

QUALITY DISTRIBUTION INC
Form 10-Q
November 09, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2010

or

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

For the transition period from to

Commission File Number: 000-24180

Quality Distribution, Inc.

(Exact name of registrant as specified in its charter)

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Florida (State or other jurisdiction of incorporation or organization)	59-3239073 (I.R.S. Employer Identification No.)
4041 Park Oaks Boulevard, Suite 200, Tampa, FL (Address of Principal Executive Offices)	33610 (Zip Code)
813-630-5826	

(Registrant's telephone number, including area code)

N/A

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes No

As of November 1, 2010, the registrant had 21,457,930 shares of Common Stock, no par value, outstanding.

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QUALITY DISTRIBUTION, INC.

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	Three months ended		Nine months ended	
	September 30,		September 30,	
	2010	2009	2010	2009
OPERATING REVENUES:				
Transportation	\$ 132,676	\$ 120,444	\$ 381,066	\$ 343,554
Other service revenue	28,178	26,793	79,557	80,241
Fuel surcharge	21,094	15,568	60,210	38,528
Total operating revenues	181,948	162,805	520,833	462,323
OPERATING EXPENSES:				
Purchased transportation	127,506	102,393	361,481	273,269
Compensation	14,107	19,040	42,979	61,791
Fuel, supplies and maintenance	12,665	16,129	37,007	49,591
Depreciation and amortization	3,929	5,055	12,239	15,694
Selling and administrative	5,893	5,592	15,120	19,614
Insurance costs	3,810	3,081	11,687	11,076
Taxes and licenses	418	1,023	1,688	3,096
Communication and utilities	1,070	1,977	3,308	6,785
Loss on disposal of property and equipment	339	279	991	14
Impairment charge				148,630
Restructuring costs	2,374	340	4,589	2,105
Total operating expenses	172,111	154,909	491,089	591,665
Operating income (loss)	9,837	7,896	29,744	(129,342)
Interest expense	8,734	6,462	26,041	19,980
Interest income	(158)	(25)	(475)	(211)
Gain on extinguishment of debt				(675)
Other (income) expense	(2)	(8)	224	(284)
Income (loss) before income taxes	1,263	1,467	3,954	(148,152)
Provision for income taxes	842	41	679	36,951
Net income (loss)	\$ 421	\$ 1,426	\$ 3,275	\$ (185,103)
PER SHARE DATA:				
Net income (loss) per common share				
Basic	\$ 0.02	\$ 0.07	\$ 0.16	\$ (9.55)

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Diluted \$ 0.02 \$ 0.07 \$ 0.15 \$ (9.55)

Weighted-average number of shares				
Basic	20,833	19,458	20,200	19,373
Diluted	21,678	19,653	21,610	19,373

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

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

(In 000 s)

Unaudited

	September 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,041	\$ 5,633
Accounts receivable, net	88,488	69,625
Prepaid expenses	3,959	8,584
Deferred tax asset, net	5,648	5,506
Other	5,516	4,420
Total current assets	107,652	93,768
Property and equipment, net	118,490	127,329
Goodwill	27,023	27,023
Intangibles, net	17,290	18,467
Other assets	13,848	13,029
Total assets	\$ 284,303	\$ 279,616
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND SHAREHOLDERS DEFICIT		
Current liabilities:		
Current maturities of indebtedness	\$ 18,914	\$ 19,866
Current maturities of capital lease obligations	4,325	5,322
Accounts payable	8,670	6,182
Independent affiliates and independent owner-operators payable	13,906	9,734
Accrued expenses	23,440	21,378
Environmental liabilities	3,530	3,408
Accrued loss and damage claims	7,964	8,862
Total current liabilities	80,749	74,752
Long-term indebtedness, less current maturities	284,171	284,253
Capital lease obligations, less current maturities	8,818	11,843
Environmental liabilities	7,015	8,241
Accrued loss and damage claims	9,852	10,534
Other non-current liabilities	26,623	28,896
Total liabilities	417,228	418,519
Commitments and contingencies - Note 12		
Redeemable noncontrolling interest	1,833	1,833
SHAREHOLDERS DEFICIT		
Common stock, no par value; 49,000 shares authorized; 21,678 issued and 21,458 outstanding at September 30, 2010 and 20,297 issued and 20,077 outstanding at December 31, 2009, respectively	370,720	364,046

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Treasury stock, 220 shares at September 30, 2010 and December 31, 2009	(1,593)	(1,580)
Accumulated deficit	(291,293)	(294,568)
Stock recapitalization	(189,589)	(189,589)
Accumulated other comprehensive loss	(24,686)	(25,587)
Stock purchase warrants	1,683	6,696
Stock subscriptions receivable		(154)
Total shareholders' deficit	(134,758)	(140,736)
Total liabilities, redeemable noncontrolling interest and shareholders' deficit	\$ 284,303	\$ 279,616

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

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders Deficit

For the Nine Months Ended September 30, 2010 and 2009

Unaudited (In 000 s)

**Shares of
Common
Stock Shares of**