AIRGAS INC
Form DEFA14A
May 06, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

þ Soliciting Material Pursuant to Section 240.14a-12

Airgas, Inc.

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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For release: **Immediately**

Airgas Reports Fiscal Fourth Quarter and Full Year 2010 Earnings

Fourth quarter adjusted diluted EPS* of $0.69, which excludes $0.22 of special items, up 6% sequentially and up 1% over prior year

Fourth quarter sales per day up 2% over third quarter, the second consecutive quarter of sequential daily sales growth

Record full year free cash flow* of $411 million, up 25% from prior year; $268 million adjusted debt* reduction in fiscal 2010

RADNOR, PA May 6, 2010 Airgas, Inc. (NYSE: ARG), the largest U.S. distributor of industrial, medical, and specialty gases, and related supplies, today reported net earnings of $40.1 million, or $0.47 per diluted share, for its fourth quarter ended March 31, 2010. Excluding legal and professional fees of $0.18 per diluted share** related to an unsolicited takeover attempt, debt extinguishment charges of $0.07 per diluted share, and a $0.03 per diluted share income tax benefit, adjusted earnings per diluted share* were $0.69, up 6% sequentially and up 1% from the prior year.

Fourth quarter sales were $980 million, a sequential increase of 2% in sales per day and 4% in total sales compared to the third quarter. Compared to the prior year, total same-store sales declined 3% in the quarter, with hardgoods down 2% and gas and rent down 3%. Acquisitions contributed 2% sales growth in the quarter.

The economic recovery appears to be building momentum, as daily sales rates improved sequentially for the second consecutive quarter, and March was our first positive same-store sales month since November 2008, said Airgas Chairman and Chief Executive Officer Peter McCausland. Conditions continued to improve in our manufacturing customer base, and our Great Lakes region posted the strongest gains while hardgoods sales began to rebound nationwide. The signs point to a strengthening industrial economy, and we expect to achieve same-store sales growth in the mid to high single digits for fiscal 2011. We are more confident than ever in our ability to build on our track record of success in delivering strong returns and creating meaningful value for all Airgas stockholders.

Cost reductions and operating efficiencies helped support fourth quarter adjusted operating margin*, which declined modestly year-over-year to 10.7% from 11.5% and sequentially from 11.1%. The sequential decline is attributable to the seasonality of certain businesses in the All Other Operations segment. Adjusted operating margin* in the Distribution segment expanded sequentially for a third consecutive quarter to 11.3%.

For the full year, sales declined 11% from the prior year to $3.9 billion. Acquisitions contributed 3% sales growth for the year, while total same-store sales declined by 14%, with hardgoods down 20% and gas and rent down 10%. The Company acquired six businesses in fiscal 2010, with aggregate annual revenue of more than $47 million.

Net earnings for the year were $2.34 per diluted share. Excluding $0.34 of special items, adjusted earnings per diluted share* were $2.68, down 14% versus prior year, and the related full-year adjusted operating margin* was 11.1%. Free cash flow* for the year was a record $411 million compared to $328 million last year, driven by adjusted cash from operations* of $647 million, and a $99 million (28%) year-over-year reduction in capital expenditures. The Company reduced adjusted debt* by $268 million, and increased its dividend payout by 36% in fiscal 2010.

Strong, stable cash flow is a fundamental element of our business model, and we were pleased to generate record free cash flow* this year in spite of the severe economic conditions, McCausland said. Having achieved strong earnings deep into the recession and solid results through the downturn, we are excited to again have our sights on double-digit earnings growth. Airgas is poised to capitalize on the substantial infrastructure investment and industry consolidation we have achieved over the last decade as the economic recovery takes shape. There is significant value to be realized for our stockholders through the execution of our business strategies, continued focus on operating efficiency programs, and implementation of our SAP system, which we will begin to roll out in July.

The Company expects earnings per diluted share of $0.70 to $0.72 for the first quarter, an increase of 6% to 9% over the prior year, which includes $0.02 per diluted share of incremental expense associated with its SAP implementation. For the full year 2011, the Company expects earnings per diluted share of $2.95 to $3.05, an increase of 10% to 14% over fiscal 2010 adjusted earnings, which includes $0.10 per diluted share of incremental expense associated with its SAP implementation. The first quarter and fiscal 2011 guidance does not incorporate the impact of debt extinguishment or multi-employer pension plan withdrawal charges, if any, or future costs related to the unsolicited takeover attempt.

Our fiscal 2011 guidance represents a year-over-year increase of 14% to 18% in underlying earnings before SAP costs, added McCausland. The increasing earnings momentum reinforces our confidence in the mid-term financial goals outlined at our December Analyst Meeting. We ve targeted earnings of at least $4.20 per share in calendar 2012, three quarters of which fall in our 2013 fiscal year. The earnings goal includes the costs of the SAP implementation but none of the benefits. Implementing SAP will enable more efficient processes across all facets of our complex, high-volume distribution business, including driving future operating efficiencies and enhancing our customer service culture. We expect the financial benefits of SAP to more than justify the investment. As we progress through our business unit conversions, we will be better positioned to quantify the project s benefits and identify their timing.

The Company will conduct an earnings teleconference at 11:00 a.m. Eastern Time on Thursday, May 6. The teleconference will be available by calling (888) 283-6901. The presentation materials (this press release, slides to be presented during the Company s teleconference and information about how to access a live and on-demand webcast of the teleconference) are available in the Investor Information section of the Company s website at www.airgas.com. A webcast of the teleconference will be available live and on demand through June 5 at http://investor.shareholder.com/arg/events.cfm. A replay of the teleconference will be available through May 15. To listen, call (888) 203-1112 and enter passcode 8514645.

* See attached reconciliations and calculations of the non-GAAP adjusted earnings per diluted share, adjusted operating margin, free cash flow, adjusted cash from operations, and adjusted debt.

** The legal and professional fees incurred are in response to Air Products unsolicited takeover attempt, a significant portion of which represents up-front accruals for the minimum obligations to the Company s advisors.

About Airgas, Inc.

Airgas, Inc. (NYSE: ARG), through its subsidiaries, is the largest U.S. distributor of industrial, medical, and specialty gases, and hardgoods, such as welding equipment and supplies. Airgas is also one of the largest U.S. distributors of safety products, the largest U.S. producer of nitrous oxide and dry ice, the largest liquid carbon dioxide producer in the Southeast, and a leading distributor of process chemicals, refrigerants, and ammonia products. More than 14,000 employees work in over 1,100 locations, including branches, retail stores, gas fill plants, specialty gas labs, production facilities, and distribution centers. Airgas also distributes its products and services through eBusiness, catalog, and telesales channels. Its national scale and strong local presence offer a competitive edge to its diversified customer base. For more information, please visit www.airgas.com.

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Forward-Looking Statements

This press release may contain statements that are forward looking, as that term is defined by the Private Securities Litigation Reform Act of 1995 or by the Securities and Exchange Commission in its rules, regulations and releases. These statements include, but are not limited to: expectations for first quarter earnings per diluted share to be in the range of $0.70 to $0.72, which includes $0.02 per diluted share of incremental expense associated with the SAP implementation; expectations for earnings per diluted share for fiscal 2011 to be in the range of $2.95 to $3.05, which includes $0.10 per diluted share of incremental expense associated with the SAP implementation; first quarter and fiscal 2011 guidance not incorporating the impact of debt extinguishment or multi-employer pension plan withdrawal charges, if any, or future costs related to the unsolicited takeover attempt; signs pointing to a strengthening industrial economy; same-store sales growth in the mid to high single digits in fiscal 2011; our ability to build on our track record of success in delivering strong returns and creating meaningful value for all Airgas stockholders; future double-digit earnings growth; the advantages of our substantial infrastructure investment and industry consolidation as the economic recovery takes shape; significant value to be realized for our stockholders through the execution of our business strategies, our continued focus on operating efficiency programs, and the implementation of our SAP system, which we expect to begin to roll out in July 2010; our calendar 2012 mid-term financial goals, which include diluted earnings per share of at least $4.20, and the costs of the SAP implementation but none of the benefits; SAP enabling more efficient processes across all facets of our complex, high-volume distribution business, including driving future operating efficiencies and enhancing our customer service culture; and statements related to the financial benefits of implementing SAP. Forward-looking statements also include any statement that is not based on historical fact, including statements containing the words believes, may, plans, will, could, should, estimates, continues, anticipates, intends, expects and similar expressions. We in forward-looking statements be subject to the safe harbors created thereby. All forward-looking statements are based on current expectations regarding important risk factors and should not be regarded as a representation by us or any other person that the results expressed therein will be achieved. We assume no obligation to revise or update any forward-looking statements for any reason, except as required by law. Important factors that could cause actual results to differ materially from those contained in any forward-looking statement include: adverse changes in customer buying patterns resulting from deterioration in current economic conditions; weakening in the operating and financial performance of our customers, which can negatively impact our sales and our ability to collect our accounts receivable; postponement of projects due to economic developments; customer acceptance of price increases; the success of implementing and continuing our cost reduction programs; our ability to achieve anticipated acquisition synergies; supply cost pressures; increased industry competition; our ability to successfully identify, consummate, and integrate acquisitions; our continued ability to access credit markets on satisfactory terms; significant fluctuations in interest rates; increases in energy costs and other operating expenses eroding the planned cost savings; higher than expected implementation costs of the SAP system; conversion problems related to the SAP system that disrupt our business and negatively impact customer relationships; the impact of tightened credit markets on our customers; the impact of changes in tax and fiscal policies and laws; the potential for increased expenditures relating to compliance with environmental regulatory initiatives; the impact of new environmental, healthcare, tax, accounting, and other regulation; continued potential liability under the Multiemployer Pension Plan Amendments Act of 1980 with respect to our participation in or withdrawal from multi-employer pension plans for our union employees; the timing of economic recovery in the U.S. economy; the effect of catastrophic events; political and economic uncertainties associated with current world events; business disruptions associated with Air Products unsolicited takeover attempt; and other factors described in the Company s reports, including its March 31, 2009 Form 10-K, subsequent Forms 10-Q, and other forms filed by the Company with the Securities and Exchange Commission.

Consolidated statements of earnings, condensed consolidated balance sheets, consolidated statements of cash flows, and reconciliations of non-GAAP financial measures follow below.

Additional Information

This press release does not constitute an offer to buy or solicitation of an offer to sell any securities. In response to the tender offer commenced by Air Products Distribution, Inc., a wholly owned subsidiary of Air Products and Chemicals, Inc., Airgas has filed a solicitation/recommendation statement on Schedule 14D-9 with the U.S. Securities and Exchange Commission (SEC). INVESTORS AND SECURITY HOLDERS OF AIRGAS ARE URGED TO READ THESE AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY BECAUSE THEY CONTAIN IMPORTANT INFORMATION. Investors and security holders may obtain free copies of these documents and other documents filed with the SEC by Airgas through the web site maintained by the SEC at http://www.sec.gov. Also, materials related to Air Products Unsolicited Proposals are available in the Investor Information section of the Company s website at www.airgas.com, or through the following web address: http://investor.shareholder.com/arg/airgascontent.cfm.

In addition, Airgas may file a proxy statement with the SEC. Any definitive proxy statement will be mailed to stockholders of Airgas. INVESTORS AND SECURITY HOLDERS OF AIRGAS ARE URGED TO READ THESE AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders will be able to obtain free copies of these documents (when available) and other documents filed with the SEC by Airgas through the web site maintained by the SEC at http://www.sec.gov.

Certain Information Regarding Participants

Airgas and certain of its directors and executive officers may be deemed to be participants under the rules of the SEC. Security holders may obtain information regarding the names, affiliations and interests of Airgas directors and executive officers in Airgas Annual Report on Form 10-K for the year ended March 31, 2009, which was filed with the SEC on June 1, 2009, and its proxy statement for the 2009 Annual Meeting, which was filed with the SEC on July 13, 2009. To the extent holdings of Airgas securities have changed since the amounts printed in the proxy statement for the 2009 Annual Meeting, such changes have been or will be reflected on Statements of Change in Ownership on Form 4 filed with the SEC. These documents can be obtained free of charge from the sources indicated above. Additional information regarding the interests of these participants in any proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will also be included in any proxy statement and other relevant materials to be filed with the SEC if and when they become available.

AIRGAS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(Amounts in thousands, except per share data)

	(Unaudited) Three Months Ended March 31,		(Unaudited) Year Ended March 31,	
	2010	**2009**	**2010**	**2009**
Net sales	$ 980,375	$ 992,100	$ 3,864,005	$ 4,349,455
Costs and expenses:				
Cost of products sold (excluding depreciation)	449,791	447,729	1,732,424	2,045,020
Selling, distribution and administrative expenses (d)	364,293	372,324	1,473,599	1,558,772
Costs related to unsolicited takeover attempt (e)	23,435		23,435	
Depreciation	54,846	51,266	212,718	198,033
Amortization	6,127	6,275	22,231	22,762
Total costs and expenses	898,492	877,594	3,464,407	3,824,587
Operating income	81,883	114,506	399,598	524,868
Interest expense, net	(13,566)	(20,002)	(63,310)	(84,395)
Discount on securitization of trade receivables (a)	(1,148)	(1,697)	(5,651)	(10,738)
Loss on debt extinguishment (c)	(9,191)		(17,869)	
Other income (expense), net	442	89	1,332	(382)
Earnings before income tax expense	58,420	92,896	314,100	429,353
Income tax expense (f)	(18,342)	(36,415)	(117,800)	(168,265)
Net earnings	$ 40,078	$ 56,481	$ 196,300	$ 261,088
Net earnings per common share:				
Basic earnings per share	$ 0.48	$ 0.69	$ 2.39	$ 3.19
Diluted earnings per share	$ 0.47	$ 0.68	$ 2.34	$ 3.12
Weighted average shares outstanding:				
Basic	82,928	81,329	82,129	81,926
Diluted	84,669	82,666	83,787	83,816

See attached Notes.

AIRGAS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

	(Unaudited) March 31, 2010	(Unaudited) March 31, 2009
ASSETS		
Cash	$ 47,001	$ 47,188
Trade receivables, net (a)	186,804	184,739
Inventories, net	333,961	390,445
Deferred income tax asset, net	48,591	45,692
Prepaid expenses and other current assets	94,978	76,679
TOTAL CURRENT ASSETS	711,335	744,743
Plant and equipment, net	2,427,996	2,366,526
Goodwill	1,109,276	1,063,370
Other intangible assets, net	212,752	216,070
Other non-current assets	34,573	35,601
TOTAL ASSETS	$ 4,495,932	$ 4,426,310
LIABILITIES AND STOCKHOLDERS EQUITY		
Accounts payable, trade	$ 157,566	$ 156,838
Accrued expenses and other current liabilities	307,822	280,405
Current portion of long-term debt	10,255	11,058
TOTAL CURRENT LIABILITIES	475,643	448,301
Long-term debt, excluding current portion (b)	1,499,384	1,750,308
Deferred income tax liability, net	652,389	576,715
Other non-current liabilities	72,972	79,231
Stockholders equity	1,795,544	1,571,755
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 4,495,932	$ 4,426,310

See attached Notes.

AIRGAS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	(Unaudited)	(Unaudited)
	Year Ended March 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 196,300	$ 261,088
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	212,718	198,033
Amortization	22,231	22,762
Deferred income taxes	66,166	103,280
Loss (gain) on sales of plant and equipment	3,014	(964)
Stock-based compensation expense	22,868	20,635
Loss on debt extinguishment (c)	17,869	
Changes in assets and liabilities, excluding effects of business acquisitions:		
Securitization of trade receivables (a)	(16,400)	(48,600)
Trade receivables, net	18,287	77,209
Inventories, net	58,785	441
Prepaid expenses and other current assets	(18,028)	(11,479)
Accounts payable, trade	(3,863)	(40,239)
Accrued expenses and other current liabilities	24,085	744
Other non-current assets	4,012	(673)
Other non-current liabilities	(7,997)	530
Net cash provided by operating activities	600,047	582,767
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(252,828)	(351,912)
Proceeds from sales of plant and equipment	14,466	14,360
Business acquisitions and holdback settlements	(80,777)	(273,750)
Other, net	(3,142)	1,378
Net cash used in investing activities	(322,281)	(609,924)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	1,446,500	1,364,423
Repayment of debt	(1,700,368)	(1,188,675)
Financing costs	(5,161)	(9,201)
Premium paid on call of senior subordinated notes (c)	(14,624)	
Purchase of treasury stock		(120,219)
Proceeds from the exercise of stock options	21,863	16,188
Stock issued for the employee stock purchase plan	15,428	16,507
Tax benefit realized from the exercise of stock options	15,444	11,846
Dividends paid to stockholders	(62,526)	(45,766)
Change in cash overdraft and other	5,491	(13,806)
Net cash (used in) provided by financing activities	(277,953)	31,297
Change in cash	$ (187)	$ 4,140

Cash Beginning of period		47,188		43,048
Cash End of period	$	47,001	$	47,188

See attached Notes.

Notes:

a) The Company participates in a securitization agreement with three commercial banks to which it sells trade receivables on a revolving basis. Upon its renewal in March 2010, the maximum amount of the facility was established at $295 million, down from $345 million at March 31, 2009. The amount of outstanding receivables sold under the agreement was $295 million and $311 million at March 31, 2010 and March 31, 2009, respectively. The Discount on securitization of trade receivables in the accompanying Consolidated Statements of Earnings represents the difference between the proceeds from the sale of trade receivables and the carrying value of those receivables.

b) The Company maintains a senior credit facility with a syndicate of lenders. Approximately $823 million was available to the Company under this facility at March 31, 2010.

c) During the fiscal fourth quarter, the Company repurchased $83 million of its 7.125% senior subordinated notes that are due on October 1, 2018, bringing the fiscal year to date repurchases of the 7.125% senior subordinated notes to $154 million. Losses on the extinguishment of debt of approximately $9.2 million and $17.9 million ($5.8 million and $11.3 million after tax) were recognized related to the redemption premium and the write-off of deferred financing costs associated with the issuance of the notes during the fiscal fourth quarter and year-to-date periods, respectively.

d) As collective bargaining agreements (CBAs) came up for renewal, the Company actively negotiated the withdrawal from multi-employer defined benefit pension plans (MEPP) replacing those retirement plans for CBA employees with defined contribution plans. As part of the withdrawal from a MEPP, the Company is required to fund its portion of the MEPP s unfunded pension obligation. The ultimate amount of the withdrawal liability assessed by the MEPP is impacted by a number of factors, including investment returns, benefit levels, and continued participation by other employers in the MEPP. During the year, the Company negotiated the withdrawal from MEPPs at seven of its collective bargaining units. Although there were no charges in the fiscal fourth quarter, the Company recorded multi-employer pension plan charges of $6.7 million during the year. These charges were reflected in selling, distribution and administrative expenses. Through fiscal 2012, five remaining CBAs, covering approximately 60 employees, whose members participate in multi-employer pension plans, will come up for renewal.

e) In February 2010, Air Products & Chemicals, Inc. made an unsolicited public proposal to acquire the Company, and subsequently commenced a tender offer. The legal and professional fees incurred are in response to the unsolicited takeover attempt and principally represent up-front accruals for the minimum obligations to the Company s advisors.

f) The effective tax rate for the current quarter was 31.4% as compared to 39.2% in the prior year quarter. Fiscal year-to-date, the effective tax rate is 37.5% as compared to 39.2% in the prior year. The lower tax rate for the current quarter and year reflects the impact of tax benefits of $2.2 million associated with the reorganization of certain facilities within the All Other Operations business segment and the recognition of previously unrecognized tax benefits associated with uncertain tax positions. Future effective tax rates are expected to be between 38.0% and 39.0%.

g) Business segment information for the Company s Distribution and All Other Operations business segments is presented below. Corporate operating expenses are generally allocated to each business segment based on sales dollars. However, the legal and professional fees incurred as a result of Air Products unsolicited takeover attempt were not allocated to the Company s business segments, and are reflected in the eliminations and other column below:

(In thousands)	(Unaudited) Three Months Ended March 31, 2010				(Unaudited) Three Months Ended March 31, 2009			
	Distribution	All Other Ops.	Elim./Other	Total	Distribution	All Other Ops.	Elim./Other	Total
Gas and rent	$ 532,491	$ 98,740	$ (6,009)	$ 625,222	$ 534,739	$ 102,521	$ (5,424)	$ 631,836
Hardgoods	353,715	1,444	(6)	355,153	359,228	1,038	(2)	360,264
Total net sales	886,206	100,184	(6,015)	980,375	893,967	103,559	(5,426)	992,100
Cost of products sold (excluding depreciation)	399,012	56,794	(6,015)	449,791	395,609	57,546	(5,426)	447,729
Selling, distribution and administrative expenses	331,168	33,125		364,293	340,463	31,861		372,324
Costs related to unsolicited takeover attempt			23,435	23,435				
Depreciation	51,185	3,661		54,846	47,857	3,409		51,266
Amortization	4,966	1,161		6,127	4,743	1,532		6,275
Operating income	$ 99,875	$ 5,443	$ (23,435)	$ 81,883	$ 105,295	$ 9,211	$	$ 114,506

(In thousands)	(Unaudited) Year Ended March 31, 2010				Year Ended March 31, 2009			
	Distribution	All Other Ops.	Elim./Other	Total	Distribution	All Other Ops.	Elim./Other	Total
Gas and rent	$ 2,106,128	$ 414,903	$ (24,240)	$ 2,496,791	$ 2,239,724	$ 452,037	$ (26,236)	$ 2,665,525
Hardgoods	1,361,199	6,038	(23)	1,367,214	1,678,652	5,292	(14)	1,683,930
Total net sales	3,467,327	420,941	(24,263)	3,864,005	3,918,376	457,329	(26,250)	4,349,455
Cost of products sold (excluding depreciation)	1,534,165	222,522	(24,263)	1,732,424	1,813,125	258,145	(26,250)	2,045,020
Selling, distribution and administrative expenses	1,345,583	128,016		1,473,599	1,432,105	126,667		1,558,772
Costs related to unsolicited takeover attempt			23,435	23,435				
Depreciation	198,066	14,652		212,718	184,991	13,042		198,033
Amortization	18,196	4,035		22,231	18,267	4,495		22,762
Operating income	$ 371,317	$ 51,716	$ (23,435)	$ 399,598	$ 469,888	$ 54,980	$	$ 524,868

Reconciliations of Non-GAAP Financial Measures (Unaudited)

Adjusted Earnings Per Diluted Share

Reconciliations and computations of adjusted earnings per diluted share:

	Three Months Ended March 31, 2010	Three Months Ended December 31, 2009	Year Ended March 31, 2010
Earnings per diluted share	$ 0.47	$ 0.56	$ 2.34
Adjustments to earnings per diluted share:			
Costs related to unsolicited takeover attempt	0.18		0.18
Loss on debt extinguishment	0.07	0.05	0.14
Multi-employer pension plan withdrawal charges		0.04	0.05
Income tax benefit	(0.03)		(0.03)
Adjusted earnings per diluted share	$ 0.69	$ 0.65	$ 2.68

The Company believes that adjusted earnings per diluted share provides investors meaningful insight into the Company s earnings performance without the impact of debt extinguishment, multi-employer pension plan withdrawal charges, costs related to Air Products unsolicited takeover attempt, and tax benefit. Non-GAAP numbers should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely a supplement to, and not a replacement for, GAAP financial measures. It should be noted as well that our adjusted earnings per diluted share metric may be different from adjusted earnings per diluted share metrics provided by other companies.

Adjusted Operating Margin

Reconciliations and computations of adjusted operating margin:

Consolidated Airgas

(Dollars in thousands)	Three Months Ended March 31, 2010	Three Months Ended December 31, 2009	Year Ended March 31, 2010
Net sales	$ 980,375	$ 942,107	$ 3,864,005
Operating income	$ 81,883	$ 99,989	$ 399,598
Operating margin	8.4%	10.6%	10.3%
Plus:			
Costs related to unsolicited takeover attempt	23,435		23,435
Multi-employer pension plan withdrawal charges		4,950	6,650
Adjusted operating income	**$ 105,318**	**$ 104,939**	**$ 429,683**
Adjusted operating margin	**10.7%**	**11.1%**	**11.1%**

Distribution Segment

(Dollars in thousands)	Three Months Ended March 31, 2010	Three Months Ended December 31, 2009	Three Months Ended September 30, 2009	Three Months Ended June 30, 2009
Net sales	$ 886,206	$ 851,821	$ 857,443	$ 871,857
Operating income	$ 99,875	$ 89,306	$ 92,388	$ 89,748
Operating margin	11.3%	10.5%	10.8%	10.3%
Plus:				
Multi-employer pension plan withdrawal charges		4,950	1,700	
Adjusted operating income	**$ 99,875**	**$ 94,256**	**$ 94,088**	**$ 89,748**
Adjusted operating margin	**11.3%**	**11.1%**	**11.0%**	**10.3%**

The Company believes the above adjusted operating margin computations help investors assess the Company s operating performance without the impact of charges associated with the Company s withdrawal from multi-employer pension plans and costs related to Air Products unsolicited takeover attempt. Non-GAAP numbers should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely a supplement to, and not a replacement for, GAAP financial measures. It should be noted as well that our adjusted operating margin computations may be different from the adjusted operating margin computations provided by other companies.

Free Cash Flow and Adjusted Cash from Operations

Reconciliations and computations of free cash flow and adjusted cash from operations:

	Year Ended March 31,	
(In thousands)	**2010**	**2009**
Net cash provided by operating activities	$ 600,047	$ 582,767
Adjustments to cash provided by operating activities:		
Cash used by securitization of trade receivables	16,400	48,600
Stock issued for the employee stock purchase plan	15,428	16,507
Tax benefit realized from the exercise of stock options	15,444	11,846
Adjusted cash from operations	**647,319**	**659,720**
Capital expenditures	(252,828)	(351,912)
Adjustments to capital expenditures:		
Proceeds from sales of plant and equipment	14,466	14,360
Operating lease buyouts	1,687	5,575
Adjusted capital expenditures	**(236,675)**	**(331,977)**
Free Cash Flow	**$ 410,644**	**$ 327,743**

The Company believes that free cash flow and adjusted cash from operations provide investors meaningful insight into the Company s ability to generate cash from operations, which is available for servicing debt obligations and for the execution of its business strategies, including acquisitions, the prepayment of debt, the payment of dividends, or to support other investing and financing activities. Non-GAAP numbers should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely a supplement to, and not a replacement for, GAAP financial measures. It should be noted as well that our free cash flow and adjusted cash from operations metrics may be different from free cash flow and adjusted cash from operations metrics provided by other companies.

Adjusted Debt

Reconciliations and computations of adjusted debt:

(In thousands)	**March 31, 2010**	**March 31, 2009**
Current portion of long-term debt	$ 10,255	$ 11,058
Long-term debt, excluding current portion	1,499,384	1,750,308
Net debt	1,509,639	1,761,366
Securitization of trade receivables	295,000	311,400
Adjusted debt	**$ 1,804,639**	**$ 2,072,766**

The company uses adjusted debt to provide investors with a more meaningful measure of the Company s debt obligations by adjusting for funds received under the trade receivables securitization program.

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QCI company-operated trucking terminals

Chemical Logistics 6 3 16

Boasso container services terminals/depots

Intermodal 9 8 8

QCER independent affiliate energy terminals

Energy Logistics 2

QSI tank wash facilities (1)

Other 1

Total

106 102 108

(1) We sold substantially all of the operating assets of our tank wash business in October 2009.

We currently own 44 properties. We operate or lease trucking, tank wash and container services terminals.

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

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

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EXECUTIVE OFFICERS OF THE REGISTRANT

Our executive officers, as of March 1, 2012 were as follows:

Name	Age	Position
Gary R. Enzor	49	Chief Executive Officer and Director
Stephen R. Attwood	60	President and Chief Operating Officer
Joseph J. Troy	48	Executive Vice President and Chief Financial Officer
Jonathan C. Gold	48	Senior Vice President, General Counsel and Secretary
Randall T. Strutz	47	Senior Vice President of Sales and New Business Development

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

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

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

Jonathan C. Gold joined QDI in January 2005 and has served as our Senior Vice President, General Counsel and Secretary since April 1, 2007. Prior to his employment with the Company, Mr. Gold served as corporate counsel with CSX Transportation, Inc. and Vice President, General Counsel and Secretary with Softmart, Inc. In addition, Mr. Gold was in private practice in Washington, D.C. and served as Judicial Clerk to U.S. District Judge Harvey E. Schlesinger. Mr. Gold retired from the U.S. Army Reserve in 2007 after more than 20 years of active and reserve service and is a decorated veteran of Operation Iraqi Freedom.

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

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PART II

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

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

	Common Stock	
	High	**Low**
2011		
1st quarter	$ 12.39	$ 8.49
2nd quarter	13.65	10.55
3rd quarter	13.53	8.33
4th quarter	12.08	8.01
2010		
1st quarter	$ 6.19	$ 3.71
2nd quarter	8.18	5.05
3rd quarter	7.14	4.60
4th quarter	9.94	5.90

As of March 1, 2012, there were approximately 64 holders of record of our common stock.

DIVIDEND POLICY

We have not declared cash dividends on our common stock for the periods presented above and have no present intention of doing so. We currently intend to retain our future earnings, if any, to repay debt or to finance the further expansion and continued growth of our business. Additionally, our New 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.

UNREGISTERED SALES OF EQUITY SECURITIES

The following table lists QDI s deemed share repurchases during the three months ended December 31, 2011. All shares deemed repurchased were surrendered by employees in order to satisfy statutory tax withholding obligations in connection with the vesting of stock-based compensation awards. We have no program for public stock repurchases, and any such repurchases would be restricted by the ABL Facility and the indenture governing our 2018 Notes.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Program
November 2011	19,485	$ 11.50		

December 2011	3,622	$	11.25
Total	23,107	$	11.46

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PERFORMANCE GRAPH

The following graph depicts a comparison of cumulative total shareholder returns for us as compared to the NASDAQ Transportation Index and the NASDAQ Stock Market (U.S.) Index. The graph assumes the investment of $100 on December 31, 2006 through December 31, 2011 and the reinvestment of any dividends issued during the period.

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

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ITEM 6. SELECTED FINANCIAL DATA

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

The consolidated statements of operations data set forth below for the years ended December 31, 2011, 2010 and 2009 and the historical balance sheet data as of December 31, 2011 and 2010 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, 2008 and 2007 and the historical balance sheet data as of December 31, 2009, 2008 and 2007 are derived from our audited consolidated financial statements that are not included in this report.

	YEAR ENDED DECEMBER 31				
	2011	2010	2009	2008	2007
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)				
Statements of Operations Data (1)					
Operating revenues	$ 745,951	$ 686,598	$ 613,609	$ 815,290	$ 751,558
Operating expenses:					
Purchased transportation	522,866	471,792	369,460	462,706	470,725
Depreciation and amortization	14,413	16,004	20,218	21,002	17,544
Impairment charge (2)			148,630		
Other operating expenses	150,993	162,067	190,477	298,604	239,436
Operating income (loss)	57,679	36,735	(115,176)	32,978	23,853
Interest expense, net	28,912	35,548	28,047	35,120	30,524
Write-off of debt issuance costs	3,181	7,391	20	283	2,031
Gain on extinguishment of debt			(1,870)	(16,532)	
Other expense (income)	214	791	1,912	(2,945)	940
Income (loss) before taxes	25,372	(6,995)	(143,285)	17,052	(9,642)
Provision for (benefit from) income taxes	1,941	411	37,249	4,940	(2,079)
Net income (loss) attributable to common shareholders	$ 23,431	$ (7,406)	$ (180,534)	$ 12,112	$ (7,563)
Net income (loss) per common share:					
Basic	$ 1.01	$ (0.36)	$ (9.28)	$ 0.63	$ (0.39)
Diluted	0.96	(0.36)	(9.28)	0.62	(0.39)
Weighted average common shares outstanding:					
Basic	23,088	20,382	19,449	19,379	19,336
Diluted	24,352	20,382	19,449	19,539	19,336

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	YEAR ENDED DECEMBER 31				
	2011	2010	2009	2008	2007
	(DOLLARS IN THOUSANDS, EXCEPT TERMINAL, TRAILER AND TRACTOR DATA)				
Other Data (1)					
Net cash provided by operating activities	$ 35,399	$ 21,071	$ 39,756	$ 19,593	$ 14,052
Net cash (used in) provided by investing activities	(30,458)	(1,079)	9,577	(8,524)	(63,399)
Net cash (used in) provided by financing activities	(2,642)	(23,879)	(50,515)	(13,485)	52,194
Number of terminals at end of period	106	102	108	149	169
Number of trailers managed at end of period	5,493	5,738	6,410	7,115	7,506
Number of tractors managed at end of period	2,940	2,901	2,839	3,224	3,927
Balance Sheet Data at Year End (1)					
Working capital	$ 45,790	$ 34,955	$ 19,016	$ 44,967	$ 67,093
Total assets	302,395	271,335	279,616	502,103	493,976
Total indebtedness, including current maturities	307,063	317,332	321,284	362,586	349,271
Shareholders (deficit) equity	(106,185)	(146,379)	(140,736)	31,020	27,300

(1) On December 17, 2007, we acquired 100% of the stock of Boasso America Corporation. The results of Boasso have been included in our results since the date of the acquisition. On November 1, 2011, we acquired 100% of the stock of Greensville Transport Company. The results of Greensville have been included in our results since the date of the acquisition.

(2) The impairment charge resulted from an impairment analysis of goodwill and intangible assets performed during the quarter ended June 30, 2009. Refer to Note 13 to the consolidated financial statements contained herein.

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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 through our wholly owned subsidiary, QCI, and are also the largest provider of intermodal ISO tank container and depot services in North America through our wholly owned subsidiary, Boasso which also includes Greensville. In 2011, we entered the gas and oil frac shale energy markets, providing logistics services to these markets through our wholly owned subsidiaries, QCER. We operate an asset-light business model and service customers across North America through our network of 29 independent affiliates, 95 terminals servicing the chemical markets (89 of which are operated by independent affiliates and 6 which are company-operated), 9 company-operated tank depot services terminals and 2 terminals servicing the energy markets which are operated by independent affiliates.

Financial Reporting Segments

In connection with our entry into the gas and oil frac shale energy market in 2011, a new segment for financial reporting purposes was identified during the fourth quarter of 2011, to better distinguish logistics services to the energy markets from logistics services to the chemical markets based upon how these businesses are managed. Our previous logistics segment was renamed Chemical Logistics.

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 29 independent affiliates, and equipment rental income;

- Energy Logistics, which consists primarily of the transportation of fresh water, disposal water and oil for the energy logistics markets, primarily through 2 independent affiliates; and

- Intermodal, which consists solely of Boasso and Greensville s International Organization for Standardization or intermodal ISO tank container transportation and depot services.

Chemical Logistics

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 primarily coordinate the transport of a broad range of chemical products, primarily through our independent affiliate network, and provide our customers with logistics and other value-added services. We are a core carrier for many of the major companies engaged in chemical processing including Arclin, Arkema, Ashland, BASF, Dow, DuPont, ExxonMobil, Georgia-Pacific, Honeywell, PPG Industries, Procter & Gamble, Sunoco and Unilever, and we provide services to most of the top 100 chemical producers with North American operations. We believe the diversity of our customer base, geography and end-markets provides a competitive advantage.

We believe the specialized nature of the bulk tank truck industry, including specifically-licensed drivers, specialized equipment and more stringent safety requirements, create barriers to entry which limit the more

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drastic swings in supply experienced by the broader trucking industry. Additionally, it is common practice in the bulk tank truck industry for customers to pay fuel surcharges, which helps enable recovery of fuel price increases from customers.

Our transportation revenue 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. The volume of shipments of chemical products is, in turn, affected by many diverse industries and end-use markets, including consumer and industrial products, paints and coatings, paper and packaging, agriculture and food products, and tends to vary with changing economic conditions. 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.

Energy Logistics

Beginning in the second quarter of fiscal 2011, transportation revenue includes revenue earned from hauling fresh and disposal water for the energy market and in the fourth quarter of 2011 we began hauling oil. This revenue is principally a function of the volume of shipments, price per hour of service, and the allocation of shipments between us and other carriers under logistics contracts we manage. Similar to the shipment of bulk chemicals, we expect revenues to generally be lower during the winter months, as drilling within certain shales that we service may be adversely affected by the severity of weather in various sections of the country.

Intermodal

Our wholly owned subsidiary, Boasso, which also includes Greensville since November 1, 2011, is the largest North American providers of intermodal ISO tank container transportation and depot services, with nine terminals located in the eastern half of the United States. In addition to intermodal tank transportation services, Boasso and Greensville provide tank cleaning, heating, testing, maintenance and storage services to customers. Boasso and Greensville provide local and over-the-road trucking primarily within the proximity of the port cities where its depots are located. Boasso also sells equipment that its customers use for portable alternative storage or office space.

Demand for intermodal ISO tank containers is impacted by the aggregate volume of imports and exports of chemicals through United States ports, and Boasso and Greensville s revenues are accordingly impacted by this import/export volume, in particular the number and volume of shipments through ports at which Boasso and Greensville have terminals, as well as their market share. Economic conditions and differences among the laws and currencies of foreign nations may also impact the volume of shipments.

Our Industry

Chemical Logistics (formerly Logistics)

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 transport market generated revenues of approximately $5.9 billion in 2010. We specifically operate in the for-hire chemical and food grade bulk transport market (which we estimated at $4.0 billion in 2010). We believe we have the leading market share (estimated at 15% in 2010) in this sector based on revenues. Through our independent affiliate network, we operate the largest for-hire chemical bulk tank truck network in North

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America comprising terminals, tractors and trailers. We believe managing a larger carrier network facilitates customer service and lane density, and provides a more favorable cost structure for us and our independent affiliates. As such, we believe we are well-positioned to expand our business by increasing our market share.

The 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 believe the most significant factors relevant to our future business growth in our core business are the ability to obtain additional business from existing customers, add new customers, increase the utilization of our trailer fleet and add and retain qualified drivers.

Our 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.

Energy Logistics

In 2010, we initiated a growth strategy targeting the gas and oil frac shale energy market through our wholly owned subsidiaries, QCER. We currently serve several customers and operate approximately 200 units of energy equipment in this market. In our third quarter of 2011, QCER won a multi-year contract with a major energy company to provide full logistics of their fresh and disposal water hauling needs in the Marcellus shale region of Pennsylvania. The logistics revenues associated with this contract began in the third quarter of 2011 and are expected to provide significant revenue and growth prospects for the future. In our fourth quarter of 2011, we began hauling oil in the Eagle Ford shale region of Texas which we expect to provide revenue and growth prospects for the future as well. We believe this market has significant revenue potential and we may realize higher margins and better equipment utilization than we experience in our chemical logistics business. In connection with our entry into this business, due to the attractive return profile associated with this business, we may operate a portion of the business through company-operated terminals, rather than through independent affiliates, which could affect the overall mix of our asset-light business.

Intermodal

We estimate that the North American intermodal ISO tank container transportation and depot services market generated revenues of approximately $225.0 million in 2010, and we believe Boasso and Greensville, collectively have the leading market share. 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. Furthermore, chemical manufacturers have sought to efficiently transport their products by utilizing ISO tank containers. 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.

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Our Network

Our bulk service network consists primarily of independently owned third-party affiliate terminals, independent owner-operator drivers and, to a lesser extent, company-operated terminals. Independent affiliates are independent companies we contract with to operate trucking terminals exclusively on our behalf in defined markets. The independent affiliates 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. 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 the use of independent affiliates and independent owner-operators provides the following key competitive advantages to us in the marketplace:

- 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.

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.

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. During 2010, we continued our plan that began in 2009 of consolidating certain company-operated terminals and transitioning other company-operated terminals to independent affiliates. These actions resulted in a larger portion of our revenue being generated by independent affiliates and a reduced number of terminals in our network. During the second half of 2010 and during 2011, we aggressively reduced the number of aged and underutilized specialty trailers in our fleet. We believe these actions have reduced certain fixed costs, provide a more variable cost structure and position us with a financially flexible, asset-light business platform.

We believe the most significant factors relevant to our future business growth are the ability to (i) expand into new markets, specifically the energy markets, (ii) add new customers, (iii) obtain additional business from existing customers, (iv) add and retain qualified drivers and (v) improve the utilization of our trailer fleet. While many of our customers source some of their logistics needs with rail, we expect our customers to continue to outsource a greater proportion of their logistics needs to full service tank truck carriers. As a result of our leading market position, strong customer relationships and flexible business model, we believe we are well-positioned to benefit from customers seeking consolidation of their shipping relationships and those opting to outsource a greater portion of their logistics needs to third-party tank truck carriers.

Recent Significant Transactions

November 2011 Intermodal Acquisition

On November 1, 2011, Boasso acquired all of the outstanding stock of Greensville. The purchase price was $8.6 million, paid in cash, with an additional $0.5 million to be paid in cash, subject to Greensville meeting certain future operating performance criteria. Greensville is headquartered in Chesapeake, Virginia and is a leading provider of ISO tank container and depot services with access to ports in Virginia, Maryland and South Carolina. For the fiscal year ended December 31, 2010, Greensville had revenues of approximately $8.0 million.

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August 2011 ABL Facility Refinancing

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

February 2011 Common Stock Offering

On February 9, 2011, we sold 2.0 million shares of our common stock in an underwritten public offering, at a gross price of $9.50 per share, and received net proceeds, after underwriting fees and expenses, of approximately $17.5 million. Certain affiliates of Apollo also sold 2.6 million shares in the offering. Pursuant to the offering, we sent irrevocable redemption notices to holders of our 2013 PIK Notes to redeem $17.5 million of these notes at par, plus accrued and unpaid interest. This note redemption was completed on March 11, 2011.

November 2010 Senior Note Offering

On November 3, 2010, QD, LLC and QD Capital completed an offering of $225.0 million in aggregate principal amount of 9.875% Second-Priority Senior Secured Notes due 2018 (the 2018 Notes) at an issue price of 99.324% of par. Pursuant to the offering, we sent irrevocable redemption notices to holders of our 10% Senior Notes due 2013 (the 2013 Senior Notes), Senior Floating Rate Notes due 2012 (the 2012 Notes) and 11.75% Senior Subordinated PIK Notes due 2013 (the 2013 PIK Notes). On November 15, 2010, we repaid at maturity the remaining 9% Senior Subordinated Notes due 2010 (the 9% Notes). On December 3, 2010, net proceeds from the offering of the 2018 Notes were used to fully redeem or repay all of the outstanding 2013 Senior Notes and 2012 Notes, plus accrued and unpaid interest. We also utilized proceeds to redeem at par, plus accrued and unpaid interest, $47.5 million of the 2013 PIK Notes. The balance of the offering proceeds was used to pay down outstanding borrowings under our Previous ABL Facility.

May 2010 Affiliation

On May 1, 2010, we added F. T. Silfies (Silfies) to our independent affiliate network. Headquartered in Allentown, Pennsylvania, Silfies specializes in bulk cement and lime transport primarily servicing the East Coast markets. In connection with this affiliation, we loaned Silfies $3.0 million in cash of which $2.6 million remains outstanding as of December 31, 2011. This loan is subordinated to Silfies senior debt and bears interest at 12% per annum. The loan matures on October 26, 2013 and is secured by a second priority position in all of the assets of Silfies and a limited personal guarantee.

October 2009 Note Exchange

On October 15, 2009, we exchanged approximately $134.5 million of our 2012 Notes for new 2013 Senior Notes. We also exchanged approximately $83.6 million of our 9% Notes for approximately (a) $80.7 million aggregate principal amount of our new 2013 PIK Notes; (b) 1.75 million warrants; and (c) $1.8 million in cash. The warrants are exercisable to purchase shares of our common stock at an exercise price of $0.01 per share, during the period beginning April 16, 2010 and ending on November 1, 2013. As of December 31, 2011, approximately 0.4 million warrants remain unexercised.

October 2009 Asset Disposition

On October 10, 2009, we sold substantially all of the operating assets of our tank wash subsidiary, QSI, for $13.0 million, of which $10.0 million was paid in cash and the remaining $3.0 million in a subordinated note. The subordinated note is a five year non-amortizing note which matures on December 31, 2014. The principal is

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payable in a lump sum at maturity. Interest is payable quarterly at 7% per annum, commencing December 31, 2009. In connection with the sale, QSI entered into various agreements with the purchaser, which is not affiliated with us, including long-term leases of real estate used in the tank wash business and various operating agreements. The assets sold had a net book value of $4.9 million which included $4.3 million of equipment, $0.4 million of inventory, and $0.2 million of intangibles. The sold QSI business generated approximately $19.5 million of revenue in 2009 from tank wash and related operations. We recorded a pre-tax gain of $7.1 million in the fourth quarter of 2009 as part of our operating income. We believe the changes in our business activities as a result of the sale of the tank wash business will reduce our environmental compliance costs going forward.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

The asset lives used are presented in the following table:

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

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

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

Goodwill and Intangible Assets We evaluate goodwill and indefinite-lived intangible assets for impairment at least annually during the second quarter with a measurement date of June 30, and more frequently if indicators of impairment arise, in accordance with Financial Accounting Standards Board (FASB) guidance on goodwill and other intangible assets. We evaluate goodwill for impairment by determining the fair value for

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each reporting unit to which our goodwill relates. At June 30, 2011, our intermodal segment was our only reporting unit that contained goodwill. At December 31, 2011, our intermodal segment contains goodwill and other identifiable intangible assets associated with our Boasso acquisition in December 2007 and our Greensville acquisition in November 2011.

The methodology applied in the analysis performed at June 30, 2011 was consistent with the methodology applied in prior years, but was based on updated assumptions, as appropriate. As a result of our analysis, we concluded no impairment had occurred as of June 30, 2011 and 2010. As a result of our analysis at June 30, 2009, a total impairment charge to goodwill of $146.2 million was necessary, of which $144.3 million was related to our chemical logistics segment, eliminating 100% of the carrying amount of goodwill of that segment, and $1.9 million was related to our intermodal segment.

We continued to evaluate indicators of impairment quarterly following our annual goodwill impairment test at June 30, 2011 through year end 2011, including the quarter ended December 31, 2011. There were no indications that a triggering event had occurred as of December 31, 2011. As of December 31, 2011, we had total goodwill of $31.3 million, all of which was allocated to intermodal segment. As of December 31, 2011, we had total intangibles of $18.5 million, of which $17.9 million was allocated to our intermodal segment and $0.6 million was allocated to our chemical logistics segment.

Goodwill

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

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

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

After computing a separate business enterprise value under the income approach and market approach, we apply a weighting to them to derive the business enterprise value of the reporting unit. The income approach and

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market approach were both weighted 50% in the analysis performed at June 30, 2011. The weightings are evaluated each time a goodwill impairment assessment is performed and give consideration to the relative reliability of each approach at that time. Given that the business enterprise value derived from the market approach supported what was calculated in the income approach, we believed that both approaches should be equally weighted. Based on these weightings we calculated a business enterprise value for the reporting unit. We then add debt-free liabilities of the reporting unit to the calculated business enterprise value to derive an implied fair value of the reporting unit. The implied fair value is then compared to the reporting unit s carrying value of total assets. Upon completion of the analysis in step one, we determined that the fair value of our intermodal reporting unit exceeded its carrying value. As such, a step two analysis was not required.

Intangible assets

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

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

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

We continue to evaluate quarterly the positive and negative evidence regarding the realization of net deferred tax assets. The carrying value of our net deferred tax assets is based on our belief that it is more likely than not that we will generate sufficient future taxable income to realize these deferred tax assets. The Company reviews a rolling thirty-six month calculation of U.S. earnings, and considers other criteria at each reporting date, to determine if the Company has incurred cumulative losses in recent years. Cumulative losses in recent years pose significant negative evidence regarding the Company s ability to realize deferred tax assets. If we determine in a future reporting period that we will be able to use some or all of our deferred tax assets, the adjustment to reduce or eliminate the valuation allowance would reduce our tax expense and increase net income. Changes in deferred tax assets and valuation allowance are reflected in the Provision for income taxes line in our consolidated statements of operations.

During the second quarter of 2009, an impairment charge of $148.6 million was recorded and as a result the Company determined that it was in a cumulative loss position. Based on this negative evidence we concluded that it was no longer more likely than not that the Company s net deferred tax asset was realizable. For purposes of assessing realizability of the deferred tax assets, this cumulative financial reporting loss position is considered significant negative evidence the Company will not be able to fully realize the deferred tax assets in the future. As a result, a $41.2 million deferred tax valuation allowance was recorded. Our judgments regarding future taxable income may change due to changes in market conditions, changes in tax laws, operating results or other factors. If any of these factors and related estimates change in the future, it may increase or decrease the valuation allowance and related income tax expense in the same period. The Company continues to maintain a 100% valuation allowance against the balance of the net deferred tax asset in the current period.

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At December 31, 2011 we had an estimated $77.0 million in federal net operating loss carryforwards, $3.0 million of unrecognized federal operating loss carryforwards related to excess stock compensation deductions and uncertain tax position deductions, $2.4 million in alternative minimum tax credit carryforwards and $4.8 million in foreign tax credit carryforwards. The net operating loss carryforwards will expire in the years 2018 through 2030, while the alternative minimum tax credits may be carried forward indefinitely and the foreign tax credits may be carried forward for 10 years.

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

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

Accrued loss and damage claims We currently maintain liability insurance for bodily injury and property damage claims, covering all employees, independent owner-operators and independent affiliates, and workers compensation insurance coverage on our employees and company drivers. This insurance includes deductibles of $2.0 million per incident for bodily injury and property damage and $1.0 million for workers compensation. As such, we are subject to liability as a self-insurer to the extent of these deductibles under the policy. We are self-insured for damage to the equipment we own or lease and for cargo losses. As of December 31, 2011, we had $22.9 million in an outstanding letter of credit to our insurance administrator to guarantee the self-insurance portion of our liability. If we fail to meet certain terms of our agreement, the insurance administrator may draw down the letter of credit. In developing liability reserves, we rely on professional third party claims administrators, insurance company estimates and the judgment of our own personnel, and independent professional actuaries and attorneys. The most significant assumptions used in the estimation process include determining the trends in loss costs, the expected consistency in the frequency and severity of claims incurred but not yet reported to prior-year claims, and expected costs to settle unpaid claims. Management believes reserves are reasonable given known information, but as each case develops, estimates may change to reflect the effect of new information.

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

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

Stock compensation plans Stock compensation is determined by the assumptions required under the FASB guidance. The fair values of stock option grants are based upon the Black-Scholes option-pricing model and amortized as compensation expense on a straight-line basis over the vesting period of the grants. Restricted stock awards are issued and measured at market value on the date of grant and related compensation expense is recognized over time on a straight-line basis over the vesting period of the grants. Stock-based compensation expense related to stock options and restricted stock was $1.8 million and $1.1 million, respectively, for fiscal year 2011. As of December 31, 2011, there was approximately $3.2 million of total unrecognized compensation cost related to the unvested portion of our stock-based awards. The recognition period for the remaining unrecognized stock-based compensation cost generally varies from two to four years. For further discussion on stock-based compensation, see Note 19 of Notes to Consolidated Financial Statements included in Item 15 of this report.

Pension plans We maintain two noncontributory defined benefit plans resulting from a prior acquisition that cover certain vested salaried participants and retirees and certain other vested participants and retirees under an expired collective bargaining agreement. Both plans are frozen and, as such, no future benefits accrue. We record annual amounts relating to these plans based on calculations specified by GAAP, which include various actuarial assumptions such as discount rates (4.90% to 5.25%) and assumed rates of return (7.00% to 8.00%) depending on the pension plan. Material changes in pension costs may occur in the future due to changes in these assumptions. Future annual amounts could be impacted by changes in the discount rate, changes in the expected long-term rate of return, changes in the level of contributions to the plans and other factors.

We had an accumulated net pension equity charge (after-tax) of $5.2 million at December 31, 2011 and an accumulated net pension equity charge (after-tax) of $0.5 million at December 31, 2010.

The discount rate is based on a model portfolio of AA-rated bonds with a maturity matched to the estimated payouts of future pension benefits. The expected return on plan assets is based on our expectation of the long-term rates of return on each asset class based on the current asset mix of the funds, considering the historical returns earned on the type of assets in the funds, plus an assumption of future inflation. The current inflation assumption is 3.00%. We review our actuarial assumptions on an annual basis and make modifications to the assumptions based on current rates and trends when appropriate. The effects of the modifications are amortized over future periods.

Assumed discount rates and expected return on plan assets have a significant effect on the amounts reported for the pension plan. At December 31, 2011, our projected benefit obligation (PBO) was $51.6 million. Our projected 2012 net periodic pension expense is $1.6 million. A 1.0% decrease in our assumed discount rate would increase our PBO to $57.3 million and decrease our 2012 net periodic pension expense less than $0.1 million. A 1.0% increase in our assumed discount rate would decrease our PBO to $46.7 million and increase our 2012 net periodic pension expense less than $0.1 million. A 1.0% decrease in our assumed rate of return would not change our PBO but would increase our 2012 net periodic pension expense to $1.9 million. A 1.0% increase in our assumed rate of return would not change our PBO but would decrease our 2012 net periodic pension expense to $1.3 million.

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

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guidance. We previously made estimates of the costs to be incurred as part of a restructuring plan developed during 2008 and concluded at the end of 2010. The restructuring plan consisted of various actions including termination of approximately 380 non-driver positions, the consolidation, closure or affiliation of underperforming company terminals, our withdrawal from three multi-employer pension plans and costs associated with the consolidation of our corporate headquarters and resulted in charges during 2008, 2009 and 2010, primarily related to our chemical logistics segment. As of December 31, 2011, approximately $2.8 million was accrued related to the restructuring charges, which are expected to be paid through 2017.

NEW ACCOUNTING PRONOUNCEMENTS

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

RESULTS OF OPERATIONS

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

	Year Ended December 31,		
	2011	2010	2009
OPERATING REVENUES:			
Transportation	69.4%	72.6%	74.1%
Service revenue	14.8	15.6	17.1
Fuel surcharge	15.8	11.8	8.8
Total operating revenues	100.0	100.0	100.0
OPERATING EXPENSES:			
Purchased transportation	70.1	68.7	60.2
Compensation	8.2	8.4	12.5
Fuel, supplies and maintenance	6.9	7.9	10.8
Depreciation and amortization	1.9	2.3	3.3
Selling and administrative	2.9	2.8	4.0
Insurance costs	1.9	2.3	2.3
Taxes and licenses	0.3	0.3	0.6
Communication and utilities	0.4	0.6	1.3
Gain on sale of tank wash assets			(1.2)
(Gain) loss on disposal of property and equipment	(0.2)	0.2	0.1
Impairment charge			24.2
Restructuring (credit) costs	(0.1)	1.1	0.6
Total operating expenses	92.3	94.6	118.7
Operating income (loss)	7.7	5.4	(18.7)
Interest expense, net	3.9	5.2	4.6
Write-off of debt issuance costs	0.4	1.1	
Gain on extinguishment of debt			(0.3)
Other expense		0.1	0.3
Income (loss) before income taxes	3.4	(1.0)	(23.3)
Provision for income taxes	0.3	0.1	6.1

Net income (loss)	3.1	(1.1)	(29.4)

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The following table sets forth for the periods indicated the approximate number of terminals, drivers, tractors, trailers, and chemical logistics transportation billed miles in our network (including independent affiliates and independent owner-operators) as of December 31:

	2011	2010	2009
Terminals(1)	106	102	108
Drivers	2,741	2,730	2,591
Tractors	2,940	2,901	2,839
Trailers	5,493	5,738	6,410
Chemical Logistics Transportation Billed Miles (in thousands)	107,760	115,868	108,302

(1) Refer to Item 2. Properties for terminals by segment.

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

Total revenues for 2011 were $746.0 million, an increase of $59.4 million, or 8.6%, from revenues of $686.6 million in 2010. Transportation revenue increased by $19.3 million, or 3.9%, primarily due to an increase in new energy logistics revenue of $29.4 million generated primarily from our delivery of fresh and disposal water in the frac shale energy market, most of which was generated in the second half of the year, and an increase of $2.7 million in our intermodal business. This was partially offset by a decrease in chemical logistics revenue of $12.8 million due to a decrease in bulk chemical shipments. We expect transportation services to the energy market to be a significant contributor to our revenue growth in 2012. In 2011, our chemical logistics business was adversely affected by a high level of driver turnover primarily driven by our installation of EOBRs in our fleet. We installed EOBRs in all of our U.S. fleet in order to improve efficiency and proactively address regulatory requirements that we expect in the future.

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

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

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

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

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

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

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

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

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

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

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

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

Interest expense decreased by $6.7 million, or 18.4% in 2011, primarily due to redemptions of our high cost 2013 PIK Notes in 2010 and 2011 and lower interest rates on our 2018 Notes following our debt refinancing in the fourth quarter of 2010. We expect our interest expense to continue to be lower in 2012 unless the principal balance of our indebtedness increases.

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

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

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

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

YEAR ENDED DECEMBER 31, 2010 COMPARED TO YEAR ENDED DECEMBER 31, 2009

Total revenues for 2010 were $686.6 million, an increase of $73.0 million, or 11.9%, from revenues of $613.6 million in 2009. Transportation revenue increased by $43.8 million, or 9.6%, primarily due to an increase in linehaul revenue due to increased demand. We had a 5.6% increase in the total number of miles driven and a 5.4% increase in loads as compared with 2009.

Service revenue increased $2.5 million, or 2.4%, compared to 2009. This increase was primarily due to $10.2 million of increased rental income and $5.8 million in intermodal and depot revenue. This was partially offset by a reduction in tank wash revenue of $13.5 million due to the sale of our tank wash business in the fourth quarter of 2009.

Fuel surcharge revenue increased $26.7 million, or 49.4%, primarily due to the increase in linehaul revenue and an increase in fuel prices. Purchased transportation increased by $102.3 million, or 27.7%, due primarily to the increase in affiliation, linehaul revenue, miles driven and loads. Total purchased transportation as a percentage of transportation revenue and fuel surcharge revenue increased to 81.5% in 2010, versus 72.6% for 2009 due primarily to the conversion of certain company-operated terminals to independent affiliate terminals. Our independent affiliates generated 93.9% of our transportation revenue and fuel surcharge revenue for 2010 compared to 72.8% for 2009. During the 2010 and 2009 periods, we paid our independent affiliates approximately 85% of transportation revenue and paid independent owner-operators approximately 65% of transportation revenue.

Compensation expense decreased $19.4 million, or 25.2%, primarily due to $17.7 million of reduced expense from corporate headcount reductions, terminal consolidations, and conversions of company-operated terminals to independent affiliate terminals partially offset by a $3.0 million increase in our intermodal operations. In addition, tank wash operations had a decrease of $4.7 million due to the sale of this business.

Fuel, supplies and maintenance decreased $12.2 million, or 18.3%, due to lower fuel costs of $6.2 million, lower repairs and maintenance expense of $3.2 million related to our logistics segment and lower rent expense of $1.6 million due to the shift of revenue from company-operated terminals to independent affiliates. In addition, tank wash operations had a decrease of $5.8 million due to the sale of this business, partially offset by an increase of $2.8 million of repairs and maintenance expense and higher fuel costs of $1.6 million related to our intermodal segment.

Depreciation and amortization expense decreased $4.2 million, or 20.8%, due to a decrease in depreciation from disposals of revenue equipment and the sale of our tank wash assets in the fourth quarter of 2009.

Selling and administrative expenses decreased $5.2 million, or 21.3%, primarily due to a reduction in bad debt expense of $2.2 million, $0.9 million of bad debt recoveries and a $1.0 million reduction in building rent expense and other expenses related to closed or converted terminals. In addition, tank wash operations had a decrease of $1.4 million due to the sale of this business.

Insurance costs increased by $1.4 million, or 10.1%, due primarily to an increase in the amount of claims incurred and miles driven in the current year.

Communication and utilities expense decreased $3.8 million, or 47.9%, primarily due to reduced expense from terminal consolidations and conversions of company-operated terminals to independent affiliate terminals.

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In 2009, we recorded a gain on sale of tank wash equipment of $7.1 million resulting from the sale of substantially all of QSI s operating assets for $13.0 million to a third party on October 10, 2009.

We incurred a loss on disposal of property and equipment of $1.1 million in 2010, as compared to a loss of $0.5 million in 2009, resulting primarily from the disposal of equipment.

In 2009, we recorded a non-cash impairment charge to goodwill and intangibles totaling $148.6 million as a result of our impairment analysis, which is performed at least annually every June 30 on our business segments. We recorded a charge of $144.3 million for the impairment of goodwill in our logistics segment. We also recorded a charge of $1.9 million for the impairment of goodwill in our intermodal segment and a charge of $2.4 million for the impairment of the tradename in our intermodal segment. We incurred no impairment charge in 2010. Further information regarding our impairment analysis is included in Goodwill and Intangible Assets in our Critical Accounting Policies and Estimates .

We incurred restructuring costs of $7.8 million in 2010 and $3.5 million in 2009 primarily due to expenses associated with a restructuring plan, which began during the second quarter of 2008. The costs in 2010 consisted primarily of $2.0 million for estimated withdrawal liability from three multi-employer pension plans, $2.2 million for the consolidation of our corporate headquarters, as well as an additional $3.6 million of other expenses related to exit activities. The costs in 2009 consisted of employee termination benefits and other related exit activities. As of December 31, 2010, we had accrued $5.4 million of additional expense related to this plan, which was concluded in the fourth quarter of 2010.

Operating income was $36.7 million in 2010 compared to an operating loss of $115.2 million in 2009. The operating margin for 2010 was 5.4%, compared to (18.7%) for 2009 as a result of the above items.

Interest expense increased by $7.8 million, or 27.7%, in 2010 compared to 2009 primarily due to higher interest rates on our 2013 PIK Notes and our 2013 Senior Notes versus the rates on the notes for which they were exchanged in the fourth quarter of 2009. Interest expense was also higher in 2010 due to the issuance of our 2018 Notes in the fourth quarter of 2010, which resulted in additional interest expense during the 30-day notification period between the date of issuance of the 2018 Notes and the date that our 2012 Notes, our 2013 Senior Notes and our 2013 PIK Notes were repaid or redeemed. In the fourth quarter of 2010, we redeemed $50.0 million of our 2013 PIK Notes.

In 2009, gain on debt extinguishment of $1.9 million resulted from the repurchase of $4.0 million of our 9% Notes. We did not record any gain on debt extinguishment in 2010.

Other expense of $0.8 million in 2010 consists primarily of costs associated with an unconsummated stock offering of $0.7 million. Other expense in 2009 consists primarily of $2.3 million of costs related to refinancing activities for our note exchanges in October 2009, partially offset by $0.4 million in foreign currency income.

The provision for income taxes was $0.4 million in 2010 compared to $37.2 million in 2009. Tax expense in 2009 was due to the recording of a deferred tax valuation allowance.

Net loss was $7.4 million for 2010 compared with a net loss of $180.5 million for 2009 for the reasons outlined above.

Segment Operating Results

In connection with our entry into the gas and oil frac shale energy market in 2011, a new segment for financial reporting purposes was identified during the fourth quarter of 2011, to better distinguish logistics services to the energy markets from logistics services to the chemical markets based upon how these businesses are managed. Our previous logistics segment was renamed Chemical Logistics.

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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 29 independent affiliates, and equipment rental income;

Energy Logistics, which consists primarily of the transportation of fresh water, disposal water and oil for the energy logistics markets, primarily through 2 independent affiliates; and

Intermodal, which consists solely of Boasso and Greensville s International Organization for Standardization or intermodal ISO tank container transportation and depot services supporting the international movement of bulk liquids.

Segment revenues and operating income include fuel surcharge primarily to the chemical logistics and intermodal segments. The operating income reported for our segments excludes amounts such as gains and losses on disposal of property and equipment, restructuring costs, impairment charge, corporate and other unallocated amounts. Corporate and unallocated amounts include depreciation and amortization and other gains and losses and are included in our chemical logistics segment. Although these amounts are excluded from the business segment results, they are included in reported consolidated earnings. In 2009, revenues contained in the other segment represent revenues from our tank wash business which was sold during the fourth quarter of 2009. We have not provided specific asset information by segment, as it is not regularly provided to our chief operating decision maker for review.

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

	Year Ended December 31, 2011				
	Chemical Logistics	Energy Logistics	Intermodal	Other	Total
Operating Revenues:					
Transportation	$ 429,769	$ 29,432	$ 58,579	$	$ 517,780
Service revenue	67,414	1,006	42,168		110,588
Fuel surcharge	103,487	64	14,032		117,583
Total operating revenues	$ 600,670	$ 30,502	$ 114,779	$	$ 745,951
Segment revenue % of total revenue	80.5%	4.1%	15.4%		100.0%
Segment operating income	$ 48,444	$ 3,081	$ 18,728	$	$ 70,253
Depreciation & amortization	10,418	785	3,210		14,413
Other income	(1,684)		(155)		(1,839)
Operating income	$ 39,710	$ 2,296	$ 15,673	$	$ 57,679

	Year Ended December 31, 2010				
	Chemical Logistics	Energy Logistics	Intermodal	Other	Total
Operating Revenues:					
Transportation	$ 442,576	$	$ 55,870	$	$ 498,446
Service revenue	70,470		37,004		107,474
Fuel surcharge	72,053		8,625		80,678

Total operating revenues	$ 585,099	$	$ 101,499	$	$ 686,598
Segment revenue % of total revenue	85.2%		14.8%		100.0%
Segment operating income	$ 44,791		$ 16,863		$ 61,654
Depreciation & amortization	13,033		2,971		16,004
Other expense	8,901		14		8,915
Operating income	$ 22,857	$	$ 13,878	$	$ 36,735

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	Year Ended December 31, 2009				
	Chemical Logistics	Energy Logistics	Intermodal	Other	Total
Operating Revenues:					
Transportation	$ 411,213	$	$ 43,445	$	$ 454,658
Service revenue	58,433		31,161	15,360	104,954
Fuel surcharge	49,104		4,893		53,997
Total operating revenues	$ 518,750	$	$ 79,499	$ 15,360	$ 613,609
Segment revenue % of total revenue	84.5%		13.0%	2.5%	100.0%
Segment operating income	$ 36,961	$	$ 11,287	$ 2,240	$ 50,488
Depreciation & amortization	16,028		2,790	1,400	20,218
Impairment charge	144,306		4,324		148,630
Other expense (income)	3,972		11	(7,167)	(3,184)
Operating (loss) income	$ (127,345)	$	$ 4,162	$ 8,007	$ (115,176)

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

	2010 vs 2009	Chemical Logistics	Energy Logistics	Intermodal	Other	Total
Segment revenues	$ change	$ 66,349		$ 22,000	$ (15,360)	$ 72,989
	% change	12.8%		27.7%	(100.0)%	11.9%
Segment operating income	$ change	$ 7,830		$ 5,576	$ (2,240)	$ 11,166
	% change	21.2%		49.4%	(100.0)%	22.1%

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

Operating revenue:

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

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

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

Other revenue we had no other revenue in 2011 due to the sale of our tank wash business in 2009.

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Operating income:

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

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

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

Other operating income we had no other operating income in 2011 due to the sale of our tank wash business in 2009.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Operating revenue:

Chemical Logistics revenues increased $66.3 million, or 12.8%, for 2010 compared to 2009 due to an increase of $31.4 million in transportation revenue, an increase of $22.9 million in fuel surcharge and an increase of $12.0 million in service revenue.

Intermodal revenues increased $22.0 million, or 27.7%, for 2010 compared to 2009 due to an increase of $12.4 million in intermodal transportation and depot revenue, an increase in service revenue of $5.9 million and an increase of $3.7 million in fuel surcharge.

Other revenue we had no other revenue in 2010 due to the sale of our tank wash business in 2009.

Operating income:

Chemical Logistics operating income increased $7.8 million, or 21.2%, for 2010 compared to 2009 primarily due to an increase in linehaul revenue, an increase in equipment rentals and cost savings initiatives and the conversion of company-operated terminals to independent affiliate terminals.

Intermodal operating income increased $5.6 million, or 49.4%, for 2010 compared to 2009 due to increased demand from existing customers.

Other operating income we had no other operating income in 2010 due to the sale of our tank wash business in 2009.

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Summarized segment operating results by quarter for 2011 are as follows (in thousands):

	Three Months Ended December 31, 2011			
	Chemical Logistics	Energy Logistics	Intermodal	Total
Operating Revenues:				
Transportation	$ 99,146	$ 9,099	$ 14,483	122,728
Service revenue	16,847	623	10,600	28,070
Fuel surcharge	24,407	64	3,481	27,952
Total operating revenue	140,400	9,786	28,564	178,750
Segment revenue % of total revenue	78.5%	5.5%	16.0%	100.0%
Segment operating income	11,249	1,539	3,946	16,734
Depreciation & amortization	2,668	457	818	3,943
Other income	(338)		(132)	(470)
Operating income	$ 8,919	$ 1,082	$ 3,260	$ 13,261

	Three Months Ended September 30, 2011			
	Chemical Logistics	Energy Logistics	Intermodal	Total
Operating Revenues:				
Transportation	$ 107,693	$ 18,341	$ 14,940	$ 140,974
Service revenue	16,981	306	10,851	28,138
Fuel surcharge	26,428		3,758	30,186
Total operating revenue	151,102	18,647	29,549	199,298
Segment revenue % of total revenue	75.8%	9.4%	14.8%	100.0%
Segment operating income	12,080	1,224	5,384	18,688
Depreciation & amortization	2,518	287	795	3,600
Other income	(145)		(53)	(198)
Operating income	$ 9,707	$ 937	$ 4,642	$ 15,286

	Three Months Ended June 30, 2011			
	Chemical Logistics	Energy Logistics	Intermodal	Total
Operating Revenues:				
Transportation	$ 112,318	$ 1,992	$ 15,087	$ 129,397
Service revenue	17,078	77	10,487	27,642
Fuel surcharge	29,014		3,940	32,954
Total operating revenue	158,410	2,069	29,514	189,993
Segment revenue % of total revenue	83.4%	1.1%	15.5%	100.0%

Segment operating income	14,333	318	4,735	19,386
Depreciation & amortization	2,537	41	800	3,378
Other (income) expense	(954)		23	(931)
Operating income	$ 12,750	$ 277	$ 3,912	$ 16,939

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	Three Months Ended March 31, 2011			
	Chemical Logistics	Energy Logistics	Intermodal	Total
Operating Revenues:				
Transportation	$ 110,612	$	$ 14,069	$ 124,681
Service revenue	16,508		10,230	26,738
Fuel surcharge	23,638		2,853	26,491
Total operating revenue	150,758		27,152	177,910
Segment revenue % of total revenue	84.7%		15.3%	100.0%
Segment operating income	10,782		4,663	15,445
Depreciation & amortization	2,695		797	3,492
Other (income) expense	(247)		7	(240)
Operating income	$ 8,334	$	$ 3,859	$ 12,193

EXCHANGE RATES

We operate primarily in the United States but also have operations in Canada and Mexico. Our results of operations are affected by the relative strength of currencies in the countries where we operate. Approximately 6.1%, 5.5% and 6.1% of our revenue in 2011, 2010 and 2009, respectively, was generated outside the United States.

In comparing the average exchange rates between 2011 and 2010, the Canadian dollar appreciated against the United States dollar by approximately 4.2% while the Mexican peso depreciated against the United States dollar by approximately 1.8%. The change in exchange rates positively impacted revenue by approximately $1.8 million in 2011. The appreciation of the Canadian dollar was the primary reason for the $0.1 million net decrease in cumulative currency translation loss in shareholders deficit for 2011.

Gains and losses included in the consolidated statements of operations from foreign currency transactions included a $0.2 million loss in 2011, a $0.2 million gain in 2010, and a $0.4 million gain in 2009. Risks associated with foreign currency fluctuations are discussed further in Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

LIQUIDITY AND CAPITAL RESOURCES

Our primary cash needs consist of working capital, capital expenditures and debt service. Our working capital needs depend upon the timing of our collections from customers and payments to others as well as our capital and operating lease payment obligations. Our capital expenditures primarily relate to acquiring trailers and energy market equipment and maintaining it. We reduced our capital expenditure requirements for our chemical logistics business by utilizing independent affiliates and independent owner-operators.

Independent affiliates and independent owner-operators typically supply their own tractors, which reduces our capital investment requirements. For 2011, capital expenditures were $38.3 million and proceeds from sales of property and equipment were $16.5 million. Capital expenditures for 2011 included $21.5 million for equipment purchased to support our energy logistics business and proceeds from sales of property and equipment for 2011 included $8.8 million of energy equipment sales to independent affiliates. We generally expect our sustaining capital expenditures for our chemical logistics and intermodal businesses, net of proceeds from property and equipment sales, to be approximately 1% of operating segment revenues annually. During 2011, our capital outlays were higher than historical amounts as we organically built our base of energy logistics business. We currently expect net capital expenditures for 2012 to be approximately $21.0 million, of which approximately $9.0 million is for equipment required for our energy logistics business. Some of our independent affiliates who are engaged with us in the energy market may at times purchase some portion of this equipment from us. Actual

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amounts could differ materially because of operating needs, growth needs, regulatory changes, covenants in our debt arrangements, other expenses, or other factors.

Debt service consists of principal and interest payments on the outstanding balance of our New ABL Facility as well as our outstanding 2018 Notes. We have no major debt maturities prior to August 2016, when our New ABL Facility matures. During 2010 and 2011, note indebtedness was comprised primarily of our 2018 Notes and our 2013 PIK Notes, though the aggregate principal balance and composition of notes changed during the periods. We issued all $225.0 million aggregate principal amount of the 2018 Notes at 99.324% of par in the fourth quarter of 2010, and redeemed $47.5 million of our 2013 PIK Notes, discharged other notes and paid down a portion of our outstanding borrowings under the Previous ABL Facility. We repurchased $2.5 million and redeemed $10.0 million of our 2013 PIK Notes in December 2010 and January 2011, respectively. We redeemed $17.5 million of our 2013 PIK Notes with the proceeds from the offering of our common stock in March 2011. We redeemed the remaining $5.8 million of our 2013 PIK Notes in July 2011.

We may from time to time repurchase or redeem additional amounts of our outstanding debt or other securities. Any repurchases or redemptions would depend upon prevailing market conditions, our liquidity requirements, contractual restrictions and other factors we consider important. Future repurchases or redemptions may materially impact our liquidity, future tax liability and results of operations.

Our primary sources of liquidity for operations during the 2011 and 2010 periods have been cash flow from operations and borrowing availability under the New ABL Facility and Previous ABL Facility. At December 31, 2011, we had $82.3 million of borrowing availability under the New ABL Facility. We believe that, based on current operations and anticipated growth, our cash flow from operations, together with other available sources of liquidity, will be sufficient to fund anticipated capital expenditures, operating expenses and our other anticipated liquidity needs for the next twelve months. Anticipated debt maturities in 2016, the acquisition of other businesses or other events that we do not foresee may require us to seek alternative financing, such as restructuring or refinancing our long-term debt, selling assets or operations or selling additional debt or equity securities. If these alternatives were not available in a timely manner or on satisfactory terms or were not permitted under any of our debt agreements and we default on our obligations, our debt could be accelerated and our assets might not be sufficient to repay in full all of our obligations.

Cash Flows

The following summarizes our cash flows for 2011, 2010 and 2009 as reported in our consolidated statements of cash flows in the accompanying consolidated financial statements:

	Year Ended December 31,		
(In Thousands)	**2011**	**2010**	**2009**
Net cash provided by operating activities	$ 35,399	$ 21,071	$ 39,756
Net cash (used in) provided by investing activities	(30,458)	(1,079)	9,577
Net cash used in financing activities	(2,642)	(23,879)	(50,515)
Effect of exchange rates	1	7	28
Net increase (decrease) in cash	2,300	(3,880)	(1,154)
Cash at beginning of period	1,753	5,633	6,787
Cash at end of period	$ 4,053	$ 1,753	$ 5,633

We generated $35.4 million, $21.1 million and $39.8 million in net cash provided by operating activities in 2011, 2010 and 2009, respectively. The increase in cash provided by operating activities in 2011, compared to 2010, was primarily due to improved net income. In addition, we recognized gains on sales of unutilized equipment in 2011 compared with a loss in 2010. Our restructuring and cost reduction efforts prior to 2011 and reductions in our trailer fleet during 2011 have enabled us to generate stronger operating cash in 2011. The

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decrease in cash provided by operating activities in 2010, as compared to 2009, was primarily due to an increase in accounts receivable in the 2010 period resulting from higher revenue, slightly offset by an increase in our restructuring accrual.

Net cash used in investing activities in 2011 and 2010 was $(30.5) million and $(1.1) million, respectively. Net cash provided by investing activities in 2009 was $9.6 million. Capital expenditures totaled $38.3 million, $11.2 million and $8.2 million in 2011, 2010 and 2009, respectively, while proceeds from sales of property and equipment were $16.5 million, $10.1 million and $7.5 million, respectively. In 2011, we increased our capital expenditures to support our entry in the energy markets, which was partially offset by an increase in proceeds from the sale of equipment. In addition, we used $8.6 million for the acquisition of stock of Greensville in the fourth quarter of 2011. In 2010, we used proceeds of $10.1 million from sale of old unutilized revenue equipment to fund $11.2 million of new revenue equipment. In 2009, we received cash of $10.0 million from the sale of tank wash assets.

Net cash used in financing activities was $(2.6) million, $(23.9) million and $(50.5) million in 2011, 2010 and 2009, respectively. In 2011, net cash received from our equity offering of approximately $17.6 million, increased net borrowings of $27.0 million under our New and Previous ABL Facilities, and proceeds from the exercise of stock options of $1.8 million were utilized to redeem $27.5 million in principal amount of our 2013 PIK Notes, to pay down other debt and capital leases of $15.1 million, to pay fees related to our New ABL Facility and 2018 Notes of $5.0 million and to redeem for $1.8 million the preferred shares of our subsidiary, CLC, which were previously reflected on our balance sheet as redeemable noncontrolling interest. In 2010, cash was primarily utilized to repay $29.5 million under our Previous ABL Facility, to pay down $6.5 million of other debt and capital lease obligations, to pay financing fees of $5.6 million in connection with the issuance of our 2018 Notes, to pay a large insurance claim and issue a loan to a new independent affiliate. In 2009, we primarily used cash to repay $19.0 million of our borrowings under our Previous ABL Facility, to pay down $17.7 million of other debt and capital lease obligations, including $2.1 million used to repurchase $4.0 million in principal amount of 9% Notes, and to pay financing fees of $4.9 million in connection with debt refinancing transactions.

Off-Balance Sheet Arrangements

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

Contractual Obligations

The following is a schedule of our long-term contractual commitments, including the current portion of our long-term indebtedness at December 31, 2011 over the periods we expect them to be paid (dollars in thousands):

	TOTAL	Year 2012	Years 2013 & 2014	Years 2015 & 2016	The Five Years after 2016
Operating leases (1)	$ 44,841	$ 12,343	$ 16,660	$ 13,110	$ 2,728
Total indebtedness (2)	299,443	4,139	3,672	66,632	225,000
Capital leases	9,101	5,261	3,840		
Interest on indebtedness (3)	166,837	25,897	50,738	49,467	40,735
Total	$ 520,222	$ 47,640	$ 74,910	$ 129,209	$ 268,463

(1) These obligations represent the minimum rental commitments under all non-cancelable operating leases including the guaranteed residual values at the end of the leases. Commitments also include the operating lease for our corporate headquarters. See Note 20 of the consolidated financial statements. We expect that some of our operating lease obligations for tractors and trailers will be partially offset by rental revenue from subleasing the tractors to independent affiliates and independent owner-operators and subleasing trailers to independent affiliates.

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(2) Includes aggregate unamortized discount of $1.5 million.
(3) Amounts presented for interest payments assume that all long-term debt obligations outstanding as of December 31, 2011 will remain outstanding until maturity and interest rates on variable-rate debt in effect as of December 31, 2011 will remain in effect until maturity.

Long-term Debt

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

	December 31, 2011	December 31, 2010
Capital lease obligations	$ 9,101	$ 12,850
New ABL Facility	65,500	
Previous ABL Facility		38,500
11.75% Senior Subordinated PIK Notes, due 2013		33,184
9.875% Second-Priority Senior Secured Notes, due 2018	225,000	225,000
Other Notes	8,943	11,327
Long-term debt, including current maturities	308,544	320,861
Discount on Notes	(1,481)	(3,529)
	307,063	317,332
Less current maturities of long-term debt (including capital lease obligations)	(9,400)	(8,563)
Long-term debt, less current maturities (including capital lease obligations)	$ 297,663	$ 308,769

Debt Retirement

The following is a schedule of our indebtedness at December 31, 2011 over the periods we are required to pay such indebtedness (in thousands):

	2012	2013	2014	2015	2016 and after	Total
Capital lease obligations	$ 5,261	$ 2,996	$ 844	$	$	$ 9,101
New ABL Facility					65,500	65,500
9.875% Second-Priority Senior Secured Notes, due 2018 (1)					225,000	225,000
Other Notes	4,139	2,678	994	866	266	8,943
Total	$ 9,400	$ 5,674	$ 1,838	$ 866	$ 290,766	$ 308,544

(1) Amount does not include the remaining unamortized original issue discount of $1.5 million.

The following is a schedule of our debt issuance costs for the year ended December 31 (in thousands):

	2010	Write-off of Debt Issuance Costs	Additional Debt Issuance Costs	Transfer Related to Refinancing	2011 Amortization Expense	2011
New ABL Facility	$	$	$ 4,178	$ 1,288	$ (372)	$ 5,094

Previous ABL Facility	3,015	(917)		(1,288)	(810)	
11.75% Senior Subordinated PIK Notes, due 2013	410	(386)			(24)	
9.875% Second-Priority Senior Secured Notes, due 2018	5,685		787		(912)	5,560
Total	$ 9,110	$ (1,303)	$ 4,965	$	$ (2,118)	$ 10,654

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Amortization expense of deferred issuance costs was $2.1 million, $2.7 million, and $2.8 million for the years ending December 31, 2011, 2010, and 2009, respectively, and is included in interest expense. We are amortizing these costs over the term of the debt instruments.

The New ABL Facility

On August 19, 2011, we entered into the New ABL Facility. The New ABL Facility provides for a revolving credit facility with a maturity of five years and a maximum borrowing capacity of $250.0 million. The New ABL Facility includes borrowing capacity of up to $150.0 million for letters of credit and up to $30.0 million for swingline borrowings on same-day notice. The New ABL Facility replaced the Previous ABL Facility. The proceeds of the New ABL Facility were used to repay all outstanding indebtedness under our Previous ABL Facility, and to pay related fees and expenses. The New ABL Facility is available for general corporate purposes, including permitted acquisitions. At December 31, 2011, we had $82.3 million of borrowing availability under the New ABL Facility.

Borrowings under the New ABL Facility bear interest at a rate equal to an applicable margin plus, at our option, either a base rate or LIBOR. The applicable margin at December 31, 2011 was 1.00% for base rate borrowings and 2.00% for LIBOR borrowings. The applicable margin for borrowings will be reduced or increased based on aggregate borrowing base availability under the New ABL Facility. The base rate is equal to the highest of the prime rate, the federal funds overnight rate plus 0.50% and 30-day LIBOR plus 1.00%. In addition to paying interest on outstanding principal under the New ABL Facility, we are required to pay an unutilized commitment fee to the lenders quarterly at a rate ranging from 0.25% to 0.50%, depending on the average utilization of the New ABL Facility. We also pay customary letter of credit fees quarterly. We may voluntarily repay outstanding loans under the New ABL Facility at any time without premium or penalty, other than customary breakage costs with respect to LIBOR loans. The interest rate on the New ABL Facility at December 31, 2011 was 2.3%.

The borrowing base for the New ABL Facility consists of eligible accounts receivable, inventory, tractor and trailer equipment, real property and certain other equipment.

We have $5.5 million of debt issuance costs relating to the New ABL Facility, of which $4.2 million related to the new issuance and $1.3 million related to unamortized debt issuance costs of the Previous ABL Facility. We are amortizing the debt issuance costs over the remaining term of the New ABL Facility.

The Previous ABL Facility

Our Previous ABL Facility consisted of a current asset tranche in the amount of $205.0 million and a fixed asset tranche in the amount of $20.0 million. The Previous ABL Facility included a sublimit of up to $150.0 million to issue letters of credit and was available for working capital needs and general corporate purposes, including permitted acquisitions.

The interest rate under the current asset tranche was based, at our option, on either the administrative agent s base rate plus 1.00% or on the Eurodollar LIBOR rate plus an applicable margin. The administrative agent s base rate was equal to the greater of the federal funds overnight rate plus 0.50% or the prime rate. The interest rate under the fixed asset tranche was based, at our option, on either the administrative agent s base rate plus 1.25% or on LIBOR plus an applicable margin. The applicable margin under either tranche was subject to increases or reductions based upon the amounts available for borrowing. The interest rate on the Previous ABL Facility at December 31, 2010 was 2.5% and at the time of retirement was 2.4%.

We incurred $6.9 million in debt issuance costs relating to the Previous ABL Facility. Upon the refinancing of the Previous ABL Facility with the New ABL Facility, we wrote off $0.9 million of unamortized debt issuance costs and the remaining unamortized debt issuance costs of $1.3 million were allocated to the New ABL Facility.

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The refinancing of the Previous ABL Facility in August 2011 described above was partially treated as a debt modification and partially as a debt extinguishment in accordance with applicable FASB guidance.

9.875% Second-Priority Senior Secured Notes Due 2018

On November 3, 2010, we issued $225.0 million aggregate principal amount of the 2018 Notes. With the proceeds of the issuance of the 2018 Notes, we repaid at maturity our 9% Notes, fully redeemed our 2012 Notes and our 2013 Senior Notes, redeemed $47.5 million of our 2013 PIK Notes, and paid down a portion of our outstanding borrowings under the Previous ABL Facility.

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

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

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

We recorded $6.6 million in debt issuance costs relating to the 2018 Notes, of which $6.4 million was related to the new issuance and $0.2 million of unamortized debt issuance costs related to the 2013 Senior Notes. We are amortizing these costs over the term of the 2018 Notes.

11.75% Senior Subordinated PIK Notes Due 2013

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

On December 3, 2010, we redeemed $47.5 million of these notes plus accrued and unpaid interest, in conjunction with the issuance of the 2018 Notes. On December 10, 2010 and December 20, 2010, we repurchased $2.2 million and $0.3 million, respectively, of these notes plus accrued and unpaid interest. On

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

We recorded $1.5 million in debt issuance costs related to the 2013 PIK Notes, of which $0.5 million of unamortized debt issuance costs related to the 9% Notes and $1.0 million related to the new issuance. In addition, we recorded $6.7 million in note issuance discount due to warrants issued concurrently with the issuance of the 2013 PIK Notes. The amount represented the fair market value of the warrants at time of issuance. In conjunction with the December 3, 2010 redemption and the December 10, 2010 and December 20, 2010 repurchases, we wrote off $7.4 million of unamortized debt issuance costs and unamortized original issue discount in the fourth quarter of 2010. In connection with the January 20, 2011 and March 11, 2011 redemptions, we wrote off $1.8 million of unamortized debt issuance costs and unamortized original issue costs in the first quarter of 2011. In conjunction with the July 20, 2011 final redemption, we wrote off the remaining $0.3 million of unamortized debt issuance costs and unamortized original issue costs in the third quarter of 2011.

10% Senior Notes Due 2013

On October 15, 2009, we issued approximately $134.5 million aggregate principal amount of the 2013 Senior Notes. On December 3, 2010, we fully redeemed the 2013 Senior Notes with a portion of the proceeds of the issuance of the 2018 Notes.

Senior Floating Rate Notes Due 2012

On January 28, 2005, we issued $85.0 million aggregate principal amount of our 2012 Notes. On December 18, 2007, we issued a second series of 2012 Notes in the original principal amount of $50.0 million. On December 3, 2010, we fully redeemed the remaining 2012 Notes with a portion of the proceeds of the issuance of the 2018 Notes.

9% Senior Subordinated Notes Due 2010

In 2003, we issued $125.0 million aggregate principal amount of our 9% Notes. On November 15, 2010, we repaid at maturity the remaining $16.0 million of 9% Notes with a portion of the proceeds of the issuance of the 2018 Notes. We incurred $5.5 million in debt issuance costs relating to the issuance of the 9% Notes. Approximately $0.5 million of unamortized debt issuance costs were included in debt issuance costs related to the 2013 Senior Notes. All remaining debt issuance costs have been fully amortized.

The note issuance and subsequent note redemptions in November 2010 described above were primarily treated as a debt extinguishment and partially a debt modification in accordance with applicable FASB guidance.

Collateral, Guarantees and Covenants

The New ABL Facility contains a fixed charge coverage ratio which only needs to be met if borrowing availability is less than $20.0 million or $25.0 million, depending upon the size of our borrowing base. The New ABL Facility contains a number of covenants that, among other things, restrict, subject to certain exceptions, our ability to sell assets; incur additional indebtedness; prepay other indebtedness, including the 2018 Notes; pay dividends and distributions or repurchase QDI s capital stock; create liens on assets; make investments; make certain acquisitions; engage in mergers or consolidations; engage in certain transactions with affiliates; amend certain charter documents and material agreements governing subordinated indebtedness, including the 2018 Notes; change our business; and enter into agreements that restrict dividends from QD LLC s subsidiaries. The New ABL Facility also contains certain customary affirmative covenants and events of default.

The indenture governing the 2018 Notes contains covenants that restrict, subject to certain exceptions, our ability to, among other things: (i) incur additional debt or issue certain preferred shares; (ii) pay dividends on or

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make other distributions in respect of QDI s common stock or make other restricted payments; (iii) make certain investments; (iv) sell certain assets; (v) create or permit to exist dividend and/or payment restrictions affecting their restricted subsidiaries; (vi) create liens on certain assets to secure debt; (vii) consolidate, merge, sell or otherwise dispose of all or substantially all of their assets; (viii) enter into certain transactions with their affiliates; and (ix) designate their subsidiaries as unrestricted subsidiaries. The indenture also provides certain customary events of default, which, if any of them occur, may result in the principal, interest and any other monetary obligations on the then outstanding 2018 Notes becoming payable immediately.

The payment obligations under the New ABL Facility are senior secured obligations of QD LLC and QD Capital and are secured by a first-priority lien on certain assets and guaranteed by QDI and by all of its domestic restricted subsidiaries other than immaterial subsidiaries. The payment obligations of QD LLC and QD Capital under the 2018 Notes are guaranteed by QDI and by all of its domestic subsidiaries other than immaterial subsidiaries. The 2018 Notes, and the guarantees thereof, are senior obligations of QD LLC and QD Capital and are secured by a second-priority lien on certain assets. Pursuant to an intercreditor agreement, the liens on the collateral securing the 2018 Notes rank junior in right of payment to the New ABL Facility and obligations under certain hedging agreements and cash management obligations and certain other first lien obligations. We believe that we were in compliance with the covenants under the ABL Facility and the 2018 Notes at December 31, 2011.

Other Liabilities and Obligations

As of December 31, 2011, we had $10.1 million of environmental liabilities, $22.6 million of pension plan obligations and $18.4 million of insurance claim obligations. The timing of the cash payments for environmental liabilities and insurance claims fluctuates from quarter to quarter. We expect to incur additional environmental costs in the future for environmental studies and remediation efforts that we will be required to undertake related to legacy CLC sites.

As of December 31, 2011, we had $29.4 million in outstanding letters of credit that may be drawn by third parties to satisfy some of the obligations described above and certain other obligations. We are required to provide letters of credit to our insurance administrator to ensure that we pay required claims. The letter of credit issued to our insurance administrator had a maximum draw amount of $22.9 million as of December 31, 2011. If we fail to meet certain terms of our agreement, the insurance administrator may draw down the entire letter of credit. The remaining $6.5 million of outstanding letters of credit as of December 31, 2011 relates to various other obligations.

Other Issues

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

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

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

We are exposed to the impact of interest rate changes through our variable-rate borrowings under the New ABL Facility. With regard to the New ABL Facility at QD LLC s option, the applicable margin for borrowings at December 31, 2011 was 1.00% with respect to base rate borrowings and 2.00% with respect to LIBOR borrowings. The applicable margin for such borrowings will be reduced or increased based on aggregate borrowing base availability under the New ABL Facility over the life of the New ABL Facility. The base rate under the New ABL Facility is equal to the highest of the prime rate, the federal funds overnight rate plus 0.50%, and 30 day LIBOR plus 1.00%.

	Balance at December 31, 2011 ($ in 000s)	Interest Rate at December 31, 2011	Effect of 1% Increase ($ in 000s)
New ABL Facility	$ 65,500	2.31%	$ 655

At December 31, 2011, a 1% point increase in the current per annum interest rate would result in $0.7 million of additional interest expense during the next year. The foregoing calculation assumes an instantaneous 1% point increase in the rates under the New ABL Facility and that the principal amount is the amount outstanding as of December 31, 2011. The calculation therefore does not account for the differences in the market rates upon which the interest rates of our indebtedness are based, our various options to elect the lower of different interest rates under our borrowings or other possible actions, such as prepayment, that we might take in response to any rate increase.

Foreign Currency Exchange Rate Risk

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

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

These exposures may impact future earnings or cash flows. Revenue from foreign locations (Canada and Mexico) represented approximately 6.1% of our consolidated revenue in 2011 and 5.5% of our consolidated revenue in 2010. The economic impact of foreign exchange rate movements is complex because such changes are often linked to variability in real growth, inflation, interest rates, governmental actions and other factors. These changes, if material, could cause us to adjust our financing and operating strategies. Therefore, to isolate the effect of changes in currency does not accurately portray the effect of these other important economic factors. As foreign exchange rates change, translation of the income statements of our international subsidiaries into U.S. dollars affects year-over-year comparability of operating results. While we may hedge specific transaction risks, we generally do not hedge translation risks because we believe there is no long-term economic benefit in doing so.

Assets and liabilities for our Canadian operations are matched in the local currency, which reduces the need for dollar conversion. Our Mexican operations use the United States dollar as their functional currency. Any foreign currency impact on translating assets and liabilities into dollars is included as a component of

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shareholders deficit. Our revenue results for 2011 were positively impacted by a $1.8 million foreign currency movement, primarily due to the strengthening of the Canadian dollar against the United States dollar.

Changes in foreign exchange rates that had the largest impact on translating our international operating profits for 2010 related to the Canadian dollar versus the United States dollar. We estimate that a 1% adverse change in the Canadian dollar foreign exchange rate would have decreased our revenues by approximately $0.4 million in 2011, assuming no changes other than the exchange rate itself. Our inter-company loans are subject to fluctuations in exchange rates primarily between the United States dollar and the Canadian dollar. Based on the outstanding balance of our inter-company loans at December 31, 2011, a change of 1% in the exchange rate for the Canadian dollar would cause a change in our foreign exchange result of less than $0.1 million.

Commodity Price Risk

The price and availability of diesel fuel are subject to fluctuations due to changes in the level of global oil production, seasonality, weather, global politics and other market factors. Historically, we have been able to recover a majority of fuel price increases from our chemical logistics and intermodal customers in the form of fuel surcharges. The price and availability of diesel fuel can be unpredictable as well as the extent to which fuel surcharges can be collected to offset such increases. In 2011 and 2010, a majority of fuel costs were covered through fuel surcharges.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

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

Evaluation of Disclosure Controls and Procedures

As required by Exchange Act Rules 13a-15(b) and 15d-15(b), management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on their evaluation, management concluded our disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) were effective as of December 31, 2011 to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and were effective as of December 31, 2011 to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

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Management s Report on Internal Control over Financial Reporting

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

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

Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2011, using the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment and those criteria, management has determined that our internal control over financial reporting was effective as of December 31, 2011.

PricewaterhouseCoopers LLP, our independent registered public accounting firm, has audited the effectiveness of the Company s internal controls over financial reporting as of December 31, 2011, as stated in their report which is included herein.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information with respect to the directors, the Audit Committee of the Board of Directors, the Nomination Committee of the Board of Directors (known as the Corporate Governance Committee), and the Audit Committee financial expert, will be contained in our 2012 Proxy Statement. The 2012 Proxy Statement is expected to be filed on or about April 25, 2012. Such information is incorporated herein by reference.

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

Code of Ethics

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

Section 16(a) Beneficial Ownership Reporting Compliance

Information regarding compliance with Section 16(a) of the Exchange Act set forth under the heading Section 16(a) Beneficial Ownership Reporting Compliance will be in our 2012 Proxy Statement and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

For information regarding our Executive Compensation, Compensation Committee Interlocks and Insider Participation, and our Compensation Committee Report, we direct you to the section entitled Executive Compensation that will be in the 2012 Proxy Statement. We are incorporating the information contained in that section of our Proxy Statement here by reference.

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

Information regarding the security ownership of certain beneficial owners and management and related shareholder matters and equity compensation plans will be set forth under the heading Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters in our 2012 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this item will be incorporated by reference from our 2012 Proxy Statement under the headings Certain Relationships and Related Party Transactions and Corporate Governance .

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information appearing in our 2012 Proxy Statement under the headings Report of the Audit Committee of the Board of Directors, Appointment of the Independent Registered Certified Public Accounting Firm and Fees Paid to the Independent Registered Certified Public Accounting Firm in 2010 and 2011 is incorporated by reference.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

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

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

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

(b) Other Exhibits

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

(c) Not Applicable

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SIGNATURES

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

QUALITY DISTRIBUTION, INC.

March 5, 2012

/s/ GARY R. ENZOR
GARY R. ENZOR

CHIEF EXECUTIVE OFFICER

(DULY AUTHORIZED OFFICER)

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

DATE	SIGNATURE	TITLE
March 5, 2012	/s/ Gary R. Enzor Gary R. Enzor	Chief Executive Officer and Director (Principal Executive Officer)
March 5, 2012	/s/ Joseph J. Troy Joseph J. Troy	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
March 5, 2012	* Thomas M. White	Director and Chairman of the Board
March 5, 2012	* Kevin E. Crowe	Director
March 5, 2012	* Richard B. Marchese	Director
March 5, 2012	* Thomas R. Miklich	Director
March 5, 2012	* M. Ali Rashid	Director
March 5, 2012	* Alan H. Schumacher	Director

*By: /s/ Gary R. Enzor

Gary R. Enzor
Attorney-in-fact

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of shareholders deficit and comprehensive income (loss) and of cash flows present fairly, in all material respects, the financial position of Quality Distribution, Inc. and its subsidiaries at December 31, 2011 and December 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Tampa, Florida

March 5, 2012

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2011, 2010 and 2009

(In thousands, Except Per Share Data)

	Years ended December 31, 2011	2010	2009
OPERATING REVENUES:			
Transportation	$ 517,780	$ 498,446	$ 454,658
Service revenue	110,588	107,474	104,954
Fuel surcharge	117,583	80,678	53,997
Total operating revenues	745,951	686,598	613,609
OPERATING EXPENSES:			
Purchased transportation	522,866	471,792	369,460
Compensation	61,098	57,563	76,955
Fuel, supplies and maintenance	51,102	54,367	66,527
Depreciation and amortization	14,413	16,004	20,218
Selling and administrative	21,647	19,339	24,572
Insurance costs	14,042	15,546	14,119
Taxes and licenses	2,211	2,218	3,578
Communication and utilities	2,732	4,119	7,910
Gain on sale of tank wash assets			(7,130)
(Gain) loss on disposal of property and equipment	(1,318)	1,136	450
Impairment charge			148,630
Restructuring (credit) costs	(521)	7,779	3,496
Total operating expenses	688,272	649,863	728,785
Operating income (loss)	57,679	36,735	(115,176)
Interest expense	29,497	36,170	28,335
Interest income	(585)	(622)	(288)
Write-off of debt issuance costs	3,181	7,391	20
Gain on extinguishment of debt			(1,870)
Other expense	214	791	1,912
Income (loss) before income taxes	25,372	(6,995)	(143,285)
Provision for income taxes	1,941	411	37,249
Net income (loss)	$ 23,431	$ (7,406)	$ (180,534)
PER SHARE DATA:			
Net income (loss) per common share			
Basic	$ 1.01	$ (0.36)	$ (9.28)
Diluted	$ 0.96	$ (0.36)	$ (9.28)

Weighted-average number of shares			
Basic	23,088	20,382	19,449
Diluted	24,352	20,382	19,449

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

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the Years Ended December 31, 2011, 2010 and 2009

(In thousands)

	Years ended December 31,		
	2011	**2010**	**2009**
Net income (loss)	$ 23,431	$ (7,406)	$ (180,534)
Other comprehensive (loss) income:			
Adjustment to pension obligation	(5,213)	(520)	1,035
Translation adjustment	26	(87)	(134)
Total other comprehensive (loss) income	(5,187)	(607)	901
Comprehensive income (loss)	$ 18,244	$ (8,013)	$ (179,633)

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

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2011 and 2010

(In thousands)

	December 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,053	$ 1,753
Accounts receivable, net	90,567	80,895
Prepaid expenses	7,849	6,911
Deferred tax asset, net	4,048	3,848
Other	3,858	4,891
Total current assets	110,375	98,298
Property and equipment, net	125,892	113,419
Goodwill	31,344	27,023
Intangibles, net	18,471	16,924
Other assets	16,313	15,671
Total assets	$ 302,395	$ 271,335
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND SHAREHOLDERS DEFICIT		
Current liabilities:		
Current maturities of indebtedness	$ 4,139	$ 3,991
Current maturities of capital lease obligations	5,261	4,572
Accounts payable	7,571	7,200
Independent affiliates and independent owner-operators payable	9,795	11,059
Accrued expenses	25,327	24,363
Environmental liabilities	3,878	3,687
Accrued loss and damage claims	8,614	8,471
Total current liabilities	64,585	63,343
Long-term indebtedness, less current maturities	293,823	300,491
Capital lease obligations, less current maturities	3,840	8,278
Environmental liabilities	6,222	7,255
Accrued loss and damage claims	9,768	10,454
Other non-current liabilities	30,342	26,060
Total liabilities	408,580	415,881
Commitments and contingencies Note 20		
Redeemable noncontrolling interest		1,833
SHAREHOLDERS DEFICIT		
Common stock, no par value; 49,000 shares authorized; 24,207 issued and 23,940 outstanding at December 31, 2011 and 21,678 issued and 21,458 outstanding at December 31, 2010.	393,859	371,288
Treasury stock, 267 shares at December 31, 2011 and 220 shares at December 31, 2010.	(1,878)	(1,593)

Accumulated deficit	(278,543)	(301,974)
Stock recapitalization	(189,589)	(189,589)
Accumulated other comprehensive loss	(31,381)	(26,194)
Stock purchase warrants	1,347	1,683
Total shareholders deficit	(106,185)	(146,379)
Total liabilities, redeemable noncontrolling interest and shareholders deficit	$ 302,395	$ 271,335

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

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS DEFICIT

For the Years Ended December 31, 2011, 2010 and 2009 (In thousands)

	Shares of Common Stock	Shares of Treasury Stock	Common Stock	Treasury Stock	Accumulated Deficit	Stock Recapitalization	Accumulated Other Comprehensive Loss	Stock Purchase Warrants	Stock Subscription Receivables	Total Shareholders Equity (Deficit)
Balance, December 31, 2008	19,754	(205)	$ 362,945	$ (1,580)	$ (114,034)	$ (189,589)	$ (26,488)	$	$ (234)	$ 31,020
Net loss					(180,534)					(180,534)
Issuance of restricted stock	543									
Forfeiture of restricted stock		(15)								
Amortization of restricted stock			388							388
Amortization of stock options			713							713
Forgiveness of stock subscription receivable									80	80
Issuance of stock purchase warrants								6,696		6,696
Translation adjustment, net of tax							(134)			(134)
Adjustment to pension obligation, net of tax							1,035			1,035
Balance, December 31, 2009	20,297	(220)	$ 364,046	$ (1,580)	$ (294,568)	$ (189,589)	(25,587)	$ 6,696	$ (154)	$ (140,736)
Net loss					(7,406)					(7,406)
Issuance of restricted stock	69									
Forfeiture of restricted stock										
Amortization of restricted stock			923							923
Amortization of stock options			1,350							1,350
Stock warrant exercise	1,311		5,013					(5,013)		
Stock option exercise	1		3							3
Forgiveness of stock subscription receivable									21	21
Satisfaction of stock subscription receivables			(47)	(13)					60	
Other stock transactions									73	73
Translation adjustment, net of tax							(87)			(87)
Adjustment to pension obligation, net of tax							(520)			(520)
Balance, December 31, 2010	21,678	(220)	$ 371,288	$ (1,593)	$ (301,974)	$ (189,589)	$ (26,194)	$ 1,683	$	$ (146,379)

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

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS DEFICIT

For the Years Ended December 31, 2011, 2010 and 2009 (In thousands) continued

	Shares of Common Stock	Shares of Treasury Stock	Common Stock	Treasury Stock	Accumulated Deficit	Stock Recapitalization	Accumulated Other Comprehensive Loss	Stock Purchase Warrants	Total Shareholders Deficit
Balance, December 31, 2010	21,678	(220)	$ 371,288	$ (1,593)	$ (301,974)	$ (189,589)	$ (26,194)	$ 1,683	$ (146,379)
Net income					23,431				23,431
Issuance of restricted stock	93								
Forfeiture of restricted stock		(42)		(272)					(272)
Amortization of restricted stock			1,097						1,097
Amortization of stock options			1,777						1,777
Stock warrant exercise	88		336					(336)	
Stock option exercise	348	(1)	1,781	(13)					1,768
Proceeds from equity offering, net of transaction costs	2,000		17,580						17,580
Satisfaction of stock subscription receivables		(4)							
Translation adjustment, net of tax							26		26
Adjustment to pension obligation, net of tax							(5,213)		(5,213)
Balance, December 31, 2011	24,207	(267)	$ 393,859	$ (1,878)	$ (278,543)	$ (189,589)	$ (31,381)	$ 1,347	$ (106,185)

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

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2011, 2010 and 2009

(In thousands)

	Years Ended December 31,		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 23,431	$ (7,406)	$ (180,534)
Adjustments to reconcile to net cash and cash equivalents provided by (used in) operating activities:			
Deferred income tax provision (benefit)	8,500	(2,792)	(4,234)
Depreciation and amortization	14,413	16,004	20,218
Bad debt (recoveries) expense	(800)	(1,279)	1,838
Gain on sale of tank wash assets			(7,130)
(Gain) loss on disposal of property and equipment	(1,318)	1,136	450
Impairment charge			148,630
PIK interest on Senior Subordinated Notes	196	2,027	469
Gain on extinguishment of debt			(1,870)
Financing costs		174	2,323
Unconsummated stock offering costs		735	
Write-off of deferred financing costs	1,468	2,946	20
Write-off of bond discount	1,713	4,445	
Stock-based compensation	2,874	2,273	1,101
Amortization of deferred financing costs	2,118	2,742	2,826
Amortization of bond discount	333	2,231	1,358
Noncontrolling interest dividends	38	145	145
(Benefit from) provision for deferred tax asset valuation allowance	(8,500)	2,792	41,577
Changes in assets and liabilities:			
Accounts receivables	(7,738)	(9,155)	9,945
Prepaid expenses	2,793	4,212	5,254
Other assets	1,021	(3,458)	2,776
Accounts payable	(743)	579	(2,844)
Accrued expenses	(1,881)	3,202	(4,150)
Environmental liabilities	(843)	(705)	794
Accrued loss and damage claims	(543)	(471)	(2,124)
Independent affiliates and independent owner-operators payable	(1,264)	1,325	2,085
Other liabilities	(852)	(782)	233
Current income taxes	983	151	600
Net cash provided by operating activities	35,399	21,071	39,756
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(38,340)	(11,184)	(8,221)
Acquisition of Greensville Transport Company	(8,594)		
Acquisition purchase price adjustment			266
Proceeds from sale of tank wash assets			10,000
Proceeds from sales of property and equipment	16,476	10,105	7,532
Net cash (used in) provided by investing activities	(30,458)	(1,079)	9,577
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt		223,479	
Principal payments on long-term debt	(38,075)	(205,615)	(9,829)
Principal payments on capital lease obligations	(4,532)	(5,162)	(7,913)

Proceeds from revolver	175,457	59,200	28,600
Payments on revolver	(148,457)	(88,700)	(47,600)
Payments on acquisition notes	(632)	(917)	(966)
Financing costs		(174)	(2,323)
Deferred financing costs	(4,965)	(5,594)	(2,554)
Unconsummated stock offering costs		(735)	
Change in book overdraft	1,085	441	(7,785)
Noncontrolling interest dividends	(38)	(145)	(145)
Redemption of noncontrolling interest	(1,833)		
Proceeds from equity offering, net of transaction cots	17,580		
Proceeds from exercise of stock options	1,768	43	
Net cash used in financing activities	(2,642)	(23,879)	(50,515)
Effect of exchange rate changes on cash	1	7	28
Net increase (decrease) in cash and cash equivalents	2,300	(3,880)	(1,154)
Cash and cash equivalents, beginning of year	1,753	5,633	6,787
Cash and cash equivalents, end of year	$ 4,053	$ 1,753	$ 5,633
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	$ 26,535	$ 29,427	$ 22,704
Income Taxes	949	494	182
SUPPLEMENTAL DISCLOSURES OF NON-CASH FLOW INFORMATION:			
Minimum pension liability accrual, net of tax	$ 6,484	$ 1,813	$ 248
Original and amended capital lease obligations and lease residual guarantees	2,153	846	1,280
Notes payable (receivable) for purchase (sale) of business assets	497	784	(3,000)
Notes payable insurance fundings	2,062	1,582	1,879
Warrant discount on notes issuance			6,696
Liabilities assumed with acquisition of Greensville	821		

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

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2011, 2010 and 2009

1. BUSINESS ORGANIZATION

Quality Distribution, Inc. (the Company , QDI , or we) and its subsidiaries are engaged primarily in transportation of bulk chemicals in North America. We are the largest provider of intermodal ISO tank container and depot services in North America through our wholly owned subsidiary, Boasso America Corporation (Boasso), which also includes Greensville Transport Company (Greensville). In 2011, we entered the gas and oil frac shale energy markets, providing logistics services to these markets through our wholly owned subsidiaries, QC Energy Resources, Inc. and QC Energy Resources, LLC, collectively (QCER). We conduct a significant portion of our business through a network of independent affiliates and independent owner-operators. Independent affiliates are companies which enter into various term contracts with the Company. Independent affiliates are responsible for paying for their own power equipment (including debt service), fuel and other operating costs. Most of the independent affiliates lease trailers from us. Independent owner-operators are independent contractors, who, through a contract with us, supply one or more tractors and drivers for our use. Contracts with independent owner-operators may be terminated by either party on short notice. We charge independent affiliates and third parties for the use of tractors and trailers as necessary. In exchange for the services rendered, independent affiliates and independent owner-operators are normally paid a percentage of the revenues collected on each load hauled.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States using U.S. dollars as the reporting currency as the majority of our business is in the U.S. The consolidated financial statements include the accounts of QDI and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Redeemable noncontrolling interest in 2010 reflected outstanding preferred stock of Chemical Leaman Corp. (CLC), a wholly-owned subsidiary of QDI, which was fully redeemed in 2011.

An amount of $1.1 million related to an insurance premium refund received was identified as a prior period error which was corrected and recorded during the fourth quarter of 2011. We concluded that this adjustment was not material to our interim and annual consolidated financial statements for 2011 or the financial statements for any prior period based on our consideration of quantitative and qualitative factors.

Reclassification

Certain prior period amounts have been reclassified amongst operating expense line items to conform to the current year presentation.

Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less to be cash equivalents. Book overdrafts are included in accounts payable.

Allowance for Uncollectible Receivables

We have established a reserve for uncollectible receivables based on a combination of historical data, cash payment trends, specific customer issues, write-off trends, general economic conditions and other factors. We charge uncollectible amounts to our allowance based on various issues, including cash payment trends and specific customer issues. These factors are continuously monitored by our management to arrive at the estimate for the amount of accounts receivable that may be ultimately uncollectible. The receivables analyzed include trade receivables, as well as loans and advances made to independent affiliates and independent owner-operators.

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2011, 2010 and 2009

Tires

We capitalize the cost of tires mounted on tractors and trailers that we acquire as a part of the total equipment cost and depreciate the cost over the useful life of the related equipment. Subsequent replacement tires are expensed at the time those tires are placed in service similar to other repairs and maintenance costs.

Property and Equipment and Impairment on Long-Lived Assets

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

The asset lives used are presented in the following table:

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

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

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

Goodwill and Intangible Assets We evaluate goodwill and indefinite-lived intangible assets for impairment at least annually during the second quarter with a measurement date of June 30, and more frequently if indicators of impairment arise, in accordance with Financial Accounting Standards Board (FASB) guidance on goodwill and other intangible assets. We evaluate goodwill for impairment by determining the fair value for each reporting unit to which our goodwill relates. At June 30, 2011, our intermodal segment was our only reporting unit that contained goodwill. Our intermodal segment contains goodwill and other identifiable intangible assets associated with our Boasso acquisition in December 2007 and our Greensville acquisition in November 2011.

The methodology applied in the analysis performed at June 30, 2011 was consistent with the methodology applied in prior years, but was based on updated assumptions, as appropriate. As a result of our analysis, we concluded no impairment had occurred as of June 30, 2011 and 2010. As a result of our analysis at June 30,

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Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2011, 2010 and 2009

2009, a total impairment charge to goodwill of $146.2 million was necessary, of which $144.3 million was related to our chemical logistics segment, eliminating 100% of the carrying amount of goodwill of that segment, and $1.9 million was related to our intermodal segment.

We continued to evaluate indicators of impairment quarterly following our annual goodwill impairment test at June 30, 2011 through year end 2011, including the quarter ended December 31, 2011. There were no indications that a triggering event had occurred as of December 31, 2011. As of December 31, 2011, we had total goodwill of $31.3 million, all of which was allocated to our intermodal segment. As of December 31, 2011, we had total intangibles of $18.5 million, of which $17.9 million was allocated to our intermodal segment and $0.6 million was allocated to our chemical logistics segment.

Goodwill

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

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

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

After computing a separate business enterprise value under the income approach and market approach, we apply a weighting to them to derive the business enterprise value of the reporting unit. The income approach and market approach were both weighted 50% in the analysis performed at June 30, 2011. The weightings are evaluated each time a goodwill impairment assessment is performed and give consideration to the relative reliability of each approach at that time. Given that the business enterprise value derived from the market approach supported what was calculated in the income approach, we believed that both approaches should be equally weighted. Based on these weightings we calculated a business enterprise value for the reporting unit. We

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Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2011, 2010 and 2009

then add debt-free liabilities of the reporting unit to the calculated business enterprise value to derive an implied fair value of the reporting unit. The implied fair value is then compared to the reporting unit s carrying value of total assets. Upon completion of the analysis in step one, we determined that the fair value of our intermodal reporting unit exceeded its carrying value. As such, a step two analysis was not required.

Intangible assets

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

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

Other Assets Deferred Loan Costs

Costs incurred to issue debt are deferred and amortized as a component of interest expense over the estimated term of the related debt using the effective interest rate method.

Taxation

We use the liability method of accounting for income taxes. If, on the basis of available evidence, it is more likely than not that all or a portion of the deferred tax asset will not be realized, the asset must be reduced by a valuation allowance. Any change in the actual future results of operations could impact the valuation of the net deferred tax asset.

A valuation allowance has been maintained for 100% of our net deferred tax asset as we believe it does not meet the more likely than not criteria. Our judgments regarding future taxable income may change due to changes in market conditions, changes in tax laws or other factors. If any of the assumptions and related estimates changes in the future, it may impact the valuation allowance and related income tax expense in the same period.

During the second quarter of 2009, an impairment charge of $148.6 million was recorded and as a result the Company determined that it was in a cumulative loss position. We based this analysis on a rolling thirty-six month calculation of U.S. earnings along with other criteria at each reporting date. As a result of this negative evidence, we determined that it was more likely than not that the Company s net deferred tax asset was not realizable. For purposes of assessing realizability of the deferred tax assets, cumulative losses in recent years were considered significant negative evidence and caused us to conclude that the Company would not fully realize the deferred tax assets. This evidence was weighed against positive evidence such as positive forecasted earnings and when our net operating loss carryforward will expire. The negative evidence outweighed the positive evidence and as a result, a $41.2 million deferred tax valuation allowance was recorded.

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Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2011, 2010 and 2009

At December 31, 2011 we had an estimated $77.0 million in federal net operating loss carryforwards, $3.0 million of unrecognized federal operating loss carryforwards related to excess stock compensation deductions and uncertain tax position deductions, $2.4 million in alternative minimum tax credit carryforwards and $4.8 million in foreign tax credit carryforwards. The net operating loss carryforwards will expire in the years 2018 through 2030, while the alternative minimum tax credits may be carried forward indefinitely and the foreign tax credits may be carried forward for 10 years. We do not have a history of net operating loss or tax credit carryforwards expiring unused; however, we have determined based on the weight of available evidence that it is more likely than not that some or all of the carryforwards may expire.

We continue to evaluate quarterly, the positive and negative evidence regarding the realization of net deferred tax assets in accordance with FASB guidance for income taxes. Included in this assessment are estimates of projected future taxable income, our measurement of whether there are cumulative losses in recent years, and certain other criteria. Significant management judgment is required in this process and based on our assessment as of December 31, 2011, we concluded that realization is not assured and it is more likely than not that our deferred tax asset will not be realized. Therefore, we maintain a 100% valuation allowance against the deferred tax asset.

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

Environmental liabilities

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

Accrued Loss and Damage Claims

We currently maintain liability insurance for bodily injury and property damage claims, covering all employees, independent owner-operators and independent affiliates, and workers compensation insurance coverage on our employees and company drivers. This insurance includes deductibles of $2.0 million per incident for bodily injury and property damage and $1.0 million for workers compensation. As such, we are subject to liability as a self-insurer to the extent of these deductibles under the policy. We are self-insured for damage to the equipment we own or lease and for cargo losses. As of December 31, 2011, we had $22.9 million in an outstanding letter of credit to our insurance administrator to guarantee the self-insurance portion of our liability. If we fail to meet certain terms of our agreement, the insurance administrator may draw down the letter

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For the Years Ended December 31, 2011, 2010 and 2009

of credit. In developing liability reserves, we rely on professional third party claims administrators, insurance company estimates and the judgment of our own safety department personnel, and independent professional actuaries and attorneys. The most significant assumptions used in the estimation process include determining the trends in loss costs, the expected consistency in the frequency and severity of claims incurred but not yet reported to prior-year claims, and expected costs to settle unpaid claims. Management believes reserves are reasonable given known information, but as each case develops, estimates may change to reflect the effect of new information.

Redeemable Noncontrolling Interest

Shares of Series C preferred stock of our subsidiary, CLC, were held by two shareholders that were affiliated with us. These shareholders were entitled to dividends on each of their shares of Series C preferred stock, payable quarterly, at a rate of 8.0% (or $480 per preferred share) per annum. At December 31, 2010, all 302 shares were outstanding, fully redeemable and carried at a maximum aggregate redemption value of $1.8 million in accordance with FASB guidance. In 2009, we adopted FASB guidance that required us to report the noncontrolling interest as a temporary equity item. On March 3, 2011, we fully redeemed all 302 shares for $1.8 million plus accrued dividends through the redemption date.

Foreign Currency Translation

The translation from Canadian dollars to U.S. dollars is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted-average exchange rate in effect during the period. The gains or losses, net of income taxes, resulting from such translation are included in shareholders deficit as a component of accumulated other comprehensive loss. Gains or losses from foreign currency transactions are included in other expense.

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are as follows as of December 31 (in thousands):

	2011	2010
Unrecognized loss and prior service costs	$ 30,244	$ 25,031
Foreign currency translation adjustment	1,137	1,163
	$ 31,381	$ 26,194

Revenue Recognition

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

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2011, 2010 and 2009

Service Revenue

The components of service revenue are as follows for the year ended December 31 (in thousands):

	2011	2010	2009
Rental revenue	$ 50,726	$ 53,911	$ 42,115
Intermodal and depot revenues	42,169	37,004	31,161
Tank wash revenue			19,530
Other revenue	17,693	16,559	12,148
	$ 110,588	$ 107,474	$ 104,954

Share-Based Compensation

Under the FASB guidance, we apply the Black-Scholes valuation model in determining the fair value of share-based payments to employees and directors. The resulting compensation expense is recognized over the requisite service period, which is generally the option vesting term of two to four years. Please refer to Note 19 for further discussion regarding stock-based compensation.

Leased Assets

We have both capital and operating leases. The initial leases for most of our tractors and trailers have terms that range from four to six years. Some leases require us to pay the lessor a minimum residual amount at the end of the lease. For operating leases, we accrue this residual by recording a prepaid rent amount and amortizing a monthly amount as rental expense and also record a liability that is increased every year by recognizing interest expense. This residual amount is recorded in the balance sheet category Other non-current liabilities. For capital leases, the residual is included as part of the cost of the capitalized leased asset.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Income (Loss) Per Common Share

Basic net income (loss) per common share is calculated based on the weighted-average common shares outstanding during each period. Diluted income (loss) per common share includes the dilutive effect, if any, of common equivalent shares outstanding during each period.

New Accounting Pronouncements

In December 2010, FASB issued amended guidance to clarify the acquisition date that should be used for reporting pro forma financial information for business combinations. If comparative financial statements are presented, the pro forma revenue and earnings of the combined entity for the comparable prior reporting period should be reported as though the acquisition date had been completed as of the beginning of the comparable prior annual reporting period. The amendments in this guidance are effective prospectively for business combinations for which the acquisition date is on or after January 1, 2011.

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Notes to Consolidated Financial Statements (Continued)

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In December 2010, the FASB also issued amendments to the guidance on goodwill impairment testing. The amendments modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In making that determination, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. These amendments are effective for fiscal years and interim periods beginning January 1, 2011. Adoption of these amendments did not have an impact on the Company s financial position, results of operations or cash flows.

In June 2011, the FASB updated its guidance on comprehensive income. This accounting update eliminates the option to present the components of other comprehensive income as part of the statement of shareholders equity. Instead, the Company must report comprehensive income in either a single continuous statement of comprehensive income which contains two segments, net income and other comprehensive income, or in two separate but consecutive statements. This amendment is effective for public companies during the interim and annual periods beginning after December 15, 2011 with early adoption permitted. The Company adopted this amended guidance for its fiscal year ending December 31, 2011 by presenting a separate statement of comprehensive income.

In September 2011, the FASB issued additional amendments to the guidance on goodwill testing for impairment by permitting an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This amendment is effective for fiscal years beginning after December 31, 2011, with early adoption permitted in limited circumstances. Adoption of this amendment is not expected to have an impact on the Company s financial position, results of operations or cash flows.

In September 2011, the FASB issued amended guidance that requires employers to provide additional separate disclosures for multi-employer pension plans and multi-employer other postretirement benefit plans. The additional quantitative and qualitative disclosures will provide users with more detailed information about an employer s involvement in multi-employer pension plans. The new disclosure requirements are required for fiscal years ending after December 15, 2011. The Company adopted this amended guidance for its fiscal year ending December 31, 2011.

3. VARIABLE INTEREST ENTITIES

At December 31, 2011, we hold a variable interest in one variable interest entity (VIE) for which we are not the primary beneficiary. We have concluded, based on our qualitative consideration of our contract with the VIE, the operating structure of the VIE and our role with the VIE that we do not have the power to direct activities that most significantly impact its economic performance. Therefore, we are not required to consolidate the operations of this VIE.

The VIE is an independent affiliate that is directly engaged in the dry bulk business through the management of three trucking terminals in the North East region of the U.S. As such, this business is highly seasonal. We are involved with this VIE as a non-controlling interest. Our maximum exposure to loss as a result of our involvement with this unconsolidated VIE is limited to our recorded loans receivable which aggregated approximately $2.6 million at December 31, 2011. These loans are secured by a second priority lien on assets of the VIE.

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Severe winter weather in the fourth quarter of 2010 and the first quarter of 2011 created cash flow constraints for this VIE in the first quarter of 2011. While the VIE s business and cash flow improved throughout the remainder of 2011, as expected, we remain reliant on collateral for the repayment of our loans. During the first quarter of 2011, we recorded a $0.5 million reserve against our $2.6 million of loans receivable. This reserve was reversed during the fourth quarter of 2011 based on an assessment of the VIE s improved business performance and the Company s improved collateral position.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The three-level valuation hierarchy for fair value measurements is based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 Quoted prices for identical instruments in active markets;

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose significant inputs are observable: and

Level 3 Instruments whose significant inputs are unobservable.

Following is a description of the valuation methodologies we used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Fair Value Measurements on a Nonrecurring Basis

Long-term indebtedness

The fair value of our long-term indebtedness is based on level 2 quoted market prices. As of December 31, 2011, the carrying value and fair value are as follows (in thousands):

	Carrying Value	Fair Value
9.875% Second-Priority Senior Secured Notes, due 2018	$ 225,000	$ 231,188

Our asset-based loan facility (the New ABL Facility) is variable rate debt and approximates fair value.

The carrying amounts reported in the accompanying balance sheets for cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the immediate or short-term maturities of these financial instruments.

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5. EARNINGS (LOSS) PER COMMON SHARE

A reconciliation of the numerators and denominators of the basic and diluted earnings (loss) from continuing operations to earnings (loss) per share computations follows (in thousands except per share amounts):

	December 31, 2011			December 31, 2010			December 31, 2009		
	Earnings from continuing operations (numerator)	Shares (denominator)	Per-share amount	Loss from continuing operations (numerator)	Shares (denominator)	Per-share amount	Loss from continuing operations (numerator)	Shares (denominator)	Per-share amount
Basic earnings (loss) available to common shareholders:									
Earnings (loss)	$ 23,431	23,088	$ 1.01	$ (7,406)	20,382	$ (0.36)	$ (180,534)	19,449	$ (9.28)
Effect of dilutive securities:									
Stock options		635							
Unvested restricted stock		200							
Unexercised stock warrants		429							
Diluted earnings (loss) available to common shareholders:									
Earnings (loss)	$ 23,431	24,352	$ 0.96	$ (7,406)	20,382	$ (0.36)	$ (180,534)	19,449	$ (9.28)

The effect of our stock options, restricted stock and stock warrants which represent the shares shown in the table above are included in the computation of diluted earnings per share for each year. There is no effect of our stock options, restricted stock and stock warrants in the computation of diluted earnings per share for the years ended December 31, 2010 and 2009 due to a net loss in both periods.

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The following securities were not included in the calculation of diluted EPS because such inclusion would be anti-dilutive (in thousands):

	For the years ended December 31,		
	2011	**2010**	**2009**
Stock options	1,573	2,126	2,171
Restricted stock	134	313	610
Warrants	1	1	1,747

6. ACQUISITIONS AND DISPOSITIONS

On November 1, 2011, Boasso acquired all of the outstanding stock of Greensville Transport Company (Greensville). The purchase price was $8.6 million, paid in cash, with an additional $0.5 million to be paid in cash, subject to Greensville meeting certain future operating performance criteria. An additional $0.4 million will be paid in cash for a 338(h)(10) tax election. Greensville is headquartered in Chesapeake, Virginia and is a leading provider of ISO tank container and depot services with access to ports in Virginia, Maryland and South Carolina. For its fiscal year ended December 31, 2010, Greensville had revenues of approximately $8.0 million. Proforma information for the acquisition has not been presented as the acquisition was not significant.

During 2010, we did not complete any acquisitions or dispositions of businesses.

On October 10, 2009, we sold substantially all of the operating assets of our tank wash subsidiary, Quala Systems, Inc, (QSI), for $13.0 million, of which $10.0 million was paid in cash and the remaining $3.0 million in a subordinated note. The subordinated note is a five year non-amortizing note which matures on December 31, 2014. The principal is payable in a lump sum at maturity. Interest is payable quarterly at 7% per annum commencing December 31, 2009. In connection with the sale, QSI entered into various agreements with the purchaser, which is not affiliated with us, including long-term leases of real estate used in the tank wash business and various operating agreements. The assets sold had a net book value of $4.9 million, which included $4.3 million of equipment, $0.4 million of inventory, and $0.2 million of intangible assets. The sold QSI business generated approximately $19.5 million of revenue in 2009 from tank wash and related operations. Following the sale of the QSI business, we have purchased tank wash services (which were previously provided by QSI) from the acquirer of QSI s tank wash assets and we expect to continue to do so in the future. Since we expect these continuing cash outflows to be significant, the sold QSI business did not qualify as a discontinued operation under FASB guidance. Therefore, we recorded a pre-tax gain of $7.1 million in the fourth quarter of 2009 as part of our operating income.

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7. SELECTED QUARTERLY FINANCIAL DATA (Unaudited) (In thousands, except per share data)

	Quarter Ended			
	March 31	June 30	September 30	December 31
2011				
Operating revenues	$ 177,910	$ 189,993	$ 199,298	$ 178,750
Operating income	12,193	16,939	15,286	13,261
Net income	2,722	9,046	6,187	5,476
Income per share basic	0.12	0.39	0.26	0.23
Income per share diluted	0.12	0.37	0.25	0.22
2010				
Operating revenues	$ 161,333	$ 177,552	$ 181,948	$ 165,765
Operating income	8,684	11,223	9,837	6,991
Net income (loss)	798	2,056	421	(10,681)
Income (loss) per share basic	0.04	0.10	0.02	(0.51)
Income (loss) per share diluted	0.04	0.09	0.02	(0.51)

In 2011, we recognized a restructuring credit of $0.5 million in the first quarter. Results for the first quarter of 2011 include a write-off of debt issuance costs of $1.8 million related to the partial redemption of our 2013 PIK Notes. Results for the third quarter of 2011 include a write-off of debt issuance costs of $0.3 million related to the final redemption of our 2013 PIK Notes and a write-off of debt issuance costs of $0.9 million related to the refinancing of our Previous ABL Facility.

In 2010, we recognized $7.8 million in restructuring costs. Results for the fourth quarter of 2010 include a $7.4 million write-off of debt issuance costs related to the issuance of our 2018 Notes and subsequent redemption of other notes.

8. RESTRUCTURING

We account for restructuring costs associated with one-time termination benefits, costs associated with lease and contract terminations and other related exit activities in accordance with FASB s guidance. We previously made estimates of the costs to be incurred as part of a restructuring plan developed during 2008 and concluded at the end of 2010. The restructuring plan consisted of various actions including termination of approximately 380 non-driver positions and the consolidation, closure or affiliation of underperforming company terminals, our withdrawal from three multi-employer pension plans and costs associated with the consolidation of our corporate headquarters, and resulted in charges during 2008, 2009 and 2010 primarily related to our chemical logistics segment. As of December 31, 2011, $2.8 million was accrued related to the restructuring charges which are expected to be paid through 2017. This amount reflects a reduction of $0.5 million recorded in the second quarter of 2011, due to lower than anticipated costs to discharge our withdrawal liability from one multi-employer pension plan.

In the year ended December 31, 2011, we had the following activity in our restructuring accrual (in thousands):

	Balance at December 31, 2010	Additions	Payments	Reductions	Balance at December 31, 2011
Restructuring accrual	$ 5,449	$	$ (2,146)	$ (521)	$ 2,782

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9. SEGMENT REPORTING

Reportable Segments

In connection with our entry into the gas and oil frac shale energy market in 2011, a new segment for financial reporting purposes was identified during the fourth quarter of 2011, to better distinguish logistics services to the energy markets from logistics services to the chemical markets based upon how these businesses are managed. Our previous logistics segment was renamed Chemical Logistics.

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 29 independent affiliates, and equipment rental income;

Energy Logistics, which consists primarily of the transportation of fresh water, disposal water and oil for the energy logistics markets, primarily through 2 independent affiliates; and

Intermodal, which consists solely of Boasso and Greensville s International Organization for Standardization or intermodal ISO tank container transportation and depot services supporting the international movement of bulk liquids.

Segment revenues and operating income include fuel surcharge to the chemical logistics and intermodal segments. The operating income reported in our segments excludes amounts such as gains and losses on disposal of property and equipment, restructuring costs, impairment charge, corporate and other unallocated amounts. Corporate and unallocated amounts include depreciation and amortization and other gains and losses, and are included in our chemical logistics segment. Although these amounts are excluded from the business segment results, they are included in reported consolidated earnings. In 2009, revenues contained in the other segment represent revenues from our tank wash business which was sold during the fourth quarter of 2009. We have not provided specific asset information by segment, as it is not regularly provided to our chief operating decision maker for review.

Summarized segment data and a reconciliation to income (loss) before income taxes for the years ended December 31 follows (in thousands):

	December 31, 2011				
	Chemical Logistics	**Energy Logistics**	**Intermodal**	**Other**	**Total**
Operating Revenues:					
Transportation	$ 429,769	$ 29,432	$ 58,579	$	$ 517,780
Service revenue	67,414	1,006	42,168		110,588
Fuel surcharge	103,487	64	14,032		117,583
Total operating revenues	600,670	30,502	114,779		745,951

Segment operating income	48,444	3,081	18,728		70,253
Depreciation & amortization	10,418	785	3,210		14,413
Other income	(1,684)		(155)		(1,839)
Operating income	39,710	2,296	15,673		57,679
Interest expense	23,447		6,050		29,497
Interest income	(585)				(585)
Other expense	2,329		1,066		3,395
Income before income taxes	$ 14,519	$ 2,296	$ 8,557	$	$ 25,372

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	December 31, 2010				
	Chemical Logistics	Energy Logistics	Intermodal	Other	Total
Operating Revenues:					
Transportation	$ 442,576	$	$ 55,870	$	$ 498,446
Service revenue	70,470		37,004		107,474
Fuel surcharge	72,053		8,625		80,678
Total operating revenues	585,099		101,499		686,598
Segment operating income	44,791		16,863		61,654
Depreciation & amortization	13,033		2,971		16,004
Other expense (income)	8,901		14		8,915
Operating income	22,857		13,878		36,735
Interest expense	30,105		6,065		36,170
Interest income	(622)				(622)
Other expense	7,033		1,149		8,182
(Loss) income before income taxes	$ (13,659)	$	$ 6,664	$	$ (6,995)

	December 31, 2009				
	Chemical Logistics	Energy Logistics	Intermodal	Other	Total
Operating Revenues:					
Transportation	$ 411,213	$	$ 43,445	$	$ 454,658
Service revenue	58,433		31,161	15,360	104,954
Fuel surcharge	49,104		4,893		53,997
Total operating revenues	518,750		79,499	15,360	613,609
Segment operating income	36,961		11,287	2,240	50,488
Depreciation & amortization	16,028		2,790	1,400	20,218
Impairment charge (1)	144,306		4,324		148,630
Other expense (income)	3,972		11	(7,167)	(3,184)
Operating (loss) income	(127,345)		4,162	8,007	(115,176)
Interest expense	22,250		6, 085		28,335
Interest income	(241)			(47)	(288)

Other (income) expense	(1,377)		1,427	12	62
(Loss) income before income taxes	$ (147,977)	$	$ (3,350)	$ 8,042	$ (143,285)

(1) Includes an impairment charge of $144.3 million related to our chemical logistics segment and an impairment charge of $4.3 million related to our intermodal segment related to goodwill and intangible assets.

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10. GEOGRAPHIC SEGMENTS

Our operations are located primarily in the United States, Canada, and Mexico. Inter-area sales are not significant to the total revenue of any geographic area. Information about our operations in different geographic areas for the years ended December 31 is as follows (in thousands):

	2011		
	U.S.	International	Consolidated
Total operating revenues	$ 700,641	$ 45,310	$ 745,951
Operating income	50,083	7,596	57,679
Long-term identifiable assets (1)	119,879	6,013	125,892

	2010		
	U.S.	International	Consolidated
Total operating revenues	$ 648,634	$ 37,964	$ 686,598
Operating income	32,086	4,649	36,735
Long-term identifiable assets (1)	106,148	7,271	113,419

	2009		
	U.S.	International	Consolidated
Total operating revenues	$ 576,405	$ 37,204	$ 613,609
Operating (loss) income	(119,288)	4,112	(115,176)
Long-term identifiable assets (1)	119,340	7,989	127,329

(1) Includes property and equipment.

11. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31 (in thousands):

	2011	2010
Trade accounts receivable	$ 86,092	$ 73,527
Independent affiliate and independent owner-operator receivables	2,487	6,893
Other receivables	2,662	1,317
	91,241	81,737
Less allowance for doubtful accounts	(674)	(842)
	$ 90,567	$ 80,895

The activity in the allowance for doubtful accounts for the years ended December 31 is as follows (in thousands):

	2011	2010
Balance, beginning of period	$ (842)	$ (1,804)
Adjustment to bad debt expense	800	1,279
Write-offs, net of recoveries	(632)	(317)
Balance, end of period	$ (674)	$ (842)

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12. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31 (in thousands):

	2011	2010
Land and improvements	$ 13,462	$ 12,907
Buildings and improvements	26,903	24,851
Revenue equipment	190,175	203,279
Other equipment	31,946	24,281
Total property and equipment	262,486	265,318
Accumulated depreciation	(136,594)	(151,899)
Property and equipment, net	$ 125,892	$ 113,419

Depreciation expense was $13.0 million, $14.5 million and $18.6 million for the years ending December 31, 2011, 2010 and 2009, respectively. At December 31, 2011 and 2010, we had $17.6 million and $19.2 million of capitalized cost and $2.8 million and $3.2 million of accumulated depreciation of equipment under capital leases, respectively, included in revenue equipment in the above schedule.

13. GOODWILL AND INTANGIBLE ASSETS

Goodwill

Under the FASB guidance, goodwill and indefinite-lived intangible assets are subject to an annual impairment test as well as impairment assessments when certain triggering events occur. We evaluate goodwill for impairment by determining the fair value based on criteria in the FASB guidance for each reporting unit to which our goodwill relates. These reporting units may contain goodwill and other identifiable intangible assets as a result of previous business acquisitions. Our annual impairment test is performed during the second quarter with a measurement date of June 30. The methodology applied in the analysis performed at June 30, 2011 was consistent with the methodology applied in prior years, but was based on updated assumptions, as appropriate. As a result of our analysis, we concluded no impairment had occurred as of June 30, 2011 and 2010. As a result of our analysis as of June 30, 2009, we recorded a total impairment charge to goodwill of $146.2 million, of which $144.3 million was related to our chemical logistics segment, eliminating 100% of the carrying amount of goodwill of that segment, and $1.9 million was related to our intermodal segment.

As the result of the June 30, 2009 impairment, we determined that we were in a cumulative loss position. Based on this negative evidence we concluded that it was no longer more likely than not that our net deferred tax asset was realizable. For purposes of assessing realizability of the deferred tax assets, this cumulative financial reporting loss position is considered significant negative evidence we will not be able to fully realize the deferred tax assets in the future. As a result, a $41.2 million deferred tax valuation allowance was recorded in 2009. Our judgments regarding future taxable income may change due to changes in market conditions, changes in tax laws, operating results or other factors. If any of these factors and related estimates changes in the future, it may increase or decrease the valuation allowance and related income tax expense in the same period.

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

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

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

Goodwill within our intermodal segment and the related changes were as follows (in thousands):

	2009	2010	Addition Acquisition of Greensville	2011
Intermodal	$ 27.0	$ 27.0	$ 4.3	$ 31.3

Intangible Assets

Intangible assets at December 31, 2011 are as follows (in thousands):

	Gross book value	Accumulated amortization	2011 Additions	Net book value	Average lives (in years)
Tradename	$ 7,400	$	$	$ 7,400	Indefinite
Customer relationships	11,900	(4,000)	2,360	10,260	12
Non-compete agreements	2,593	(2,409)	627	811	3 5
	$ 21,893	$ (6,409)	$ 2,987	$ 18,471	

Of the total intangibles of $18.5 million at December 31, 2011, $17.9 million was allocated to our intermodal segment and $0.6 million was allocated to our chemical logistics segment.

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Amortization expense for the years ended December 31, 2011, 2010, and 2009 was $1.4 million, $1.5 million and $1.6 million, respectively. Estimated amortization expense for intangible assets is as follows (in thousands):

2012	$ 1,594
2013	1,385
2014	1,346
2015	1,214
2016 and after	5,532

14. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable includes $1.6 million and $0.5 million of book overdrafts at December 31, 2011 and 2010, respectively.

Accrued expenses include the following at December 31 (in thousands):

	2011	2010
Salaries, wages and benefits	$ 5,519	$ 4,824
Accrued interest	4,184	4,080
Claims and deposits	4,538	4,326
Taxes	2,185	1,328
Other	8,901	9,805
	$ 25,327	$ 24,363

15. LONG-TERM INDEBTEDNESS

Long-term debt consisted of the following at December 31 (in thousands):

	2011	2010
Capital lease obligations	$ 9,101	$ 12,850
New ABL Facility	65,500	
Previous ABL Facility		38,500
11.75% Senior Subordinated PIK Notes, due 2013		33,184
9.875% Second-Priority Senior Secured Notes, due 2018	225,000	225,000
Other Notes	8,943	11,327
Long-term debt, including current maturities	308,544	320,861
Discount on Notes	(1,481)	(3,529)

	307,063	317,332
Less current maturities of long-term debt (including capital lease obligations)	(9,400)	(8,563)
Long-term debt, less current maturities (including capital lease obligations)	$ 297,663	$ 308,769

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The New ABL Facility

On August 19, 2011, we entered into the New ABL Facility. The New ABL Facility provides for a revolving credit facility with a maturity of five years and a maximum borrowing capacity of $250.0 million. The New ABL Facility includes sub-limit capacity of up to $150.0 million for letters of credit and up to $30.0 million for swingline borrowings on same-day notice. The New ABL Facility replaced the Previous ABL Facility. The proceeds of the New ABL Facility were used to repay all outstanding indebtedness under our Previous ABL Facility, and to pay related fees and expenses. The New ABL Facility is available for general corporate purposes, including permitted acquisitions. At December 31, 2011, we had $82.3 million of borrowing availability under the New ABL Facility.

Borrowings under the New ABL Facility bear interest at a rate equal to an applicable margin plus, at our option, either a base rate or LIBOR. The applicable margin at December 31, 2011 was 1.00% for base rate borrowings and 2.00% for LIBOR borrowings. The applicable margin for borrowings will be reduced or increased based on aggregate borrowing base availability under the New ABL Facility. The base rate is equal to the highest of the prime rate, the federal funds overnight rate plus 0.50% and 30-day LIBOR plus 1.00%. In addition to paying interest on outstanding principal under the New ABL Facility, we are required to pay an unutilized commitment fee to the lenders quarterly at a rate ranging from 0.25% to 0.50%, depending on the average utilization of the New ABL Facility. We also pay customary letter of credit fees quarterly. We may voluntarily repay outstanding loans under the New ABL Facility at any time without premium or penalty, other than customary breakage costs with respect to LIBOR loans. The interest rate on the New ABL Facility at December 31, 2011 was 2.3%.

The borrowing base for the New ABL Facility consists of eligible accounts receivable, inventory, tractor and trailer equipment, real property and certain other equipment.

We have $5.5 million of debt issuance costs relating to the New ABL Facility, of which $4.2 million related to the new issuance and $1.3 million related to unamortized debt issuance costs of the Previous ABL Facility. We are amortizing the debt issuance costs over the remaining term of the New ABL Facility.

The Previous ABL Facility

Our Previous ABL Facility consisted of a current asset tranche in the amount of $205.0 million and a fixed asset tranche in the amount of $20.0 million. The Previous ABL Facility included a sublimit of up to $150.0 million to issue letters of credit and was available for working capital needs and general corporate purposes, including permitted acquisitions.

The interest rate under the current asset tranche was based, at our option, on either the administrative agent s base rate plus 1.00% or on the Eurodollar LIBOR rate plus an applicable margin. The administrative agent s base rate was equal to the greater of the federal funds overnight rate plus 0.50% or the prime rate. The interest rate under the fixed asset tranche was based, at our option, on either the administrative agent s base rate plus 1.25% or on LIBOR plus an applicable margin. The applicable margin under either tranche was subject to increases or reductions based upon the amounts available for borrowing. The interest rate on the Previous ABL Facility at December 31, 2010 was 2.5%.

We incurred $6.9 million in debt issuance costs relating to the Previous ABL Facility. Upon the refinancing of the Previous ABL Facility with the New ABL Facility, we wrote off $0.9 million of unamortized debt issuance costs and the remaining unamortized debt issuance costs of $1.3 million were allocated to the New ABL Facility.

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The refinancing of the Previous ABL Facility in August 2011 described above was treated partially as a debt modification and partially as a debt extinguishment in accordance with applicable FASB guidance.

9.875% Second-Priority Senior Secured Notes Due 2018

On November 3, 2010 we issued $225.0 million aggregate principal amount of the 2018 Notes. With the proceeds of the issuance of the 2018 Notes, we repaid at maturity our 9% Notes, fully redeemed our 2012 Notes and our 2013 Senior Notes, redeemed $47.5 million of our 2013 PIK Notes, and paid down a portion of our outstanding borrowings under the Previous ABL Facility.

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

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

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

We recorded $6.6 million in debt issuance costs relating to the 2018 Notes, of which $6.4 million was related to the new issuance and $0.2 million of unamortized debt issuance costs related to the 2013 Senior Notes. We are amortizing these costs over the term of the 2018 Notes.

11.75% Senior Subordinated PIK Notes Due 2013

On October 15, 2009, we issued $80.7 million aggregate principal amount of the 2013 PIK Notes. The payment obligations of QD LLC and QD Capital under the 2013 PIK Notes were guaranteed by QDI and by all of its domestic subsidiaries other than immaterial subsidiaries. The 2013 PIK Notes were unsecured senior

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subordinated obligations of QD LLC and QD Capital. Interest was payable on the 2013 PIK Notes at 11.75% per annum, payable 9% in cash and 2.75% in the form of additional 2013 PIK Notes.

On December 3, 2010 we redeemed $47.5 million of these notes plus accrued and unpaid interest, in conjunction with the issuance of the 2018 Notes. On December 10, 2010 and December 20, 2010, we repurchased $2.2 million and $0.3 million, respectively, of these notes plus accrued and unpaid interest. On January 20, 2011, we redeemed $10.0 million of these notes plus accrued and unpaid interest. On March 11, 2011, we redeemed $17.5 million of these notes plus accrued and unpaid interest. We redeemed the remaining $5.8 million of principal amount of our 2013 PIK Notes in July 2011.

We recorded $1.5 million in debt issuance costs related to the 2013 PIK Notes, of which $0.5 million of unamortized debt issuance costs related to the 9% Notes and $1.0 million related to the new issuance. In addition, we recorded $6.7 million in note issuance discount due to warrants issued concurrently with the issuance of the 2013 PIK Notes. The amount represented the fair market value of the warrants at time of issuance. In conjunction with the December 3, 2010 redemption and the December 10, 2010 and December 20, 2010 repurchases, we wrote off $7.4 million of unamortized debt issuance costs and unamortized original issue discount in the fourth quarter of 2010. In conjunction with the January 20, 2011 and March 11, 2011 redemptions, we wrote off $1.8 million of unamortized debt issuance costs and unamortized original issue costs in the first quarter of 2011. In conjunction with the July 20, 2011 final redemption, we wrote off the remaining $0.3 million of unamortized debt issuance costs and unamortized original issue costs in the third quarter of 2011.

10% Senior Notes Due 2013

On October 15, 2009, we issued approximately $134.5 million aggregate principal amount of the 2013 Senior Notes. On December 3, 2010, we fully redeemed the 2013 Senior Notes with a portion of the proceeds of the issuance of the 2018 Notes.

Senior Floating Rate Notes Due 2012

On January 28, 2005, we issued $85.0 million aggregate principal amount of our 2012 Notes. On December 18, 2007, we issued a second series of 2012 Notes in the original principal amount of $50.0 million. On December 3, 2010, we fully redeemed the remaining 2012 Notes with a portion of the proceeds of the issuance of the 2018 Notes.

9% Senior Subordinated Notes Due 2010

In 2003, we issued $125.0 million aggregate principal amount of our 9% Notes. On November 15, 2010, we repaid at maturity the remaining $16.0 million of 9% Notes with a portion of the proceeds of the issuance of the 2018 Notes. We incurred $5.5 million in debt issuance costs relating to the issuance of the 9% Notes. Approximately $0.5 million of unamortized debt issuance costs were included in debt issuance costs related to the 2013 Senior Notes. All remaining debt issuance costs have been fully amortized.

Accounting Treatment of 2010 Issuance of 2018 Notes

The issuance of the 2018 Notes, and the subsequent redemption of our 2012 Notes and our 2013 Senior Notes was treated primarily as a debt extinguishment and partially as a debt modification in accordance with

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applicable FASB guidance. Under applicable FASB guidance, costs incurred in connection with a modification and any existing unamortized discount are amortized as an adjustment to interest expense over the remaining term of the modified debt instruments using the effective interest method. Accordingly a pro-rata share of the existing unamortized deferred financing costs and original issue discount related to the 2012 Notes and the 2013 Senior Notes were aggregated with the debt issuance costs and original issue discount related to the 2018 Notes, and are being amortized over the remaining term of the new notes.

The portion of the 2013 PIK Notes which were redeemed and repaid was treated as an extinguishment of debt. We did not recognize a gain or loss on the extinguishment as the notes were redeemed and repaid at par.

Accounting Treatment of 2009 Note Exchanges and Redemption of Notes for Cash

The exchanges of a portion of the 9% Notes and 2012 Notes for 2013 PIK Notes and 2013 Senior Notes (collectively, the 2013 Notes), respectively, described above were treated as a debt modification in accordance with applicable FASB guidance. We did not recognize a gain or loss on the modification since the exchanges were a par for par exchange.

The portion of the 9% Notes redeemed for cash was treated as an extinguishment of debt resulting in a gain on extinguishment of $1.1 million.

Under applicable FASB guidance, costs incurred in connection with a modification and any existing unamortized discount are amortized as an adjustment to interest expense over the remaining term of the modified debt instruments using the effective interest method. Accordingly, a pro-rata share of the existing unamortized deferred financing costs and original issue discount related to the 9% Notes and the 2012 Notes that were exchanged were aggregated with the debt issuance costs and original issue discount related to the 2013 Notes, and were being amortized over the remaining term of the new notes.

The remaining 9% Notes, which were fully repaid at maturity in 2010, were not exchanged and continued to be accounted for in the same manner prior to the exchange, as the original terms related to the remaining balances did not change. The unamortized deferred financing costs associated with the remaining 9% Notes continued to be amortized over the original term of the 9% Notes.

Collateral, Guarantees and Covenants

The New ABL Facility contains a fixed charge coverage ratio which only needs to be met if borrowing availability is less than $20.0 million or $25.0 million, depending upon the size of our borrowing base. The New ABL Facility contains a number of covenants that, among other things, restrict, subject to certain exceptions, our ability to sell assets; incur additional indebtedness; prepay other indebtedness, including the 2018 Notes; pay dividends and distributions or repurchase QDI s capital stock; create liens on assets; make investments; make certain acquisitions; engage in mergers or consolidations; engage in certain transactions with affiliates; amend certain charter documents and material agreements governing subordinated indebtedness, including the 2018 Notes; change our business; and enter into agreements that restrict dividends from QD LLC s subsidiaries. The New ABL Facility also contains certain customary affirmative covenants and events of default.

The indenture governing the 2018 Notes contains covenants that restrict, subject to certain exceptions, our ability to, among other things: (i) incur additional debt or issue certain preferred shares; (ii) pay dividends on or make other distributions in respect of QDI s common stock or make other restricted payments; (iii) make certain

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investments; (iv) sell certain assets; (v) create or permit to exist dividend and/or payment restrictions affecting their restricted subsidiaries; (vi) create liens on certain assets to secure debt; (vii) consolidate, merge, sell or otherwise dispose of all or substantially all of their assets; (viii) enter into certain transactions with their affiliates; and (ix) designate their subsidiaries as unrestricted subsidiaries. The indenture also provides certain customary events of default, which, if any of them occurs, may result in the principal, interest and any other monetary obligations on the then outstanding 2018 Notes becoming payable immediately.

The payment obligations under the New ABL Facility are senior secured obligations of QD LLC and QD Capital and are secured by a first-priority lien on certain assets and guaranteed by QDI and by all of its domestic restricted subsidiaries other than immaterial subsidiaries. The payment obligations of QD LLC and QD Capital under the 2018 Notes are guaranteed by QDI and by all of its domestic subsidiaries other than immaterial subsidiaries. The 2018 Notes, and the guarantees thereof, are senior obligations of QD LLC and QD Capital and are secured by a second-priority lien on certain assets. Pursuant to an intercreditor agreement, the liens on the collateral securing the 2018 Notes rank junior in right of payment to the New ABL Facility and obligations under certain hedging agreements and cash management obligations and certain other first lien obligations. We believe that we were in compliance with the covenants under the ABL Facility and the 2018 Notes at December 31, 2011.

Debt Retirement

The following is a schedule of our indebtedness at December 31, 2011 over the periods we are required to pay such indebtedness (in thousands):

	2012	2013	2014	2015	2016 and after	Total
Capital lease obligations	$ 5,261	$ 2,996	$ 844	$	$	$ 9,101
New ABL Facility					65,500	65,500
9.875% Second-Priority Senior Secured Notes, due 2018 (1)					225,000	225,000
Other Notes	4,139	2,678	994	866	266	8,943
Total	$ 9,400	$ 5,674	$ 1,838	$ 866	$ 290,766	$ 308,544

(1) Amount does not include the remaining unamortized original issue discount of $1.5 million.

The following is a schedule of our debt issuance costs for the year ended December 31 (in thousands):

	2010	Write-off of Debt Issuance Costs	Additional Debt Issuance Costs	Transfer Related to Refinancing	2011 amortization expense	2011
New ABL Facility	$	$	$ 4,178	$ 1,288	$ (372)	$ 5,094
Previous ABL Facility	3,015	(917)		(1,288)	(810)	
11.75% Senior Subordinated PIK Notes, due 2013	410	(386)			(24)	
9.875% Second-Priority Senior Secured Notes, due 2018	5,685		787		(912)	5,560

Total	$ 9,110	$ (1,303)	$ 4,965	$	$ (2,118)	$ 10,654

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Amortization expense of deferred issuance costs was $2.1 million, $2.7 million, and $2.8 million for years ending December 31, 2011, 2010, and 2009, respectively, and is included in interest expense. We are amortizing these costs over the term of the debt instruments.

Liquidity

We believe that, based on current operations and anticipated growth, our cash flow from operations, together with other available sources of liquidity, will be sufficient to fund anticipated capital expenditures, operating expenses and our other anticipated liquidity needs for the next twelve months. Anticipated debt maturities in 2016, the acquisition of another business or other events that we do not foresee may require us to seek alternative financing, such as restructuring or refinancing our long-term debt, selling assets or operations or selling additional debt or equity securities. If these alternatives were not available in a timely manner or on satisfactory terms or were not permitted under any of our debt agreements and we default on our obligations, our debt could be accelerated and our assets might not be sufficient to repay in full all of our obligations.

16. INCOME TAXES

For financial reporting purposes, income (loss) before income taxes includes the following components (in thousands):

	2011	2010	2009
Domestic	$ 24,535	$ (8,153)	$ (144,136)
Mexico	855	1,052	637
Canada	(18)	106	214
	$ 25,372	$ (6,995)	$ (143,285)

The components of the provision for income tax for the years ended December 31 are as follows (in thousands):

	2011	2010	2009
Current taxes:			
Federal	$ 146	$ 13	$ (792)
State	998	794	486
Mexico	(45)	(414)	92
Canada	842	18	120
	1,941	411	(94)
Deferred taxes:			
Federal	7,529	(2,743)	(3,609)
State	971	(49)	(625)
Mexico			
Canada			

	8,500	(2,792)	(4,234)
Valuation Allowance			
Federal	(7,529)	2,743	38,131
State	(971)	49	3,446
Mexico			
Canada			
	(8,500)	2,792	41,577
Provision for income taxes	$ 1,941	$ 411	$ 37,249

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The net deferred tax asset (liability) consisted of the following at December 31 (in thousands):

	2011	2010
Deferred tax assets:		
Environmental reserve	$ 7,482	$ 7,875
Tax credit carryforwards	7,294	6,006
Self-insurance reserves	7,241	7,577
Allowance for doubtful accounts	261	325
Pension	8,998	7,382
Net operating loss carryforwards	29,378	36,625
Stock Compensation	2,178	2,141
Other accruals	3,688	4,098
Accrued losses and damage claims	52	67
	66,572	72,096
Less valuation allowance	(39,540)	(46,025)
	$ 27,032	$ 26,071
Deferred tax liabilities:		
Property and equipment basis differences	(21,706)	(22,927)
Accrued interest and original issue discount	(3,089)	(845)
Intangible basis differences	(2,237)	(2,299)
Net deferred tax asset	$	$
Comprised of:		
Current deferred tax asset	$ 4,048	$ 3,848
Long-term deferred tax liability	(4,048)	(3,848)
Net deferred tax asset	$	$

We have established a 100% valuation allowance against net deferred tax assets as it is more likely than not that the deferred asset will not be realized. This determination is based on the weight of available evidence which includes cumulative historical losses in recent years. The valuation allowance against net deferred tax assets decreased by $6.5 million from 2010 to 2011. If we determine in a future reporting period that we will be able to use some or all of our deferred tax assets, the adjustment to reduce or eliminate the valuation allowance would reduce our tax expense and increase net income. Changes in deferred tax assets and valuation allowance are reflected in the Provision for income taxes line in our consolidated statements of operations.

Our effective tax rate differs from the federal statutory rate. The reasons for those differences are as follows for the years ended December 31 (in thousands):

	2011	2010	2009
Tax expense (benefit) at the statutory rate	$ 8,880	$ (2,448)	$ (50,150)
State income taxes (benefit), net of federal benefit	1,625	408	(225)
Uncertain tax position adjustments	(252)	(384)	(937)
Goodwill impairment			46,688
Restricted stock	278		154
Foreign taxes	435	(167)	(86)
Valuation allowance	(8,500)	2,792	41,577
Work Opportunity Tax Credit	234	(10)	(206)
IRC Section 956 income	219	240	419
Foreign tax credit	(1,367)	(253)	(190)
Other	389	233	205
Provision for income taxes	$ 1,941	$ 411	$ 37,249

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At December 31, 2011 we had an estimated $77.0 million in federal net operating loss carryforwards, $3.0 million of unrecognized federal operating loss carryforwards related to excess stock compensation deductions and uncertain tax position deductions, $2.4 million in alternative minimum tax credit carryforwards and $4.8 million in foreign tax credit carryforwards. We do not have a history of net operating loss or tax credit carryforwards expiring unused; however, we have determined based on the weight of available evidence that it is more likely than not that some or all of the carryforwards may expire. As a result, we have a 100% valuation allowance of $39.5 million against our deferred tax asset. The net operating loss carryforwards will expire in the years 2018 through 2030 while the alternative minimum tax credits may be carried forward indefinitely and the foreign tax credits may be carried forward for ten years. We have approximately $37.3 million in state net operating loss carryforwards, which expire over the next 1 to 20 years.

Significant judgment is required in determining our provision for income taxes. In the ordinary course of an international business, there are many transactions for which the ultimate tax outcome is uncertain. We review our tax contingencies on a regular basis and make appropriate accruals as needed. As of December 31, 2011, U.S. taxes were not provided on income of our foreign subsidiaries, as we have invested or expect to invest the undistributed earnings indefinitely.

Rollforward of valuation allowance (in thousands):

	2011	2010
Beginning balance	$ (46,025)	$ (43,032)
(Increase)/decrease attributable to current year operations	2,775	(2,584)
(Increase)/decrease attributable to other comprehensive income	(2,015)	(201)
(Increase)/decrease attributable to AMT & foreign tax credit carryforwards	(1,523)	(179)
(Increase)/decrease attributable to Federal & State NOL carryforwards	7,248	(29)
Ending balance	$ (39,540)	$ (46,025)

At December 31, 2011 and 2010, we had approximately $1.6 million and $1.6 million, respectively, of total gross unrecognized tax benefits. Of the total gross unrecognized tax benefits at December 31, 2011, $1.2 million (net of federal benefit on state tax issues) represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in any future periods.

Included in the balance of gross unrecognized tax benefits at December 31, 2011 is $0.6 million related to tax positions for which it is reasonably possible that the total amounts could significantly change during the next twelve months due to expiration of the applicable statute of limitations. A reconciliation of the total amount of unrecognized tax benefits follows (in thousands):

	2011	2010
Total unrecognized tax benefits as of January 1,	$ 1,585	$ 1,776
Increases in tax positions taken during prior period	425	160
Decreases in tax positions taken during prior period		
Increases in tax positions taken during the current period		
Settlements with taxing authorities		
Decrease due to lapse of applicable statute of limitations	(382)	(351)

Total unrecognized tax benefits as of December 31,	$ 1,628	$ 1,585

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Our continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. For the year ended December 31, 2011, we recognized additional expense of $0.2 million of interest and penalties in the provision for income taxes. As of January 1, 2011 we had accrued interest of $0.6 million (net of federal benefit) and $0.2 million accrued for penalties. At December 31, 2011 we had accrued interest of $0.5 million (net of federal benefit) and $0.2 million accrued for penalties.

We are subject to the income tax jurisdiction of the U.S., Canada, and Mexico, as well as multiple state jurisdictions. We believe we are no longer subject to U.S. federal income tax examinations for the years before 2007, to international examinations for years before 2006 and, with few exceptions, to state examinations before 2007.

17. EMPLOYEE BENEFIT PLANS

We maintain two noncontributory defined benefit plans resulting from a prior acquisition that cover certain vested salaried participants and retirees (CLC Plan) and certain other vested participants and retirees under an expired collective bargaining agreement (TTWU Plan). Retirement benefits for employees covered by the CLC Plan are based on years of service and compensation levels. The monthly benefit for employees under the TTWU Plan is based on years of service multiplied by a monthly benefit factor. Pension costs are funded in accordance with the provisions of the applicable law. Both pension plans have been frozen since prior to January 1, 1998. There are no new participants and no future accruals of benefits from the time the plans were frozen.

We use a December 31 measurement date for both of our plans.

We follow the recognition and disclosure requirements under the FASB guidance that require us to recognize the funded status of our postretirement benefit plans in the consolidated statement of financial position at December 31, 2011, with a corresponding adjustment to accumulated other comprehensive income. The funded status is the difference between the fair value of plan assets and the benefit obligation. The adjustment to accumulated other comprehensive income represents the net unrecognized actuarial gains or losses and unrecognized prior service costs. Future actuarial gains or losses that are not recognized as net periodic benefit cost in the same periods will be recognized as a component of other comprehensive income (in thousands):

	2011
Items not yet recognized as a component of net periodic cost:	
Unrecognized net actuarial loss	$ 33,982
Unamortized prior service cost	416
Unrecognized loss and prior service costs recorded as a component of accumulated other comprehensive loss	$ 34,398
Items to be recognized in 2012 as a component of net periodic cost:	
Net actuarial loss	$ 1,459
Prior service cost	94
Net periodic cost to be recorded in 2012 as a component of accumulated other comprehensive income	$ 1,553

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Obligations and Funded Status

The following table sets forth the change in the projected benefit obligation, change in plan assets and unfunded status of the two plans at 2011 and 2010 (in thousands):

	2011	2010
Change in Projected Benefit Obligation		
Benefit obligation at January 1,	$ 48,630	$ 47,302
Service cost	176	203
Interest cost	2,420	2,575
Actuarial loss	3,785	1,965
Benefits and expenses paid	(3,454)	(3,415)
Benefit obligation at December 31,	$ 51,557	$ 48,630

	2011	2010
Change in Plan Assets		
Fair value of plan assets at January 1,	$ 29,947	$ 28,489
Actual (loss) return on plan assets	(400)	2,312
Contributions by company	2,820	2,561
Benefits and expenses paid	(3,455)	(3,415)
Fair value of plan assets at December 31,	$ 28,912	$ 29,947

	2011	2010
Unfunded Status of Plans		
Projected benefit obligation	$ (51,557)	$ (48,630)
Fair value of plan assets	28,912	29,947
Unfunded status as of December 31,	$ (22,645)	$ (18,683)

The accumulated benefit obligation for both defined benefit pension plans equaled the projected benefit obligations of $51.6 million and $48.6 million at December 31, 2011 and 2010, respectively.

Accumulated Other Comprehensive Loss (in thousands)

	2011	2010	2009
Net actuarial (loss) gain, net of tax of $0, $0 and $0, respectively	$ (5,307)	$ (614)	$ 941
Prior service cost	94	94	94
Adjustment to pension benefit obligation	$ (5,213)	$ (520)	$ 1,035

We had an accumulated net pension equity charge (after-tax) of $5.2 million at December 31, 2011 and an accumulated net pension equity charge (after-tax) of $0.5 million at December 31, 2010.

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Periodic Pension Costs

The components of net periodic pension cost are as follows for the years ended December 31 (in thousands):

	2011	2010	2009
Service cost	$ 176	$ 203	$ 203
Interest cost	2,420	2,575	2,752
Amortization of loss	1,177	1,200	1,154
Amortization of prior service cost	94	94	94
Expected return on plan assets	(2,298)	(2,161)	(2,003)
Net periodic pension cost	$ 1,569	$ 1,911	$ 2,200

Assumptions

Weighted average assumptions used to determine benefit obligations at December 31:

	2011	2010	2009
Discount rate	4.20%	5.08%	5.60%

Weighted average assumptions used to determine net periodic benefit cost at December 31:

	2011	2010	2009
TTWU Plan			
Discount rate	4.90%	5.50%	6.30%
Expected long-term rate of return on plan assets	7.00%	7.00%	7.00%
CLC Plan			
Discount rate	5.25%	5.70%	6.25%
Expected long-term rate of return on plan assets	8.00%	8.00%	8.00%

The discount rate is based on a model portfolio of AA-rated bonds with a maturity matched to the estimated payouts of future pension benefits. The TTWU Plan s expected return on plan assets is based on our expectation of the long-term average rate of return on assets in the pension funds, which is based on the allocation of assets and includes approximately 10.5% of the assets being held in a low return insurance company annuity. The CLC Plan s expected return on plan assets is based on historical and future returns of the multiple asset classes from which a weighted average was developed based on the asset allocation of the Plan.

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Asset Mix

Our pension plan weighted-average asset allocations by asset category at December 31 are as follows:

	2011	2010
TTWU Plan		
Equity securities and mutual funds	46.2%	59.4%
Debt securities	30.2%	14.4%
Other investments	20.9%	22.7%
Cash and cash equivalents	2.7%	3.5%
CLC Plan		
Equity securities and mutual funds	51.8%	70.9%
Debt securities	36.0%	16.1%
Other investments	9.7%	9.7%
Cash and cash equivalents	2.5%	3.3%

Plan Assets

Our investment policy is that plan assets will be managed utilizing an investment philosophy and approach characterized by all of the following, but listed in priority order: (1) emphasis on total return, (2) emphasis on high-quality securities, (3) sufficient income and stability of income, (4) safety of principal with limited volatility of capital through proper diversification and (5) sufficient liquidity. None of our equity or debt securities are included in plan assets.

Our retirement plans assets were accounted for at fair value and are classified in their entirety based on the lowest level of any input that is significant to the fair value measurement. For a description of the fair value hierarchy, see Note 4.

Our actual retirement plans asset allocations by level within the fair value hierarchy at December 31, 2011, are presented in the table below (in thousands):

	TTWU Plan					CLC Plan				
	Level 1	Level 2	Level 3	Total	% Total	Level 1	Level 2	Level 3	Total	% Total
Cash & cash equivalents	$ 185	$	$	$ 185	2.7%	$ 559	$	$	$ 559	2.5%
Equity securities	2,928			2,928	43.4%	10,798			10,798	48.7%
Mutual funds	188			188	2.8%	683			683	3.1%
Corporate bonds		1,462		1,462	21.7%		5,975		5,975	27.0%
Asset-backed securities		579		579	8.5%		1,993		1,993	9.0%
Other investments		311	1,097	1,408	20.9%		1,051	1,103	2,154	9.7%
Total assets	$ 3,301	$ 2,352	$ 1,097	$ 6,750	100.0%	$ 12,040	$ 9,019	$ 1,103	$ 22,162	100.0%

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Our actual retirement plans asset allocations by level within the fair value hierarchy at December 31, 2010, are presented in the table below (in thousands):

	TTWU Plan					CLC Plan				
	Level 1	Level 2	Level 3	Total	% Total	Level 1	Level 2	Level 3	Total	% Total
Cash & cash equivalents	$ 249	$	$	$ 249	3.5%	$ 748	$	$	$ 748	3.3%
Equity securities	2,073			2,073	28.9%	6,949			6,949	30.5%
Mutual funds	2,192			2,192	30.5%	9,195			9,195	40.4%
Corporate bonds		503		503	7.0%		1,895		1,895	8.3%
Asset-backed securities		530		530	7.4%		1,772		1,772	7.8%
Other investments		324	1,313	1,637	22.7%		1,096	1,108	2,204	9.7%
Total assets	$ 4,514	$ 1,357	$ 1,313	$ 7,184	100.0%	$ 16,892	$ 4,763	$ 1,108	$ 22,763	100.0%

Level 1 includes investments in common stock and open-ended mutual funds. Fair values for these investments are measured using unadjusted quoted prices in active markets.

Level 2 includes investments in corporate bonds and asset-backed securities that are measured based on quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. The fair values for Level 2 assets are generally obtained from third-party broker quotes, independent pricing services and exchanges.

Level 3 includes investments in an insurance annuity contract and an interval fund containing a lock-up period that are valued using unobservable inputs. Valuation may be performed using a financial model with estimated inputs entered into the model.

The following is a reconciliation of assets in Level 3 of the fair value hierarchy (in thousands):

	TTWU	CLC
Beginning balance at January 1, 2010	$ 1,514	$ 1,061
Return on plan assets	52	47
Expenses	(253)	
Balance at December 31, 2010	$ 1,313	$ 1,108
Return on plan assets	24	(5)
Expenses	(240)	
Ending balance at December 31, 2011	$ 1,097	$ 1,103

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Cash Flows

We expect to contribute $1.0 million to the TTWU pension plan and $3.1 million to the CLC pension plan during the year ending December 31, 2012.

The following benefit payments are expected to be paid (in thousands):

2012	$ 3,575
2013	3,529
2014	3,523
2015	3,541
2016	3,532
2017 2021	17,178

In 2001, we established a Deferred Compensation Plan for our executives and other key employees. The plan is a non-qualified deferral plan that allows participants to contribute a portion of their wages on a pre-tax basis and includes a death benefit. No contributions were made in 2011, 2010 and 2009. Effective December 31, 2010, this plan was frozen and no future contributions will be made to the plan.

Substantially all of our U.S. employees are entitled to participate in our profit sharing plan established under Section 401(k) of the U.S. Internal Revenue Code. Employees are eligible to contribute voluntarily to the plan after 90 days of employment. At our discretion, we may also contribute to the plan. Employees are always vested in their contributed balance and become fully vested in our contributions after four years of service. The expenses related to contributions to the plan for the years ended December 31, 2011 and 2010 were approximately $0.2 million and $0.3 million, respectively. In 2009, we did not contribute to the plan.

Multi-employer pension plans

We contribute to multi-employer pension plans under the terms of collective bargaining agreements that cover union-represented employees. The risk of participating in these multi-employer pension plans are different from a single-employer pension plan in the following aspects: (a) assets contributed to a multi-employer pension plan by one employer may be used to provide benefits to employees of other participating employers; (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (c) if an employer chooses to stop participating in a plan, it may be required to pay those plans an amount based on the unfunded status of the plan, referred to as a withdrawal liability.

At December 31, 2011, we contributed to three separate multi-employer pension plans for employees under collective bargaining agreements. These agreements cover approximately 2.7% of our total workforce including our independent affiliates employees and independent owner-operators providing service to us. These multi-employer pension plans provide defined benefits to retired participants. We do not directly or indirectly manage any of these multi-employer pension plans. Trustees, half of whom are appointed by the International Brotherhood of Teamsters (the Teamsters) and half of whom various contributing employers appoint, manage the trusts covering these plans. Our collective bargaining agreements with the Teamsters determine the amounts of our ongoing contributions to these plans.

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Our participation in these plans is outlined in the table below (contributions in thousands):

Pension Plan	EIN/Pension Plan Number (1)	Pension Protection Act Zone Status (2)		FIP/RP Status Pending/ Implemented (3)	Contributions by us			Expiration Date of Collective-Bargaining Agreement
		2011	2010		2011	2010	2009	
Employer-Teamsters Local Nos. 175 & 505 Pension Trust Fund	55-6021850	Green	Green	No	$ 113	$ 109	$ 113	2/8/2013
New York State Teamsters Conference Pension and Retirement Fund	16-6063585	Red	Red	RP Adopted	87	75	74	7/14/2014
Central States Southeast and Southwest Areas Pension Fund	36-6044243	Red	Red	RP Adopted	2,435	2,366	2,055	8/31/2012 to 12/31/14
					$ 2,635	$ 2,550	$ 2,242	

(1) The EIN/Pension Plan Number column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable.
(2) Unless otherwise noted, the most recent Pension Protection Act zone status available in 2011 and 2010 is for the plan s year-end at December 31, 2010 and December 31, 2009, respectively. The zone status is based on information that we received from the plan. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.
(3) The FIP/RP Status Pending/Implemented column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. No surcharge has been imposed for any of these plans.

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. 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 $62.2 million, of which $57.9 million relates to the Central States Southeast and Southwest Areas Pension Plan.

In conjunction with our prior restructuring efforts, during the quarter ended September 30, 2010, we notified the trustees of three other pension plans of our intention to withdraw from those plans. Our withdrawal notifications were originally estimated to result in an aggregate withdrawal liability of approximately $2.0 million and we recorded a restructuring charge for this full amount in the third quarter of 2010. During the first nine months of 2011, we made aggregate payments of approximately $1.5 million to fully discharge the liabilities under those three pension plans and recorded a restructuring credit of $0.5 million.

18. CAPITAL STOCK

Authorized Capital Stock

In accordance with our Amended and Restated Articles of Incorporation dated November 4, 2003, the Company is authorized to issue 50 million shares of capital stock, which includes 49 million shares of no par value common stock and 1 million shares of no par value preferred stock.

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Our New ABL Facility and indenture governing the 2018 Notes contain restrictions on QDI s ability to pay dividends on its common stock.

Preferred Stock

Of the 1 million shares of preferred stock authorized, 600,000 shares were designated as convertible preferred stock, of which 510,000 were issued and outstanding prior to the initial public offering of shares of our common stock, when they were converted into shares of common stock pursuant to our Amended and Restated Articles of Incorporation. The remaining shares of preferred stock may be issued from time to time in one or more classes or series, with such relative rights, preferences, qualifications, and limitations as our Board of Directors may adopt by resolution.

Warrants

On October 15, 2009 in conjunction with the issuance of our 2013 PIK Notes, we issued 1,752,895 aggregate amount of warrants to purchase shares of the Company s common stock at an exercise price of $0.01 per share. The warrants are exercisable during the period beginning April 16, 2010 and ending November 1, 2013. The warrants were accounted for at their fair value on October 15, 2009, which is based on the closing price of our common stock on that date. Approximately $6.7 million representing the fair value of the warrants was recorded to stock purchase warrants within shareholders deficit, with a corresponding discount on the 2013 PIK Notes. The discount was being amortized over the term of the 2013 PIK Notes until July 2011 when the remaining unamortized discount was written off in conjunction with the final redemption of the 2013 PIK Notes. As of December 31, 2011, we had warrants outstanding of approximately $1.3 million representing approximately 354,000 shares of our common stock. As of December 31, 2010, we had warrants outstanding of approximately $1.7 million representing approximately 442,000 shares of our common stock.

Treasury Stock

As of December 31, 2011 and 2010, we had approximately 267,000 and 220,000 treasury shares, respectively, carried at a cost of approximately $1.9 million and $1.6 million, respectively. These shares were acquired pursuant to our initial public offering, the return of shares under limited recourse secured loans to shareholders, forfeitures and share withholdings.

19. STOCK COMPENSATION PLANS

We account for our equity compensation plans and expense related to all stock option awards granted under the FASB guidance. We apply the Black-Scholes valuation model in determining the fair value of share-based payments to employees. The resulting compensation expense is recognized over the requisite service period, which is generally the vesting term of two to four years.

Performance Incentive Plans

As of December 31, 2011, we have two active stock-based compensation plans.

2003 Stock Option Plan

On November 5, 2003, our Board of Directors approved the 2003 Stock Option Plan in connection with our IPO which expires ten years from the approval date. The 2003 Stock Option Plan was amended on May 13, 2005.

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It provides for the grant of nonqualified stock options that become exercisable, with limited exceptions, in 25% increments on each of the first four anniversaries of the date upon which the options are granted or vest 50% in the third and 50% in the fourth year after issuance of the grant. The contractual term of each grant is ten years. The number of shares available for issuance under this plan automatically increases on January 1 of each year commencing with January 1, 2004 unless otherwise determined by the Board of Directors. The current year increase is 2.5% of the outstanding shares as of December 31 of the prior year. No more than 6,500,000 shares of common stock may be issued under the 2003 Stock Option Plan.

The 2003 Stock Option Plan activity for the year ended December 31, 2011 is as follows (in thousands, except per share data):

	Number of Shares Outstanding	Weighted Average Exercise Price Per Share	Weighted Average Remaining contractual Term (in years)	Aggregate Intrinsic Value (in thousands) (a)
Options outstanding at December 31, 2010	2,356	$ 4.97		
2011 option activity:				
Granted	233	$ 9.70		
Exercised (b)	(348)	$ 5.11		
Canceled	(34)	$ 4.56		
Options outstanding at December 31, 2011	2,207	$ 5.45		
Options exercisable at December 31, 2011	1,303	$ 5.45	5.63	$ 7,898

(a) The intrinsic value of a stock option is the amount by which the market value of the underlying stock as of December 31, 2011 exceeds the exercise price of the option multiplied by the number of shares represented by such option.

(b) Shares issued upon the exercise of stock options were treated as newly issued shares.

During the years ended December 31, 2011, 2010 and 2009 (in thousands, except per share data):

- the weighted-average grant date fair value per share of stock-based compensation granted to employees was $6.19, $4.19 and $1.96, respectively;

- the total intrinsic value of stock options exercised in 2011 was $2.4 million. The total intrinsic value of stock options exercised in 2010 was deminimus. There were no options exercised in 2009; and

- the total fair value of stock options that vested during the three periods above was $1,229, $1,223 and $344, respectively.

During the year ended December 31, 2011, cash was not used to settle any equity instruments previously granted.

1998 Stock Option Plan

Until adoption of the 2003 Stock Option Plan, we administered the 1998 Stock Option Plan pursuant to which a total of 377,400 shares of our common stock were available for grant at an exercise price of $23.53. The maximum term of granted options was ten years. Fifty percent of each new option granted vested in equal increments over four years. The remaining fifty percent of each new option vested in nine years from grant date,

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subject to acceleration if certain per-share equity value targets were achieved or in the event of a sale of the Company. Vesting of the new options occurred only during an employee s term of employment. The new options became fully vested in the event of a termination of employment without cause or for good reason within nine months following a sale of the Company. The remaining outstanding shares of the 1998 Stock Option Plan expired in 2010.

2003 Restricted Stock Incentive Plan

On November 5, 2003, our Board of Directors approved the 2003 Restricted Stock Incentive Plan, in connection with our IPO, which expires ten years from the approval date. The 2003 Restricted Stock Incentive Plan was amended on May 13, 2005 and again on May 25, 2010. The vesting periods for grant recipients are at the discretion of the Compensation Committee of the Board of Directors. In subsequent years following the May 25, 2010 amendment, participants in the plan may be granted an annual aggregate amount of up to $1 million in shares, valued at our common stock closing price at the date of grant, at the direction of the Board of Directors. No more than 1,700,000 shares of common stock may be issued under this plan, and no more than $21.3 million of stock may be issued under this plan.

The 2003 Restricted Stock Incentive Plan activity for the year ended December 31, 2011 is as follows (in thousands, except per share data):

	Number of Shares Outstanding	Weighted Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value
Restricted stock unvested at December 31, 2010	479	$ 3.90	
2011 activity:			
Granted	93	$ 9.39	
Vested	(220)	$ 4.12	
Canceled	(17)	$ 4.93	
Restricted stock unvested at December 31, 2011	335	$ 5.22	$ 3,766

Accounting for Stock-Based Compensation

Compensation expense is recognized only for those options expected to vest, with forfeitures estimated based on our historical experience and future expectations.

The fair value of options granted during 2011, 2010 and 2009 was based upon the Black-Scholes option-pricing model. The expected term of the options represents the estimated period of time until exercise giving consideration to the contractual terms, vesting schedules and expectations of future employee behavior. Expected stock price volatility is based on the historical volatility of our common stock, which began trading on November 13, 2003. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant with an equivalent remaining term. The Company has not paid dividends in the past and does not currently plan to pay any dividends in the foreseeable future. The Black-Scholes model was used with the following weighted-average assumptions:

	2011	2010	2009
Risk free rate	2.00%	1.95%	2.05%
Expected life	5 years	5 years	5 years
Volatility	78%	77%	79%
Expected dividend	nil	nil	nil

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Restricted stock awards are measured at fair value at time of issuance and recognized on a straight line basis over the vesting period.

Stock-based compensation expense recognized during the years ended December 31, 2011, 2010 and 2009 for each of the types of stock-based awards was (in thousands):

	2011	2010	2009
Stock options	$ 1,777	$ 1,351	$ 713
Restricted stock	1,097	922	388
Total stock-based compensation expense	$ 2,874	$ 2,273	$ 1,101

All stock-based compensation expense is classified within Compensation on the Consolidated Statements of Operations. None of the stock-based compensation was capitalized during 2011. Fourteen of our employees and three members of our Board of Directors participated in an option exchange (the Option Exchange) on March 11, 2009. Prior to the Option Exchange, the Compensation Committee recognized that due to the historically low trading prices of our common stock, many options previously granted under the 2003 Stock Option Plan ceased to satisfy their intended purpose. As such, the Option Exchange was initiated and certain stock option grants were canceled and new stock options were issued covering shares of our common stock at an exercise price equal to the closing price of our common stock on March 11, 2009. All options issued in the Option Exchange vest in four equal annual installments on the anniversary of grant. In connection with the Option Exchange, an incremental cost of less than $0.1 million was recognized in 2009.

The following table summarizes unrecognized stock-based compensation and the weighted average period over which such stock-based compensation is expected to be recognized as of December 31, 2011 (in thousands):

		Remaining years
Stock options	$ 2,095	2.4
Restricted stock	1,085	1.8
	$ 3,180	

These amounts do not include the cost of any additional awards that may be granted in future periods nor any changes in our forfeiture rate. These amounts do not include the cost of any additional options or restricted stock that may be granted in future periods or any changes in the Company s forfeiture rate.

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20. COMMITMENTS AND CONTINGENCIES

Operating Leases

We are obligated under various noncancelable operating leases for our office facilities, office equipment, revenue equipment and vehicles. Future noncancelable lease commitments (excluding any sublease income) as of December 31, 2011, are as follows (in thousands):

2012	$ 12,343
2013	9,464
2014	7,196
2015	6,505
2016	6,605
2017 and after	2,728
Total	$ 44,841

We expect that some of our operating lease commitments for tractors and trailers will be partially offset by rental revenue from subleasing the tractors to independent affiliates and independent owner-operators and subleasing trailers to independent affiliates. Rent expense under operating leases was $13.3 million, $16.8 million and $21.6 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Environmental Matters

It is our policy to comply with all applicable environmental, safety, and health laws. We also are committed to the principles of Responsible Care®, an international chemical industry initiative to enhance the industry s responsible management of chemicals. We have obtained independent certification that our management system is in place and functions according to professional standards and we continue to evaluate and continuously improve our Responsible Care® Management System performance. Our activities involve the handling, transportation and storage of bulk chemicals, both liquid and dry, many of which are classified as hazardous materials or hazardous substances. Historically, our operations involved the generation, storage, discharge and disposal of wastes that may contain hazardous substances, the inventory and use of cleaning materials that may contain hazardous substances and the control and discharge of storm-water from industrial sites. In addition, we may store diesel fuel, materials containing oil and other hazardous products at our terminals. 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.

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 assure that such

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obligations will not be incurred in the future, predict with certainty the extent of future liabilities and costs under environmental, health, and safety laws, or 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, capital and other expenditures related to environmental compliance for current and planned operations. Such expenditures are generally included in our overall capital and operating budgets and are not accounted for separately. However, we do not anticipate that compliance with existing environmental laws in conducting current and planned operations will have a material adverse effect on our capital expenditures, earnings or competitive position.

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. As of December 31, 2011 and 2010, we had reserves in the amount of $10.1 million and $10.9 million, respectively, for all environmental matters, of which the most significant are discussed below.

The balances presented include both current and long term environmental reserves. We expect the estimated environmental obligations to be paid over the next five years. Additions to the environmental liability reserves are classified 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 18 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 18 sites, we will be 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 3 of the 18 sites, we have explicitly denied any liability and since there has been no subsequent demand for payment we have not established a reserve for these matters. We have estimated all future expenditures for these 18 multi-party environmental matters to be paid over the next five years to be in the range of $2.2 million to $3.8 million.

At 8 of the 26 sites, we are the only responsible party and are in the process of conducting investigations and/or remediation projects. Five of these projects relate to operations conducted by our subsidiary, CLC, and its subsidiaries prior to our acquisition of CLC in 1998. These five sites are: (1) Bridgeport, New Jersey; (2) William Dick, Pennsylvania; (3) Tonawanda, New York; (4) Scary Creek, West Virginia; and (5) Charleston, West Virginia. The remaining three sites relate to investigations and potential remediation that were triggered by the New Jersey Industrial Site Recovery Act (ISRA), which requires such investigations and remediation following the sale of industrial facilities. Each of these sites is discussed in more detail below. We have estimated future expenditures over the next five years for these eight properties to be in the range of $7.9 million to $16.7 million.

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Bridgeport, New Jersey

QDI is required under the terms of three federal consent decrees to construct remediation at this operating truck terminal and tank wash site. CLC entered into consent orders with the U.S. Environmental Protection Agency (USEPA) in May 1991 for the treatment of groundwater and in October 1998 for the removal of contamination in the wetlands. In addition, we entered into a third federal consent decree with USEPA 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 initial operations in June 2010. The plant experienced issues with the treatment of vapor phase emissions and operation was suspended in July 2010. After an engineering re-design process including an effective pilot treatability study, the plant was modified to address the treatment of the vapor phase emissions. The plan resumed operations in July 2011 and is now in the operations and maintenance phase. The plant appears to be performing in accordance with its design criteria and meeting permit requirements. Wetlands contamination has been remediated with localized restoration completed. Monitoring of the restored wetlands is required by USEPA to continue until September 2012. 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 a consent order with USEPA in 2010 to perform the remediation work, which will consist of in-place thermal treatment. This work is currently in the remedial design phase. However, additional site investigation work is required by USEPA. We have aggregate estimated expenditures for the Bridgeport location over the next five years to be in the range of $5.3 million to $8.5 million.

William Dick, Pennsylvania

CLC entered into a consent order with the Pennsylvania DEP and USEPA in October 1995 obligating it 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 treatment facility with local discharge for groundwater treatment in the fourth quarter of 2007. Plant start-up issues were resolved and the treatment facility began operations in June 2010. The plant experienced issues with the liquid phase carbon treatment process and the operation was suspended in August 2010. After some modification work, the plant was re-started at the end of 2010 and continues to operate. The agencies approved a contaminated soils remedy, which required both thermal treatment of contaminated soils and treatment of residuals via soil vapor extraction. The remedy expanded to include off-site shipment of contaminated soils. Soil treatment was completed in September 2007. Site sampling has been conducted and the results indicate that the soil clean-up objectives have not been fully achieved. Negotiations are on-going with USEPA over further remedial actions that may be needed at the site. We have estimated aggregate expenditures for the William Dick location over the next five years to be in the range of $0.9 million to $3.4 million.

Other Properties

Tonawanda, New York: CLC entered into a consent order with the New York Department of Environmental Conservation on June 22, 1999 obligating it to perform soil and groundwater remediation at this former truck terminal and tank wash site. We have completed a remedial investigation and a feasibility study. The state issued a record of decision in May 2006. The remedial design work plan was completed and submitted to the agency in the fourth quarter of 2011. The remedial action phase is expected to begin in the third quarter of 2012.

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Scary Creek, West Virginia: CLC received a cleanup notice from the state environmental authority in August 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.

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 the excavation of a limited number of soil hot spots at the facility. Additional planned efforts include deed recordation, placement of clean fill and the designation of a Classification Exception Area (CEA) for the groundwater.

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. The state environmental authority has requested some additional sampling to close the site under the state s voluntary clean-up program. The negotiations are on-going with the state to finalize the agreement to enter the voluntary clean-up program.

We have estimated aggregate future expenditures over the next five years for Tonawanda, Scary Creek, ISRA New Jersey and Charleston to be in the range of $1.7 million to $4.8 million.

Other Legal Matters

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

21. TRANSACTIONS WITH RELATED PARTIES

At March 1, 2012 and December 31, 2011, Apollo and its affiliated funds owned or controlled approximately 32.3% and 32.9%, respectively, of QDI s outstanding common stock. As a result, Apollo can influence substantially all matters requiring shareholder approval, including the election of directors, the approval of significant corporate transactions, such as acquisitions and the ability to block an unsolicited tender offer.

One of our customers (Momentive Specialty Chemical) is controlled by Apollo. Revenues from this customer were $16.3 million in 2011. In 2010 and 2009, two of our customers (Hexion Specialty Chemicals and Momentive Specialty Chemical) were controlled by Apollo. Revenues from these two customers were $15.0 million and $12.6 million in 2010 and 2009, respectively. All pricing with the companies controlled by Apollo was based on market rates, including such factors as total expected revenue to be generated by the customer, number of loads to be hauled and the number of miles to be driven.

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22. GUARANTOR SUBSIDIARIES

At and during the year ended December 31, 2011, there were outstanding our 2018 Notes, which were issued by our subsidiaries, QD LLC and QD Capital. The payment obligations of QD LLC and QD Capital under the 2018 Notes are fully and unconditionally guaranteed by QDI and by all of its domestic subsidiaries other than immaterial subsidiaries as further described below.

The 2018 Notes are our subsidiaries , QD LLC and QD Capital, senior obligations and are secured by a subordinated, second-priority lien on assets that secure our New ABL Facility through a collateral agreement that is separate from the indenture under which these notes were issued. Pursuant to an intercreditor agreement, the liens on the collateral securing the 2018 Notes rank junior in right of payment to the New ABL Facility and obligations under certain hedging agreements and cash management obligations and certain other first-lien obligations. Decisions regarding the maintenance and release of the collateral secured by the collateral agreement are made by the lenders under our New ABL Facility and neither the indenture trustee nor the holders of the 2018 Notes have control of decisions regarding the release of the collateral. The 2018 Notes are also fully and unconditionally guaranteed, subject to certain customary release provisions on a second-priority senior secured basis, jointly and severally, by QDI, our other subsidiary guarantors, and certain of our future U.S. restricted subsidiaries.

The subsidiary guarantors of all of the 2018 Notes are all of our direct and indirect domestic subsidiaries other than immaterial subsidiaries. No non-domestic subsidiaries are guarantor subsidiaries. QD Capital has no material assets or operations. QD LLC, all of its subsidiary guarantors and QD Capital are 100% owned by QDI.

QD LLC conducts substantially all of its business through and derives virtually all of its income from its subsidiaries. Therefore, its ability to make required principal and interest payments with respect to its indebtedness depends on the earnings of subsidiaries and its ability to receive funds from its subsidiaries through dividend and other payments. The subsidiary guarantors are 100% owned subsidiaries of QD LLC.

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

We have not presented separate financial statements and other disclosures concerning QD LLC, QD Capital or the subsidiary guarantors because management has determined such information is not material to the holders of the above-mentioned notes.

The following condensed consolidating financial information for QDI, QD LLC, QD Capital, which has no assets or operations, non-guarantor subsidiaries and combined guarantor subsidiaries presents:

Condensed consolidating balance sheets at December 31, 2011 and 2010 and condensed consolidating statements of operations and of cash flows for each of the three years ended December 31, 2011, 2010 and 2009.

Elimination entries necessary to consolidate the parent company and all its subsidiaries.

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2011, 2010 and 2009

Condensed Consolidating Statement of Operations

For the Year Ended December 31, 2011

(in thousands)

	QDI	QD LLC & QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenues:						
Transportation	$	$	$ 517,780	$	$	$ 517,780
Other service revenue			110,064	524		110,588
Fuel surcharge			117,583			117,583
Total operating revenues			745,427	524		745,951
Operating expenses:						
Purchased transportation			522,866			522,866
Compensation			61,098			61,098
Fuel, supplies and maintenance			51,102			51,102
Depreciation and amortization			14,413			14,413
Selling and administrative		120	21,445	82		21,647
Insurance costs			14,025	17		14,042
Taxes and licenses			2,211			2,211
Communication and utilities			2,732			2,732
Gain on disposal of property and equipment			(1,318)			(1,318)
Restructuring credit			(521)			(521)
Operating (loss) income		(120)	57,374	425		57,679
Interest (income) expense, non-related party, net	(15)	28,012	923	(8)		28,912
Interest (income) expense, related party, net		(28,012)	28,427	(415)		
Write off of debt issuance costs		3,181				3,181
Other expense		2	201	11		214
Income (loss) before income taxes	15	(3,303)	27,823	837		25,372
Provision for (benefit from) income taxes	126		1,860	(45)		1,941
Equity in earnings of subsidiaries	23,542	26,845			(50,387)	
Net income	$ 23,431	$ 23,542	$ 25,963	$ 882	$ (50,387)	$ 23,431

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2011, 2010 and 2009

Condensed Consolidating Statement of Operations

For the Year Ended December 31, 2010

(in thousands)

	QDI	QD LLC & QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenues:						
Transportation	$	$	$ 498,446	$	$	$ 498,446
Service revenue			106,893	581		107,474
Fuel surcharge			80,678			80,678
Total operating revenues			686,017	581		686,598
Operating expenses:						
Purchased transportation			471,792			471,792
Compensation			57,563			57,563
Fuel, supplies and maintenance			54,366	1		54,367
Depreciation and amortization			16,004			16,004
Selling and administrative	33	195	19,015	96		19,339
Insurance costs			15,525	21		15,546
Taxes and licenses			2,218			2,218
Communication and utilities			4,119			4,119
Loss (gain) on disposal of property and equipment			1,141	(5)		1,136
Restructuring costs			7,779			7,779
Operating (loss) income	(33)	(195)	36,495	468		36,735
Interest expense (income), non-related party, net	37	34,221	1,339	(49)		35,548
Interest (income) expense, related party, net		(34,226)	34,652	(426)		
Write-off of debt issuance costs		7,391				7,391
Other expense (income)	735	174	96	(214)		791
(Loss) income before income taxes	(805)	(7,755)	408	1,157		(6,995)
Provision for (benefit from) income taxes	3		822	(414)		411
Equity in (loss) earnings of subsidiaries	(6,598)	1,157			5,441	
Net (loss) income	$ (7,406)	$ (6,598)	$ (414)	$ 1,571	$ 5,441	$ (7,406)

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2011, 2010 and 2009

Condensed Consolidating Statement of Operations

For the Year Ended December 31, 2009

(in thousands)

	QDI	QD LLC & QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenues:						
Transportation	$	$	$ 454,658	$	$	$ 454,658
Service revenue			104,716	238		104,954
Fuel surcharge			53,997			53,997
Total operating revenues			613,371	238		613,609
Operating expenses:						
Purchased transportation			369,460			369,460
Compensation			76,955			76,955
Fuel, supplies and maintenance			66,527			66,527
Depreciation and amortization			20,218			20,218
Selling and administrative		268	24,259	45		24,572
Insurance costs			14,096	23		14,119
Taxes and licenses			3,578			3,578
Communication and utilities			7,910			7,910
Gain on sale of tank wash assets			(7,130)			(7,130)
Loss on disposal of property and equipment			450			450
Impairment charge			148,630			148,630
Restructuring costs			3,496			3,496
Operating (loss) income		(268)	(115,078)	170		(115,176)
Interest (income) expense, non-related party, net	(5)	25,689	2,412	(49)		28,047
Interest (income) expense, related party, net		(25,689)	26,116	(427)		
Gain on extinguishment of debt		(1,870)				(1,870)
Other expense (income)		2,343	(206)	(205)		1,932
Income (loss) before income taxes	5	(741)	(143,400)	851		(143,285)
Provision for income taxes	119		37,038	92		37,249
Equity in loss of subsidiaries	(180,420)	(179,679)			360,099	
Net (loss) income	$ (180,534)	$ (180,420)	$ (180,438)	$ 759	$ 360,099	$ (180,534)

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2011, 2010 and 2009

Consolidating Balance Sheet, December 31, 2011

(in thousands)

	QDI	QD LLC and QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Current Assets:						
Cash and cash equivalents	$	$	$ 3,540	$ 513	$	$ 4,053
Accounts receivable, net			90,509	58		90,567
Prepaid expenses		31	7,818			7,849
Deferred tax asset, net			4,048			4,048
Other	307		3,551			3,858
Total current assets	307	31	109,466	571		110,375
Property and equipment, net			125,892			125,892
Goodwill			31,344			31,344
Intangibles, net			18,471			18,471
Investment in subsidiaries	(138,028)	382,191	27,964		(272,127)	
Other assets		10,655	5,658			16,313
Total assets	$ (137,721)	$ 392,877	$ 318,795	$ 571	$ (272,127)	$ 302,395
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND SHAREHOLDERS (DEFICIT) EQUITY						
Current Liabilities:						
Current maturities of indebtedness	$	$	$ 4,139	$	$	$ 4,139
Current maturities of capital lease obligations			5,261			5,261
Accounts payable			7,579	(8)		7,571
Intercompany	(30,870)	237,702	(171,982)	(6,886)	(27,964)	
Affiliates and independent owner-operators payable			9,795			9,795
Accrued expenses	341	4,184	20,751	51		25,327
Environmental liabilities			3,878			3,878
Accrued loss and damage claims			8,614			8,614
Total current liabilities	(30,529)	241,886	(111,965)	(6,843)	(27,964)	64 ,585
Long-term indebtedness, less current maturities		289,019	4,804			293,823
Capital lease obligations, less current maturities			3,840			3,840
Environmental liabilities			6,222			6,222
Accrued loss and damage claims			9,768			9,768
Other non-current liabilities	(1,007)		31,306	43		30,342

Total liabilities	(31,536)	530,905	(56,025)	(6,800)	(27,964)	408,580
Shareholders (deficit) equity:						
Common Stock	393,859	354,963	399,757	4,833	(759,553)	393,859
Treasury stock	(1,878)					(1,878)
Accumulated (deficit) retained earnings	(278,543)	(273,840)	4,938	3,627	265,275	(278,543)
Stock recapitalization	(189,589)	(189,589)		(55)	189,644	(189,589)
Accumulated other comprehensive loss	(31,381)	(30,909)	(29,875)	(1,034)	61,818	(31,381)
Stock purchase warrants	1,347	1,347			(1,347)	1,347
Total shareholders (deficit) equity	(106,185)	(138,028)	374,820	7,371	(244,163)	(106,185)
Total liabilities, redeemable noncontrolling interest and shareholders (deficit) equity	$ (137,721)	$ 392,877	$ 318,795	$ 571	$ (272,127)	$ 302,395

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2011, 2010 and 2009

Consolidating Balance Sheet, December 31, 2010

(in thousands)

	QDI	QD LLC and QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Current Assets:						
Cash and cash equivalents	$	$	$ 1,174	$ 579	$	$ 1,753
Accounts receivable, net			80,791	104		80,895
Prepaid expenses		231	6,664	16		6,911
Deferred tax asset, net			3,848			3,848
Other	(192)		5,134	(51)		4,891
Total current assets	(192)	231	97,611	648		98,298
Property and equipment, net			113,419			113,419
Goodwill			27,023			27,023
Intangibles, net			16,924			16,924
Investment in subsidiaries	(156,047)	451,537	18,967		(314,457)	
Other assets		9,110	6,561			15,671
Total assets	$ (156,239)	$ 460,878	$ 280,505	$ 648	$ (314,457)	$ 271,335
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND SHAREHOLDERS (DEFICIT) EQUITY						
Current Liabilities:						
Current maturities of indebtedness	$	$	$ 3,991	$	$	$ 3,991
Current maturities of capital lease obligations			4,572			4,572
Accounts payable			7,204	(4)		7,200
Intercompany	(8,853)	319,693	(285,803)	(6,070)	(18,967)	
Independent affiliates and independent owner-operators payable			11,059			11,059
Accrued expenses		4,077	20,253	33		24,363
Environmental liabilities			3,687			3,687
Accrued loss and damage claims			8,471			8,471
Total current liabilities	(8,853)	323,770	(226,566)	(6,041)	(18,967)	63,343
Long-term indebtedness, less current maturities		293,155	7,336			300,491
Capital lease obligations, less current maturities			8,278			8,278
Environmental liabilities			7,255			7,255
Accrued loss and damage claims			10,454			10,454
Other non-current liabilities	(1,007)		26,841	226		26,060
Total liabilities	(9,860)	616,925	(166,402)	(5,815)	(18,967)	415,881
Redeemable noncontrolling interest in subsidiary			1,833			1,833
Shareholders (deficit) equity:						

Common Stock	371,288	354,963	490,761	4,833	(850,557)	371,288
Treasury stock	(1,593)					(1,593)
Accumulated (deficit) retained earnings	(301,974)	(297,382)	(21,025)	2,745	315,662	(301,974)
Stock recapitalization	(189,589)	(189,589)		(55)	189,644	(189,589)
Accumulated other comprehensive loss	(26,194)	(25,722)	(24,662)	(1,060)	51,444	(26,194)
Stock purchase warrants	1,683	1,683			(1,683)	1,683
Total shareholders (deficit) equity	(146,379)	(156,047)	445,074	6,463	(295,490)	(146,379)
Total liabilities, redeemable noncontrolling interest and shareholders (deficit) equity	$ (156,239)	$ 460,878	$ 280,505	$ 648	$ (314,457)	$ 271,335

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2011, 2010 and 2009

Condensed Consolidating Statement of Cash Flows

For the Year Ended December 31, 2011

(in thousands)

	QDI	QD LLC and QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Net income	$ 23,431	$ 23,542	$ 25,963	$ 882	$ (50,387)	$ 23,431
Adjustments for non-cash charges	(20,668)	(49,029)	40,760	(415)	50,387	21,035
Net changes in assets and liabilities	(158)	(1,238)	(8,666)	995		(9,067)
Intercompany activity	(2,605)	26,725	(22,592)	(1,528)		
Net cash provided by (used in) operating activities			35,465	(66)		35,399
Cash flows from investing activities:						
Capital expenditures			(38,340)			(38,340)
Acquistion of Greensville Transport Company			(8,594)			(8,594)
Proceeds from sales of property and equipment			16,476			16,476
Net cash used in investing activities			(30,458)			(30,458)
Cash flows from financing activities:						
Principal payments on long-term debt and capital lease obligations		(33,378)	(9,229)			(42,607)
Proceeds from revolver		175,457				175,457
Payments on revolver		(148,457)				(148,457)
Deferred financing costs		(4,965)				(4,965)
Redemption of noncontrolling interest			(1,833)			(1,833)
Proceeds from equity offering, net of transaction costs	17,580					17,580
Proceeds from exercise of stock options	1,768					1,768
Other			415			415
Intercompany activity	(19,348)	11,343	8,005			
Net cash used in financing activities			(2,642)			(2,642)
Effect of exchange rate changes on cash			1			1

Net increase (decrease) in cash and cash equivalents			2,366	(66)		2,300
Cash and cash equivalents, beginning of year			1,174	579		1,753
Cash and cash equivalents, end of year	$	$	$ 3,540	$ 513	$	$ 4,053

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2011, 2010 and 2009

Condensed Consolidating Statement of Cash Flows

For the Year Ended December 31, 2010

(in thousands)

	QDI	QD LLC and QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Net (loss) income	$ (7,406)	$ (6,598)	$ (414)	$ 1,571	$ 5,441	$ (7,406)
Adjustments for non-cash charges	9,566	(20,673)	50,553	(426)	(5,441)	33,579
Net changes in assets and liabilities	140	(1,017)	(5,340)	1,115		(5,102)
Intercompany activity	(2,300)	28,288	(24,305)	(1,683)		
Net cash provided by operating activities			20,494	577		21,071
Cash flows from investing activities:						
Capital expenditures			(11,184)			(11,184)
Proceeds from sales of property and equipment			10,105			10,105
Net cash used in investing activities			(1,079)			(1,079)
Cash flows from financing activities:						
Proceeds from issuance of long-term debt		223,479				223,479
Principal payments on long-term debt and capital lease obligations		(201,085)	(9,692)			(210,777)
Proceeds from revolver		59,200				59,200
Payments on revolver		(88,700)				(88,700)
Deferred financing costs		(5,594)				(5,594)
Other	(692)	(319)	(476)			(1,487)
Intercompany activity	692	13,019	(11,611)	(2,100)		
Net cash used in financing activities			(21,779)	(2,100)		(23,879)
Effect of exchange rate changes on cash			7			7
Net decrease in cash and cash equivalents			(2,357)	(1,523)		(3,880)
Cash and cash equivalents, beginning of year			3,531	2,102		5,633
Cash and cash equivalents, end of year	$	$	$ 1,174	$ 579	$	$ 1,753

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2011, 2010 and 2009

Condensed Consolidating Statement of Cash Flows

For the Year Ended December 31, 2009

(in thousands)

	QDI	QD LLC and QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Net (loss) income	$ (180,534)	$ (180,420)	$ (180,438)	$ 759	$ 360,099	$ (180,534)
Adjustments for non-cash charges	180,420	159,261	228,567	(427)	(360,099)	207,722
Net changes in assets and liabilities	(893)	970	12,482	9		12,568
Intercompany activity	1,007	20,189	(20,895)	(301)		
Net cash provided by operating activities			39,716	40		39,756
Cash flows from investing activities:						
Capital expenditures			(8,221)			(8,221)
Acquisition purchase price adjustment		266				266
Proceeds from sale of tank wash assets			10,000			10,000
Proceeds from sales of property and equipment			7,532			7,532
Net cash provided by investing activities		266	9,311			9,577
Cash flows from financing activities:						
Proceeds from issuance of long-term debt						
Principal payments on long-term debt and capital lease obligations		(4,618)	(13,124)			(17,742)
Proceeds from revolver		28,600				28,600
Payments on revolver		(47,600)				(47,600)
Financing costs		(2,323)				(2,323)
Deferred financing costs		(2,554)				(2,554)
Other		(145)	(8,751)			(8,896)
Intercompany activity		28,374	(28,374)			
Net cash used in financing activities		(266)	(50,249)			(50,515)
Effect of exchange rate changes on cash			28			28
Net (decrease) increase in cash and cash equivalents			(1,194)	40		(1,154)
Cash and cash equivalents, beginning of year			4,725	2,062		6,787

Cash and cash equivalents, end of year	$	$	$ 3,531	$ 2,102	$	$ 5,633

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EXHIBIT INDEX

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation of Quality Distribution, Inc., dated November 4, 2003. Incorporated herein by reference to Exhibit 3.1 to Quality Distribution, Inc. s Amendment No. 3 to Registration Statement on Form S-1 filed on November 5, 2003 (Registration No. 333-108344).
3.2	Articles of Amendment, dated June 28, 2005 to Amended and Restated Articles of Incorporation of Quality Distribution, Inc. Incorporated herein by reference to Exhibit 3.1 to Quality Distribution, Inc. s Current Report on Form 8-K filed on June 28, 2005.
3.3	Articles of Amendment to Articles of Incorporation of Quality Distribution, Inc., filed May 28, 2010. Incorporated herein by reference to Exhibit 3.1 to Quality Distribution, Inc. s Current Report on Form 8-K filed on May 28, 2010.
3.4	Amended and Restated Bylaws of Quality Distribution. Inc., dated June 28, 2005. Incorporated herein by reference to Exhibit 3.2 to Quality Distribution, Inc. s Current Report on Form 8-K filed on June 28, 2005 (Registration No. 333-108344).
4.1	Indenture governing the 9% Senior Subordinated Notes due 2010, dated as of November 13, 2003, among Quality Distribution, LLC, QD Capital Corporation, the guarantors named therein and The Bank of New York, as trustee. Incorporated herein by reference to Exhibit 4.5 to Quality Distribution, Inc. s Annual Report on Form 10-K filed on March 30, 2004.
4.2	Supplemental Indenture to the Indenture governing the 9% Senior Subordinated Notes due 2010, dated as of December 18, 2007, among Quality Distribution, LLC, QD Capital Corporation, Boasso America Corporation and The Bank of New York Trust Company, N.A., as trustee. Incorporated herein by reference to Exhibit 10.6 to Quality Distribution, Inc. s Current Report on Form 8-K filed on December 24, 2007.
4.3	Second Supplemental Indenture to the Indenture governing the 9% Senior Subordinated Notes due 2010, dated as of August 27, 2009, among Quality Distribution, LLC, QD Capital Corporation, QD Risk Services, Inc. and The Bank of New York Mellon, as trustee. Incorporated herein by reference to Exhibit 10.1 to Quality Distribution, Inc. s Current Report on Form 8-K filed on August 31, 2009.
4.4	Third Supplemental Indenture to the Indenture governing the Quality Distribution, LLC and QD Capital Corporation s 9% Senior Subordinated Notes due 2010, dated as of October 14, 2009, among Quality Distribution, LLC, QD Capital Corporation, the guarantors named therein and The Bank of New York Mellon, as trustee. Incorporated herein by reference to Exhibit 4.1 to Quality Distribution, Inc. s Current Report on Form 8-K filed on October 14, 2009.
4.5	Form of Exchange Note for the 9% Senior Subordinated Notes due 2010 (included as Exhibit B to Exhibit 4.1).
4.6	Indenture governing the Senior Floating Rate Notes due 2012, dated as of January 28, 2005, among Quality Distribution, LLC, QD Capital Corporation, the guarantors named therein and The Bank of New York Trust Company, N.A. as trustee. Incorporated herein by reference to Exhibit 10.2 to Quality Distribution, Inc. s Current Report on Form 8-K filed on January 28, 2005.
4.7	Supplemental Indenture to the Indenture governing the Senior Floating Rate Notes due 2012, dated as of December 18, 2007, among Quality Distribution, LLC, QD Capital Corporation, the guarantors named therein, Boasso America Corporation and The Bank of New York Trust Company, N.A., as trustee. Incorporated herein by reference to Exhibit 10.7 to Quality Distribution, Inc. s Current Report on Form 8-K filed on December 24, 2007.
4.8	Second Supplemental Indenture to the Indenture governing the Senior Floating Rate Notes due 2012, Series A, dated as of August 27, 2009, among Quality Distribution, LLC, QD Capital Corporation, the guarantors named therein, QD Risk Services, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee. Incorporated herein by reference to Exhibit 10.2 to Quality Distribution, Inc. s Current Report on Form 8-K filed on August 31, 2009.

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Exhibit No.	Description
4.9	Third Supplemental Indenture to the Indenture governing the Senior Floating Rate Notes due 2012, Series A, dated as of September 29, 2009, among Quality Distribution, LLC, QD Capital Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee. Incorporated herein by reference to Exhibit 4.1(a) to Quality Distribution, Inc. s Current Report on Form 8-K filed on September 30, 2009.
4.10	Form of Exchange Note for the Senior Floating Rate Notes due 2012, Series A (included as Exhibit B to Exhibit 4.6).
4.11	Indenture with respect to the Senior Floating Rate Notes due 2012, Series B, dated as of December 18, 2007, among Quality Distribution, LLC, QD Capital Corporation, the guarantors named therein and The Bank of New York Trust Company, N.A., as trustee. Incorporated herein by reference to Exhibit 10.1 to Quality Distribution, Inc. s Current Report on Form 8-K filed on December 24, 2007.
4.12	Supplemental Indenture to the Indenture governing the Senior Floating Rate Notes due 2012, Series B, dated as of August 27, 2009, among Quality Distribution, LLC, QD Capital Corporation, the guarantors named therein, QD Risk Services, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee. Incorporated herein by reference to Exhibit 10.3 to Quality Distribution, Inc. s Current Report on Form 8-K filed on August 31, 2009.
4.13	Second Supplemental Indenture to the Indenture governing the Senior Floating Rate Notes due 2012, Series B, dated as of September 29, 2009, among Quality Distribution, LLC, QD Capital Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee. Incorporated herein by reference to Exhibit 4.1(b) to Quality Distribution, Inc. s Current Report on Form 8-K filed on September 30, 2009.
4.14	Form of Exchange Note for the Senior Floating Rate Notes due 2012, Series B (included as Exhibit B to Exhibit 4.11).
4.15	Credit Agreement, dated as of December 18, 2007, among Quality Distribution, Inc., Quality Distribution, LLC, Credit Suisse, Cayman Islands Branch, as administrative agent, General Electric Capital Corporation, as collateral agent, SunTrust Bank, as syndication agent the lenders party thereto. Incorporated herein by reference to Exhibit 10.3 to Quality Distribution, Inc. s Current Report on Form 8-K filed on December 24, 2007.
4.16	First Amendment to Credit Agreement, dated as of October 22, 2010, among Quality Distribution, Inc., Quality Distribution, LLC, the Lenders party hereto, Credit Suisse, Cayman Islands Branch as Administrative Agent for the Lenders, and General Electric Capital Corporation as Collateral Agent for the Lenders. Incorporated herein by reference to Exhibit 10.2 to Quality Distribution, Inc. s Current Report on Form 8-K filed on October 26, 2010.
4.17	Indenture with respect to the 10% Senior Notes due 2013, dated as of October 15, 2009, among Quality Distribution, LLC, QD Capital Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee. Incorporated herein by reference to Exhibit 4.1 to Quality Distribution, Inc. s Current Report on Form 8-K filed on October 16, 2009.
	Form of Exchange Note for the 10% Senior Notes due 2013 (included as Exhibit B to Exhibit 4.18).
4.18	Registration Rights Agreement with respect to the 10% Senior Notes due 2013, dated as October 15, 2009, among Quality Distribution, LLC, QD Capital Corporation, the guarantors named therein, and Credit Suisse Securities (USA) LLC and Moelis & Company LLC, as dealer managers. Incorporated herein by reference to Exhibit 4.2 to Quality Distribution, Inc. s Current Report on Form 8-K filed on October 16, 2009.
4.19	Indenture with respect to the 11.75% Senior Subordinated PIK Notes due 2013, dated as of October 15, 2009, among Quality Distribution, LLC, QD Capital Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee. Incorporated herein by reference to Exhibit 4.3 to Quality Distribution, Inc. s Current Report on Form 8-K filed on October 16, 2009.

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Exhibit No.	Description
4.20	Form of Exchange Note for the 11.75% Senior Subordinated PIK Notes due 2013 (included as Exhibit B to Exhibit 4.21).
4.22	Registration Rights Agreement with respect to the 11.75% Senior Subordinated PIK Notes due 2013, dated as October 15, 2009, among Quality Distribution, LLC, QD Capital Corporation, the guarantors named therein and Credit Suisse Securities (USA) LLC and Moelis & Company LLC, as dealer managers. Incorporated herein by reference to Exhibit 4.4 to Quality Distribution, Inc. s Current Report on Form 8-K filed on October 16, 2009.
4.22	Warrant Agreement, dated as October 15, 2009, between Quality Distribution, Inc. and The Bank of New York Mellon Trust Company, N.A., as warrant agent. Incorporated herein by reference to Exhibit 4.5 to Quality Distribution, Inc. s Current Report on Form 8-K filed on October 16, 2009.
4.23	Indenture with respect to the 9.875% Second-Priority Senior Secured Notes due 2018, dated as of November 3, 2010, among Quality Distribution, LLC, QD Capital Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as Trustee and The Bank of New York Mellon Trust Company, N.A., as Collateral Agent. Incorporated herein by reference to Exhibit 4.1 to Quality Distribution, Inc. s Current Report on Form 8-K filed on November 3, 2010.
4.24	Form of Initial Note for the 9.875% Second-Priority Senior Secured Notes due 2018 (included as Exhibit B to Exhibit 4.25).
4.25	Registration Rights Agreement with respect to the 9.875% Second-Priority Senior Secured Notes due 2018, dated as November 3, 2010, among Quality Distribution, LLC, QD Capital Corporation, the guarantors named in Annex I thereto and Credit Suisse Securities (USA) LLC, Jefferies & Company, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and RBC Capital Martkets LLC acting as representatives of the purchasers of the 9.875% Second-Priority Senior Secured Notes due 2018. Incorporated herein by reference to Exhibit 4.2 to Quality Distribution, Inc. s Current Report on Form 8-K filed on November 3, 2010.
4.26	Collateral Agreement dated and effective as of November 3, 2010, among Quality Distribution Inc., Quality Distribution, LLC, QD Capital Corporation, each subsidiary of QD LLC identified on Schedule I thereto and The Bank of New York Mellon Trust Company, N.A. as collateral agent. Incorporated herein by reference to Exhibit 10.2 to Quality Distribution, Inc. s Current Report on Form 8-K filed on November 3, 2010.
10.1	Amended and Restated Shareholders Agreement, dated as of February 10, 1998, among MTL Inc., Apollo Investment Fund III, L.P., Apollo Overseas Partners III, L.P., Apollo U.K. Fund III, L.P. and certain shareholders of MTL Inc. Incorporated herein by reference to Exhibit 4.13 to Quality Distribution, Inc. s Annual Report on Form 10-K filed on March 29, 2002.
10.2	Amended and Restated Common and Preferred Stock Purchase and Shareholders Agreement, dated as of August 28, 1998, among BT Investment Partners, Inc., MTL Equity Investors, L.L.C., Apollo Investment Fund III, L.P., Apollo Overseas Partners III, L.P., Apollo U.K. Fund III, L.P. and MTL, Inc. Incorporated herein by reference to Exhibit 4.14 to Quality Distribution, Inc. s Annual Report on Form 10-K filed on March 29, 2002.
10.3	Amendment No. 1, dated as of April 2, 2002, to the Amended and Restated Common and Preferred Stock Purchase and Shareholders Agreement, dated as of August 28, 1998, among BT Investment Partners, Inc., MTL Equity Investors, L.L.C., Apollo Investment Fund III, L.P., Apollo Overseas Partners III, L.P., Apollo U.K. Fund III, L.P. and MTL, Inc. Incorporated herein by reference to Exhibit 10.3 to Quality Distribution, LLC s Registration Statement on Form S-4 filed on August 14, 2002 (Registration No. 333-98077).
10.4	Second Amended and Restated Registration Rights Agreement, dated as of August 28, 1998, among Apollo Investment Fund III, L.P., Apollo Overseas Partners III, L.P., Apollo U.K. Fund III, L.P., Quality Distribution, Inc. and certain shareholders of Quality Distribution, Inc.. Incorporated herein by reference to Exhibit 10.4 to Quality Distribution, LLC s Registration Statement on Form S-4 filed on August 14, 2002 (Registration No. 333-98077).

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Exhibit No.	Description
10.5	Agreement, dated as of May 30, 2002, among Apollo Investment Fund III, L.P., Apollo Overseas Partners III, L.P., Apollo U.K. Fund III, L.P., Quality Distribution, Inc., and certain shareholders of Quality Distribution, Inc. Incorporated herein by reference to Exhibit 10.5 to Quality Distribution, LLC s Registration Statement on Form S-4 filed on August 14, 2002 (Registration No. 333-98077).
10.6	Warrant Agreement (including form of warrant certificate), dated as of May 30, 2002, between Quality Distribution, Inc. and The Bank of New York. Incorporated herein by reference to Exhibit 10.32 to Quality Distribution, Inc. s Amendment No. 2 to Registration Statement on Form S-1 filed on October 24, 2003 (Registration No. 333-108344).
10.7	Employment Agreement dated November 3, 2004 between Quality Distribution, Inc. and Gary Enzor. Incorporated herein by reference to Exhibit 99.2 to Quality Distribution, Inc. s Current Report on Form 8-K filed on November 9, 2004.
10.8	Quality Distribution, Inc. 2003 Restricted Stock Incentive Plan. Incorporated herein by reference to Exhibit 10.1 to Quality Distribution, Inc. s Current Report on Form 8-K filed on May 28, 2010.
10.9	Quality Distribution, Inc. 2003 Restricted Stock Incentive Plan, as amended. Incorporated herein by reference to Exhibit 10.2 to Quality Distribution, Inc. s Current Report on Form 8-K filed on May 16, 2005.
10.10	Form of Non Qualified Stock Option Agreement. Incorporated herein by reference to Exhibit 10.5 to Quality Distribution, Inc. s Current Report on Form 8-K filed on June 7, 2005.
10.11	Form of Restricted Stock Award Agreement. Incorporated herein by reference to Exhibit 10.6 to Quality Distribution, Inc. s Current Report on Form 8-K filed on June 7, 2005.
10.12	Employment Agreement dated April 1, 2007 between Quality Distribution, Inc. and Jonathan C. Gold. Incorporated herein by reference to Exhibit 10.2 to Quality Distribution, Inc. s Quarterly Report on Form 10-Q filed on May 9, 2007.
10.13	Separation Agreement and General Release, effective as of July 25, 2008, between Quality Distribution, Inc. and Timothy B. Page. Incorporated herein by reference to Exhibit 10.1 to Quality Distribution, Inc. s Quarterly Report on Form 10-Q filed on November 7, 2008.
10.14	Employment Agreement, dated July 28, 2008, between Quality Distribution, Inc. and Stephen R. Attwood. Incorporated herein by reference to Exhibit 10.2 to Quality Distribution, Inc. s Quarterly Report on Form 10-Q filed on November 7, 2008.
10.15	Quality Distribution, Inc. Key Employee Deferred Compensation Plan, as Amended and Restated January 1, 2009. Incorporated herein by reference to Exhibit 10.23 to Quality Distribution, Inc. s Annual Report on Form 10-K filed on March 13, 2009.
10.16	Separation Agreement and General Release dated December 31, 2009, between Quality Distribution, Inc. and Dennis R. Copeland. Incorporated herein by reference to Exhibit 10.26 to Quality Distribution, LLC and QD Capital Corporation s Amendment No. 1 to Registration Statement on Form S-4 (Registration No. 333-163868) filed on February 5, 2010.
10.17	Professional Services Agreement, dated December 31, 2009, between Quality Distribution, Inc. and Dennis R. Copeland. Incorporated herein by reference to Exhibit 10.27 to Quality Distribution, LLC and QD Capital Corporation s Amendment No. 1 to Registration Statement on Form S-4 (Registration No. 333-163868) filed on February 5, 2010.
10.18	Employment Agreement dated March 12, 2010 between Quality Distribution, Inc. and Randall Strutz. Incorporated herein by reference to Exhibit 10.23 to Quality Distribution, LLC s Registration Statement on Amendment No. 3 to Form S-4 dated April 7, 2010 (Registration No. 333-163868).
10.19	Employment Agreement, dated July 16, 2010 between Quality Distribution, Inc. and Joseph J. Troy. Incorporated herein by reference to Exhibit 10.1 to Quality Distribution, Inc. s Current Report on Form 8-K filed on July 22, 2010.

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Exhibit No.	Description
10.20	Credit Agreement, dated as of August 19, 2011, among Quality Distribution, Inc., Quality Distribution, LLC, the other loan parties party thereto, Bank of America, N.A., as administrative agent and collateral agent, JPMorgan Chase Bank, N.A., as syndication agent, and the lenders party thereto. Incorporated herein by reference to Exhibit 10.1 to Quality Distribution, Inc. s Current Report on Form 8-K filed on August 22, 2011.
10.21	Guarantee and Collateral Agreement, dated as of August 19, 2011, among Quality Distribution, Inc., Quality Distribution, LLC, the Company s subsidiaries party thereto, and Bank of America, N.A., as administrative agent and collateral agent. Incorporated herein by reference to Exhibit 10.2 to Quality Distribution, Inc. s Current Report on Form 8-K filed on August 22, 2011.
21 *	Subsidiaries of the Registrant.
23 *	Consent of PricewaterhouseCoopers, LLP
24 *	Powers of Attorney
31.1 *	Certification of Chief Executive Officer pursuant to Rule 13(a) 14(a).
31.2 *	Certification of Chief Financial Officer pursuant to Rule 13(a) 14(a).
32.1 *	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive Data File

* Document is filed with this Form 10-K
Indicates a compensatory plan or arrangement contemplated by Item 15 a (3) of Form 10-K.