QUALITY DISTRIBUTION INC
Form 424B7
August 06, 2013
Table of Contents

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated August 6, 2013

Preliminary Prospectus Supplement

To prospectus dated August 1, 2011

4,269,741 Shares

Quality Distribution, Inc.

Common Stock

The selling stockholders identified in this prospectus supplement are offering 4,269,741 shares of Quality Distribution s common stock. Quality Distribution will not receive any of the proceeds from the sale of the shares by the selling stockholders.

The common stock is quoted on the NASDAQ Global Market under the symbol QLTY . The last reported sale price of the common stock on August 5, 2013 was $10.14 per share.

See Risk Factors on page S-13 and in our Annual Report on Form 10-K for the year ended December 31, 2012, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 to read about factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement. Any representation to the contrary is a criminal offense.

	Per Share	**Total**
Initial price to public	$	$
Underwriting discount	$	$
Proceeds, before expenses, to the selling stockholders	$	$

The underwriters have the option to purchase up to an additional 426,974 shares from the selling stockholders at the initial price to public less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on , 2013.

Joint Book-Running Managers

BofA Merrill Lynch **Goldman, Sachs & Co.** **J.P. Morgan**

Co-Managers

SunTrust Robinson Humphrey **BB&T Capital Markets**

RBC Capital Markets **Avondale Partners**

Prospectus Supplement dated , 2013.

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

Table of Contents

We have not and the selling stockholders have not authorized any other person to provide any information other than that contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We and the selling stockholders take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of this prospectus supplement or the accompanying prospectus, or that information contained in any document incorporated or deemed to be incorporated by reference is accurate as of any date other than the date of that document. Our business, financial condition, results of operations and prospects may have changed since that date.

The distribution of this prospectus supplement and the accompanying prospectus in some jurisdictions may be restricted by law. Persons who receive this prospectus supplement and the accompanying prospectus should inform themselves about and observe any such restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Table of Contents

CERTAIN TERMS

In this prospectus supplement, unless the context otherwise requires or indicates:

- (i) the terms our company, Quality Distribution, we, us and our refer to Quality Distribution, Inc. and its consolidated subsidiaries and their predecessors, (ii) the term QCER refers to QC Energy Resources, LLC and QC Energy Resources, Inc., collectively, and (iii) the term QD LLC refers to our wholly owned subsidiary, Quality Distribution, LLC, and its consolidated subsidiaries and their predecessors;

- the term Boasso refers collectively to our wholly owned subsidiary Boasso America Corporation and Boasso s Greensville transport business (Greensville), which was acquired in November 2011;

- Apollo means Apollo Global Management, LLC, collectively with its subsidiaries;

- the 2018 Second Secured Notes means our outstanding 9.875% Second-Priority Senior Secured Notes due 2018; and

- the ABL Facility means the asset-based revolving credit facility that we entered into on August 19, 2011, as amended on September 27, 2012 and June 14, 2013 and as it may otherwise be amended, modified, refinanced or replaced from time to time.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this common stock offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the prospectus. The second part, the accompanying prospectus, gives more general information, some of which does not apply to this offering. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in or incorporated by reference into this prospectus supplement.

We are not and the selling stockholders are not making an offer of these securities in any jurisdiction where the offer or sale is not permitted.

Information contained in or connected to our website does not constitute part of this prospectus supplement or the accompanying prospectus.

MARKET AND INDUSTRY DATA

Market and industry data and other statistical information used throughout this prospectus supplement or the documents incorporated by reference herein are based on independent industry publications, government publications and other published independent sources, including *Bulk Transporter s Tank Truck Carrier 2012 Annual Gross Revenue Report*. Some data are also based on our good faith estimates, which are derived from our review of management s knowledge of the industry and independent sources. Although we believe that this information is reliable, we cannot guarantee its accuracy and completeness, nor have we independently verified it. We also obtain certain other market share and industry data from internal company analyses and management estimates, and based on our knowledge of the industry. While we believe such internal company analyses and management estimates are reliable, no independent sources have verified such analyses and estimates. Although we are not aware of any misstatements regarding the market share and the industry data that we present in this *prospectus supplement, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under Risk Factors and Forward-Looking Statements and Certain Considerations.*

Table of Contents

Our logo and other trademarks mentioned in this prospectus supplement, the accompanying prospectus or any document incorporated by reference herein are our property. Solely for convenience, our trademarks referred to in this prospectus supplement or accompanying prospectus are without the ® or   symbol, as applicable, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks. Other brand names or trademarks appearing in this prospectus supplement, the accompanying prospectus or any document incorporated by reference herein are the property of the respective owners.

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary may not contain all the information that may be important to you. You should read the entire prospectus supplement and the accompanying prospectus and the documents incorporated and deemed to be incorporated by reference herein and therein, including the financial statements and related notes, before making an investment decision. Unless otherwise expressly stated or the context otherwise requires, all information in this prospectus supplement assumes that the option granted to the underwriters to purchase additional shares is not exercised.

The financial data for the twelve-month period ended June 30, 2013 has been derived by adding our results for the three months ended June 30, 2013 and March 31, 2013 to our results for the year ended December 31, 2012, and then deducting from such amounts our results for the three months ended June 30, 2012 and March 31, 2012.

Our Company

We operate the largest chemical bulk tank truck network in North America and are also the largest provider of intermodal ISO tank container and depot services in North America. In 2011, we began providing logistics services to the unconventional oil and gas frac shale energy markets. We operate an asset-light business model and service customers across North America through our network of 89 terminals servicing the chemical markets, 9 ISO tank depot services terminals (intermodal) servicing the chemical and other bulk liquid markets and 12 terminals servicing the energy markets. We utilize approximately 3,400 drivers (approximately 2,700 of whom work within our independent affiliate network). We also own or lease approximately 6,600 chemical tank, specialty trailers or energy tractors and trailers, the majority of which we lease or sublease to our independent affiliates to help facilitate our business. Given the specialty nature of the services we provide and the size of our existing network, we believe there are significant barriers to entry to our industry.

Financial Reporting Segments

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

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

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

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

In 2012, we generated operating revenue of $842.1 million, of which our chemical logistics business segment accounted for $596.5 million, or 70.8%, our intermodal segment accounted for $130.6 million, or 15.5%, and our energy logistics segment accounted for $115.0 million, or 13.7%.

Chemical Logistics

Through our subsidiary, Quality Carriers, Inc., we coordinate the transport of a broad range of chemical products and provide our customers with logistics and other value-added services. We believe we have the

Table of Contents

leading market share (estimated at 13% in 2012) in the chemical and food grade bulk transportation market (which we estimated to be $4.5 billion in 2012). Through our North American network, we are a core carrier for many of the major companies engaged in chemical processing.

Our independent affiliates generally own or lease their terminals, employ drivers and manage independent owner-operators, pay all tractor operating expenses, lease trailers from us, pay routine maintenance on all trailers and provide national network capacity. Each affiliate is an independent company that generally has an exclusive contract with us to operate under the Quality Carriers® mark and receive a percentage of gross revenues collected on each shipment they transport. We in turn provide various services to the independent affiliates, including working capital, back office and sales support, technology support, insurance and cash flow management and regulatory compliance oversight. Typically, we receive 15% of the revenue (excluding fuel surcharges) generated on loads hauled by the independent affiliates. We also lease the majority of our 5,200 trailers to the independent affiliates typically for a flat weekly rate, and the affiliates have significant contractual limitations on their ability to lease or purchase trailers from sources other than us. Due to several factors, including our ownership of the customer contracts and relationships, the presence of non-compete agreements with the independent affiliates, and our ownership of the trailers, our relationships with the independent affiliates tend to be long-term in nature, with minimal voluntary turnover.

Of our total chemical logistics affiliates, 23 out of our 26 independent affiliates have been associated with us for more than five years, and we derived over 92% of our chemical logistics transportation revenue in each of 2012, the twelve-month period ended June 30, 2013 and the six-month period ended June 30, 2013 from independent affiliate operations. Our affiliate-based model is an asset-light, variable-cost based model that enables us to leverage our independent affiliates and better serve customers while minimizing capital requirements and fixed costs and maximizing shareholder value.

Our transportation revenue (excluding energy logistics and intermodal) 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. In 2012 and through June 30, 2013, we experienced year-over-year volume improvements and believe this trend could continue as the economy recovers.

Intermodal

Through our subsidiary, Boasso, we provide 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, which operates in Norfolk, Virginia.

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.

Energy Logistics

We started our energy logistics business in the second quarter of 2011 primarily as a third party logistics provider. We operate the business through our subsidiaries QC Energy Resources, LLC and QC Energy

Resources, Inc. Our energy logistics business services the unconventional oil and gas frac shale energy market through the transportation of crude oil, fresh water, flowback and produced brine water, and the disposal of flowback and produced brine water, as well as providing services ancillary to these activities. We utilize approximately 1,000 tractors and trailers in our company-operated terminals and through affiliates.

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

Recent Strategic Initiatives

We have implemented several important initiatives designed to grow our business, improve our capital structure, enhance our operating flexibility and strengthen our competitive positioning. As a result, we believe we are well-placed to take advantage of expansion opportunities. These initiatives are summarized below:

Growth of energy logistics operation. In late 2010, we initiated a growth strategy targeting the oil and gas frac shale market. We established QCER in 2011 to provide logistics services to this rapidly growing market. In 2012, we made acquisitions in various shales and established new affiliates to address the market. In 2013, we affiliated our operations in the Marcellas and Utica shale regions with an existing oilfield services company. We believe the energy market has significant revenue potential and we will continue to organically build out this business.

Improved capital structure. In March 2012, we raised gross proceeds of $32.5 million in a common stock offering and redeemed a portion of our ABL Facility with our net proceeds therefrom. In June 2013, we added a $17.5 million senior secured term loan facility to the ABL Facility that will mature on the earlier of June 14, 2016 or the date on which the ABL Facility terminates. The proceeds from the term loan facility, plus borrowings under the ABL Facility, were used to redeem a portion of our high cost 2018 Second Priority Secured Notes on July 15, 2013.

Focus on asset-light business model. The majority of our chemical business is carried out through affiliates, resulting in a highly variable cost structure with relatively minimal capital investment requirements. Our chemical logistics trucking terminals are currently 94% affiliate-operated. Our energy logistics terminals are currently 42% affiliate-operated. Our intention is to increase our affiliate-operated terminals in energy over the next several years.

Increased focus on cash flow generation. As a result of our asset-light model, we believe we have a more cash-efficient business model. With minimal maintenance capital investment requirements (net capital expenditures estimated at approximately 1-2% of revenues) we believe our business model allows for significant cash flow generation. As a result of this increased focus on cash flow generation, in the twelve-month period ended June 30, 2013, our net cash provided by operating activities was $32.1 million, Free Cash Flow (as defined below in footnote (3) under Summary Financial Data) was $21.1 million and adjusted earnings per diluted share was $0.63.

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 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.

By operating in multiple shales, we believe our energy logistics business has a competitive advantage in the gas and oil frac shale energy market. Although the demand for logistics services is specific to the shale in which drilling occurs, many logistics customers procure services centrally and look favorably on our ability to allocate resources as demand shifts.

We operate the largest provider of ISO tank container and depot services in North America. Boasso is the leading provider of intermodal ISO tank container over-the-road transportation and depot services in North America. We have significant exposure to high growth international markets.

Asset-Light Business Model

Our extensive use of independent affiliates and independent owner-operators results in a highly variable cost structure with relatively minimal net capital investment requirements. We generally expect sustaining capital expenditures for our chemical logistics and intermodal businesses, net of proceeds from property and equipment sales, to be approximately 1% to 2% of operating revenues annually, compared to the industry average of more than 10% for truckload carrier companies. This model contributes to the stability of our cash flow and margins and results in high returns on invested capital.

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

Our Customer Base

We serve customers in a number of diverse industries, whose products reach a diverse group of end-markets. Our chemical logistics business services most of the top 100 chemical producers with North American operations, our energy logistics business provides services to a diverse base of participants in the energy exploration and production market in the U.S., and our intermodal business provides services to all major non-vessel operating common carriers engaged in our operating footprint of ports. Our key customers include

Table of Contents

Anadarko, Arclin, Arkema, Ashland, BASF, Dow, Hoyer Global, Inc., Hunt Oil, Newport Tank Container, PPG Industries, Procter & Gamble, Stolt-Nielsen USA, and Valspar among others. In each of 2012, 2011 and 2010, no single customer accounted for more than 10.0% of combined revenues in any segment. In many cases, we have established long-term customer relationships with these clients.

Stable Pricing Environment

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

Safe and Efficient Operations

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

Strong Management Team with a Track Record of Success

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

Recent Developments

Board of Directors

We have been informed by M. Ali Rashid and Thomas M. White, the Apollo-designated members of our Board of Directors, that immediately following the closing of this offering, both Mr. Rashid and Mr. White will resign from our Board of Directors. As a result, our Board of Directors will consist of four independent directors and our Chief Executive Officer. Following the offering, we will consider adding additional directors.

Our Formation and Ownership

We were formed in 1994 as a holding company known as MTL Inc., which consummated its initial public offering on September 17, 1994. On June 9, 1998, MTL Inc. was recapitalized through a merger with a corporation controlled by Apollo Investment Fund III, L.P. As a result of the recapitalization, MTL Inc. became a private company. On August 28, 1998, we completed our acquisition of Chemical Leaman Corporation and its subsidiaries, or CLC. Through the 1998 acquisition, we combined two of the then-leading bulk transportation

Table of Contents

service providers, namely, Montgomery Tank Lines, Inc. and Chemical Leaman Tank Lines, Inc., under one operating company, Quality Carriers, Inc., or QCI. In 1999, we changed our name from MTL Inc. to Quality Distribution, Inc. On May 30, 2002, as part of a corporate reorganization, we transferred substantially all of our assets to QD LLC, consisting principally of the capital stock of our operating subsidiaries. On November 13, 2003, we consummated the initial public offering of 7,875,000 shares of our common stock. Boasso became our wholly owned subsidiary in December 2007, when we acquired all of its outstanding capital stock from a third party.

As of August 1, 2013, affiliates of Apollo owned or controlled approximately 17.1% of our common stock, or approximately 15.2% on a fully diluted basis. Assuming the option to purchase additional shares is exercised in full, affiliates of Apollo will no longer own any of our common stock following this offering.

Corporate Information

Our company is a Florida corporation formed in 1994. Our principal executive offices are located at 4041 Park Oaks Blvd., Suite 200, Tampa, Florida, 33610, and our telephone number is (813) 630-5826. We are a holding company with no significant assets or operations other than the ownership of 100% of the membership units of QD LLC. Our website address is http://www.qualitydistribution.com. The contents of our website are not incorporated by reference into this prospectus supplement.

Table of Contents

THE OFFERING

Issuer	Quality Distribution, Inc.
Common stock offered by selling stockholders:	4,269,741 shares
Common stock to be outstanding after the offering as of August 5, 2013	26,905,339 shares
Underwriters option to purchase additional shares	The selling stockholders have granted the underwriters an option to purchase up to 426,974 shares of common stock owned by them. In the event the underwriters exercise the option to purchase additional shares, we will not receive any of the proceeds from the sale of shares by the selling stockholders.
Use of proceeds	We will not receive any of the proceeds from the sale of shares by the selling stockholders, including pursuant to an exercise of the option to purchase additional shares.
Dividend Policy	We do not currently anticipate paying any dividends on our common stock in the foreseeable future. See Dividend Policy.
The NASDAQ Global Market symbol	QLTY
	The last reported sale price on August 5, 2013 was $10.14 per share.
Risk Factors	You should carefully consider all of the information set forth in this prospectus supplement and, in particular, the information under the heading Risk Factors beginning on page S-13, prior to purchasing the shares of common stock offered hereby.

Unless otherwise indicated, all share information in this prospectus supplement is based on the number of shares of common stock outstanding as of August 1, 2013 and excludes 1,598,727 shares of common stock reserved for issuance under our stock option plan, 2,456,411 outstanding stock options and warrants representing 8,680 shares of common stock as of August 1, 2013.

Unless we specifically state otherwise, all information in this prospectus supplement assumes no exercise by the underwriters of their option to purchase additional shares.

Table of Contents

SUMMARY FINANCIAL DATA

The following table sets forth our summary historical financial information. The historical statement of operations data for the fiscal years ended December 31, 2012, 2011 and 2010 and the historical balance sheet data as of December 31, 2012 and 2011 are derived from, and should be read in conjunction with, our audited financial statements and related notes appearing in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which has been incorporated by reference into this prospectus supplement and the accompanying prospectus. The historical statement of operations data and other data for the six months ended June 30, 2013 and the historical balance sheet data as of June 30, 2013 are derived from our unaudited financial statements incorporated by reference herein which, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the data for the period. The results of operations for the interim period are not necessarily indicative of the operating results for the entire year or any future period.

The financial data for the twelve-month period ended June 30, 2013 have been derived by adding our results for the three months ended June 30, 2013 and March 31, 2013 to our results for the year ended December 31, 2012, and then deducting from such amounts our results for the three months ended June 30, 2012 and March 31, 2012.

The information contained in this table should also be read in conjunction with Capitalization and Risk Factors included elsewhere in this prospectus supplement and our financial statements and the related notes incorporated by reference herein.

	Year Ended December 31,			Six Months Ended June 30,		Twelve Months Ended June 30,
	2012	2011	2010	2013	2012	2013
(dollars in thousands, except per share data)						
Statement of Operations Data						
Operating revenues	$ 842,118	$ 745,951	$ 686,598	$ 468,718	$ 404,648	$ 906,188
Operating expenses:						
Purchased transportation	552,524	522,866	471,792	293,252	274,186	571,590
Depreciation and amortization	21,090	14,413	16,004	13,422	8,413	26,099
Impairment charges				55,692		55,692
Other operating expenses	219,361	150,993	162,067	132,591	94,767	257,185
Operating income (loss)	49,143	57,679	36,735	(26,239)	27,282	(4,378)
Interest expense, net	29,258	28,912	35,548	15,162	13,961	30,459
Write-off of debt issuance costs		3,181	7,391			
Other expense (income)	(2,864)	214	791	(7,243)	(164)	(9,943)
Income (loss) before taxes	22,749	25,372	(6,995)	(34,158)	13,485	(24,894)
(Benefit from) / provision for income taxes	(27,327)	1,941	411	(12,155)	(22,019)	(17,463)
Net income (loss)	$ 50,076	$ 23,431	$ (7,406)	$ (22,003)	$ 35,504	$ (7,431)

Table of Contents

(dollars in thousands, except per share data)	Year Ended December 31, 2012	2011	2010	Six Months Ended June 30, 2013	2012	Twelve Months Ended June 30, 2013
Net income (loss) per common share:						
Basic	$ 1.89	$ 1.01	$ (0.36)	$ (0.83)	$ 1.38	$ (0.28)
Diluted	1.84	0.96	(0.36)	(0.83)	1.34	(0.28)
Weighted average common shares outstanding:						
Basic	26,502	23,088	20,382	26,542	25,675	26,932
Diluted	27,207	24,352	20,382	26,542	26,516	26,932
Adjusted net income per common share (1):						
Basic	$ 0.71	$ 0.74	$ 0.32	$ 0.36	$ 0.43	$ 0.64
Diluted	0.69	0.70	0.30	0.35	0.42	0.63
Other Financial Data						
Cash paid for interest	$ 27,409	$ 26,535	$ 29,427	$ 14,411	$ 13,066	$ 28,754
Net cash provided by operating activities	17,002	35,399	21,071	18,448	3,394	32,056
Net cash provided by (used in) investing activities	(131,683)	(30,458)	(1,079)	(4,980)	(71,853)	(64,810)
Net cash (used in) provided by financing activities	113,332	(2,642)	(23,879)	(13,730)	68,535	31,067
Consolidated EBITDA(2)	84,469	74,231	62,735	44,904	41,989	87,384
Free cash flow (as defined)(3)	(1,818)	13,535	19,992	15,325	(7,560)	21,067
Other Operating Data (at end of period)						
Number of terminals at end of period	108	106	102	110	109	
Number of trailers operated at end of period	5,155	5,414	5,738	5,229	5,268	
Number of tractors operated at end of period	2,775	2,802	2,901	2,894	2,762	
Number of energy equipment operated at end of period	1,359	217		1,417	1,035	
Balance Sheet Data (at end of period)						
Working capital	$ 77,570	$ 45,790	$ 34,955	$ 98,969	$ 60,684	
Total assets	513,603	302,395	271,335	474,396	454,497	
Total indebtedness, including current maturities	418,806	307,063	317,332	406,606	366,308	
Shareholders deficit	(18,440)	(106,185)	(146,379)	(42,048)	(29,750)	

(1) Adjusted Net Income and Adjusted Net Income per Share are not measures of financial performance or liquidity under GAAP. Adjusted Net Income and Adjusted Net Income per Share are presented herein because they are important metrics used by management to evaluate and understand the performance of the ongoing operations of our business. For Adjusted Net Income for the 2013 periods, management uses the actual effective tax rates in each of the periods rather than using a normalized tax rate as it has in prior periods. This reflects the Company s expectation of a more stable effective tax rate in 2013. For Adjusted Net Income for the 2012, 2011 and 2010 periods, management uses a 39% tax rate for calculating the provision for income taxes to normalize our tax rate. In addition, we adjust Adjusted Net Income and

Adjusted Net Income per Share for significant items that we believe are not part of regular operating activities. These adjustments include refinancing costs, write-off of debt issuance costs, costs related to unconsummated financial transactions, gain on asset sales, restructuring (credit)/costs, impairment charges, severance and lease termination costs, acquisition costs, legal and claims settlements, affiliate conversion costs, Hurricane Sandy effects, earnout adjustments and energy reorganization costs. Adjusted Net Income and Adjusted Net Income per Share should not be considered in isolation or as a substitute for the consolidated statements of operations prepared in accordance with GAAP, as an indication of our operating performance or liquidity.

(2) In the indentures governing our 2018 Second Secured Notes, Consolidated EBITDA is defined as the net income (loss) before interest expense, provision for (benefit from) income taxes, depreciation and amortization, refinancing costs, write-off of debt issuance costs, costs related to unconsummated financial transactions, gain on asset sales, restructuring (credit)/costs, impairment charges, severance and lease termination costs, acquisition costs, legal and claims settlements, affiliate conversion costs, Hurricane Sandy effects, earnout adjustments, energy reorganization costs and employee non-cash compensation. Consolidated EBITDA is presented herein because it is an important component of certain covenant tests that is used in the indentures. We also present Consolidated EBITDA because it is used in the indentures to determine the extent to which we may incur additional indebtedness. Consolidated EBITDA is not a measure of financial performance or liquidity under GAAP. Consolidated EBITDA as used in this prospectus supplement may not, however, be directly comparable to similarly titled measures reported by other companies due to differences in accounting policies and items excluded or included in the adjustments, which limits its usefulness as a comparative measure. Accordingly, while Consolidated EBITDA is an important component of the indentures, Consolidated EBITDA should not be considered in isolation or as a substitute for consolidated statement of income and cash flow data prepared in accordance with GAAP as an indication of our operating performance or liquidity.

(3) Free Cash Flow is used by management to evaluate our financial performance independent of cash used to maintain or expand its asset base. Net cash provided by operating activities is adjusted for capital expenditures net of proceeds from sales of property and equipment to arrive at Free Cash Flow. Free Cash Flow is not a measure of financial performance or liquidity under GAAP. Free Cash Flow should not be considered in isolation or as a substitute for the consolidated statement of income and cash flow data prepared in accordance with GAAP as an indication of our operating performance or liquidity.

Table of Contents

The following table presents the calculation of Adjusted Net Income and Adjusted Net Income per Share (in thousands) for the periods presented:

	Year Ended December 31, 2012	2011	2010	Six Months Ended June 30, 2013	2012	Twelve Months Ended June 30, 2013
(Dollars in thousands, except per share data)						
Net income (loss)	$ 50,076	$ 23,431	$ (7,406)	$ (22,003)	$ 35,504	$ (7,431)
Net income (loss) per common share						
Basic	$ 1.89	$ 1.01	$ (0.36)	$ (0.83)	$ 1.38	$ (0.28)
Diluted	1.84	0.96	(0.36)	$ (0.83)	$ 1.34	$ (0.28)
Weighted average number of shares:						
Basic	26,502	23,088	20,382	26,542	25,675	26,932
Diluted	27,207	24,352	20,382	26,542	26,516	26,932
Adjustments to net income (loss):						
Provision for (benefit from) income taxes	(27,327)	1,941	411	(12,155)	(22,019)	(17,463)
Severance and lease termination costs	1,084			632	934	782
Acquisition costs	3,956				2,972	984
Legal and claims settlements	762				762	
Affiliate conversion costs	4,379			438		4,817
Hurricane Sandy effects	660					660
Energy reorganization costs				1,462		1,462
Earnout adjustments	(2,651)			(6,800)		(9,451)
Refinancing costs			1,728			
Write off debt issuance costs		3,181	7,391			
Costs related to unconsummated financial transactions			735			
Gain on asset sales				(2,577)		(2,577)
Restructuring (credit)/costs		(521)	7,779			
Impairment charges				55,692		55,692
Income before income taxes, as adjusted	30,939	28,032	10,638	14,689	18,153	27,475
Provision for income taxes	12,066	10,932	4,149	5,229	7,080	10,215
Net income, tax effected and adjusted	$ 18,873	$ 17,100	$ 6,489	$ 9,460	$ 11,073	$ 17,260
Tax effected and adjusted net income per common share:						
Basic	$ 0.71	$ 0.74	$ 0.32	$ 0.36	$ 0.43	$ 0.64
Diluted	0.69	0.70	0.30	0.35	0.42	0.63
Weighted average number of shares:						
Basic	26,502	23,088	20,382	26,542	25,675	26,932
Diluted	27,207	24,352	21,684	27,084	26,516	27,513

Table of Contents