

QUALITY DISTRIBUTION INC  
Form 10-Q  
November 07, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended September 30, 2013**

**or**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 000-24180**

**Quality Distribution, Inc.**

**(Exact name of registrant as specified in its charter)**

**Florida**  
**(State or other jurisdiction of**  
**incorporation or organization)**

**59-3239073**  
**(I.R.S. Employer**  
**Identification No.)**

**4041 Park Oaks Boulevard, Suite 200, Tampa, FL**  
**(Address of Principal Executive Offices)**  
**813-630-5826**

**33610**  
**(Zip Code)**

**(Registrant's telephone number, including area code)**

**N/A**

**(Former name, former address and former fiscal year, if changed since last report)**

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

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

Large accelerated filer  Accelerated filer

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

As of November 4, 2013, the registrant had 26,926,691 shares of Common Stock, no par value, outstanding.

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**QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES**

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Unaudited (In 000 s, Except Per Share Amounts)

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>OPERATING REVENUES:</b>				
Transportation	\$ 171,899	\$ 160,079	\$ 510,540	\$ 443,804
Service revenue	32,169	31,550	98,328	89,569
Fuel surcharge	31,603	30,449	95,521	93,353
<b>Total operating revenues</b>	<b>235,671</b>	<b>222,078</b>	<b>704,389</b>	<b>626,726</b>
<b>OPERATING EXPENSES:</b>				
Purchased transportation	153,153	143,036	446,405	417,222
Compensation	24,431	22,522	76,402	57,669
Fuel, supplies and maintenance	26,212	24,085	79,558	56,996
Depreciation and amortization	6,318	6,039	19,740	14,452
Selling and administrative	8,331	8,258	23,965	24,857
Insurance costs	4,607	4,374	13,477	11,732
Taxes and licenses	1,086	807	3,337	2,179
Communication and utilities	930	980	2,947	2,724
(Gain) loss on disposal of property and equipment	(1,014)	360	(2,512)	(4)
Impairment charges			55,692	
<b>Total operating expenses</b>	<b>224,054</b>	<b>210,461</b>	<b>719,011</b>	<b>587,827</b>
Operating income (loss)	11,617	11,617	(14,622)	38,899
Interest expense	8,169	7,673	23,776	22,042
Interest income	(214)	(194)	(659)	(602)
Write-off of debt issuance costs	521		521	
Other income, net	(102)	(112)	(7,345)	(276)
<b>Income (loss) before income taxes</b>	<b>3,243</b>	<b>4,250</b>	<b>(30,915)</b>	<b>17,735</b>
Provision for (benefit from) income taxes	480	(4,613)	(11,675)	(26,632)
<b>Net income (loss)</b>	<b>\$ 2,763</b>	<b>\$ 8,863</b>	<b>\$ (19,240)</b>	<b>\$ 44,367</b>

**PER SHARE DATA:**

<b>Net income (loss) per common share</b>								
Basic	\$	0.10	\$	0.32	\$	(0.73)	\$	1.69
Diluted	\$	0.10	\$	0.32	\$	(0.73)	\$	1.64
<b>Weighted-average number of shares</b>								
Basic		26,463		27,368		26,516		26,243
Diluted		27,146		28,089		26,516		27,057

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

**Table of Contents****QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income (Loss)****Unaudited (In 000 s)**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net income (loss)	\$ 2,763	\$ 8,863	\$ (19,240)	\$ 44,367
Other comprehensive income, net of tax:				
Amortization of prior service costs and losses	386	388	1,159	1,164
Foreign currency translation adjustment	(37)	(71)	54	(65)
Total other comprehensive income, net of tax	349	317	1,213	1,099
Comprehensive income (loss)	\$ 3,112	\$ 9,180	\$ (18,027)	\$ 45,466

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

**Table of Contents****QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES****Consolidated Balance Sheets**

Unaudited (In 000 s)

	September 30, 2013	December 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,262	\$ 2,704
Accounts receivable, net	130,099	113,906
Prepaid expenses	12,830	14,651
Deferred tax asset, net	20,944	16,609
Other	10,762	9,694
<b>Total current assets</b>	<b>177,897</b>	<b>157,564</b>
Property and equipment, net	170,083	190,342
Assets held-for-sale	1,848	
Goodwill	50,553	104,294
Intangibles, net	35,050	37,654
Non-current deferred tax asset, net	20,412	11,713
Other assets	9,209	12,036
<b>Total assets</b>	<b>\$ 465,052</b>	<b>\$ 513,603</b>
<b>LIABILITIES AND SHAREHOLDERS DEFICIT</b>		
Current liabilities:		
Current maturities of indebtedness	\$ 7,224	\$ 3,918
Current maturities of capital lease obligations	1,618	3,913
Accounts payable	9,821	9,966
Independent affiliates and independent owner-operators payable	18,723	14,243
Accrued expenses	35,909	37,889
Environmental liabilities	4,327	2,739
Accrued loss and damage claims	7,960	7,326
<b>Total current liabilities</b>	<b>85,582</b>	<b>79,994</b>
Long-term indebtedness, less current maturities	379,569	408,850
Capital lease obligations, less current maturities	626	2,125
Environmental liabilities	4,675	6,302
Accrued loss and damage claims	10,143	9,494
Other non-current liabilities	22,595	25,278
<b>Total liabilities</b>	<b>503,190</b>	<b>532,043</b>

Commitments and contingencies Note 15

**SHAREHOLDERS DEFICIT**

Common stock, no par value; 49,000 shares authorized; 28,468 issued and 26,927 outstanding at September 30, 2013 and 28,102 issued and 27,223 outstanding at December 31, 2012	440,001	437,192
Treasury stock, 1,541 shares at September 30, 2013 and 879 shares at December 31, 2012	(10,329)	(5,849)
Accumulated deficit	(247,707)	(228,467)
Stock recapitalization	(189,589)	(189,589)
Accumulated other comprehensive loss	(30,539)	(31,752)
Stock purchase warrants	25	25
Total shareholders deficit	(38,138)	(18,440)
Total liabilities and shareholders deficit	\$ 465,052	\$ 513,603

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



Table of Contents**QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES****Consolidated Statements of Shareholders Deficit****For the Nine Months Ended September 30, 2013 and 2012****Unaudited (In 000 s)**

	Shares of Common Stock	Shares of Treasury Stock	Common Stock	Treasury Stock	Accumulated Deficit	Stock Recapitalization	Accumulated Other Comprehensive Loss	Stock Purchase Warrants	Total Shareholders Deficit
Balance, December 31, 2011	24,207	(267)	\$ 393,859	\$ (1,878)	\$ (278,543)	\$ (189,589)	\$ (31,381)	\$ 1,347	\$ (106,185)
Net income					44,367				44,367
Issuance of restricted stock	182								
Forfeiture of restricted stock		(5)		(66)					(66)
Amortization of restricted stock			1,058						1,058
Amortization of stock options			1,316						1,316
Stock warrant exercises	346		1,322				(1,322)		
Stock option exercises	47		254						254
Proceeds from equity offering, net of transaction costs	2,500		30,493						30,493
Issuance of stock for acquisitions	785		7,920						7,920
Amortization of prior service costs and losses (pension plans), net of									

tax