation approaches: the market approach and the income approach. The market approach uses a guideline company methodology which is based upon a comparison of each reporting unit to similar publicly-traded companies within our industry. We derive a market value of invested capital or business enterprise value for each comparable company by multiplying the price per share of common stock of the publicly traded companies by their total common shares outstanding and adding each company s current level of debt. We calculate a business enterprise multiple based on revenue and earnings from each company, then apply those multiples to each reporting unit s revenue and earnings to conclude a reporting unit business enterprise value. Assumptions regarding the selection of comparable companies are made based on, among other factors, capital structure, operating environment and industry. As the comparable companies were typically larger and more diversified than our reporting units, multiples were adjusted prior to application to our reporting units revenues and earnings to reflect differences in margins, long-term growth prospects and market capitalization.

The income approach uses a discounted debt-free cash flow analysis to measure fair value by estimating the present value of future economic benefits. To perform the discounted debt-free cash flow analysis, we develop a pro forma analysis of each reporting unit to estimate future available debt-free cash flow and discounting estimated debt-free cash flow by an estimated industry weighted average cost of capital based on the same comparable companies used in the market approach. Per the FASB guidance, the weighted average cost of capital is based on inputs (e.g., capital structure, risk, etc.) from a market participant s perspective and not necessarily from the reporting unit or QDI s perspective. Future cash flow is projected based on assumptions for our economic growth, industry expansion, future operations and the discount rate, all of which require significant judgments by management.

After computing a separate business enterprise value under the income approach and market approach, we apply a weighting to them to derive the business enterprise value of the reporting unit. The income approach and market approach were both weighted 50% in the analysis performed at June 30, 2012. The weightings are evaluated each time a goodwill impairment assessment is performed and give consideration to the relative reliability of each approach at that time. Given that the business enterprise value derived from the market approach supported what was calculated in the income approach, we believed that both approaches should be equally weighted. Based on these weightings, we calculated a business enterprise value for the reporting unit. We then add debt-free liabilities of the reporting unit to the calculated business enterprise value to derive an implied fair value of the reporting unit. The implied fair value is then compared to the reporting unit s carrying value. Upon completion of the analysis in step one, we determined that the fair value of both our energy logistics and intermodal reporting units exceeded its respective carrying value. As such, a step two analysis was not required.

Intangible Assets

To determine the implied fair value of our indefinite-lived intangible assets, we utilize the relief from royalty method, pursuant to which those assets are valued by reference to the amount of royalty income they would generate if licensed in an arm s length transaction. Under the relief from royalty method, similar to the discounted cash flow method, estimated net revenues expected to be generated by the asset during its life are multiplied by a benchmark royalty rate and then discounted by the estimated weighted average cost of capital associated with the asset. The resulting capitalized royalty stream is an indication of the value of owning the asset. Based upon management s review of the value of the indefinite-lived intangible assets in our intermodal segment, we determined that the implied fair value exceeded its carrying value.

If there are changes to the methods used to allocate carrying values, if management s estimates of future operating results change, if there are changes in the identified reporting units or if there are changes to other significant assumptions, the estimated carrying values for each reporting unit and the estimated fair value of our goodwill could change significantly, and could result in future impairment charges, which could materially impact our results of operations and financial condition.

Deferred Tax Asset In accordance with FASB guidance, we use the asset and liability method of accounting for income taxes. Significant management judgment is required in determining the provision for income taxes and, in particular, any valuation allowance that is recorded or released against our deferred tax assets.

We continue to evaluate quarterly the positive and negative evidence regarding the realization of net deferred tax assets. The carrying value of our net deferred tax assets is based on our belief that it is more likely than not that we will generate sufficient future taxable income to realize these deferred tax assets. We review a rolling thirty-six month calculation of U.S. earnings, and consider other criteria at each reporting date, to determine if we have incurred cumulative income or losses in recent years. In addition, we review future reversal of existing taxable temporary differences, the ability to carry back tax attributes to prior years, feasibility of tax planning strategies and estimated future taxable income.

During 2012, we recorded a deferred tax benefit of $28.1 million of which $35.3 related to a prior year valuation allowance release. These releases of the valuation allowance are a result of our consistent cumulative income position, improved operating results, and recent expansion of our energy business through acquisition. Our assessment of the recoverability of the deferred tax assets primarily relied on the positive evidence related to our cumulative income position as of December 31, 2012. We have determined that it is more likely than not that expected future taxable income will be sufficient to utilize substantially all of our U.S. federal and state net deferred tax assets. We will continue to maintain a valuation allowance against our net deferred tax asset related to foreign tax credits to the extent sufficient positive evidence does not exist to support their utilization. Changes in deferred tax assets and valuation allowance are reflected in the provision for income taxes line in our consolidated statements of operations.

At December 31, 2012, we had an estimated $75.1 million in federal net operating loss carryforwards, $3.6 million of unrecognized federal operating loss carryforwards related to excess stock compensation deductions and uncertain tax position deductions, $2.3 million in alternative minimum tax credit carryforwards and $5.3 million in foreign tax credit carryforwards. The net operating loss carryforwards will expire in the years 2018 through 2030, while the alternative minimum tax credits may be carried forward indefinitely and the foreign tax credits will expire in years 2014 through 2022.

Uncertain Income Tax Positions In accordance with FASB guidance, we account for uncertainty in income taxes, using a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as we have to determine the probability of various possible outcomes. We re-evaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition and measurement would result in recognition of a tax benefit and/or an additional charge to the tax provision.

Environmental Liabilities We have reserved for potential environmental liabilities based on the best estimates of potential clean-up and remediation for known environmental sites. We employ a staff of environmental professionals to administer all phases of our environmental programs and use outside experts where needed. These professionals develop estimates of potential liabilities at these sites based on projected and known remediation costs. These cost projections are determined through previous experiences with other sites and through bids from third-party contractors. Management believes current reserves are reasonable based on current information, but estimates of environmental reserves and exposures may be affected by information subsequently received.

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Accrued Loss and Damage Claims We currently maintain liability insurance for bodily injury and property damage claims, covering all employees, independent owner-operators and independent affiliates, and workers compensation insurance coverage on our employees and company drivers. This insurance includes deductibles up to $2.0 million per incident for bodily injury and property damage and up to $1.0 million for workers compensation. As such, we are subject to liability as a self-insurer to the extent of these deductibles under various policies. We are self-insured for damage to the equipment we own or lease and for cargo losses. As of December 31, 2012, we had $20.0 million in an outstanding letter of credit to our insurance company to guarantee the self-insurance portion of our liability. If we fail to meet certain terms of our agreement, the insurance company may draw down the letter of credit. In developing liability reserves, we rely on insurance company estimates, the judgment of our own licensed claims adjusters, and independent professional actuaries and attorneys. The most significant assumptions used in the estimation process include determining the trends in loss costs, the expected consistency in the frequency and severity of claims incurred but not yet reported to prior-year claims, and expected costs to settle unpaid claims. Management believes reserves are reasonable given known information, but as each case develops, estimates may change to reflect the effect of new information.

Revenue Recognition Transportation revenue, including fuel surcharges and related costs, is recognized on the date freight is delivered. Service revenue consists primarily of rental revenues (primarily tractor and trailer rental), intermodal and depot revenues, disposal well services revenues, tank wash revenues and insurance related administrative services. Rental revenues from independent affiliates, independent owner-operators and third parties are recognized ratably over the lease period. Intermodal and depot revenues, consisting primarily of repair and storage services, are recognized when the services are rendered. Disposal well services revenues are recognized when the services are rendered. Insurance related administrative service revenues are recorded ratably over the service period. We recognize all revenues on a gross basis as the principal and primary obligor with risk of loss in relation to our responsibility for completion of services as contracted with our customers.

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Allowance for Uncollectible Receivables The allowance for all potentially uncollectible receivables is based on a combination of historical data, cash payment trends, specific customer issues, write-off trends, general economic conditions and other factors. These factors are continuously monitored by our management to arrive at the estimate for the amount of accounts receivable that may be ultimately uncollectible. The receivables analyzed include trade receivables, as well as loans and advances made to independent owner-operators and independent affiliates. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, an additional allowance could be required.

Stock Compensation Plans Stock compensation is determined by the assumptions required under the FASB guidance. The fair values of stock option grants are based upon the Black-Scholes option-pricing model and amortized as compensation expense on a straight-line basis over the vesting period of the grants. Restricted stock awards are issued and measured at market value on the date of grant and related compensation expense is recognized over time on a straight-line basis over the vesting period of the grants. Stock-based compensation expense related to stock options and restricted stock was $3.2 million and $2.9 million for the year-ended December 31, 2012 and 2011, respectively. As of December 31, 2012, there was approximately $4.1 million of total unrecognized compensation cost related to the unvested portion of our stock-based awards. The recognition period for the remaining unrecognized stock-based compensation cost generally varies from two to four years. For further discussion on stock-based compensation, see Note 19 of Notes to Consolidated Financial Statements included in Item 15 of this report.

Pension Plans We maintain two noncontributory defined benefit plans resulting from a prior acquisition that cover certain vested salaried participants and retirees and certain other vested participants and retirees under an expired collective bargaining agreement. Both plans are frozen and, as such, no future benefits accrue. We record annual amounts relating to these plans based on calculations specified by GAAP, which include various actuarial assumptions such as discount rates (3.90% to 4.50%) and assumed rates of return (7.00% to 8.00%) depending on the pension plan. Material changes in pension costs may occur in the future due to changes in these assumptions. Future annual amounts could be impacted by changes in the discount rate, changes in the expected long-term rate of return, changes in the level of contributions to the plans and other factors.

We had an accumulated net pension equity charge (after-tax) of $0.3 million at December 31, 2012 and an accumulated net pension equity charge (after-tax) of $5.2 million at December 31, 2011.

The discount rate is based on a model portfolio of AA-rated bonds with a maturity matched to the estimated payouts of future pension benefits. The expected return on plan assets is based on our expectation of the long-term rates of return on each asset class based on the current asset mix of the funds, considering the historical returns earned on the type of assets in the funds, plus an assumption of future inflation. The current inflation assumption is 2.25%. We review our actuarial assumptions on an annual basis and make modifications to the assumptions based on current rates and trends when appropriate. The effects of the modifications are amortized over future periods.

Assumed discount rates and expected return on plan assets have a significant effect on the amounts reported for the pension plan. At December 31, 2012, our projected benefit obligation (PBO) was $52.6 million. Our projected 2013 net periodic pension expense is $1.2 million. A 1.0% decrease in our assumed discount rate would increase our PBO to $58.8 million and decrease our 2013 net periodic pension expense less than $0.1 million. A 1.0% increase in our assumed discount rate would decrease our PBO to $47.5 million and increase our 2013 net periodic pension expense less than $0.1 million. A 1.0% decrease in our assumed rate of return would not change our PBO but would increase our 2013 net periodic pension expense to $1.5 million. A 1.0% increase in our assumed rate of return would not change our PBO but would decrease our 2013 net periodic pension expense to $0.9 million.

Restructuring We account for restructuring costs associated with one-time termination benefits, costs associated with lease and contract terminations and other related exit activities in accordance with the FASB s guidance. We previously made estimates of the

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costs to be incurred as part of a restructuring plan developed during 2008 and concluded at the end of 2010. The restructuring plan consisted of various actions including termination of approximately 380 non-driver positions, the consolidation, closure or affiliation of underperforming company terminals, our withdrawal from three multi-employer pension plans and costs associated with the consolidation of our corporate headquarters and resulted in charges during 2008, 2009 and 2010, primarily related to our chemical logistics segment. As of December 31, 2012, approximately $2.1 million was accrued related to the restructuring charges, which are expected to be paid through 2017.

NEW ACCOUNTING PRONOUNCEMENTS

Refer to Note 2, Summary of Significant Accounting Policies New Accounting Pronouncements for discussion of recent accounting pronouncements and for additional discussion surrounding the adoption of accounting standards.

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated the percentage of total revenue represented by certain items in our Consolidated Statements of Operations:

	Year Ended December 31,		
	2012	**2011**	**2010**
OPERATING REVENUES:			
Transportation	70.9%	69.4%	72.6%
Service revenue	14.4	14.8	15.6
Fuel surcharge	14.7	15.8	11.8
Total operating revenues	100.0	100.0	100.0
OPERATING EXPENSES:			
Purchased transportation	65.6	70.1	68.7
Compensation	9.8	8.2	8.4
Fuel, supplies and maintenance	9.7	6.9	7.9
Depreciation and amortization	2.5	1.9	2.3
Selling and administrative	4.0	2.9	2.8
Insurance costs	1.9	1.9	2.3
Taxes and licenses	0.3	0.3	0.3
Communication and utilities	0.4	0.4	0.6
(Gain) loss on disposal of property and equipment	(0.1)	(0.2)	0.2
Restructuring (credit) costs		(0.1)	1.1
Total operating expenses	94.1	92.3	94.6
Operating income	5.9	7.7	5.4
Interest expense, net	3.5	3.9	5.2
Write-off of debt issuance costs		0.4	1.1
Other (income) expense, net	(0.3)		0.1
Income (loss) before income taxes	2.7	3.4	(1.0)
(Benefit from) provision for income taxes	(3.2)	0.3	0.1
Net income (loss)	5.9	3.1	(1.1)

YEAR ENDED DECEMBER 31, 2012 COMPARED TO YEAR ENDED DECEMBER 31, 2011

Comparability for the year ended December 31, 2012 to the year ended December 31, 2011 is affected by recent acquisitions consummated in the fourth quarter of 2011 and during 2012. In November 2011, we acquired all of the outstanding stock of Greensville, which is included in our intermodal segment. In April 2012, we acquired certain operating assets of Trojan. In June 2012, we acquired certain operating assets and rights of Bice, and in August 2012, we acquired operating assets of Dunn s. Trojan, Bice and Dunn s are collectively referred to as the 2012 Energy Acquisitions and are included in our energy logistics segment.

For the year ended December 31, 2012, total revenues were $842.1 million, an increase of $96.1 million, or 12.9%, from revenues of $746.0 million for the same period in 2011. Transportation revenue increased $79.6 million, or 15.4%, primarily due to an increase in energy logistics revenue of $76.2 million, of which $61.5 million related to the 2012 Energy Acquisitions and $14.7 million related to our existing energy business which began in the second quarter of 2011. In addition, we had an increase of $10.1 million in our intermodal business due to an increase in demand and revenue related to Greensville. These increases were partially offset by a decrease in chemical logistics revenue of $6.7 million due to driver capacity constraints resulting from the installation of EOBRs, partially offset by price increases.

Service revenue increased $10.5 million, or 9.5%. This increase was primarily due to an increase in our energy logistics business of $7.5 million, of which $6.7 million was due to the 2012 Energy Acquisitions and $0.8 million related to our existing energy business. In addition, we had higher intermodal depot services revenue of $2.8 million and higher chemical logistics revenue of $0.2 million.

Fuel surcharge revenue increased $6.0 million, or 5.1%, primarily due to an increase in our intermodal business and a slight increase in fuel prices. We have fuel surcharge programs in place with the majority of our chemical logistics and intermodal customers. Most of these programs typically involve a specified computation based on the changes in fuel prices. As a result, some of these programs have a short time lag between when fuel prices change and when this change is reflected in revenues. It is not meaningful to compare the amount of fuel surcharge revenue or the change in fuel surcharge revenue between reporting periods to fuel expense, or the change in fuel expense between periods, as a significant portion of fuel costs are included in purchased transportation.

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Purchased transportation increased $29.7 million, or 5.7%, due to an increase of $37.8 million in costs related to servicing the energy logistics market, of which $28.4 million was due to the 2012 Energy Acquisitions and $9.4 million in costs related to servicing our existing energy business. Purchased transportation also increased $6.0 million related to our intermodal business, offset by a decrease of $14.1 million in costs related to servicing the chemical logistics market. Total purchased transportation as a percentage of transportation revenue and fuel surcharge revenue decreased to 76.6% for the year ended December 31, 2012 versus 82.3% for the same period in 2011. Our independent affiliates generated 90.4% of our chemical logistics revenue and fuel surcharge revenue for the year ended December 31, 2012 compared to 93.4% for the comparable prior-year period. This decrease resulted from the conversion of five independent affiliate trucking terminals to company-operated terminals and the addition of one new company-operated terminal. During the 2012 and 2011 periods, we paid our independent affiliates approximately 85% of chemical logistics transportation revenue and paid independent owner-operators approximately 65% of chemical logistics transportation revenue.

During the year ended December 31, 2012, hauling for the energy market was performed by company-operated terminals, independent affiliates and independent third-party carriers. During this period, company-operated terminals generated approximately 77% of the energy revenue and independent affiliates and third-party carriers generated approximately 23%. We typically pay these independent contractors between 72% and 95% of transportation revenue depending on their type of association with the Company.

Compensation expense increased $21.0 million, or 34.4%, due primarily to an increase of $14.7 million in our energy logistics business, of which $11.4 million was due to the 2012 Energy Acquisitions and an increase in our intermodal business of $3.9 million, of which $1.9 million related to the acquisition of Greensville. Compensation expense in our chemical logistics business increased $2.4 million due to an increase in company terminals.

Fuel, supplies and maintenance increased $30.9 million, or 60.5%, due primarily to an increase of $18.8 million related to our energy logistics business of which $16.8 million was due to the 2012 Energy Acquisitions. We had an increase of $7.8 million related to our chemical logistics business resulting from an increase in fuel costs of $3.2 million, an increase in equipment rent expense of $3.2 million and an increase in other terminal costs of $1.4 million, primarily at our company-operated terminals. In addition, we had an increase of $4.3 million related to our intermodal business due to an increase in fuel costs of $1.7 million, an increase in repairs and maintenance expense of $1.4 million and an increase in equipment rent of $1.2 million.

Depreciation and amortization expense increased $6.7 million, or 46.3%, primarily due to an increase in depreciation for new energy logistics equipment and an increase in amortization expense for acquired intangible assets. We expect our depreciation and amortization expense to be higher in 2013 than 2012 as energy logistics equipment and intangible assets acquired during 2012 are depreciated and amortized, respectively, for a full twelve months.

Selling and administrative expenses increased $12.2 million, or 56.5%, primarily due to an increase in our chemical logistics business of $8.9 million which includes the incurrence of $4.0 million of acquisition-related costs, an increase of $1.4 million in professional fees, which includes $0.3 million for various legal settlements, a lease termination cost of $0.5 million, an increase in building rent of $0.5 million and other terminal costs of $2.2 million. In addition, our energy logistics business had increased costs of $2.6 million, of which $1.7 million is due to the 2012 Energy Acquisitions, and our intermodal business had increased costs of $0.7 million.

Insurance costs increased $1.8 million, or 12.7%, due to an increase in volume in our energy logistics business, additional premiums related to the 2012 Energy Acquisitions and settlement of a large claim. As a percentage of revenue, insurance expense was below the low end of the Company s target range of 2% to 3% of total revenue.

We recognized a gain on disposal of revenue equipment of $1.0 million and $1.3 million for the years ended December 31, 2012 and 2011, respectively.

In the second quarter of 2011, we recognized a restructuring credit of $0.5 million resulting from the reduction of a liability for the withdrawal from a multi-employer pension plan which was fully paid in the second quarter of 2011. In 2012, we had no restructuring credit.

For the year ended December 31, 2012, operating income was $49.1 million, a decrease of $8.5 million, or 14.8%, compared to operating income of $57.7 million for the same period in 2011. The operating margin for the year ended December 31, 2012 was 5.9% compared to 7.7% for the same period in 2011 as a result of the above-mentioned items. Operating income was negatively impacted by $4.4 million of operating costs and reduced profitability related to the transition of operations of an independent affiliate during the third and fourth quarters of 2012.

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Interest expense increased $0.6 million, or 2.0%, in the year ended December 31, 2012, primarily due to an increase in our weighted average ABL Facility borrowings which were primarily used to fund the 2012 Energy Acquisitions. We expect our interest expense for 2013 to be higher than the comparable period of 2012 due to higher average debt balances.

We had no write-offs of debt issuance costs during the year ended December 31, 2012. In the year ended December 31, 2011, we wrote off $3.2 million of unamortized debt issuance costs and other bank fees of which $2.1 million resulted from the redemptions of our remaining 2013 PIK Notes in January 2011, March 2011 and July 2011 and $1.1 million related to the refinancing of our previous ABL Facility.

Other income of $2.9 million in 2012 consists primarily of the net adjustments of acquisition earnout provisions related to the acquisitions of Greensville, Trojan and Dunn s. Other expense in 2011 consists primarily of foreign currency expense of $0.2 million.

We recognized an income tax benefit of $27.3 million for the year ended December 31, 2012, compared to a provision for income taxes of $1.9 million for the same period in 2011. The effective tax rates for the years ended December 31, 2012 and 2011 were (120.1)% and 7.7%, respectively. The effective tax rate for the year ended December 31, 2012 was impacted by a release of $35.3 million in the aggregate of our deferred tax valuation allowance. The effective tax rate in the same period in 2011 was impacted by a 100% valuation allowance recorded against our net deferred tax assets.

For the year ended December 31, 2012, net income was $50.1 million compared to net income of $23.4 million for the same period in 2011 as a result of the above-mentioned items.

YEAR ENDED DECEMBER 31, 2011 COMPARED TO YEAR ENDED DECEMBER 31, 2010

Total revenues for 2011 were $746.0 million, an increase of $59.4 million, or 8.6%, from revenues of $686.6 million in 2010. Transportation revenue increased by $19.3 million, or 3.9%, primarily due to an increase in new energy logistics revenue of $29.4 million generated primarily from our delivery of fresh and disposal water in the frac shale energy market, most of which was generated in the second half of the year, and an increase of $2.7 million in our intermodal business. This was partially offset by a decrease in chemical logistics revenue of $12.8 million due to a decrease in bulk chemical shipments. In 2011, our chemical logistics business was adversely affected by a high level of driver turnover primarily driven by our installation of EOBRs in our fleet. We installed EOBRs in all of our U.S. fleet in order to improve efficiency and proactively address regulatory requirements that we expect in the future.

Service revenue increased $3.1 million, or 2.9%. This increase was primarily due to an increase in intermodal revenue of $5.2 million and other revenue of $1.1 million, partially offset by a decrease in trailer rental revenue of $3.2 million. Trailer rental revenue declined in connection with the implementation of EOBRs in our fleet.

Fuel surcharge revenue increased $36.9 million, or 45.7%, primarily due to an increase in fuel prices. We have fuel surcharge programs in place with the majority of our chemical logistics and intermodal customers. These programs typically involve a specified computation based on the changes in fuel prices. As a result, some of these programs may have a time lag between when fuel prices change and when this change is reflected in revenues. It is not meaningful to compare the amount of fuel surcharge revenue or the change in fuel surcharge revenue between reporting periods to fuel expense, or the change of fuel expense between periods, as a significant portion of fuel costs are included in purchased transportation.

Purchased transportation increased $51.1 million, or 10.8%, due to an increase of $18.2 million in costs related to servicing the chemical logistics market resulting from a shift in mix from independent owner-operators to independent affiliates, a $26.5 million increase for costs related to servicing the energy logistics market, and a $6.4 million increase for costs related to our intermodal business. Total purchased transportation as a percentage of transportation revenue and fuel surcharge revenue increased slightly to 82.3% for 2011 versus 81.5% for 2010. Our independent affiliates generated 93.4% of our chemical logistics revenue and fuel surcharge revenue for 2011 compared to 93.9% for 2010. During the 2011 and 2010 periods, we paid our independent affiliates approximately 85% of chemical logistics transportation revenue and paid independent owner-operators approximately 65% of chemical logistics transportation revenue. During 2011, hauling for the energy market was performed by independent affiliates and other independent third-party carriers. In the energy market, we typically pay between 85% to 95% of the transportation revenue depending upon whether the independent affiliate or a third-party carrier does the hauling, which generated nearly 100% of our energy logistics revenue in 2011.

Compensation expense increased by $3.5 million, or 6.1%, due to an increase in our chemical logistics business of $2.0 million primarily due to an increase in health care claims, an increase in our intermodal business of $1.1 million, of which $0.4 million relates to Greensville following its acquisition and an increase of $0.4 million in our energy logistics business.

Fuel, supplies and maintenance decreased $3.3 million, or 6.0%, due to a decrease of $5.7 million related to our chemical logistics business primarily due to lower repairs and maintenance expense of $4.7 million and lower equipment rent of $2.0 million, partially offset by an increase in fuel costs of $1.0 million from company-operated operations. Lower repairs and maintenance resulted from aggressive reduction of aged or underutilized specialty equipment in 2011. The decrease was partially offset by increased costs of $2.5 million related to our intermodal business due to an increase in repairs and maintenance expense of $1.2 million from higher revenues, increased fuel costs of $0.9 million and costs of the operations of Greensville following its acquisition of $0.4 million.

Depreciation and amortization expense decreased $1.6 million, or 9.9%, primarily due to a decrease in depreciation due to sales of revenue equipment offset by an increase in depreciation for new energy equipment.

Selling and administrative expenses increased $2.3 million, or 11.9%, primarily due to an increase in our chemical logistics segment of $1.1 million, which was comprised primarily of increased environmental expense and professional fees of $1.2 million, and an increase in company-operated terminal costs of $0.7 million mostly associated with our implementation of EOBRs, partially offset by a decrease in building rent expense of $1.0 million. In addition, our intermodal business had increased costs of $1.0 million due to increased demand and we had increased costs of $0.2 million in our energy logistics business.

Insurance costs decreased by $1.5 million, or 9.7%, due to a premium refund received of $1.1 million related to prior policy years and a reduction in the number and severity of claims in 2011. The amount of $1.1 million was identified as a prior period error which was corrected and recorded during the fourth quarter of 2011. We concluded that this adjustment was not material to our interim and annual consolidated financial statements for 2011 or the financial statements for any prior period based on our consideration of quantitative and qualitative factors.

Communication and utilities expense decreased $1.4 million, or 33.7%, primarily due to cost savings initiatives.

We recognized a gain on disposal of revenue equipment of $1.3 million in 2011, as compared to a loss on disposal of assets of $1.1 million in 2010 from the sale and disposal of equipment.

In 2011, we recognized a restructuring credit of $0.5 million resulting from a reduction of a liability for the withdrawal from a multi-employer pension plan which was fully paid in the second quarter of 2011. In 2010, we incurred restructuring costs of $7.8 million resulting from a restructuring plan which began in 2008 and concluded in 2010. The costs in 2010 consisted primarily of $2.0 million for an estimated withdrawal liability from three multi-employer pension plans, $2.2 million for the consolidation of our corporate headquarters, as well as an additional $3.6 million of other expenses related to exit activities.

Operating income was $57.7 million in 2011, an increase of $21.0 million, or 57.0%, compared to operating income of $36.7 million in 2010. The operating margin for 2011 was 7.7% compared to 5.4% for 2010 as a result of the above-mentioned items.

Interest expense decreased by $6.7 million, or 18.4% in 2011, primarily due to redemptions of our high cost 2013 PIK Notes in 2010 and 2011 and lower interest rates on our 2018 Notes following our debt refinancing in the fourth quarter of 2010.

In 2011, we wrote off $3.2 million of unamortized debt issuance costs and other bank fees, of which $2.1 million resulted from the redemptions of our remaining 2013 PIK Notes in January 2011, March 2011 and July 2011 and $1.1 million related to the refinancing of our Previous ABL Facility. In 2010, we wrote off $7.4 million of unamortized debt issuance costs resulting from the redemption and repurchase of our 2013 PIK Notes in December 2010.

Other expense of $0.2 million in 2011 consists primarily of foreign currency expense of $0.2 million. Other expense of $0.8 million in 2010 consists primarily of costs associated with an unconsummated stock offering of $0.7 million.

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The provision for income taxes was $1.9 million in 2011 compared to $0.4 million in 2010. The effective rate for 2011 was 7.7%, which is lower than our anticipated 39.0% effective tax rate in large part due to an increase in the deferred tax valuation allowance.

Net income was $23.4 million for 2011 compared to a net loss of $7.4 million for 2010 as a result of the above-mentioned items.

Segment Operating Results

We have three reportable business segments for financial reporting purposes that are distinguished primarily on the basis of services offered:

- Chemical Logistics, which consists of the transportation of bulk chemicals primarily through our network of 25 independent affiliates and company-operated terminals, and equipment rental income;

- Energy Logistics, which consists primarily of the transportation of fresh water, disposal water, and crude oil for the unconventional oil and gas frac shale energy markets, primarily through company-operated terminals and 2 independent affiliates; and

- Intermodal, which consists of Boasso s intermodal ISO tank container transportation and depot services business primarily supporting the international movement of bulk liquids.

Segment operating income reported in our segment tables excludes amounts such as depreciation and amortization, gains and losses on disposal of property and equipment, restructuring costs, corporate and other unallocated amounts. Although these amounts are excluded from the business segment results, they are included in our reported consolidated statements of operations. Most corporate and shared services overhead costs, including acquisition costs, are included in our chemical logistics segment. We have not provided specific asset information by segment, as it is not regularly provided to our chief operating decision maker for review.

Summarized segment operating results are as follows (in thousands):

	Year Ended December 31, 2012			
	Chemical Logistics	Energy Logistics	Intermodal	Total
Operating Revenues:				
Transportation	$ 423,077	$ 105,679	$ 68,650	$ 597,406
Service revenue	67,632	8,461	45,008	121,101
Fuel surcharge	105,767	926	16,918	123,611
Total operating revenues	$ 596,476	$ 115,066	$ 130,576	$ 842,118
Segment revenue % of total revenue	70.8%	13.7%	15.5%	100.0%
Segment operating income	$ 37,809	$ 12,177	$ 19,259	$ 69,245
Depreciation & amortization	11,293	6,310	3,487	21,090
Other (income) expense, net	(1,327)	391	(52)	(988)
Operating income	$ 27,843	$ 5,476	$ 15,824	$ 49,143

	Year Ended December 31, 2011			
			Intermodal	Total

	Chemical Logistics	Energy Logistics		
Operating Revenues:				
Transportation	$ 429,769	$ 29,432	$ 58,579	$ 517,780
Service revenue	67,414	1,006	42,168	110,588
Fuel surcharge	103,487	64	14,032	117,583
Total operating revenues	$ 600,670	$ 30,502	$ 114,779	$ 745,951
Segment revenue % of total revenue	80.5%	4.1%	15.4%	100.0%
Segment operating income	$ 48,444	$ 3,081	$ 18,728	$ 70,253
Depreciation & amortization	10,418	785	3,210	14,413
Other (income) expense, net	(1,684)		(155)	(1,839)
Operating income	$ 39,710	$ 2,296	$ 15,673	$ 57,679

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	Year Ended December 31, 2010							
		Chemical Logistics		Energy Logistics		Intermodal		Total
Operating Revenues:								
Transportation	$	442,576	$		$	55,870	$	498,446
Service revenue		70,470				37,004		107,474
Fuel surcharge		72,053				8,625		80,678
Total operating revenues	$	585,099	$		$	101,499	$	686,598
Segment revenue % of total revenue		85.2%				14.8%		100.0%
Segment operating income	$	44,791	$		$	16,863	$	61,654
Depreciation & amortization		13,033				2,971		16,004
Other expense (income), net		8,901				14		8,915
Operating income	$	22,857	$		$	13,878	$	36,735

	2012 vs 2011		Chemical Logistics		Energy Logistics		Intermodal		Total
Segment revenues	$ change	$	(4,194)	$	84,564	$	15,797	$	96,167
	% change		(0.7)%		277.2%		13.8%		12.9%
Segment operating income	$ change	$	(10,635)	$	9,096	$	531	$	(1,008)
	% change		(22.0)%		295.2%		2.8%		(1.4)%

	2011 vs 2010		Chemical Logistics		Energy Logistics		Intermodal		Total
Segment revenues	$ change	$	15,571	$	30,502	$	13,280	$	59,353
	% change		2.7%		100.0%		13.1%		8.6%
Segment operating income	$ change	$	3,653	$	3,081	$	1,865	$	8,599
	% change		8.2%		100.0%		11.1%		13.9%

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Operating revenue:

Chemical Logistics revenues decreased $4.2 million, or 0.7%, for the year ended December 31, 2012 compared to the same period for 2011 primarily due to a decrease in transportation revenue of $6.7 million. The decline was driven by reduced linehaul revenue resulting primarily from lower shipment volumes and the lingering effects of the implementation of electronic on-board recorders on driver counts. Although driver counts are rising slightly, industry-wide tightness in driver capacity could adversely impact our chemical logistics business for a portion of 2013. This decline was partially offset by an increase of $2.3 million of fuel surcharge revenue due to increased fuel prices and an increase of $0.2 million primarily due to increased trailer rental revenue.

Energy Logistics revenues increased $84.6 million, or more than 100.0%, for the year ended December 31, 2012 due to our entry into the unconventional oil and gas frac shale energy market during the second quarter of 2011, the 2012 Energy Acquisitions and growth of our existing energy business through the addition of two independent affiliates.

Intermodal revenues increased $15.8 million, or 13.8%, for the year ended December 31, 2012 compared to the same period in 2011, due to the Greensville acquisition, continued strong demand for ISO container shipments, and increases in brokerage, storage and repair business.

Segment Operating income:

Chemical Logistics segment operating income decreased $10.6 million, or 22.0%, for the year ended December 31, 2012 compared to the same period in 2011 primarily due to acquisition costs, higher equipment rental expense, severance and lease termination costs, legal and claims settlement costs, higher repairs and maintenance and increased terminal costs. In addition, operating income was negatively impacted by $7.9 million of costs associated with the independent affiliate conversion, acquisition and severance charges and other legal settlements.

Energy Logistics segment operating income increased $9.1 million, or more than 100.0%, for the year ended December 31, 2012 due to our entry into the unconventional oil and gas frac shale energy market in the second quarter of 2011, the 2012 Energy

Acquisitions and through the addition of two independent affiliates, partially offset by increased depreciation and amortization costs related to acquired assets. Operating income was negatively impacted by $2.3 million of operating costs and reduced profitability related to the transition of an independent affiliate and decreased volumes in the Marcellus shale region driven by lower natural gas prices.

Intermodal segment operating income increased $0.5 million, or 2.8%, for the year ended December 31, 2012 compared to the same period in 2011 due to the acquisition of Greensville, offset by increased transportation costs and greater than expected equipment repair costs. Operating income for our intermodal segment was adversely impacted by approximately $0.7 million due to the effects of Hurricane Sandy on our Newark, NJ terminal.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Operating revenue:

Chemical Logistics revenues increased $15.6 million, or 2.7%, for 2011 compared to 2010 primarily due to an increase of $31.4 million of fuel surcharge revenue. Transportation revenue decreased by $12.8 million due to reduced linehaul revenue resulting from a decrease in chemical shipments primarily caused by a high level of driver turnover resulting from our implementation of EOBRs in our U.S. fleet. In addition, service revenue decreased by $3.0 million due primarily to decreased trailer rental revenue.

Energy Logistics revenues increased $30.5 million, or 100.0%, for 2011 due to our entry into the gas and oil frac shale energy market during the year.

Intermodal revenues increased $13.3 million, or 13.1%, for 2011 compared to 2010 due to an increase of $5.4 million in fuel surcharge revenue, an increase of $5.2 million in service revenue and an increase of $2.7 million in intermodal transportation and depot revenue, partially due to our acquisition of Greensville.

Operating income:

Chemical Logistics operating income increased $3.7 million, or 8.2%, for 2011 compared to 2010 primarily due to cost reductions.

Energy Logistics operating income increased $3.1 million, or 100.0%, for 2011 due to our entry into the gas and oil frac shale energy market.

Intermodal operating income increased $1.9 million, or 11.1%, for 2011 compared to 2010 due to increased customer demand, partially offset by incremental costs to support the increase in revenue.

EXCHANGE RATES

We operate primarily in the United States but also have operations in Canada and Mexico. Our results of operations are affected by the relative strength of currencies in the countries where we operate. Approximately 4.7%, 6.1% and 5.5% of our revenue in 2012, 2011 and 2010, respectively, was generated outside the United States.

In comparing the average exchange rates between 2012 and 2011, the Canadian dollar and the Mexican peso depreciated against the United States dollar by approximately 1.1% . The change in exchange rates negatively impacted revenue by approximately $0.4 million in 2012. The depreciation of the Canadian dollar was the primary reason for the less than $0.1 million net increase in cumulative currency translation loss in shareholders deficit for 2012.

Gains and losses included in the consolidated statements of operations from foreign currency transactions included a less than $0.1 million gain in 2012, a $0.2 million loss in 2011, and a $0.2 million gain in 2010. Risks associated with foreign currency fluctuations are discussed further in Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

LIQUIDITY AND CAPITAL RESOURCES

Our primary cash needs consist of debt service, working capital, capital expenditures, acquisitions and share repurchases . Our working capital needs depend upon the timing of our collections from customers and payments to others, as well as our capital and operating lease payment obligations. Our capital expenditures primarily relate to acquiring trailers to maintain the chemical logistics fleet and supporting our energy logistics business with growth capital. We reduce our capital expenditure requirements for our chemical logistics business by utilizing independent affiliates and independent owner-operators.

Independent affiliates and independent owner-operators typically supply their own tractors, which reduces our capital investment requirements. For 2012, capital expenditures were $32.3 million and proceeds from sales of property and equipment were

$13.5 million. We generally expect our sustaining capital expenditures, net of proceeds from property and equipment sales, to be approximately 1% to 2% of operating segment revenues annually. We expect net capital expenditures to be approximately $10.0 to $15.0 million for the 2013 year. Notwithstanding our general expectation for sustaining capital expenditures, we expect net capital expenditures in 2013 to be lower than in 2012, regardless of operating revenue, as we focus on equipment rationalization. Some of our independent affiliates who are engaged with us in the chemical logistics or energy logistics markets may at times purchase some portion of this equipment from us. Actual amounts could differ materially because of operating needs, growth needs, regulatory changes, covenants in our debt arrangements, other expenses or other factors.

Debt service currently consists of required interest payments on the outstanding balance of our ABL Facility and our outstanding 2018 Notes as well as acquisition related indebtedness. We have no major debt maturities prior to August 2016, when our ABL Facility matures. During 2011, note indebtedness was comprised primarily of our 2018 Notes and our 2013 PIK Notes, though the aggregate principal balance of notes changed during 2011. We redeemed $10.0 million of our 2013 PIK Notes in January 2011. We redeemed $17.5 million of our 2013 PIK Notes with the proceeds from our common stock offering in March 2011 and redeemed the remaining $5.8 million of our 2013 PIK Notes in July 2011.

We may from time to time repurchase or redeem additional amounts of our outstanding debt or may repurchase outstanding shares of our common stock. Our Board of Directors has approved a share repurchase program for up to $15.0 million in shares of our common stock, of which $11.3 million remained available at December 31, 2012. Any repurchases or redemptions would depend upon prevailing market conditions, our liquidity requirements, contractual restrictions and other factors we consider important. Future repurchases or redemptions may materially impact our liquidity, future tax liability and results of operations.

Our primary sources of liquidity for operations during the 2012 and 2011 periods have been cash flow from operations and borrowing availability under the ABL Facility and our Previous ABL Facility. At December 31, 2012, we had $55.2 million of borrowing availability under the ABL Facility. We periodically make business acquisitions with cash as part or all of the consideration. Some acquisitions provide us with new assets to pledge under our ABL Facility and increase our borrowing capacity. Further, we increased our maximum borrowing capacity under the ABL Facility by amendment on September 27, 2012.

If availability under the ABL Facility is insufficient to fund future acquisitions or pay contingent consideration on previous acquisitions, we would either need to raise additional capital or use other sources of liquidity to consummate the desired transactions or meet those requirements. We believe that, based on current operations and anticipated growth, our cash flow from operations, together with other available sources of liquidity, will be sufficient to fund anticipated capital expenditures, operating expenses and our other anticipated liquidity needs for the next 12 months. Anticipated debt maturities in 2016, the acquisition of other businesses or other events that we do not foresee may require us to seek alternative financing, such as restructuring or refinancing our long-term debt, selling assets or operations or selling additional debt or equity securities. If these alternatives were not available in a timely manner or on satisfactory terms or were not permitted under any of our debt agreements and we default on our obligations, our debt could be accelerated and our assets might not be sufficient to repay in full all of our obligations.

Cash Flows

The following summarizes our cash flows for 2012, 2011 and 2010 as reported in our consolidated statements of cash flows in the accompanying consolidated financial statements:

	Year Ended December 31,		
(In Thousands)	**2012**	**2011**	**2010**
Net cash provided by operating activities	$ 17,002	$ 35,399	$ 21,071
Net cash used in investing activities	(131,683)	(30,458)	(1,079)
Net cash provided by (used in) financing activities	113,332	(2,642)	(23,879)
Effect of exchange rates		1	7
Net (decrease) increase in cash	(1,349)	2,300	(3,880)
Cash at beginning of period	4,053	1,753	5,633
Cash at end of period	$ 2,704	$ 4,053	$ 1,753

We generated $17.0 million, $35.4 million and $21.1 million in net cash provided by operating activities in 2012, 2011 and 2010, respectively. In 2012, cash provided by operating activities was lower primarily due to lower operating income and the 2012 Energy Acquisitions. In 2011, cash provided by operating activities was primarily due to improved net income, recognized gains on sales of unutilized equipment and restructuring and cost reduction efforts. Our restructuring and cost reduction efforts prior to 2011 and reductions in our trailer fleet during 2011 enabled us to generate stronger operating cash in 2011. In 2010, cash provided by operating activities was primarily due to an increase in accounts receivable in the 2010 period resulting from higher revenue, slightly offset by an increase in our restructuring accrual.

Net cash used in investing activities in 2012, 2011 and 2010 was $(131.7) million, $(30.5) million and $(1.1) million, respectively. Capital expenditures totaled $32.3 million, $38.3 million and $11.2 million in 2012, 2011 and 2010, respectively, while proceeds from sales of property and equipment were $13.5 million, $16.5 million and $10.1 million, respectively. In 2012, the increase in cash used for investing activities was primarily due to the 2012 Energy Acquisitions of $95.2 million, $18.8 million of net capital expenditure to support our energy logistics business growth initiatives and purchase of an independent affiliate s assets of $17.1 million. In 2011, we increased our capital expenditures to support our entry into the energy markets, which was partially offset by an increase in proceeds from the sale of equipment. In addition, we used $8.6 million for the Greensville stock acquisitions in the fourth quarter of 2011. In 2010, we used proceeds of $10.1 million from sale of old unutilized revenue equipment to fund $11.2 million of new revenue equipment.

Net cash provided by financing activities in 2012 was $113.3 million. Net cash used in financing activities was $(2.6) million and $(23.9) million in 2011 and 2010, respectively. In 2012, increased net borrowings of $95.7 million under our ABL Facility, and net cash received from our equity offering of approximately $30.5 million was utilized to fund recent asset acquisitions, to pay down $8.5 million of other debt and capital lease obligations, fund share repurchases of $3.7 million and to pay financing fees of $1.0 million in connection with our ABL Facility and recent amendment. In 2011, net cash received from our equity offering of approximately $17.6 million, increased net borrowings of $27.0 million under our New and Previous ABL Facilities, and proceeds from the exercise of stock options of $1.8 million were utilized to redeem $27.5 million in principal amount of our 2013 PIK Notes, to pay down other debt and capital leases of $15.1 million, to pay fees related to our ABL Facility and 2018 Notes of $5.0 million and to redeem for $1.8 million the preferred shares of our subsidiary, CLC, which were previously reflected on our balance sheet as redeemable noncontrolling interest. In 2010, cash was primarily utilized to repay $29.5 million under our Previous ABL Facility, to pay down $6.5 million of other debt and capital lease obligations, to pay financing fees of $5.6 million in connection with the issuance of our 2018 Notes, to pay a large insurance claim and issue a loan to a new independent affiliate.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as defined under Item 303(a) (4) of Regulation S-K.

Contractual Obligations

The following is a schedule of our long-term contractual commitments, including the current portion of our long-term indebtedness at December 31, 2012 over the periods we expect them to be paid (in thousands):

	TOTAL	**Year 2013**	**Years 2014 & 2015**	**Years 2016 & 2017**	**The Five Years after 2017**
Operating leases (1)	$ 99,278	$ 21,877	$ 39,111	$ 35,305	$ 2,985
Total indebtedness (2)	414,033	3,918	2,349	182,766	225,000
Capital leases	6,038	3,912	1,943	183	
Interest on indebtedness (3)	153,554	28,751	56,920	49,367	18,516
Total contractual cash obligations (4) (5) (6) (7)	$ 672,903	$ 58,458	$ 100,323	$ 267,621	$ 246,501

(1) These obligations represent the minimum rental commitments under all non-cancelable operating leases including the guaranteed residual values at the end of the leases. Commitments also include the operating lease for our corporate headquarters. We expect that some of our operating lease obligations for tractors and trailers will be partially offset by rental revenue from subleasing the tractors to independent affiliates and independent owner-operators and subleasing trailers to independent affiliates.

(2) Includes aggregate unamortized discount of $1.3 million related to the 2018 Notes.
(3) Amounts presented for interest payments assume that all long-term debt obligations outstanding as of December 31, 2012 will remain outstanding until maturity and interest rates on variable-rate debt in effect as of December 31, 2012 will remain in effect until maturity.
(4) Excludes long-term pension obligations as we are unable to reasonably estimate the ultimate amount or timing of settlement of such obligations. As of December 31, 2012, obligations of $21.1 million were reflected in the consolidated balance sheet. This amount represented our unfunded status of such plans, which is the difference between our projected benefit obligation and the fair value of plan assets, as of such date. See Note 17 of the Notes to Consolidated Financial Statements.
(5) Excludes liabilities associated with environmental matters as we are unable to reasonably estimate the ultimate amount or timing of settlement of such liabilities. Liabilities of $9.0 million, which represent our reserves for environmental compliance and remediation were reflected in the consolidated balance sheet as of December 31, 2012. See Note 20 of the Notes to Consolidated Financial Statements.
(6) Excludes accrued loss and damage claims as we are unable to reasonably estimate the ultimate amount or timing of settlement of such claims. As of December 31, 2012, accrued loss and damage claims of $16.8 million, which represented the balance of our reserves for such liabilities, were reflected in the consolidated balance sheet.
(7) Excludes liabilities associated with uncertain tax positions as we are unable to reasonably estimate the ultimate amount or timing of settlement of such positions. See Note 16 of the Notes to Consolidated Financial Statements.

Long-term Debt

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

	December 31, 2012	December 31, 2011
Capital lease obligations	$ 6,038	$ 9,101
ABL Facility	161,200	65,500
9.875% Second-Priority Senior Secured Notes, due 2018	225,000	225,000
5% Subordinated Acquisition Notes	21,300	
Other Notes	6,533	8,943
Long-term debt, including current maturities	420,071	308,544
Discount on Notes	(1,265)	(1,481)
	418,806	307,063
Less current maturities of long-term debt (including capital lease obligations)	(7,831)	(9,400)
Long-term debt, less current maturities (including capital lease obligations)	$ 410,975	$ 297,663

Debt Retirement

The following is a schedule of our indebtedness at December 31, 2012 over the periods we are required to pay such indebtedness (in thousands):

	2013	2014	2015	2016	2017	Thereafter	Total
Capital lease obligations	$ 3,912	$ 1,610	$ 333	$ 106	$ 77		$ 6,038
ABL Facility				161,200			161,200
9.875% Second-Priority Senior Secured Notes, due 2018 (1)						225,000	225,000
5% Subordinated Acquisition Notes					21,300		21,300
Other Notes	3,919	1,265	1,084	265			6,533
Total	$ 7,831	$ 2,875	$ 1,417	$ 161,571	$ 21,377	225,000	$ 420,071

(1) Amount does not include the remaining unamortized original issue discount of $1.3 million related to the 2018 Notes.
The following is a schedule of our debt issuance costs for the year ended December 31 (in thousands):

	2011	Additional Debt Issuance Costs	2012 Amortization Expense	2012
ABL Facility	$ 5,094	$ 989	$ (1,238)	$ 4,845
9.875% Second-Priority Senior Secured Notes, due 2018	5,560		(895)	4,665
Total	$ 10,654	$ 989	$ (2,133)	$ 9,510

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Amortization expense of deferred issuance costs was $2.1 million, $2.1 million, and $2.7 million for the years ending December 31, 2012, 2011 and 2010, respectively, and is included in interest expense. We are amortizing these costs over the term of the debt instruments.

The ABL Facility

Our ABL Facility provides for a revolving credit facility with a maturity of August 19, 2016. On September 27, 2012, our maximum borrowing capacity under the facility was increased from $250.0 million to $350.0 million. Borrowing availability under our ABL Facility did not change as a result of this amendment. Changes in borrowing availability result from increases or decreases in assets securing the ABL Facility. The ABL Facility includes borrowing capacity of up to $150.0 million for letters of credit and up to $30.0 million for swingline borrowings on same-day notice. The ABL Facility is available for working capital needs and general corporate purposes, including permitted acquisitions. At December 31, 2012, we had $55.2 million of borrowing availability under the ABL Facility.

Borrowings under the ABL Facility bear interest at a rate equal to an applicable margin plus, at our option, either a base rate or LIBOR. The applicable margin at December 31, 2012 was 1.25% for base rate borrowings and 2.25% for LIBOR borrowings. The applicable margin for borrowings will be reduced or increased based on aggregate borrowing base availability under the ABL Facility and may be further reduced in the event that our fixed charge coverage ratio as calculated under the ABL Facility exceeds a target level. The base rate is equal to the highest of the prime rate, the federal funds overnight rate plus 0.50% and 30-day LIBOR plus 1.00%. In addition to paying interest on outstanding principal under the ABL Facility, we are required to pay an unutilized commitment fee to the lenders quarterly at a rate ranging from 0.25% to 0.50%, depending on the average utilization of the ABL Facility. We also pay customary letter of credit fees quarterly. We may voluntarily repay outstanding loans under the ABL Facility at any time without premium or penalty, other than customary breakage costs with respect to LIBOR loans. The interest rate on the ABL Facility at December 31, 2012 and 2011 was 2.5% and 2.3%, respectively. The borrowing base for the ABL Facility consists of eligible accounts receivable, inventory, tractor and trailer equipment, real property and certain other equipment.

We recorded $6.4 million in debt issuance costs relating to the ABL Facility. We are amortizing the debt issuance costs over the remaining term of the ABL Facility.

The Previous ABL Facility

Our ABL Facility replaced our previous ABL Facility on August 19, 2011. Our previous ABL Facility consisted of a current asset tranche in the amount of $205.0 million and a fixed asset tranche in the amount of $20.0 million. The previous ABL Facility included a sublimit of up to $150.0 million to issue letters of credit and was available for working capital needs and general corporate purposes, including permitted acquisitions. The interest rate under the current asset tranche was based, at our option, on either the administrative agent s base rate plus 1.00% or on the Eurodollar LIBOR rate plus an applicable margin. The administrative agent s base rate was equal to the greater of the federal funds overnight rate plus 0.50% or the prime rate. The interest rate under the fixed asset tranche was based, at our option, on either the administrative agent s base rate plus 1.25% or on LIBOR plus an applicable margin. The applicable margin under either tranche was subject to increases or reductions based upon the amounts available for borrowing.

Accounting Treatment for the Exchange of ABL Facility for Previous ABL Facility and Amendment of ABL Facility

The exchange of our previous ABL Facility for the ABL Facility was treated partially as a debt modification and partially as a debt extinguishment in accordance with FASB guidance. Under applicable FASB guidance, we compared the product of the remaining term multiplied by the maximum borrowing capacity of our previous ABL Facility to the maximum borrowing capacity of the new arrangement on a creditor-by-creditor basis to determine the accounting treatment. For each creditor, if the borrowing capacity of the new arrangement is greater than or equal to the maximum borrowing capacity of the old arrangement, then the exchange is classified as a modification, and, if not, the exchange is classified as an extinguishment in proportion to the percentage of the decrease. If the exchange is classified as a modification, then any unamortized debt issuance costs relating to our previous ABL Facility are allocated to the ABL Facility and amortized over the term of the ABL Facility using the effective interest method. Furthermore, if the exchange is classified as an extinguishment, then any unamortized debt issuance costs relating to our previous ABL Facility are written off in proportion to the decrease in maximum borrowing capacity of the ABL Facility. Upon the exchange of our previous ABL Facility with the ABL Facility, we wrote off $0.9 million of unamortized debt issuance costs, reflecting the proportion of such costs determined to be for indebtedness treated as extinguished, and the remaining unamortized debt issuance costs of $1.3 million, relating to indebtedness deemed a modification, were allocated to the ABL Facility. The recent amendment to the ABL Facility was treated as a modification.

9.875% Second-Priority Senior Secured Notes Due 2018

On November 3, 2010, we issued $225.0 million aggregate principal amount of the 2018 Notes. With the proceeds of the issuance of the 2018 Notes, we repaid and redeemed certain of our outstanding notes, redeemed $47.5 million of our 2013 PIK Notes, and paid down a portion of our outstanding borrowings under the previous ABL Facility.

Interest on the 2018 Notes is payable at a rate of 9.875% per annum, semiannually on May 1 and November 1 of each year. The payment obligations of QD LLC and QD Capital under the 2018 Notes are guaranteed by QDI and by all of its 100% owned domestic subsidiaries other than immaterial subsidiaries. The 2018 Notes are senior obligations of QD LLC and QD Capital and are secured by a second-priority lien on certain assets. Pursuant to an intercreditor agreement, the liens on the collateral securing the 2018 Notes rank junior in right of payment to the ABL Facility and obligations under certain hedging agreements and cash management obligations and certain other first-lien obligations.

The 2018 Notes mature on November 1, 2018. Prior to November 1, 2014, we may redeem the 2018 Notes, in whole or in part, at a price equal to 100% of the principal amount of the 2018 Notes redeemed, plus accrued and unpaid interest to the redemption date, plus an additional make-whole premium intended to capture the value of holding 2018 Notes through November 1, 2014, but not less than 1%. During any twelve-month period prior to November 1, 2014, we may also redeem up to 10% of the original aggregate principal amount of the 2018 Notes at a redemption price of 103%, plus accrued and unpaid interest to the redemption date. Additionally, at any time prior to November 1, 2013, we may redeem up to 35% of the principal amount of the 2018 Notes at a redemption price of 109.875%, plus accrued and unpaid interest to the redemption date, with the net proceeds of one or more equity offerings so long as at least 50% of the aggregate original principal amount of the 2018 Notes remains outstanding afterwards. On or after November 1, 2014, we may redeem the 2018 Notes, in whole or in part, at the following prices (expressed as a percentage of principal amount), plus accrued and unpaid interest to the redemption date, if redeemed during the 12-month period commencing on November 1 of the years set forth below:

Period	**Redemption Price**
2014	104.938%
2015	102.469%
2016 and thereafter	100.000%

We recorded $6.6 million in debt issuance costs relating to the 2018 Notes, of which $6.4 million was related to the new issuance and $0.2 million of unamortized debt issuance costs related to our 10% Senior Notes due 2013 which are no longer outstanding. We are amortizing these costs over the term of the 2018 Notes.

5% Subordinated Acquisition Notes

We issued promissory notes in an aggregate principal amount of $21.3 million as part of the consideration for the Bice acquisition. The promissory notes bear interest at a fixed rate of 5.0% per annum and mature June 1, 2017. Payments of interest only are scheduled for the end of each calendar quarter with principal payable in full at maturity. The promissory notes are unsecured and subordinated. The notes are non-negotiable and non-transferable and may be prepaid at any time without premium or penalty.

11.75% Senior Subordinated PIK Notes Due 2013

On October 15, 2009, we issued $80.7 million aggregate principal amount of the 2013 PIK Notes. The payment obligations of QD LLC and QD Capital under the 2013 PIK Notes were guaranteed by QDI and by all of its domestic subsidiaries other than immaterial subsidiaries. The 2013 PIK Notes were unsecured senior subordinated obligations of QD LLC and QD Capital. Interest was payable on the 2013 PIK Notes at 11.75% per annum, payable 9% in cash and 2.75% in the form of additional 2013 PIK Notes.

At January 1, 2011, the outstanding principal balance of these notes was $33.3 million. On January 20, 2011, we redeemed $10.0 million of these notes plus accrued and unpaid interest. On March 11, 2011, we redeemed $17.5 million of these notes plus accrued and unpaid interest. We redeemed the remaining $5.8 million of principal amount of our 2013 PIK Notes in July 2011.

We recorded $1.5 million in debt issuance costs related to the 2013 PIK Notes and we recorded $6.7 million in note issuance discount due to warrants issued concurrently with the issuance of the 2013 PIK Notes. At January 1, 2011, $2.1 million of unamortized debt issuance costs and original issue discount remained. In conjunction with the January 20, 2011 and March 11, 2011 redemptions, we wrote off $1.8 million of unamortized debt issuance costs and unamortized original issue costs in the first quarter of 2011. In conjunction with the July 20, 2011 final redemption, we wrote off the remaining $0.3 million of unamortized debt issuance costs and unamortized original issue costs in the third quarter of 2011.

Collateral, Guarantees and Covenants

The ABL Facility contains a fixed charge coverage ratio which only needs to be met if borrowing availability is less than a designated amount ranging from $20.0 million to $35.0 million, depending upon the size of our borrowing base. The ABL Facility contains a number of covenants that, among other things, restrict, subject to certain exceptions: (i) our ability to sell assets; (ii) incur additional indebtedness; (iii) prepay other indebtedness, including the 2018 Notes; (iv) pay dividends and distributions or repurchase QDI s capital stock; (v) create liens on assets; (vi) make investments; (vii) make certain acquisitions; (viii) engage in mergers or consolidations; (ix) engage in certain transactions with affiliates; (x) amend certain charter documents and material agreements governing subordinated indebtedness, including the 2018 Notes; (xi) change our business; and (xii) enter into agreements that restrict dividends from QD LLC s subsidiaries. The ABL Facility also contains certain customary affirmative covenants and events of default.

The indenture governing the 2018 Notes contains covenants that restrict, subject to certain exceptions, our ability to, among other things: (i) incur additional debt or issue certain preferred shares; (ii) pay dividends on or make other distributions in respect of QDI s common stock or make other restricted payments; (iii) make certain investments; (iv) sell certain assets; (v) create or permit to exist dividend and/or payment restrictions affecting their restricted subsidiaries; (vi) create liens on certain assets to secure debt; (vii) consolidate, merge, sell or otherwise dispose of all or substantially all of their assets; (viii) enter into certain transactions with their affiliates; and (ix) designate their subsidiaries as unrestricted subsidiaries. The indenture also provides certain customary events of default, which, if any of them occurs, may result in the principal, interest and any other monetary obligations on the then outstanding 2018 Notes becoming payable immediately.

The payment obligations under the ABL Facility are senior secured obligations of QD LLC and QD Capital and are secured by a first-priority lien on certain assets and guaranteed by QDI and by all of its domestic restricted subsidiaries other than immaterial subsidiaries. The payment obligations of QD LLC and QD Capital under the 2018 Notes are guaranteed by QDI and by all of its domestic subsidiaries other than immaterial subsidiaries. The 2018 Notes, and the guarantees thereof, are senior obligations of QD LLC and QD Capital and are secured by a second-priority lien on certain assets. Pursuant to an intercreditor agreement, the liens on the collateral securing the 2018 Notes rank junior in right of payment to the ABL Facility and obligations under certain hedging agreements and cash management obligations and certain other first lien obligations. We were in compliance with the covenants under the ABL Facility and the 2018 Notes at December 31, 2012.

Other Liabilities and Obligations

As of December 31, 2012, we had $26.4 million in outstanding letters of credit issued under the ABL Facility that may be drawn by third parties to satisfy some of the obligations described above and certain other obligations. We are required to provide letters of credit to our insurance administrator to ensure that we pay required claims. The letter of credit issued to our insurance administrator had a maximum draw amount of $20.0 million as of December 31, 2012. If we fail to meet certain terms of our agreement, the insurance administrator may draw down the entire letter of credit. The remaining $6.4 million of outstanding letters of credit as of December, 2012 relates to various other obligations.

In conjunction with acquisitions completed in 2012, we recorded liabilities for potential contingent consideration of approximately $11.5 million. At December 31, 2012, we have $8.8 million remaining of liabilities for potential contingent consideration. These liabilities represent our preliminary estimates which are subject to change based upon these acquired businesses meeting certain future operating and financial performance criteria. At this time, based on certain assumptions, we expect this potential contingent consideration to be paid during 2013 and expect to generate sufficient cash from operations to fund these obligations.

Our obligations for environmental matters, accrued loss and damage claims and long-term pension obligations are considered within Contractual Obligations.

Other Issues

While uncertainties relating to environmental, labor and other regulatory matters exist within the trucking industry, management is not aware of any trends or events likely to have a material adverse effect on liquidity or the accompanying consolidated financial statements. Our credit ratings are affected by many factors, including our financial results, operating cash flows and total indebtedness.

The ABL Facility and the indentures governing the 2018 Notes contain certain limitations on QD LLC s ability to make distributions to QDI. We do not consider these restrictions to be significant, because QDI is a holding company with no significant operations or assets, other than ownership of 100% of QD LLC s membership units. QD LLC s direct and indirect 100% owned subsidiaries are generally permitted to make distributions to QD LLC, which is the principal obligor under the ABL Facility and the 2018 Notes.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
We are subject to market risks from (i) interest rates due to our variable interest rate indebtedness, (ii) foreign currency fluctuations due to our international operations and (iii) increased commodity prices due to the diesel consumption necessary for our operations. During the last three years, we have not held derivative instruments or engaged in other hedging transactions to reduce our exposure to such risks.

Interest Rate Risk

We are exposed to the impact of interest rate changes through our variable-rate borrowings under the ABL Facility. With regard to the ABL Facility, at QD LLC s option, the applicable margin for borrowings at December 31, 2012 was 1.25% with respect to base rate borrowings and 2.25% with respect to LIBOR borrowings. The applicable margin for such borrowings will be reduced or increased based on aggregate borrowing base availability under the ABL Facility and may be further reduced in the event that our fixed charge coverage ratio as calculated under the ABL Facility exceeds a target level. The base rate under the ABL Facility is equal to the highest of the prime rate, the federal funds overnight rate plus 0.50%, and 30-day LIBOR plus 1.00%.

	Balance at December 31, 2012 ($ in 000s)	Interest Rate at December 31, 2012	Effect of 1% Increase ($ in 000s)
ABL Facility	$ 161,200	2.50%	$ 1,612

At December 31, 2012, a 1% point increase in the current per annum interest rate would result in $1.6 million of additional interest expense during the next 12 months. The foregoing calculation assumes an instantaneous 1% point increase in the rates under the ABL Facility and that the principal amount is the amount outstanding as of December 31, 2012. The calculation therefore does not account for the differences in the market rates upon which the interest rates of our indebtedness are based, our option to elect the lowest of three different interest rates under our borrowings or other possible actions, such as prepayment, that we might take in response to any rate increase.

Foreign Currency Exchange Rate Risk

Operating in international markets involves exposure to the possibility of volatile movements in foreign exchange rates. The currencies in each of the countries in which we operate affect:

- the results of our international operations reported in United States dollars; and

- the value of the net assets of our international operations reported in United States dollars.

These exposures may impact future earnings or cash flows. Revenue from foreign locations (Canada and Mexico) represented approximately 4.7% of our consolidated revenue in 2012 and 6.1% of our consolidated revenue in 2011. The economic impact of foreign exchange rate movements is complex because such changes are often linked to variability in real growth, inflation, interest rates, governmental actions and other factors. These changes, if material, could cause us to adjust our financing and operating strategies. Therefore, to isolate the effect of changes in currency does not accurately portray the effect of these other important economic factors. As foreign exchange rates change, translation of the income statements of our international subsidiaries into U.S. dollars affects year-over-year comparability of operating results. While we may hedge specific transaction risks, we generally do not hedge translation risks because we believe there is no long-term economic benefit in doing so.

Assets and liabilities for our Canadian operations are matched in the local currency, which reduces the need for dollar conversion. Our Mexican operations use the United States dollar as their functional currency. Any foreign currency impact on translating assets and liabilities into dollars is included as a component of shareholders deficit. Our revenue results for 2012 were negatively impacted by a $0.4 million foreign currency movement, primarily due to the weakening of the Canadian dollar against the United States dollar.

Changes in foreign exchange rates that had the largest impact on translating our international operating profits for 2012 related to the Canadian dollar versus the United States dollar. We estimate that a 1% adverse change in the Canadian dollar foreign exchange rate would have decreased our revenues by approximately $0.4 million in 2012, assuming no changes other than the exchange rate itself. Our inter-company loans are subject to fluctuations in exchange rates primarily between the United States dollar and the Canadian dollar. Based on the outstanding balance of our intercompany loans at December 31, 2012, a change of 1% in the exchange rate for the Canadian dollar would cause a change in our foreign exchange result of less than $0.1 million.

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Commodity Price Risk

The price and availability of diesel fuel are subject to fluctuations due to changes in the level of global oil production, seasonality, weather, global politics and other market factors. Historically, we have been able to recover a majority of fuel price increases from our customers in the form of fuel surcharges. The price and availability of diesel fuel can be unpredictable as well as the extent to which fuel surcharges can be collected to offset such increases. In 2012 and 2011, a majority of fuel costs were covered through fuel surcharges.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements and exhibits filed under this item are listed in the index appearing in Item 15 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Attached as exhibits to this Form 10-K are certifications of our Chief Executive Officer and Chief Financial Officer, which are required in accordance with Rule 13a-14 of the Securities Exchange Act. This Controls and Procedures section includes information concerning the controls and controls evaluation referred to in the certifications.

Evaluation of Disclosure Controls and Procedures

As required by Exchange Act Rules 13a-15(b) and 15d-15(b), management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on their evaluation, management concluded our disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) were effective as of December 31, 2012 to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and were effective as of December 31, 2012 to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

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Management s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Our internal control over financial reporting is a process designed under the supervision of the Chief Executive Officer and Chief Financial Officer and effected by the Board of Directors and management, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2012, using the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment and those criteria, management has determined that our internal control over financial reporting was effective as of December 31, 2012.

Management excluded the Trojan Vacuum Services, Inc., Wylie Bice Trucking LLC, RM Resources, LLC, Dunn s Tank Service, Inc., and Nassau Disposal, Inc. (collectively the 2012 Energy Acquisitions) businesses from its assessment of internal control over financial reporting as of December 31, 2012, because all the assets were acquired in business purchase combinations during 2012. Total assets of the 2012 Energy Acquisitions represent approximately 26.8% of our total assets as of December 31, 2012, and total revenues of the 2012 Energy Acquisitions, which are only included from date of acquisition, represent approximately 8.2% of our total revenues for the year ended December 31, 2012.

PricewaterhouseCoopers LLP, our independent registered certified public accounting firm, has audited the effectiveness of the Company s internal controls over financial reporting as of December 31, 2012, as stated in their report which is included herein.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information with respect to the directors, the Audit Committee of the Board of Directors, the Nomination Committee of the Board of Directors (known as the Corporate Governance Committee), and the Audit Committee financial expert, will be contained in our 2013 Proxy Statement. The 2013 Proxy Statement is expected to be filed on or about April 25, 2013. Such information is incorporated herein by reference.

Information with respect to our executive officers who are not directors is located in Part I, Item 4 of this report.

Code of Ethics

We have adopted a Code of Conduct, which is applicable to all of our directors and employees, including our principal executive officer, our principal financial officer and our controller. A copy of the Code of Conduct can be found on our website at *www.qualitydistribution.com*. Any possible future amendments to or waivers from the Code of Conduct will be posted on our website.

Section 16(a) Beneficial Ownership Reporting Compliance

Information regarding compliance with Section 16(a) of the Exchange Act set forth under the heading Section 16(a) Beneficial Ownership Reporting Compliance will be in our 2013 Proxy Statement and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

For information regarding our Executive Compensation, Compensation Committee Interlocks and Insider Participation, and our Compensation Committee Report, we direct you to the section entitled Executive Compensation that will be in the 2013 Proxy Statement. We are incorporating the information contained in that section of our Proxy Statement here by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

Information regarding the security ownership of certain beneficial owners and management and related shareholder matters and equity compensation plans will be set forth under the heading Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters in our 2013 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this item will be incorporated by reference from our 2013 Proxy Statement under the headings Certain Relationships and Related Party Transactions and Corporate Governance .

Disclosure pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act.

On February 12, 2013, certain investment funds affiliated with Apollo Global Management, LLC beneficially owned approximately 19.6% of the ordinary shares of LyondellBasell Industries N.V. (LyondellBasell) and have certain director nomination rights. LyondellBasell may be deemed to be under common control with us, but this statement is not meant to be an admission that common control exists. As a result, it appears that we are required to provide disclosures as set forth herein pursuant to Section 219 of the new Iran Threat Reduction and Syria Human Rights Act of 2012 and Section 13(r) of the Securities Exchange Act. The Annual Report on Form 10-K for the year ended December 31, 2012 filed by LyondellBasell with the SEC on February 12, 2013 contained the disclosure set forth below (with all references contained therein to the Company being references to LyondellBasell and its consolidated subsidiaries).

The disclosure below does not relate to any activities conducted by us and does not involve us or our management. The disclosure relates solely to activities conducted by LyondellBasell and its consolidated subsidiaries.

Disclosure pursuant to Section 219 of the Iran Threat Reduction & Syria Human Rights Act

Certain non-U.S. subsidiaries of our predecessor, LyondellBasell AF, licensed processes to construct and operate manufacturing plants in Iran that produce polyolefin plastic material, which is used in the packaging of household and consumer goods. The subsidiaries also provided engineering support and supplied catalyst products to be used in these manufacturing operations. In 2009, the Company made the decision to suspend the pursuit of any new business dealings in Iran.

As previously disclosed by the Company, in 2010, our management made the further decision to terminate all business by the Company and its direct and indirect subsidiaries with the government, entities and individuals in Iran. The termination was made in accordance with all applicable laws and with the knowledge of U.S. Government authorities. As part of the termination, we entered into negotiations with Iranian counterparties in order to exit our contractual obligations. As described below, two transactions occurred under settlement agreements in early 2012, although the agreements to cease our activities with these counterparties were entered into in 2011. In January 2012, one of our non-U.S. subsidiaries received a final payment of approximately 3.5 million for a shipment of catalyst from an entity that is 50% owned by the National Petrochemical Company of Iran.

Our shipment of the catalyst was in February 2012 as part of the agreement related to our termination and cessation of all business under agreements with the counterparty. In 2012, the gross revenue from this limited activity was approximately, 4.2 million and profit attributable to it was approximately, 2.4 million.

In January and February of 2012, one of the Company s non-U.S. subsidiaries provided certain engineering documents relating to a polyolefin plastic process to a licensee comprising three Iranian companies, one of which is 20% owned by the National Oil Company of Iran. The provision of documents was the Company s final act with respect to the termination and cessation of all business under agreements with the counterparties. No gross revenue or profit was attributable to this activity in 2012. The transactions disclosed in this report do not constitute violations of applicable anti-money laundering laws or sanctions laws administered by the U.S. Department of the Treasury, Office of Foreign Assets Control (OFAC), and are not the subject of any enforcement actions under the Iran sanction laws.

We have not conducted, and do not intend to conduct, any further business activities in Iran or with Iranian counterparties.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information appearing in our 2013 Proxy Statement under the headings Report of the Audit Committee of the Board of Directors, Appointment of the Independent Registered Certified Public Accounting Firm and Fees Paid to the Independent Registered Certified Public Accounting Firm in 2012 and 2011 is incorporated by reference.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The documents filed as part of this report are as follows:

1. The consolidated financial statements and accompanying report of independent registered certified public accountants are listed in the Index to Financial Statements and are filed as part of this report.

All consolidated financial statement schedules are omitted because they are inapplicable, not required or the information is included elsewhere in the consolidated financial statements or the notes thereto.

2. Exhibits required by Item 601 of Regulation S-K are submitted as a separate section herein immediately following the Exhibit Index .

(b) Other Exhibits

No exhibits in addition to those previously filed or listed in item 15(a) (2) and filed herein.

(c) Not Applicable

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	QUALITY DISTRIBUTION, INC.
March 13, 2013	/s/ GARY R. ENZOR GARY R. ENZOR
	CHIEF EXECUTIVE OFFICER
	(DULY AUTHORIZED OFFICER)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

DATE	SIGNATURE	TITLE
March 13, 2013	/s/ Gary R. Enzor Gary R. Enzor	Chief Executive Officer and Director (Principal Executive Officer)
March 13, 2013	/s/ Joseph J. Troy Joseph J. Troy	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
March 13, 2013	* Thomas M. White	Director and Chairman of the Board
March 13, 2013	* Kevin E. Crowe	Director
March 13, 2013	* Richard B. Marchese	Director
March 13, 2013	* Thomas R. Miklich	Director
March 13, 2013	* M. Ali Rashid	Director
March 13, 2013	* Annette M. Sandberg	Director

March 13, 2013	*	
	Alan H. Schumacher	Director

*By: /s/ Gary R. Enzor
Gary R. Enzor
Attorney-in-fact

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

To: Board of Directors and shareholders of Quality Distribution, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of comprehensive income (loss), of shareholders deficit, and of cash flows present fairly, in all material respects, the financial position of Quality Distribution, Inc. and its subsidiaries at December 31, 2012 and December 31, 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management s Report on Internal Control over Financial Reporting, management has excluded the Trojan Vacuum Services, Inc., Wylie Bice Trucking, LLC, RM Resources, LLC, Dunn s Tank Service, Inc., and Nassau Disposal, Inc. businesses from its assessment of internal control over financial reporting as of December 31, 2012 because they acquired all the assets of these companies in business purchase combinations during 2012. We have also excluded Trojan Vacuum Services, Inc., Wylie Bice Trucking, LLC, RM Resources, LLC, Dunn s Tank Service, Inc., and Nassau Disposal, Inc. from our audit of internal control over financial reporting. Trojan Vacuum Services, Inc., Wylie Bice Trucking, LLC, RM Resources, LLC, Dunn s Tank Service, Inc., and Nassau Disposal, Inc. businesses, whose total assets and total revenues represent 26.8% and 8.2%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2012.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Tampa, Florida

March 13, 2013

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2012, 2011 and 2010

(In thousands, Except Per Share Data)

	Years ended December 31,		
	2012	**2011**	**2010**
OPERATING REVENUES:			
Transportation	$ 597,406	$ 517,780	$ 498,446
Service revenue	121,101	110,588	107,474
Fuel surcharge	123,611	117,583	80,678
Total operating revenues	842,118	745,951	686,598
OPERATING EXPENSES:			
Purchased transportation	552,524	522,866	471,792
Compensation	82,143	61,098	57,563
Fuel, supplies and maintenance	82,033	51,102	54,367
Depreciation and amortization	21,090	14,413	16,004
Selling and administrative	33,882	21,647	19,339
Insurance costs	15,830	14,042	15,546
Taxes and licenses	2,825	2,211	2,218
Communication and utilities	3,636	2,732	4,119
(Gain) loss on disposal of property and equipment	(988)	(1,318)	1,136
Restructuring (credit) costs		(521)	7,779
Total operating expenses	792,975	688,272	649,863
Operating income	49,143	57,679	36,735
Interest expense	30,089	29,497	36,170
Interest income	(831)	(585)	(622)
Write-off of debt issuance costs		3,181	7,391
Other (income) expense, net	(2,864)	214	791
Income (loss) before income taxes	22,749	25,372	(6,995)
(Benefit from) provision for income taxes	(27,327)	1,941	411
Net income (loss)	$ 50,076	$ 23,431	$ (7,406)
PER SHARE DATA:			
Net income (loss) per common share			
Basic	$ 1.89	$ 1.01	$ (0.36)
Diluted	$ 1.84	$ 0.96	$ (0.36)
Weighted-average number of shares			
Basic	26,502	23,088	20,382
Diluted	27,207	24,352	20,382

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 (LOSS)

For the Years Ended December 31, 2012, 2011 and 2010

(In thousands)

	Years ended December 31,		
	2012	2011	2010
Net income (loss)	$ 50,076	$ 23,431	$ (7,406)
Other comprehensive loss:			
Adjustment to pension obligation, net of tax	(328)	(5,213)	(520)
Translation adjustment, net of tax	(43)	26	(87)
Total other comprehensive loss	(371)	(5,187)	(607)
Comprehensive income (loss)	$ 49,705	$ 18,244	$ (8,013)

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

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2012 and 2011

(In thousands)

	December 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,704	$ 4,053
Accounts receivable, net	113,906	90,567
Prepaid expenses	14,651	7,849
Deferred tax asset, net	16,609	4,048
Other	9,694	3,858
Total current assets	157,564	110,375
Property and equipment, net	190,342	125,892
Goodwill	104,294	31,344
Intangibles, net	37,654	18,471
Non-current deferred tax asset, net	11,713	
Other assets	12,036	16,313
Total assets	$ 513,603	$ 302,395
LIABILITIES AND SHAREHOLDERS DEFICIT		
Current liabilities:		
Current maturities of indebtedness	$ 3,918	$ 4,139
Current maturities of capital lease obligations	3,913	5,261
Accounts payable	9,966	7,571
Independent affiliates and independent owner-operators payable	14,243	9,795
Accrued expenses	37,889	25,327
Environmental liabilities	2,739	3,878
Accrued loss and damage claims	7,326	8,614
Total current liabilities	79,994	64,585
Long-term indebtedness, less current maturities	408,850	293,823
Capital lease obligations, less current maturities	2,125	3,840
Environmental liabilities	6,302	6,222
Accrued loss and damage claims	9,494	9,768
Other non-current liabilities	25,278	30,342
Total liabilities	532,043	408,580
Commitments and contingencies Note 20		
SHAREHOLDERS DEFICIT		
Common stock, no par value; 49,000 shares authorized; 28,102 issued and 27,223 outstanding at December 31, 2012 and 24,207 issued and 23,940 outstanding at December 31, 2011.	437,192	393,859
Treasury stock, 879 shares at December 31, 2012 and 267 shares at December 31, 2011.	(5,849)	(1,878)
Accumulated deficit	(228,467)	(278,543)
Stock recapitalization	(189,589)	(189,589)
Accumulated other comprehensive loss	(31,752)	(31,381)

Stock purchase warrants		25		1,347
Total shareholders deficit		(18,440)		(106,185)
Total liabilities and shareholders deficit	$	513,603	$	302,395

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

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS DEFICIT

For the Years Ended December 31, 2012, 2011 and 2010 (In thousands)

	Shares of Common Stock	Shares of Treasury Stock	Common Stock	Treasury Stock	Accumulated Deficit	Stock Recapitalization	Accumulated Other Comprehensive Loss	Stock Purchase Warrants	Stock Subscription Receivables	Total Shareholders Deficit
Balance, December 31, 2009	20,297	(220)	$ 364,046	$ (1,580)	$ (294,568)	$ (189,589)	$ (25,587)	$ 6,696	$ (154)	$ (140,736)
Net loss					(7,406)					(7,406)
Issuance of restricted stock	69									
Amortization of restricted stock			923							923
Amortization of stock options			1,350							1,350
Stock warrant exercise	1,311		5,013					(5,013)		
Stock option exercise	1		3							3
Forgiveness of stock subscription receivable									21	21
Satisfaction of stock subscription receivables			(47)	(13)					60	
Other stock transactions									73	73
Translation adjustment, net of tax							(87)			(87)
Adjustment to pension obligation, net of tax							(520)			(520)
Balance, December 31, 2010	21,678	(220)	$ 371,288	$ (1,593)	$ (301,974)	$ (189,589)	$ (26,194)	$ 1,683	$	$ (146,379)
Net income					23,431					23,431
Issuance of restricted stock	93									
Forfeiture of restricted stock		(42)		(272)						(272)
Amortization of restricted stock			1,097							1,097
Amortization of stock options			1,777							1,777
Stock warrant exercise	88		336					(336)		

Stock option exercise	348	(1)	1,781	(13)				1,768
Proceeds from equity offering, net of transaction costs	2,000		17,580					17,580
Satisfaction of stock subscription receivables		(4)						
Translation adjustment, net of tax							26	26
Adjustment to pension obligation, net of tax							(5,213)	(5,213)
Balance, December 31, 2011	24,207	(267)	$ 393,859	$ (1,878)	$ (278,543)	$ (189,589)	$ (31,381	