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, 2013

¨ **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. ¨

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, 2013 was $187.0 million (based on the closing sale price of $8.84 per share).

As of March 5, 2014, the registrant had 27,365,825 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 29, 2014. The Proxy Statement will be filed within 120 days of the end of the fiscal year ended December 31, 2013. (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 predecessors, (ii) the terms Quality Distribution, LLC and QD LLC refer to our wholly-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 wholly-owned subsidiary, QD Capital Corporation, a Delaware corporation, (iv) the term QCI refers to our wholly-owned subsidiary, Quality Carriers, Inc., an Illinois corporation, (v) the term Boasso refers collectively to our wholly-owned subsidiary, Boasso America Corporation, a Louisiana corporation, and Boasso s former wholly-owned subsidiary, Greensville Transport Company (Greensville), a Virginia corporation which has since been merged with and into Boasso, (vi) the term QCER refers collectively to our wholly-owned subsidiary, QC Energy Resources, Inc., a Delaware corporation, and its wholly-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 wholly-owned subsidiary QC Environmental Services, Inc., a North Dakota corporation, and (vii) the term CLC refers to our wholly-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. 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 of 1933 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, model, believes, expects, estimates, may, will, should, c plans, intends, anticipates or scheduled to, or the negatives of those terms, or 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 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, 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;

our potential liability related to our financial support obligations for third-party equipment leasing programs;

reclassification of our independent contractors, such as our independent owner-operators, as a result of legislative, judicial or regulatory changes or for any other reason;

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;

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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;

federal and state legislative and regulatory initiatives, which could result in increased costs and additional operating restrictions upon us or our unconventional oil and gas (UCO&G) 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;

disruption of our technology and communications systems;

our dependence on senior management;

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

potential future impairment charges;

our ability to successfully identify acquisition opportunities, consummate such acquisitions and successfully integrate acquired businesses, converted affiliates and new 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;

- disruptions of our information technology and communications systems;

- 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;

- the assumptions underlying our expectations of financial results in 2014; 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 UCO&G market. We operate an asset-light business model and service customers across North America through our network of 89 terminals servicing the chemical market, 14 terminals servicing the energy market and 9 ISO tank depot services terminals (intermodal) servicing the chemical and other bulk liquid 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 that includes company-operated terminals and terminals operated by 26 independent affiliates, and equipment rental income;

- Energy Logistics, which consists primarily of the transportation of fresh water, disposal water, and crude oil for the UCO&G market, through our network of company-operated terminals and 3 independent affiliates and equipment rental income; 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 most 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 $6.9 billion in 2012. We specifically operate in the for-hire chemical and food grade bulk transport market (which we estimate at $4.5 billion in 2012). We believe we have the leading market share (estimated at 13% in 2012) 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 and maintain a fleet of specialized equipment and establish a network of terminals capable of servicing customers.

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 operates through our subsidiary, QCER, and services the UCO&G 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 (Trojan), which operated in the Eagle Ford shale region. We paid $8.7 million in cash at closing and paid $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 operated 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 were satisfied. These criteria were not met.

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 operated 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 were satisfied. These criteria were not met.

As of December 31, 2013, we operate in the Bakken, Eagle Ford, Marcellus, Mississippian Limestone, Mowry, Niobrara, Permian, Tuscaloosa Marine, Utica and Woodford shale regions in North America, all of which have experienced drilling 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 shale regions, either directly or through independent affiliates, 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. During 2013, we affiliated certain company terminals and entered into new independent affiliate relationships as we began our planned affiliation of this business. At December 31, 2013, we managed approximately 1,400 units (tractors, trailers and service equipment) of energy equipment in this market and serve a diverse customer base including many of the national and regional exploration and production companies, as well as marketers of oil in this industry.

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 and servicing 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 $8.0 billion in 2012. The industry consists 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 influences the transportation of fresh water and flowback water used and the provision of related services used in those activities, and the number of active and producing 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 driven 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. Boasso s terminals are strategically positioned near major shipping ports along the Gulf and East Coast, as well as inland ports in Chicago and Detroit. In the fourth quarter of 2011, Boasso expanded its operations through the acquisition of Greensville Transport Company, which operates 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 where Boasso has terminals, as well as their market share in those locations.

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 larger and more efficient 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 $1.5 billion market in 2012. Similar to our chemical logistics business, we believe our intermodal business will benefit from the low cost energy from the UCO&G.

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, as well as driver and equipment capacity. 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 and 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 produced water recycling options. Competition in the provision of energy logistics services is primarily based on rates and service within particular shales.

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 13% share of the highly fragmented $4.5 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 2012 Annual Gross Revenue Report*. We believe our unique large nationwide network covers substantially 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 UCO&G 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 generally focused on a single or limited number of shales. In certain instances, our energy logistics equipment can be moved among shales, enabling us to reposition resources as demand shifts.

We are the largest provider of intermodal ISO tank container and depot services in North America through Boasso. 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.

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 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 contractors who, through a contract with us, supply one or more tractors and drivers for our 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.

As we built our energy logistics segment in 2011 and 2012, this required increased capital expenditures in order to build capacity for this new business. In 2013, we began the process of transitioning certain of these operations to independent affiliates and we expect to continue these transitions going forward. We expect that the combination of this shift to the use of independent affiliates and the continued use of independent owner-operators in certain of our company operations in the energy logistics segment will result in a more variable cost structure with reduced net capital investment requirements. Similar to our chemical logistics segment, we generally expect sustaining capital expenditures for our energy logistics business, net of proceeds from property and equipment sales, to be approximately 1% to 2% of operating revenues annually, based on our current configuration of company operations and independent affiliates.

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 Arclin, Arkema, Ashland, BASF, Dow, DuPont, Hoyer Global, Inc., Hunt Oil, Newport Tank Container, PPG Industries, Procter & Gamble, Stolt-Nielsen USA, Talisman and Valspar among others. In each of 2013, 2012 and 2011, no single customer accounted for more than 10.0% of combined revenues. In many cases, we have established long-term 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, creates 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.

We believe pricing in the energy market tends to be more stable in the crude oil business versus the water business which tends to have more pricing pressure. Crude oil hauling pricing tends to be higher than water hauling pricing due to certain equipment requirements and driver certifications. We also believe that pricing differs among major shale regions, based on capacity constraints and other market conditions.

Safe and Efficient Operations

We have a strong emphasis on safety in our operations and have a consistent 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 logging devices (ELDs), previously referred to as electronic on-board recorders (EOBRs), in substantially all of our U.S. chemical logistics fleet in 2011 and our intermodal logistics fleet in 2012, at a time when there was no regulatory requirement to do so. In 2012, federal legislation was enacted to mandate the use of ELDs, 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 FMCSA Compliance, Safety and Accountability (CSA) program, which imposes additional safety standards on the industry.

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, which is referred to as Purchased Transportation in our consolidated statements of operations. Independent affiliates pay all tractor operating expenses for tractors they own and lease such as fuel, 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 generated approximately 90%, 90% and 93% of our chemical logistics transportation revenue in the years ended December 31, 2013, 2012 and 2011, respectively, from independent affiliates. We generated approximately 33% and 23% of our energy logistics transportation revenue in the years ended December 31, 2013 and 2012, respectively, from independent affiliates. The change in our energy logistics transportation revenue was the result of the affiliation of company-operated 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 our 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 independent affiliates to take corrective action or render assistance where appropriate and have certain contractual mechanisms in place to remedy 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, which is referred to as Purchased Transportation in our Consolidated Statements of Operations. 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. 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. In addition, our overall size and our reputation for good relations have enabled us to attract qualified professional drivers and independent owner-operators.

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Employees and Independent Owner-Operators

At December 31, 2013, we utilized 3,382 drivers of which 2,282 were utilized in our chemical logistics segment, 719 were utilized in our energy logistics segment and 381 were utilized in our intermodal segment. Of this total, 1,658 were independent affiliate drivers, 1,344 were independent owner-operators, and 380 were company employee drivers.

Company Personnel

At December 31, 2013, we employed 765 personnel (excluding drivers). Of this total, 369 were employed in our intermodal segment, 311 were employed in our chemical logistics segment (which includes corporate personnel) and 85 were employed in our energy logistics segment.

Union Labor

At December 31, 2013, we had 152 company employees who were members of the International Brotherhood of Teamsters. All such unionized company employees are utilized in our chemical logistics segment. In addition, certain independent affiliates providing transportation services to us in the chemical logistics segment had 5 employees of their companies who were members of the International Brotherhood of Teamsters.

Tractors and Trailers

As of December 31, 2013, we managed a fleet of approximately 2,900 tractors, 5,300 trailers and 1,400 pieces of other energy logistics equipment utilized by 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 is designed to meet DOT specifications, 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, 2013 and 2012:

TRACTORS (1)	**LESS THAN 3 YEARS**	**3~5 YEARS**	**6~10 YEARS**	**GREATER THAN 10 YEARS**	**2013 TOTAL**	**2012 TOTAL**
Company	507	124	190	11	832	812

Independent Affiliate	417	153	486	122	1,178	1,041
Independent Owner-Operator	63	61	431	334	889	922
Total	987	338	1,107	467	2,899	2,775

TRAILERS (1)(2)	**LESS THAN 5 YEARS**	**5~10 YEARS**	**11~15 YEARS**	**16~20 YEARS**	**GREATER THAN 20 YEARS**	**2013 TOTAL**	**2012 TOTAL**
Company (3)	574	410	657	975	768	3,384	3,564
Independent Affiliate	254	182	278	379	545	1,638	1,359
Shipper-Owned	9	133	21	21	49	233	232
Total	837	725	956	1,375	1,362	5,255	5,155

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ENERGY LOGISTICS EQUIPMENT (4)	LESS THAN 3 YEARS	3~5 YEARS	6~10 YEARS	11-15 YEARS	GREATER THAN 15 YEARS	2013 TOTAL	2012 TOTAL
Company	723	50	93	15	41	922	945
Independent Affiliate	131	6	3	2	1	143	45
Independent Owner-Operator	28	7	113	59	29	236	369
Shipper-Owned	79					79	
Total	961	63	209	76	71	1,380	1,359

(1) Age based upon original date of manufacture; tractor, trailer or equipment may be substantially refurbished or re-manufactured. Most company tractors are leased to independent affiliates or independent owner-operators.
(2) Excludes approximately 1,600 chassis utilized in the intermodal segment.
(3) Includes approximately 300 chassis utilized in the chemical logistics segment.
(4) Includes tractors, trailers and service 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. We have implemented ELDs within our U.S. chemical logistics business and our intermodal business. Despite redundancies and security measures, our information technology and communications systems remain susceptible to outages, computer viruses, break-ins, human error, data leakage and other disruptions and imperfections.

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, contaminations and damage or loss to the equipment we own or lease). 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 limits of $50.0 million for bodily injury and property damage, subject to a $2.0 million deductible per occurrence.

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.

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. 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 chemical logistics 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, wastewater from oil and gas wells 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 we continue to conduct, 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, 2013 and December 31, 2012, we had reserves in the amount of approximately $8.3 million and $9.0 million, respectively, for all environmental matters, of which the most significant are presented and discussed below.

	Number of Sites December 31,		Reserves (in millions) December 31,	
	2013	2012	2013	2012
Multi-party sites	17	15	$ 2.1	$ 1.7
Sole party sites:				
Bridgeport, New Jersey	1	1	3.6	4.8
William Dick, Pennsylvania	1	1	0.7	0.7
Other Properties	7	6	1.9	1.8
Total	26	23	$ 8.3	$ 9.0

The following descriptions of environmental matters 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

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 26 sites at December 31, 2013.

Multi-Party Sites

At 17 of the 26 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 17 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 17 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. At 4 of the 17 sites, we have received notices about our potential liability; however, we do not have enough information upon which to estimate our potential liability at this time, and as a result we have not established a reserve for these matters. At 10 of the 17 sites, 2 are in settlement discussion phases, 4 are in long-term operation and maintenance and 4 are in various stages of remedial investigation or remedial investigation action work. We have estimated all future expenditures for these 17 multi-party environmental matters to be paid over the next five years to be in the range of $2.1 million to $3.8 million. As of December 31, 2013, we have reserved $2.1 million.

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Sole Party Sites

At 9 of the 26 sites, we are alleged to be the only responsible party and are in the process of conducting investigations and/or remediation projects. Six of these projects relate to operations conducted by CLC and its subsidiaries prior to our acquisition of CLC in 1998. These six sites are: (1) Bridgeport, New Jersey; (2) William Dick, Pennsylvania; (3) Tonawanda, New York; (4) Scary Creek, West Virginia; (5) Charleston, West Virginia; and (6) East Rutherford, New Jersey. 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 6 CLC sites is discussed in more detail below. We have estimated future expenditures over the next five years for these 9 properties to be in the range of $6.2 million to $16.7 million. As of December 31, 2013, we have reserved $6.2 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. Based on the first annual groundwater report, contamination does not appear to be completely delineated and a limited number of additional monitoring wells are expected to be installed. Wetlands contamination has been remediated with localized restoration completed. Monitoring of the restored wetlands is required by USEPA and is on-going. 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 was complete. We have finished the preliminary engineering design phase for the thermal treatment of contaminated soils and have also submitted the 95% design report, which included limited groundwater extraction with treatment through the existing plant, to USEPA for their review. Comments from USEPA have been received and a response is in the process. We have estimated aggregate expenditures for the Bridgeport location over the next five years to be in the range of $3.6 million to $8.5 million. As of December 31, 2013, we have reserved $3.6 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 in both shallow and deep soil subzones. Soil piles generated from previous isolated discrete removal actions were subsequently treated on-site. During 2013, we received notification from USEPA that this work is now complete. The treated soil was used as backfill at the site. The fieldwork for further limited soil remediation consisting of targeted in-situ chemical treatment of the deep soil subzones at the site has been concluded, and no further remediation work in the deep soil subzone is expected. Negotiations with USEPA continue over remediation objectives for the final shallow soil subzone to be evaluated and remediated. 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, 2013, 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 state issued a record of decision in 2006. The remedial design work plan has been approved by the NYSDEC, and the remedial action phase is expected to begin during the second half of 2014.

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.

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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. The sampling work phase that was negotiated with the State of West Virginia has been completed at the site and a report was submitted to the West Virginia Department of Environmental Protection (WVDEP) in which we requested confirmation from the WVDEP that no additional sampling work will be necessary. Comments have been received and a response is in the process.

East Rutherford, NJ: CLC completed its remediation including groundwater monitoring of a diesel fuel release at this former truck terminal property, which was subsequently sold but New Jersey Department of Environmental Protection (NJDEP) did not grant closure. Additional soil sampling and groundwater monitoring work will be necessary to close the site under the State s licensed site remediation professional program.

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 NJDEP. 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, East Rutherford and ISRA New Jersey to be in the range of $1.9 million to $4.8 million. As of December 31, 2013, we have reserved $1.9 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, generally as well as the handling of hazardous materials, 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 FMCSA to promulgate rules and regulations mandating the use of ELDs. The FMCSA has indicated that additional rules will be proposed in 2014 mandating the use of ELDs and updating ELD standards. We have already implemented ELDs within our U.S. chemical logistics business and our intermodal business. Due to the proactive actions we have taken, we believe we are well-positioned to comply with any new regulations related to ELDs. New FMCSA rules regulating the hours-of-service requirements, which place certain restrictions on the length of time that drivers are allowed to operate, became effective July 2013. The new rules retained the 11-hour daily driving limit, but effectively reduced the total maximum work week for drivers from 82 hours to 70 hours. Furthermore, the rules require that drivers observe 30 minutes of off-duty time for every eight consecutive hours of driving. These new rules may result in a modest reduction in driver productivity.

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 Compliance Safety and Accountability (CSA) regulations described below, or otherwise) could adversely affect our business.

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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 safety profiles 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.

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 continues to develop, primarily at the state level. However, certain Congressional bills have been advanced that, if enacted, would subject this industry to additional, federal 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, if there is 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, profitability and cash flow.

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 production, shipment, storage or disposal of material we transport, depot or dispose;
- 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.

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.

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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 $383.3 million as of December 31, 2013. We must make regular payments under the ABL Facility, including the $17.5 million senior secured term loan facility that was fully funded on July 15, 2013 (the Term Loan), 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, including the Term Loan, 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. Obligations under the Term Loan mature on June 14, 2016 or the earlier date on which the ABL Facility terminates. The maturity date of the ABL Facility, including the Term Loan, 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.

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 and 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, including the Term Loan 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 $74.3 million available for additional borrowing under the ABL Facility as of December 31, 2013, 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. As of March 5, 2014, we have repurchased approximately $8.1 million of our common stock under this program. Any further 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 current 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; however, the Board of Directors may elect to increase share repurchase programs in the future. 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, all of 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 depending on our competitors pricing decisions, we may be forced to lower our rates, which would reduce our profitability. In fact, certain markets that we serve have experienced significant 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.

Additional trends include current and anticipated consolidation among our competitors which may 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.

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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, facilitated certain tractor leases for 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 impact our profitability, cash flows and business.

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.

We maintain equipment leasing programs with third party vendors that could increase our costs and adversely impact our business if we are required to provide contractually mandated financial support for a significant amount of repossessed equipment.

We maintain agreements with various third-party equipment financing companies to establish leasing programs to facilitate equipment acquisitions by our independent contractors. These agreements provide, in part, that we will provide remarketing support as well as, in many cases, defined levels of financial support with respect to equipment under those leasing programs that are repossessed by those equipment financing companies. If repossessions under those programs are significant and we are not able to mitigate our required support levels through established means, the costs of our obligations under these programs could have a material adverse effect on our results of operations and our financial position.

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Reclassification of our independent contractors, such as our independent owner-operators, as employees could increase our costs and adversely impact our business.

We use a significant number of independent contractors, such as our independent owner-operators, in all three segments of our business, consistent with long-standing industry practices. Regulatory authorities and private parties have recently asserted within the trucking industry that some independent contractors should be classified as employees based upon their interpretations of existing rules and regulations. Legislative, judicial, or regulatory (including tax) authorities could also introduce proposals or assert interpretations of existing rules and regulations that would change the classification of a significant number of independent contractors doing business with us from independent contractor to an employee. The costs associated with reclassification, including any related regulatory action or litigation, could have a material adverse effect on our results of operations and our financial position.

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 serves customers in the energy market in numerous shale regions in North America, all but one of which have experienced drilling for both oil and natural gas with the exception of the Marcellus shale region, which is solely natural gas. A shale region may yield only oil or gas or both commodities, and with varying levels of condensates, 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, transportation constraints, 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 business assets that may be redistributed or repositioned may require time and expenditures for conversion for optimal use in different shale regions or for a different service. A drilling shift away from or slowdown in shales in which we have assets could result in asset-related impairment 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 important to our energy logistics business. We currently achieve these rights in the various shales in which we operate through a variety of means including direct disposal well ownership or leasing rights, through contracts with third party disposal wells, or on a spot basis from third party disposal wells. Neither we nor the third party disposal sites we utilize can fully 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.

We currently maintain insurance for:

- motor-vehicle related bodily injury and property damage claims, covering all employees, independent owner operators and independent affiliates;

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- workers compensation insurance coverage on our employees;

- 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 $50.0 million, of which $45.0 million is provided under umbrella and excess liability policies and $5.0 million is provided under a primary 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 the first quarter of 2014, Quality Carriers 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 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 energy market 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;

- driver and vehicle electronic logging requirements;

- 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.

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Federal and state legislative and regulatory initiatives could result in increased costs and additional operating restrictions upon us or our 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 requiring 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, several states have adopted regulations requiring the permitting and bonding of injection wells, disclosure of fluids utilized in the hydraulic fracturing process, and reporting of disposal volumes.

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 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. 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. Additionally, we have been, and may in the future be required to obtain financial guarantees, such as letters of credit, for environmental obligations.

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.

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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 and operations of our independent affiliates are dependent upon diesel fuel, significant increases in diesel fuel costs could materially and adversely affect our results of operations and financial condition and operations and financial condition of our independent affiliates 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. However, most of our energy customer contracts do not have 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 or our independent affiliates 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 electronic logging, 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 ELDs prior to implementation of the regulatory requirement resulted in greater driver turnover in 2011 and 2012 and lower revenues in our chemical segment, and could become an on-going competitive disadvantage until our competitors are compelled to implement ELDs 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.

If our information technology and communications systems are disrupted, the disruption could impair our operations and harm our reputation among customers.

We rely heavily on information technology and communications systems to operate our business and manage our network in an efficient manner. We have equipped our drivers with various mobile communications systems and ELDs 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. Despite redundancies and security measures, our information technology and communications systems remain susceptible to outages, computer viruses, break-ins, human error, data leakage and other disruptions and imperfections. Any of these could impair the efficiency of our operations, inhibit our customer service or reduce customer access to information. In addition, there could be a loss of confidential information, corruption of data, or damage to our reputation. Demand for our services or the profitability of operations could in turn be affected, which could have a negative impact on our results of operations or cash flows.

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.

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

At December 31, 2013, goodwill and other intangible assets represented approximately $49.1 million, or approximately 11.5% of our total assets and approximately 18.9% 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, 2013, net property and equipment totaled approximately $170.1 million, or approximately 39.8% 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.

During 2013, we recognized impairment charges aggregating $91.3 million, of which $72.8 million related to goodwill and $18.5 million related to intangibles, all in our energy logistics segment. This impairment testing utilized the same methodologies as in prior periods, but utilized updated assumptions reflecting updated market and segment operating conditions and results.

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 and long-lived assets could change significantly, and could result in future impairment charges, which could materially impact our results of operations and financial condition.

The expected benefits from the Trojan, Bice and Dunn s acquisitions 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 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 these acquisitions include, among others:

- potential disruption of our ongoing business and distraction of management,
- unexpected loss of key employees or customers of Trojan, Bice and Dunn s,
- conforming 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 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.

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, or inefficiencies or difficulties that arise due to unfamiliarity with geographic areas that are new to us, 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 2.6% of our driver population, including independent owner-operators and employees of independent affiliates, was subject to collective bargaining agreements at December 31, 2013, 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, 2013, we contributed to three separate multi-employer pension plans for employees under collective bargaining agreements. All of these multi-employer pension plans, the Employer-Teamsters Local Nos. 175 & 505 Pension Trust Fund, 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.

We do not currently intend to withdraw from the three multi-employer pension plans or take any actions that would subject us to payment of contingent obligations upon withdrawal from such plans. However, the actions of others could trigger this withdrawal liability. Based on information provided to us from the trustees of these plans, we estimate our portion of the contingent liability in the case of a full withdrawal or termination from these plans to be approximately $85.6 million, of which $79.8 million relates to the Central States Plan. 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, expanded these activities through a series of acquisitions in 2012, as well as through organic growth and leveraged our independent affiliate model to this business during 2013.

We have limited experience performing energy logistics services or serving natural gas or oil drilling customers. We plan to continue to leverage our independent affiliate model to expand our energy logistics business, but there can be no assurance that we will be able to do so. Also, this business requires certain capital expenditures for specialized trailers and other costs that we may be unable to recoup.

In this market, we have experienced and expect to continue to face increased risks due to the cyclical nature of the energy industry, including variability of demand for our transportation services. Further, some energy market equipment is not readily transferable among shales, adversely affecting our ability to quickly respond to changes in demand among shales.

Hydraulic fracturing is under significant legislative and regulatory scrutiny and 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.

Accordingly, there can be no assurance that we will be able to effectively compete in this 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

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 shareholders 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 5, 2014, there are approximately 27.4 million shares of common stock outstanding. Approximately 1.5 million shares of common stock, as of March 5, 2014, are restricted securities as defined in Rule 144 under the Securities Act of 1933 or are held by affiliates.

In addition, as of March 5, 2014, we have 1.7 million shares of common stock available for issuance under our 2012 Equity Incentive Plan. As of March 5, 2014, there were outstanding options for approximately 1.9 million shares. Exercise of the 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 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 not currently using all of this space and have subleased a portion of the unused space, and may seek 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.

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

	2013 Terminals	2012 Terminals	2011 Terminals
Chemical logistics independent affiliate trucking terminals	85	79	89
Chemical logistics company-operated trucking terminals	4	10	6
Energy logistics independent affiliate energy terminals	11	2	2
Energy logistics company-operated energy terminals	3	8	
Intermodal container services terminals/depots	9	9	9
Total	112	108	106

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We currently own 44 properties, many of which are leased to independent affiliates or third parties. 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 21 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

ITEM 5 Other Information

Executive Officers of the Registrant

Our executive officers, as of March 5, 2014 were as follows:

Name	Age	Position
Gary R. Enzor	51	Chairman and Chief Executive Officer
Joseph J. Troy	50	Executive Vice President and Chief Financial Officer
John T. Wilson	39	Senior Vice President, General Counsel and Secretary
Randall T. Strutz	49	President, Quality Carriers
Scott D. Giroir	51	President, Boasso America Corporation

Gary R. Enzor was appointed the Chairman of the Board of QDI in August 2013 and has served as a Director since 2008. He has served as QDI s Chief Executive Officer since June 2007 and as President of QDI since November 2005. Mr. Enzor joined QDI in December 2004 as Executive Vice President and Chief Operating Officer. Prior to joining QDI, Mr. Enzor served as Executive Vice President and Chief Financial Officer of Swift Transportation Company, Inc. since August 2002. Prior to Swift, Mr. Enzor held executive positions with Honeywell, 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, and previously served on the board of Fisher Communications, Inc., a media company with television, radio, internet and mobile operations, 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.

Scott D. Giroir joined Boasso America on October 1, 1985 when he started Boasso s first transportation division. In March of 1988, Mr. Giroir was named General Manager of Boasso America Corporation, which at the time had four divisions, all located in New Orleans, LA. In 1992, Mr. Giroir was promoted to Executive Vice-President/COO and today Mr. Giroir is the President of Boasso America. Prior to joining Boasso America, Mr. Giroir spent a short time designing off-shore platforms and drilling rigs for Petro Marine Engineering.

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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
2013		
1st quarter	$ 9.49	$ 6.18
2nd quarter	10.44	7.01
3rd quarter	10.97	8.51
4th quarter	13.50	9.21
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

As of March 5, 2014, there were approximately 54 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, to finance the further expansion and continued growth of our business, or to repurchase shares of our common stock pursuant to our share repurchase program. 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 20 of the Notes to Consolidated Financial Statements for the year ended December 31, 2013. 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, 2013:

Plan category	Number of shares to be issued upon exercise of outstanding options,	Weighted-average exercise price of outstanding options, warrants and rights	Number of shares remaining available for future issuance under equity compensation plans

	warrants and rights (a)	(b)	(excluding shares reflected in column (a)) (c)
Equity compensation plans approved by shareholders	2,057,561	$ 6.26	1,733,595
Equity compensation plans not approved by shareholders			
Total	2,057,561	$ 6.26	1,733,595

ISSUER S PURCHASES OF EQUITY SECURITIES

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 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.

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As of December 31, 2013, we have repurchased approximately 1.2 million shares valued at $8.1 million under the Repurchase Program, with authority to repurchase an additional $6.9 million of shares. No shares were repurchased under the Repurchase Program during the three months ended December 31, 2013. However, shares were surrendered during the period by employees in order to satisfy statutory tax withholding obligations in connection with the vesting of stock-based compensation awards. Shares surrendered consisted of 20,903 shares during November 2013 at an average price per share of $10.35 and 900 shares during December 2013 at an average price per share of $12.83. For the three months ended December 31, 2013, a total of 21,803 shares were surrendered at an average price per share of $10.45.

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, 2008 through December 31, 2013 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 above 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.

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.

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The consolidated statements of operations data set forth below for the years ended December 31, 2013, 2012 and 2011 and the historical balance sheet data as of December 31, 2013 and 2012 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, 2010 and 2009 and the historical balance sheet data as of December 31, 2011, 2010 and 2009 are derived from our audited consolidated financial statements that are not included in this report.

	YEAR ENDED DECEMBER 31				
	2013	2012	2011	2010	2009
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)				
Statements of Operations Data (1)					
Operating revenues	$ 929,810	$ 842,118	$ 745,951	$ 686,598	$ 613,609
Operating expenses:					
Purchased transportation	594,708	552,524	522,866	471,792	369,460
Depreciation and amortization	26,121	21,090	14,413	16,004	20,218
Impairment charges (2)	91,296				148,630
Other operating expenses	260,449	219,361	150,993	162,067	190,477
Operating (loss) income	(42,764)	49,143	57,679	36,735	(115,176)
Interest expense, net	30,292	29,258	28,912	35,548	28,047
Write-off of debt issuance costs	521		3,181	7,391	20
Gain on extinguishment of debt					(1,870)
Other (income) expense	(7,256)	(2,864)	214	791	1,912
(Loss) income before taxes	(66,321)	22,749	25,372	(6,995)	(143,285)
(Benefit from) provision for income taxes	(24,283)	(27,327)	1,941	411	37,249
Net (loss) income attributable to common shareholders	$ (42,038)	$ 50,076	$ 23,431	$ (7,406)	$ (180,534)
Net (loss) income per common share:					
Basic	$ (1.58)	$ 1.89	$ 1.01	$ (0.36)	$ (9.28)
Diluted	(1.58)	1.84	0.96	(0.36)	(9.28)
Weighted average common shares outstanding:					
Basic	26,560	26,502	23,088	20,382	19,449
Diluted	26,560	27,207	24,352	20,382	19,449

	YEAR ENDED DECEMBER 31				
	2013	2012	2011	2010	2009
	(DOLLARS IN THOUSANDS, EXCEPT TERMINAL, TRAILER, TRACTOR AND ENERGY LOGISTICS EQUIPMENT DATA)				
Other Data (1)					
Net cash provided by operating activities	$ 45,970	$ 17,002	$ 35,399	$ 21,071	$ 39,756

Net cash (used in) provided by investing activities	(3,355)	(131,683)	(30,458)	(1,079)	9,577
Net cash (used in) provided by financing activities	(43,362)	113,332	(2,642)	(23,879)	(50,515)
Number of terminals at end of period	112	108	106	102	108
Number of trailers managed at end of period	5,255	5,155	5,414	5,738	6,410
Number of tractors managed at end of period	2,899	2,775	2,802	2,901	2,839
Number of energy logistics equipment managed at end of period	1,380	1,359	217		
Balance Sheet Data at Year-End (1)					
Working capital	$ 88,762	$ 77,570	$ 45,790	$ 34,955	$ 19,016
Total assets	427,249	513,603	302,395	271,335	279,616
Total indebtedness, including current maturities	383,305	418,806	307,063	317,332	321,284
Shareholders (deficit) equity	(56,251)	(18,440)	(106,185)	(146,379)	(140,736)

(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 and are included in our intermodal segment. On April 1, 2012, we acquired certain operating assets of Trojan Vacuum Services (Trojan). The results of the Trojan acquisition have been included in our results since the date of acquisition and are included in our energy logistics segment. 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 the Bice acquisition have been included in our results since the date of acquisition and are included in our energy logistics segment. 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 and are included in our energy logistics segment.

(2) The impairment charge resulted from an impairment analysis of goodwill and intangible assets performed during the quarters ended December 31, 2013, June 30, 2013 and 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 (UCO&G) market. We operate an asset-light business model and service customers across North America through our network of 89 terminals servicing the chemical market, 14 terminals servicing the energy market and 9 ISO tank depot services terminals (intermodal) servicing the chemical and other bulk liquid 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 $6.9 billion in 2012. We specifically operate in the for-hire chemical and food grade bulk transport market (which we estimate at $4.5 billion in 2012). We believe we have the leading market share (estimated at 13.0% in 2012) 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

We operate our energy logistics business through our subsidiary, QCER, servicing the UCO&G 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 (Trojan), which operated in the Eagle Ford shale. We paid $8.7 million in cash at closing, and paid $1.0 million in cash in January 2013 upon the satisfaction of certain operating and financial performance criteria.

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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 operated 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 were satisfied. These criteria were not met.

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 operated 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 were satisfied. These criteria were not met.
During 2013, we affiliated certain company-operated terminals and entered into new independent affiliate relationships as we began our planned affiliation of this business.

As of December 31, 2013, we operate in the Bakken, Eagle Ford, Marcellus, Mississippian Limestone, Mowry, Niobrara, Permian, Tuscaloosa Marine, Utica and Woodford shale regions in North America, all of which have drilling 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, either directly or through independent affiliates, 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. 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 and servicing 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 $8.0 billion in 2012. 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 impacts 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 operated 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 $1.5 billion market in 2012.

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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 chemical and energy trucking terminals and provide transportation services exclusively on our behalf in defined markets. The independent affiliates generally provide the capital necessary 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 solely on company terminals located near ports in the eastern half of the United States and primarily independent owner-operator drivers. Our energy logistics business currently relies upon both company terminals and independent affiliate terminals, which affects the overall mix of our asset-light business. We expect to continue to add independent affiliates and independent owner-operators as well as transition company terminals to independent affiliates in our energy logistics business with the goal of reducing capital investment needs 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:

	2013	2012	2011
Terminals(1)	112	108	106
Drivers(2)	3,382	3,277	2,741
Tractors	2,899	2,775	2,802

Trailers(3)	5,255	5,155	5,414
Energy logistics equipment(4)	1,380	1,359	217
Chemical Logistics Transportation Billed Miles (in thousands)	107,405	103,347	107,760

(1) Refer to Item 2. Properties for terminals by segment
(2) Includes approximately 700 and 600 drivers for the energy logistics business as of December 31, 2013 and 2012, respectively.
(3) Excludes approximately 1,600 and 1,500 chassis used in our intermodal business segment as of December 31, 2013 and 2012, respectively.
(4) Includes tractors, trailers and service equipment.

Recent Significant Transactions

August 2013 Secondary Offering

On August 14, 2013, former shareholders including funds affiliated with Apollo Global Management, LLC (Apollo), sold 4.7 million shares of our common stock in an underwritten public offering, at a gross price of $8.60 per share. We did not receive any proceeds from the sale of the shares by the selling shareholders in this offering; however, we incurred and paid approximately $0.5 million in underwriting fees and expenses associated with this offering.

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July 2013 Notes Redemption

On July 15, 2013, we redeemed a portion of our 2018 Notes in the aggregate principal amount of $22.5 million. The redemption price for these 2018 Notes equaled 100% of the aggregate principal amount of $22.5 million, plus accrued but unpaid interest up to the redemption date, plus a 3.0% premium. The redemption was funded with proceeds from the Term Loan described below together with borrowings under our asset-based loan facility (ABL Facility).

June 2013 ABL Facility Amendment Term Loan Facility

On June 14, 2013, our ABL Facility was amended to provide for a new $17.5 million senior secured term loan facility which was fully funded on July 15, 2013 (the Term Loan). Borrowings under the Term Loan 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, 2013 was 2.50% for base rate borrowings and 3.50% for LIBOR borrowings, with a potential step-down of 0.25% after 18 months if a senior secured leverage ratio is met. Obligations under the Term Loan mature on the earlier of June 14, 2016 or the date on which the ABL Facility terminates.

May 2013 New Independent Affiliate

On May 1, 2013, we began affiliating our energy logistics trucking operations in the Marcellus and Utica shale regions by converting three company-operated terminals to affiliated operations. The affiliation is a new relationship with an independent operator who is based in the Williamsport, Pennsylvania area and operates an existing oilfield services company. In conjunction with this effort, the new independent affiliate purchased and leased certain transportation equipment to ensure sufficient capacity for the combined customer base and execute a smooth transition of the business. In the second quarter of 2013, we incurred charges of approximately $1.5 million related to this conversion, most of which were due to losses on equipment sales.

In October 2013, we transitioned our Utica shale operations in Ohio to this same independent affiliate. In December 2013 and February 2014, respectively, we transitioned our Woodford shale operations in Oklahoma and our Wyoming operation to this same independent affiliate.

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 pri