QUALITY DISTRIBUTION INC
Form 424B4
November 07, 2003
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Filed Pursuant to Rule 424(b)(4)
Registration No. 333-108344

7,000,000 Shares

Quality Distribution, Inc.

Common Stock

We are selling 7,000,000 shares of our common stock.

The offering of our common stock is conditioned upon the completion of a concurrent private offering by our wholly owned subsidiary, Quality Distribution, LLC, of its unsecured notes and the entry by Quality Distribution, LLC into a new credit facility.

Prior to this offering, there has been no public market for our common stock. Our common stock has been approved for listing on The Nasdaq Stock Market s National Market under the symbol QLTY subject to official notice of issuance.

The underwriters have an option to purchase a maximum of 875,000 additional shares at the initial public offering price less the underwriting discount to cover over-allotments of shares.

Investing in our common stock involves risks. See Risk Factors beginning on page 9.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to QDI
Per Share	$17.00	$1.19	$15.81
Total	$ 119,000,000	$ 8,330,000	$ 110,670,000

Delivery of the shares will be made on or about November 13, 2003.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse First Boston **Bear, Stearns & Co. Inc.**

Deutsche Bank Securities

JPMorgan

Legg Mason Wood Walker

Incorporated

The date of this prospectus is November 6, 2003

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Description of Graphic Omitted: Map of the United States, northern Mexico and south eastern Canada depicting the locations where we maintain Terminal and/or Tank Wash facilities. In the lower left hand corner of the picture there is a legend listing the three options available at each location noted in the picture. The three possible services at each location are (i) locations that provide both Tank Wash and Terminal Services (indicated by a semi shaded square), (ii) locations providing only Terminal Services (indicated by a fully shaded square), and (iii) locations providing only Tank Wash Services (indicated by a fully shaded circle).

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You should rely only on the information contained in this document. We have not authorized anyone to provide you with any other information. This document may only be used where it is legal to sell these securities.

The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock. In this prospectus, unless the context otherwise indicates, (i) the terms our company, Quality Distribution, QDI, we, us and our refer to Quality Distribution, Inc. and its consolidated subsidiaries and their predecessors and (ii) the term Quality Distribution, LLC refers to our wholly-owned subsidiary, Quality Distribution, LLC, a Delaware limited liability company, and its consolidated subsidiaries and their predecessors.

Market and industry data and other statistical information used throughout this prospectus are based on independent industry publications, government publications and other published independent sources, including Modern Bulk Transporter s 2002 Annual Gross Revenue Report. Some data are also based on our good faith estimates, which are derived from our review of management s knowledge of the industry and independent sources. Although we believe that these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy and/or completeness.

Dealer Prospectus Delivery Obligation

Until December 1, 2003, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus but might not contain all of the information that is important to you. Before investing in our common stock, you should read the entire prospectus carefully, including the Risk Factors section and the consolidated financial statements and the notes thereto included elsewhere in this prospectus.

Unless otherwise indicated, the information contained in this prospectus assumes that the underwriters over-allotment option is not exercised.

Our Business

We operate the largest dedicated bulk tank truck network in North America based on bulk service revenues, and we believe we have twice the revenues of our closest competitor in our primary chemical bulk transport market. The bulk tank truck market in North America includes all items shipped by bulk tank truck carriers and consists primarily of the shipping of chemicals, gasoline and food-grade products. We transport a broad range of chemical products and provide our customers with value-added services, including intermodal, transportation management, transloading, tank cleaning, dry-bulk hauling, leasing and other logistics services. We extensively utilize third-party affiliate terminals and owner-operator drivers in our core bulk service network. Our non-asset based operations enable us to minimize our capital investments and increase the flexibility of our cost structure, while providing superior localized customer service. We are a core carrier for many of the Fortune 500 companies engaged in chemical processing, including Dow Chemical Company, Procter & Gamble Company, E.I. Dupont and PPG Industries, and we provide services to each of the top 100 chemical producers in the world with U.S. operations. We expect to grow as our customers continue to outsource more of their transportation management and logistics needs to full-service carriers. As a result of our leading market position, flexible business model and decentralized operating structure, we believe we are well positioned to benefit from current industry trends. Operating revenues and operating income were $516.5 million and $27.3 million, respectively, for the year ended December 31, 2002. For the nine months ended September 30, 2003, we generated operating revenues and operating income of $426.3 million and $30.2 million, respectively, representing growth rates of 9.2% and 23.2%, respectively, over the comparable period in 2002.

In 2000, we began assembling a new management team to guide the integration of our predecessor companies and position us for profitable future growth. Led by Thomas L. Finkbiner, our new management team undertook several major initiatives designed to enhance our operating flexibility, upgrade and standardize our business processes, improve our customer service and increase our profitability. Most of these initiatives, which are described below, were completed during 2002, and are now beginning to yield benefits as reflected in our operating results for the nine months ended September 30, 2003.

- We significantly expanded the use of affiliate terminals and owner-operator drivers in our transformation to a more non-asset based business model.

- We installed a new order entry, dispatch and billing system, a new decision support system and a new mobile satellite communication system.

- We established new standard operating procedures for customer service and safety and implemented a new field operating structure.

- We added several terminals and tank wash facilities in strategic locations to fill out our core bulk network.

We began offering additional complementary, value-added services that offer attractive growth potential, including intermodal services and third-party logistics.

We implemented a new yield management system and other profit improvement initiatives.

We sold a non-core petroleum and mining trucking business.

We believe that we will realize significant additional financial benefits from these and other strategic initiatives as the chemical industry recovers from its recent downturn.

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Our Industry

We estimate, based on industry sources, that the for-hire North American bulk tank truck industry generated revenues of approximately $5.0 billion in 2002. We estimate that our primary chemical bulk transport market consists of a greater than $2.5 billion for-hire segment. We operate in the highly fragmented for-hire segment of the chemical bulk transport market where we have achieved a leading market share of approximately 20%. Our competition in the for-hire segment includes more than 200 smaller, primarily regional carriers. In addition to the for-hire segment, we also compete for the private fleet segment of the market, which we estimate is an approximately $2.4 billion market, by targeting private fleet operators who would benefit from outsourcing their transportation needs to us. Because we operate the largest dedicated bulk tank truck network in North America, we believe we are well-positioned to expand our business by converting private fleets.

Industry growth is generally dependent on volume growth in the industrial chemical industry and on the rate at which chemical companies outsource their transportation needs. According to *Modern Bulk Transporter*, total chemical shipments declined by 13% between 1999 and 2002, and according to *Chemical Week* and management estimates, industry growth is expected to be flat in 2003. As competitive pressures force chemical companies to reduce costs and focus on their core businesses, we believe that chemical companies will continue to consolidate their shipping relationships and seek to outsource a greater portion of their transportation and logistics needs. We believe that large, national full-service carriers, will benefit from this outsourcing trend and will be able to grow faster than the overall bulk tank truck industry.

Our industry is characterized by high barriers to entry such as (i) the time and cost required to develop the capabilities necessary to handle sensitive chemical cargo, (ii) the resources required to recruit and train drivers, (iii) substantial industry regulatory requirements and (iv) the significant capital investments required to build a fleet of equipment and establish a network of terminals. In addition, the industry continues to experience consolidation due to economic and competitive pressures, increasing operating costs for driver recruitment and insurance, and increasing capital investments. As the cost and complexity of operating a bulk tank truck business increase and smaller competitors continue to exit the industry, we believe that large, well established carriers will increase market share and grow faster than the overall industry.

Our Formation and Ownership

Our company was formed in 1994 as a holding company known as MTL Inc., and consummated its initial public offering on June 17, 1994. On June 9, 1998, MTL Inc. was recapitalized through a merger with a corporation controlled by Apollo Investment Fund III, L.P. As a result of the recapitalization, MTL Inc. became a private company. On August 28, 1998, we completed our acquisition of Chemical Leaman Corporation and its subsidiaries (CLC). In 1999, we changed our name from MTL Inc. to Quality Distribution, Inc.

QDI is owned principally by Apollo Investment Fund III, L.P., Apollo Overseas Partners III, L.P. and Apollo (U.K.) Partners III, L.P. (collectively, the Apollo Funds), each of which is an affiliate of Apollo Management, L.P. We refer to Apollo Management, L.P. and its affiliates collectively as Apollo throughout this prospectus. As of September 30, 2003, Apollo owned approximately 87.4% of QDI s common stock, certain other investors owned approximately 9.8% of QDI s common stock, and our management owned approximately 2.8% of QDI s common stock. Immediately after giving effect to this offering, including after giving effect to the conversion of all outstanding shares of our preferred stock into shares of our common stock, Apollo will own approximately 57.7% of our outstanding common stock (approximately 55.0% if the underwriters over-allotment option is exercised in full).

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Our Strengths

Largest tank truck network in a fragmented industry. We provide our customers with access to the largest captive trailer network in the industry. In addition, our nationwide network of 156 terminals covers all major chemical markets and enables us to serve customers with both national and regional shipping requirements. Our size allows us, our affiliates and our owner-operators to benefit from efficiencies through greater network density and economies of scale in the purchasing of supplies and services, including fuel, tires and insurance coverage. Our size also enables us to invest in strategic assets and new technologies that increase our operating efficiency and lower our costs.

Flexible non-asset based business model. Our extensive use of affiliates and owner-operators results in a more variable cost structure, increases our asset utilization, contributes to the stability of our cash flow and increases our return on capital. Affiliates are independent contractors that, through comprehensive contracts with us, operate their terminals exclusively for us. Affiliates are responsible for the capital investments and operating expenses related to their terminals. Adding new affiliates enables us to expand our geographic coverage with minimal additional capital investment. In addition, the conversion of company-owned terminals to affiliate status generally improves our operating margins. Owner-operators are independent contractors who supply one or more tractors and drivers for our own or our affiliates exclusive use. By using owner-operators who are responsible for all applicable trip expenses, including maintenance and fuel, we can avoid the high capital costs of purchasing and maintaining tractors. For the nine months ended September 30, 2003, affiliates and owner-operators provided approximately 80% of the tractors in our network and accounted for approximately 84% of our revenue.

Core carrier to top 100 chemical companies. We provide services to each of the top 100 chemical producers in the world with U.S. operations. Our ability to maintain these business relationships reflects our service performance and commitment to safety and reliability. We have established long-term customer relationships with these clients, which helps us attract and retain experienced affiliate terminal operators and drivers.

Broad menu of complementary services. Our ability to provide value-added services that complement our core service differentiates us from smaller competitors and enables us to gain market share, particularly with large customers that seek to use a limited number of core carriers. By increasing the number of services offered to our customers, we enhance our position as a leading national full-service provider in the industry.

Enhanced productivity and efficiency through installed technology. We utilize technology to improve our customer service and operating efficiency. We have equipped over 90% of our tractor fleet with a mobile satellite communications system which enables us to continuously monitor our tractors and communicate with our drivers in the field and enables customers to track the location and monitor the progress of their cargo through the internet. Our website allows our customers to view bills and generate customized service reports. We have implemented a centralized order entry, dispatch and billing program which enhances our control over our equipment and drivers. We have also implemented a yield management system, which enables our terminal operators to deploy assets where they can generate optimal profitability.

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Our Strategy

Add new affiliates and convert private fleets. We believe there are significant opportunities to enhance revenue growth by affiliating additional third-party carriers into our network. Typically, these carriers compete at a disadvantage due to their limited size and regional focus. By joining our affiliate network, they have the opportunity to serve a national customer base, achieve economies of scale, and improve utilization through increased backhaul. We also intend to grow by continuing to target the $2.4 billion private fleet segment of the chemical bulk transport industry. By outsourcing their transportation needs to us, private fleet operators can refocus the financial and managerial costs associated with maintaining in-house transportation functions back into their core business.

Expand scope of service capabilities. We plan to continue to expand the scope of our service capabilities in order to serve the growing needs of our customer base. As our customers continue to focus on their core business, we believe that they will increasingly rely on primary service providers to provide value-added services such as intermodal, tank cleaning, and other logistics services.

Leverage our non-asset based business model. We will continue to convert existing company-owned terminals to affiliate status and expand our use of owner-operators. The non-assest based model allows us to concentrate our capital spending on systems-related projects where we can achieve higher returns on capital through improved yield management, and have also allowed us to reduce net maintenance capital expenditures to less than $10 million in 2002.

The Transaction

Overview. In this prospectus, we refer to the following collectively as the Transaction :

- the offering and sale of our common stock,
- the concurrent private offering by our wholly owned subsidiaries, Quality Distribution, LLC and QD Capital Corporation, of 9% senior subordinated notes due 2010, which we refer to as the new notes,
- Quality Distribution, LLC s entry into a new credit facility,
- the application of net proceeds from each of the common stock offering, the sale of the new notes and the new credit facility to repay indebtedness, and
- the conversion of all outstanding shares of our preferred stock for shares of our common stock.

The offering of our common stock, the completion of the offering of the new notes and the entry by Quality Distribution, LLC into a new credit facility are each mutually conditioned upon the completion of the others. For example, if the private offering of the new notes is not consummated, or Quality Distribution, LLC fails to enter into a new credit facility, this offering and sale of our common stock will not be completed. The conversion of all outstanding shares of our preferred stock for common stock will automatically occur upon the earlier to occur

of the consummation of the offering of common stock contemplated hereby or the receipt by us of the consent of our lenders required under our existing credit facility.

The common stock. We are offering 7,000,000 shares of our common stock. The initial public offering price of the common stock is $17.00 per share.

Concurrent offering of the Quality Distribution, LLC Notes. In the concurrent private offering, Quality Distribution, LLC and QD Capital Corporation, as co-issuers, are offering $125 million aggregate principal amount of the new notes. We, together with Quality Distribution, LLC s domestic subsidiaries (other than QD Capital Corporation), will guarantee Quality Distribution, LLC s obligations under the new notes. See

Description of the New Credit Facility and Other Indebtedness The New Notes for a more detailed description of the new notes. The concurrent offering and sale of the new notes is not being registered under the Securities Act of 1933, and the new notes offered thereby may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

New credit facility. Quality Distribution, LLC will enter into a new credit facility to be effective upon completion of the Transaction and satisfaction of other customary conditions. We expect that the new credit facility will consist of a $140 million delayed draw term loan facility, a $75 million revolving credit facility and a $20 million pre-funded letter of credit facility. See Description of the New Credit Facility and Other Indebtedness The New Credit Facility for a more detailed description of the new credit facility.

Conversion of the Preferred Stock. On October 1, 2003, we amended the terms of our 13.75% preferred stock to provide, among other things, that all such shares outstanding will automatically convert into 7,654,235 shares of common stock upon the earlier to occur of the consummation of this offering or the receipt by us of the consent of the lenders required under our existing credit facility. Such conversion is based upon a conversion rate of approximately 15 shares of common stock for each outstanding share of preferred stock, which results in an effective price of $11.63 per share of common stock. See Conversion of Preferred Stock Terms of the Conversion for a more detailed description of the preferred stock conversion.

Risk Factors

An investment in common stock involves a high degree of risk. Potential investors should carefully consider the risk factors set forth under Risk Factors beginning on page 9 and the other information contained in this prospectus prior to making an investment decision regarding our common stock.

Corporate Information

We are a Florida corporation formed in 1994. Our principal executive offices are located at 3802 Corporex Park Drive, Tampa, Florida 33619, and our telephone number is (813) 630-5826. We are a holding company with no significant assets or operations other than the ownership of 100% of the membership units of Quality Distribution, LLC. Our website is located at *www.qualitydistribution.com*. Information contained on our website does not constitute a part of this prospectus.

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The Offering

Common stock offered	7,000,000 shares.
Common stock to be outstanding after the offering	18,012,311 shares.
Over-allotment option granted	875,000 shares.
Use of Proceeds	We expect to use the net proceeds from this offering for the repayment of debt. See Use of Proceeds.
Nasdaq National Market symbol	QLTY

The number of shares of common stock to be outstanding after this offering is based on our shares of common stock outstanding as of September 30, 2003 after giving effect to the issuance of 7,654,235 shares of common stock upon the conversion of all outstanding shares of our preferred stock, based upon a conversion rate of approximately 15 shares of common stock for each outstanding share of preferred stock, and after giving effect to the purchase of 25,000 shares of our common stock by a shareholder as a result of the exercise of his preemptive rights in connection with the preferred stock conversion.

The number of shares to be outstanding after the offering excludes:

- 103,955 shares of common stock issuable upon the exercise of options outstanding as of September 30, 2003 under our stock option plans, each at an exercise price of $23.53 per share;
- 2,210,000 shares of common stock reserved for future grant under our stock option plans;
- 291,186 shares of common stock issuable upon the exercise of warrants outstanding as of September 30, 2003, at an exercise price of $2.94 per share; and
- 500,000 shares of common stock reserved for issuance under our 2003 restricted stock plan.

We effected a 1.7 for 1 stock split of our common stock on November 4, 2003. In order to effect the stock split, we obtained approval of our Board of Directors and also obtained stockholder approval of an amended and restated certificate of incorporation to increase the authorized number of common shares. The stock split became effective upon filing the amended and restated certificate of incorporation with the Secretary of State of the State of Florida. The stock split resulted in an increased number of shares of common stock being issued upon conversion of our outstanding preferred stock with a reduced effective price than would have been applicable to the conversion of our outstanding preferred stock if such conversion had occurred prior to the stock split. Accordingly, all share and per share information in this prospectus gives effect to the amendment to our existing charter to increase the number of authorized shares of common stock to 29,000,000 shares and establish no par value and to the declaration of a 1.7 for 1 stock split of the common stock.

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Summary Financial Information

The following table sets forth our summary historical financial information and other data. The historical statement of operations data for the fiscal years ended December 31, 2000, 2001 and 2002 are derived from, and should be read in conjunction with, our audited financial statements and related notes appearing elsewhere in this prospectus. The historical statement of operations for the year ended December 31, 2001 has been restated. The historical statement of operations data and other data for the nine months ended September 30, 2002 and September 30, 2003 and the historical balance sheet data as of September 30, 2003 are derived from our unaudited financial statements which, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the data for the period. The results of operations for the interim period are not necessarily indicative of the operating results for the entire year or any future period.

The information contained in this table should also be read in conjunction with Capitalization, Selected Historical Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements and accompanying notes thereto included elsewhere in this prospectus.

	Years ended December 31,			Nine Months ended September 30,	
	2000	2001	2002	2002	2003
		(Restated)			
	(dollars in thousands, except per share data)				
STATEMENT OF OPERATIONS DATA:					
Operating revenues	$ 556,547	$ 510,701	$ 516,538	$ 390,347	$ 426,251
Operating expenses:					
Purchased transportation(1)	320,943	298,688	301,921	227,766	267,635
Depreciation and amortization(2)	35,281	33,410	31,823	23,282	22,744
Other operating expenses	170,729	150,284	155,511	114,801	105,687
Operating income(3)	29,594	28,319	27,283	24,498	30,185
Interest expense(4)	40,605	40,389	33,970	27,518	22,022
Interest expense, transaction fees(5)			10,077	10,077	700
Foreign currency transaction loss					937
Other expense (income)	(393)	(143)	6	(16)	(200)
Income (loss) before taxes	(10,618)	(11,927)	(16,770)	(13,081)	6,726
Provision for income taxes(6)	31,225	1,135	1,443	415	360
Income (loss) from continuing operations, before discontinued operations and cumulative change in accounting principle	(41,843)	(13,062)	(18,213)	(13,496)	6,366
Income (loss) from discontinued operations, net of tax	56	(359)	(2,913)	(2,201)	
Cumulative effect of a change in accounting principle, net of tax(7)			(23,985)	(23,985)	
Net income (loss)	$ (41,787)	$ (13,421)	$ (45,111)	$ (39,682)	$ 6,366
OTHER DATA:					
Cash paid for interest	$ 39,412	$ 33,914	$ 32,079	$ 24,510	$ 16,055
Net cash and cash equivalents provided by operating activities	41,282	7,468	25,832	12,043	26,182
Net cash and cash equivalents (used in) investing activities(8)	(18,721)	(34,936)	(7,169)	(2,038)	(4,407)
Net cash and cash equivalents provided by (used in) financing activities	(20,171)	27,263	(19,998)	(11,986)	(19,772)
Number of terminals at end of period	152	148	153	151	156
Number of trailers operated at end of period	7,526	7,737	7,565	7,606	7,884

Number of tractors operated at end of period	3,491	3,394	3,363	3,371	3,441

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	As of September 30, 2003	
	Actual	As Adjusted(9)
BALANCE SHEET DATA:		
Working capital(10)	$ 14,278	$ 28,460
Total assets	377,392	379,712
Total indebtedness, including current maturities	384,218	272,845
Redeemable securities(11)	69,384	
Total stockholders deficit	(188,747)	(5,668)

(1) Does not include purchased transportation from discontinued operations of $1.7 million and $1.4 million in 2000 and 2001, respectively.

(2) Does not include depreciation and amortization from discontinued operations of $1.8 million and $1.7 million in 2000 and 2001, respectively.

(3) For the years ended December 31, 2000, 2001 and 2002, operating income includes charges of $9.9 million, $3.4 million and $4.1 million, respectively, relating to expenses or losses attributable to our operations prior to the 1998 acquisition of CLC and restructuring charges.

(4) After giving effect to the Transaction, we would have had interest expense of $27.3 million for the year ended December 31, 2002 and $16.1 million for the nine months ended September 30, 2003.

(5) Represents transaction fees paid in connection with the exchange offer completed on May 30, 2002. See Certain Relationships and Related Transactions The 2002 Transactions.

(6) The provision for income taxes for the year ended December 31, 2000 includes the establishment of a valuation reserve of $32.6 million, which was a non-cash charge.

(7) Adoption of FAS Statement 142 resulted in a non-cash impairment loss related to goodwill.

(8) Consists of capital expenditures less proceeds from asset sales for the periods presented.

(9) Reflects adjustments to our historical balance sheet data to give effect to the Transaction as if it occurred on September 30, 2003. See Capitalization.

(10) Working capital consists of current assets minus current liabilities. Working capital on an actual basis is lower than working capital on an as adjusted basis because it includes current maturities of indebtedness to be redeemed as part of the Transaction.

(11) At September 30, 2003, redeemable securities of QDI on a consolidated basis consisted of $51.0 million of mandatorily redeemable preferred stock and accrued dividends on this stock of $18.6 million at September 30, 2003 and are net of $0.2 million in shareholder loans. On July 1, 2003, we adopted SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. In accordance with the standard, we reclassified the mandatorily redeemable securities to liabilities. Additionally, QDI issued 30 shares of mandatorily redeemable common stock, which has been written down to its redemption value of $0 at September 30, 2003. At September 30, 2003, our mandatorily redeemable preferred stock was redeemable on September 15, 2006. On October 1, 2003, the terms of our preferred stock were amended and the preferred stock is no longer mandatorily redeemable. Prior to, or concurrently with, the completion of this offering, our preferred stock will be converted into 7,654,235 shares of common stock. See Conversion of Preferred Stock. The difference between the value of the common stock (valued at the initial offering price) issued upon conversion and the then carrying amount of the preferred stock will be recorded as a one-time charge to interest expense of approximately $60.7 million.

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RISK FACTORS

You should carefully consider the risks described below before investing in the common stock. Although the risks described below are all of the risks that we believe are material, they are not the only risks relating to our business and the common stock. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially adversely affect our business, financial condition or results of operations. The trading price could decline due to any of these risks and, therefore, you may lose all or part of your investment.

Risk Factors Relating to the Common Stock and the Offering

We have a single shareholder who can substantially influence the outcome of all matters voted upon by our shareholders and prevent actions which a shareholder may otherwise view favorably.

At September 30, 2003, the Apollo Funds owned approximately 87.4% of our outstanding common stock, and will own approximately 57.7% of our outstanding common stock immediately after giving effect to the Transaction (approximately 55.0% if the underwriters over-allotment option is exercised in full). As a result, Apollo can and will be able to substantially influence all matters requiring shareholder approval, including the election of directors, the approval of significant corporate transactions, such as acquisitions, the ability to block an unsolicited tender offer and any other matter requiring a supermajority vote of shareholders, and will continue to be able to do so immediately after this offering. This concentration of ownership could delay, defer or prevent a change in control of our company or impede a merger, consolidation, takeover or other business combination which you, as a shareholder, may otherwise view favorably.

Our ability to issue blank check preferred stock and Florida law may prevent a change in control of our company that you as a shareholder may consider favorable.

Provisions of our articles of incorporation and Florida law may discourage, delay or prevent a change in control of our company that a shareholder may consider favorable. These provisions include:

- authorization of the issuance of blank check preferred stock that could be issued by our Board of Directors to increase the number of outstanding shares in order to thwart a takeover attempt;

- elimination of the voting rights of shareholders with respect to shares that are acquired without prior board approval that would otherwise entitle such shareholder to exercise certain amounts of voting power in the election of directors; and

- prohibition on business combinations with interested stockholders unless particular conditions are met.

As a result, these provisions could limit the price that investors are willing to pay in the future for shares of our common stock.

The price of our common stock may be volatile, which could cause investors to incur trading losses and fail to realize upon their investments.

Prior to this offering, there has been no public market for our common stock. We cannot predict the extent to which investor interest will lead to the development of an active and liquid trading market in our common stock. The initial public offering price for the shares was determined by negotiations between us and the representatives of the underwriters and may not be indicative of the market price of the common stock that will prevail in the trading market. The market price of the common stock may decline below the initial public offering price. Some companies that have had volatile market prices for their securities have been subject to securities class action suits filed against them. If a suit were to be filed against us, regardless of the outcome, it could result in substantial costs and a diversion of our management s attention and resources. This could have a material adverse effect on our business, results of operations and financial condition.

Future sales of our common stock in the public market may depress our stock price.

The market price of our common stock could decline as a result of sales by our existing shareholders of a large number of shares of our common stock in the market after this offering or the perception that such sales may occur. These sales might also make it more difficult for us to sell additional equity securities at a time and price that we deem appropriate. There will be approximately 18,012,311 shares of common stock outstanding immediately after this offering, including after giving effect to the conversion of all outstanding shares of our preferred stock into shares of our common stock. In addition, there will be 291,186 shares of common stock issuable upon exercise of all outstanding warrants, all of which are currently exercisable. All of the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended, except for shares purchased by our affiliates as defined in Rule 144 under the Securities Act. Upon completion of this offering 11,012,311 shares of common stock will be either restricted securities or affiliate securities as defined in Rule 144. Subject to the one year lock-up agreement with the underwriters, these restricted securities may be sold in the future without registration under the Securities Act to the extent permitted under Rule 144 under the Securities Act. Approximately 10,684,448 outstanding shares of these restricted or affiliate securities will be eligible for sale under Rule 144 subject to applicable holding period, volume limitations, manner of sale and notice requirements set forth in applicable SEC rules and 327,863 shares of the restricted securities will be saleable without regard to these restrictions under Rule 144(k). In addition, shareholders holding approximately 10,941,296 outstanding shares of these restricted securities will have registration rights which could allow those holders to sell their shares freely through a registration statement filed under the Securities Act. Moreover, Credit Suisse First Boston LLC and Bear, Stearns & Co. Inc. may, in their sole discretion and at any time without notice, release these shareholders from the one year lock-up restriction on the sale of their shares.

In addition, after this offering, we will have 2,813,955 shares of common stock reserved for issuance under our stock option and restricted stock plans, of which options to purchase 103,955 shares were outstanding as of September 30, 2003. We intend to file a Form S-8 registration statement after this offering to register all of the shares of common stock issuable under our stock option and restricted stock plans.

We currently do not intend to pay dividends on our common stock.

We do not expect to pay dividends on our common stock in the foreseeable future. In addition, the agreements governing our indebtedness, including the indenture for the new notes and the new credit facility, will restrict our ability to pay dividends. Accordingly, if you purchase shares in this offering, the price of our common stock must appreciate in order to realize a gain on your investment. This may not occur.

You will suffer an immediate and substantial dilution in the net tangible book value of the common stock you purchase.

Some prior investors have paid substantially less per share than the price in this offering. The initial offering price is expected to be substantially higher than the net tangible book value per share of the outstanding common stock immediately after this offering. Accordingly, based on the initial public offering price of $17.00 per share, purchasers of common stock in this offering will experience immediate and substantial dilution of approximately $24.91 per share in net tangible book value of the common stock. In addition, as of September 30, 2003, there were options outstanding to purchase 103,955 shares of common stock, each at an exercise price of $23.53 per share, and warrants to purchase 291,186 shares of common stock, each at an exercise price of $2.94 per share. If all of these options and warrants were exercised on the date of the closing of this offering, investors purchasing shares in this offering would suffer total dilution of $24.56 per share.

The figures set forth above include the dilutive effect from the conversion of our preferred stock into 7,654,235 shares of common stock which results in an effective price of $11.63 per share of common stock, which accounts for 42.49% of the per share dilution experienced by purchasers of common stock in this offering (41.58% if all outstanding options and warrants were exercised on the date of closing).

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We may be limited in our ability to offset future income with our current net operating loss.

We have a net operating loss for Federal income tax purposes. If we undergo a change of control as described in Section 382 of the Internal Revenue Code, our ability to use those net operating losses to offset future income will be limited. This will have the effect of reducing our after tax cashflow. For a more detailed discussion of our potential net operating loss limitation, see United States Federal Income Tax Considerations.

Risks Related to Our Business

Our business is subject to general economic and other factors that are largely out of our control and could affect our operations and profitability.

Our business is dependent on various economic factors over which we have no control, such as the availability of qualified drivers, changes in fuel and insurance prices, including changes in fuel taxes, excess capacity in the trucking industry, changes in license and regulation fees, toll increases, interest rate fluctuations and downturns in customers business cycles and shipping requirements. As a result, we may experience periods of overcapacity, declining prices and lower profit margins in the future. Our revenues and operating income could be materially adversely affected if we are unable to pass through to our customers the full amount of increased transportation costs. We have a large number of customers in the chemical processing and consumer goods industries. If these customers experience fluctuations in their business activity due to an economic downturn, work stoppages or other factors over which we have no control, the volume of freight transported by us on behalf of those customers may decrease and our operating results could be adversely affected.

Loss of affiliates and owner-operators could affect our operations and profitability.

We rely on participants in our affiliate program and independent owner-operators. A reduction in the number of affiliates or owner-operators, whether due to capital requirements related to the expense of obtaining, operating and maintaining equipment or for other reasons, could have a negative effect on our operations and profitability. Contracts with affiliates typically are for a term ranging from one to five years, and contracts with owner-operators may be terminated by either party on short notice. Although affiliates and owner-operators are responsible for paying for their own equipment, fuel and other operating costs, significant increases in these costs could cause them to seek a higher percentage of our revenue if we are unable to increase our rates commensurately. In addition, a continued decline in the rates we pay to our affiliates and owner-operators could adversely affect our ability to maintain our existing affiliates and owner-operators and attract new affiliates, owner-operators and company drivers.

Increasing trucking regulations may increase costs.

As a motor carrier, we are subject to regulation by the U.S. Department of Transportation and by various state agencies. These regulatory authorities exercise broad powers, governing activities such as the authorization to engage in motor carrier operations, safety, financial reporting and certain mergers, consolidations and acquisitions. There are additional regulations specifically relating to the trucking industry, including testing and specification of equipment and product handling requirements. The trucking industry is subject to possible regulatory and legislative changes that may affect the economics of the industry by requiring changes in operating practices or by changing the demand for common or contract carrier services or the cost of providing truckload services. Some of these possible changes include increasingly stringent environmental regulations, changes in the hours-of-service regulations which govern the amount of time a driver may drive in any specific period, onboard

black box recorder devices or limits on vehicle weight and size. In addition, our tank wash facilities are subject to strict local, state and federal environmental regulations.

Interstate motor carrier operations are subject to safety requirements prescribed by the Department of Transportation. To a large degree, intrastate motor carrier operations are subject to safety and hazardous material transportation regulations that mirror federal regulations. Such matters as weight and dimension of equipment are

also subject to federal and state regulations. Department of Transportation regulations mandate drug testing of drivers. To date, the Department of Transportation s national commercial driver s license and alcohol and drug testing requirements have not adversely affected the availability of qualified drivers to us.

From time to time, various legislative proposals are introduced, including proposals to increase federal, state, or local taxes, including taxes on motor fuels. We cannot predict whether, or in what form, any increase in such taxes applicable to us will be enacted.

Increased unionization could increase our operating costs or constrain operating flexibility.

Although only approximately 9% of our total workforce, and only 4% of our driver workforce, including owner operators and employees of affiliates, are currently subject to collective bargaining agreements, unions such as the International Brotherhood of Teamsters have traditionally been active in the U.S. trucking industry. If our unionized workers were to engage in a strike, work stoppage or other slowdown in the future, we could experience a disruption of our operations, which could have a material adverse effect on us. In addition, our non-union workforce has been subject to union organization efforts from time to time, and we could be subject to future unionization efforts as our operations expand. Increased activity by the Teamsters or other unions could increase the possibility for unionization. Increased unionization of our workforce could result in higher compensation and working condition demands that could increase our operating costs or constrain our operating flexibility.

Operations involving hazardous materials could create environmental liabilities.

Our activities are subject to environmental, health and safety laws and regulation by U.S. Federal, state, local and Canadian governmental authorities. Our operations involve the handling, transportation, storage and disposal of bulk liquid chemicals, many of which are classified as hazardous materials, hazardous substances or hazardous waste. Our tank wash and terminal operations engage in the storage or discharge of wastewater and storm-water that may have contained hazardous substances, and from time to time, we store diesel fuel and other petroleum products at these terminals. Environmental laws and regulations are complex, change frequently and have tended to become more stringent over time. We believe we are in material compliance with all applicable requirements. However, there can be no assurance that material violations of such laws or regulations will not be identified or occur in the future, or that such laws and regulations will not change in a manner that could impose material costs on us.

As a handler of hazardous substances, we are potentially subject to strict, joint and several liability for investigating and rectifying the consequences of spills and other environmental releases of these substances either under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (CERCLA) or comparable state laws. 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, notwithstanding the existence of our environmental management program, we cannot assure you that such obligations will not be incurred in the future, or that such liabilities will not result in a material adverse effect on our financial condition, results of operations or our business reputation. As a result of environmental studies conducted at our facilities in conjunction with our environmental management program, we have identified environmental contamination at certain sites that will require remediation.

We are currently investigating and remediating five properties where we are the only performing party under federal and state Superfund programs. Each of these five remediation projects relates to operations conducted by CLC prior to our acquisition of and merger with CLC in 1998. We have also been named as a potentially responsible party, or have otherwise been alleged to have responsibility, under CERCLA or similar state laws for cleaning up off-site locations where our waste, or material transported by us, has allegedly been disposed. We are currently investigating, remediating, or are subject to potential financial obligations at approximately 37 such waste disposal sites where we are one of

several performing parties. We have incurred in

the past and expect to continue to incur material expenses for the foreseeable future on environmental matters. As of September 30, 2003, we had reserves in the amount of $30.5 million accrued for our environmental liabilities, including remediation costs. Our actual environmental expenditures may exceed our expectations or reserves and may have a material adverse effect on our financial condition and results of operations.

We are self-insured and have exposure to certain claims and the costs of our insurance may not be adequately passed on to our customers.

The primary risks associated with our business are bodily injury and property damage, workers compensation claims and cargo loss and damage. We currently maintain liability insurance against (1) bodily injury and property damage and (2) workers compensation claims. This insurance includes deductibles of $5.0 million per incident for auto liability and a $1.0 million deductible for workers compensation. As such, we are subject to liability as a self-insurer to the extent of these deductibles under the applicable policy. We are also self-insured for damage to the equipment that we own and lease and for cargo losses, and such self-insurance is not subject to any maximum limitation. We also provide insurance coverage to our affiliates for (a) auto and general liability coverage, subject to a deductible limit for such affiliates of $10,000 or $15,000 per incident and (b) cargo loss and damage, subject to a deductible limit for such affiliates of $5,000 or $7,500 per incident.

We are subject to changing conditions and pricing in the insurance marketplace and we cannot assure you that the cost or availability of various types of insurance may not change dramatically in the future. To the extent these costs can not be passed on to our customers in increased freight rates, increases in insurance costs could reduce our future profitability.

The issuance of preferred stock in the company could adversely affect the market value of our common stock and diminish the voting power of the owners of our common stock.

We do not currently intend to issue preferred stock. However, our amended and restated articles of incorporation and by-laws will permit the issuance of preferred stock which, due to their preferential treatment with respect to dividends and voting rights, could lead to a decrease in the price of our common stock and would, in certain situations, diminish the voting power of the holders of our common stock.

The loss of one or more significant customers may adversely affect our business.

We are dependent upon a limited number of large customers. Our top ten customers accounted for approximately 30.8% of our total revenues during 2002. In particular, our largest customer, The Dow Chemical Company, accounted for 12.6% of our total revenues during 2002. The loss of The Dow Chemical Company or one or more of our other major customers, or a material reduction in services performed for such customers, would have a material adverse effect on our results of operations.

Our business may be harmed by terrorist attacks, future war or anti-terrorism measures.

In the aftermath of the terrorist attacks of September 11, 2001, federal, state and municipal authorities have implemented and are implementing various security measures, including checkpoints and travel restrictions on large trucks. Such measures may have costs associated with them

which a motor carrier is forced to bear. In addition, war or risk of war may also have an adverse effect on the economy. A decline in economic activity could adversely affect our revenues or restrict our future growth. Instability in the financial markets as a result of terrorism or war could also affect our ability to raise capital. In addition, the insurance premiums charged for some or all of the coverages currently maintained by us could increase dramatically or such coverages could be unavailable in the future.

Loss of qualified personnel could limit our growth and negatively affect operations.

There is substantial competition for qualified personnel, including drivers, in the trucking industry. Furthermore, certain geographic areas have a greater shortage of qualified drivers than other areas. We operate in

many of these geographic areas where there is a shortage of drivers. Difficulty in attracting qualified personnel, particularly qualified drivers, could require us to limit our growth and could have a negative impact on our operations. In addition, we cannot assure you that we will be able to retain qualified personnel in the future.

We depend on members of our senior management.

We believe that our ability to successfully implement our business strategy and to operate profitably depends in large part on the continued employment of our senior management team led by Thomas L. Finkbiner. If Mr. Finkbiner or the other members of senior management become unable or unwilling to continue in their present positions, our business or financial results could be adversely affected. Although we have entered into employment agreements with certain members of our senior management team, each of these agreements has a two-year initial term, subject to automatic one-year extensions unless prior notice is given by either party. The initial term of some of these agreements has expired, and such agreements are now subject to the one-year extension provision. We cannot assure you that we will be able to renew or extend these employment agreements.

Our debt levels may limit our flexibility in obtaining additional financing and in pursuing other business opportunities.

We are highly leveraged. As of September 30, 2003, on a pro forma basis after giving effect to the Transaction, our consolidated indebtedness would have been $272.8 million, consisting principally of obligations under the unsecured new notes and the secured new credit facility. In addition to the amount then outstanding, we could have borrowed an additional $63.8 million under the new credit facility (net of outstanding letters of credit). Following the Transaction, we will continue to have the ability to incur new debt, subject to limitations in the new credit facility and the indenture governing the new notes.

Our level of indebtedness could have important consequences to us, including the following:

- Our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms;
- We will need a substantial portion of our cash flow to pay the principal and interest on our indebtedness, including indebtedness that we may incur in the future;
- Payments on our indebtedness will reduce the funds that would otherwise be available for our operations and future business opportunities;
- A substantial decrease in our net operating cash flows could make it difficult for us to meet our debt service requirements and force us to modify our operations;
- We may be more highly leveraged than our competitors, which may place us at a competitive disadvantage;

Our debt level may make us more vulnerable than our competitors to a downturn in our business or the economy generally;

Our debt level reduces our flexibility in responding to changing business and economic conditions; and

Some of our debt has a variable rate of interest, which increases our vulnerability to interest rate fluctuations.

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CAUTIONARY STATEMENT

REGARDING FORWARD LOOKING STATEMENTS

This prospectus includes forward-looking statements within the meaning of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. All statements included in this prospectus, other than statements of historical fact, that address activities, events or developments that we or our management expect, believe or anticipate will or may occur in the future are forward-looking statements. In particular, forward-looking statements appear elsewhere in this prospectus under Prospectus Summary, Management s Discussion and Analysis of Financial Condition and Results of Operations, and Business. These statements represent our reasonable judgment on the future based on various factors and using numerous assumptions and are subject to known and unknown risks, uncertainties and other factors that could cause our actual results and financial position to differ materially from those contemplated by the statements. Important factors that could cause a material difference in the actual results from the forward-looking statements are set forth elsewhere in this prospectus including those discussed under Risk Factors. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as believes, expects, estimates, may, will, should, could, seeks, plans, intends, anticipates or scheduled to or the negatives of those term of those terms or comparable language, or by discussions of strategy or other intentions.

Examples of forward-looking statements include:

- projections of revenue, earnings, capital structure and other financial items,
- statements of our plans and objectives and its management,
- statements of expected future economic performance, and
- assumptions underlying statements regarding us or our business.

As stated elsewhere in this prospectus, these risks, uncertainties and other factors include, among others:

- general economic conditions,
- the availability of diesel fuel,
- adverse weather conditions,
- competitive rate fluctuations,
- our substantial leverage and restrictions contained in our debt agreements, including Quality Distribution, LLC s credit facility and the indentures,

the cyclical nature of the transportation industry due to various economic factors such as excess capacity in the industry, the availability of qualified drivers, changes in fuel and insurance prices, interest rate fluctuations, and downturns in customers business cycles and shipping requirements,

changes in demand for our services due to the cyclical nature of our customers businesses,

our dependence on affiliates and owner-operators and our ability to attract and retain owner-operators, affiliates and company drivers,

changes in the future or our inability to comply with governmental regulations and legislative changes affecting the transportation industry,

our material exposure to both historical and changing environmental regulations and the increasing costs relating to environmental compliance,

our ability or inability to reduce our claims exposure through insurance due to changing conditions and pricing in the insurance marketplace,

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- the cost of complying with existing and future anti-terrorism security measures erected by federal, state and municipal authorities, and

- the potential loss of our ability to use net operating losses to offset future income due to a change of control.

In addition, there may be other factors that could cause our actual results to be materially different from the results referenced in the forward-looking statements.

All forward-looking statements contained in this prospectus are qualified in their entirety by this cautionary statement. Forward-looking statements speak only as of the date they are made, and we do not intend to update or otherwise revise the forward-looking statements to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events.

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USE OF PROCEEDS

The following table illustrates the estimated sources and uses of the funds for the Transaction based on amounts outstanding as of September 30, 2003 (dollars in thousands).

Sources:	
Common stock to be offered by QDI(1)	$ 119,000
New notes(1)	125,000
New credit facility(1)(2)	140,000
Stock purchase by shareholder(3)	291
Total Sources	$ 384,291
Uses:	
Repayment of existing credit facility(1)(4)	$ 272,034
Redemption of 12.5% Senior Subordinated Secured Notes due 2008	58,304
Redemption of 10% Senior Subordinated Notes due 2006	18,100
Redemption of 12% Junior PIK Notes due 2009	14,373
Transaction fees and expenses(5)	21,480
Total Uses	$ 384,291

(1) The issuance of the common stock of QDI, Quality Distribution, LLC s issuance of the new notes, and the entry by Quality Distribution, LLC into the new credit facility will each occur simultaneously and are mutually conditioned upon each other. The conversion of our preferred stock into common stock will automatically occur upon the earlier to occur of the consummation of this offering or the receipt by us of the consent of the lenders required under our existing credit facility.

(2) Consists of estimated borrowings of approximately $140.0 million under the delayed draw term loan. Upon closing of this offering and the concurrent offering of the new notes, we and Quality Distribution, LLC intend to mail irrevocable notices of redemption to holders of the securities to be redeemed as part of the Transaction. We and Quality Distribution, LLC currently expect to redeem the securities within 60 days after the mailing of such notices. On or immediately prior to such redemption date, we will borrow the amount available under the delayed draw term loan and use the proceeds of such borrowing to pay the redemption price for the securities.

(3) Consists of the purchase of 25,000 shares of the common stock by one of our shareholders at $11.63 per share in accordance with the exercise of his preemptive rights under the shareholders agreement.

(4) As of September 30, 2003, there was approximately (i) $78.2 million outstanding under the Term Loan A; (ii) $93.5 million outstanding under the Term Loan B; (iii) $80.1 million outstanding under the Term Loan C; (iv) $5.0 million outstanding under the Term Loan D; (v) $8.8 million outstanding under the Term Loan E; and (vi) $6.5 million outstanding under the revolving credit facility. All amounts outstanding under the amended credit facility bear interest, at Quality Distribution, LLC s option, at the Eurodollar rate plus 4.25% or the base rate plus 3.25%, except for the Term Loan D, which bears interest at the option of Quality Distribution, LLC at the Eurodollar rate plus 2.00% or at the base rate plus 1.00%. Borrowings under the Term Loans A and E and the revolving credit facility currently mature on June 9, 2005, borrowings under the Term Loan B currently mature on August 28, 2005, borrowings under the Term Loan C currently mature on February 28, 2006 and borrowings under the Term Loan D currently mature on the earlier to occur of March 2, 2006 and two days following the acceleration of any principal amounts under the existing credit facility.

(5) Consists of estimated debt issuance costs of $8.0 million related to the new notes and the new credit facility, estimated redemption premium and accrued interest of $3.0 million relating to the redemption of the 12.5% Senior Subordinated Secured Notes due 2008, the 10% Series B Senior Subordinated Notes due 2006 (the 10% Senior Subordinated Notes) and the 12% Junior PIK Notes (assuming that such securities are redeemed on the 30th day after the closing of this offering) and other estimated fees and expenses (including underwriter discounts and commissions) related to the Transaction of $10.5 million.

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DIVIDEND POLICY

We have not paid any dividends on our common stock and do not intend to pay any dividends on our common stock in the foreseeable future. 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. In addition, our ability to pay cash dividends will be restricted under the terms of the new credit facility and the indenture for the new notes. See Description of the New Credit Facility and Other Indebtedness. Future dividends, if any, will be determined by our Board of Directors.

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DILUTION

Our net tangible book value as of September 30, 2003 was $(320.7) million, or $(96.22) per share of common stock. On September 30, 2003, on a pro forma basis, after giving effect to the conversion of all outstanding shares of our preferred stock into 7,654,235 shares of our common stock and the purchase of 25,000 shares of common stock by a shareholder as a result of the exercise of his preemptive rights in connection with the preferred stock conversion, our net tangible book value was $(251.0) million, or $(22.80) per share of common stock. We have calculated this amount by:

subtracting our total liabilities from our total tangible assets; and

then dividing the difference by the adjusted number of shares of common stock outstanding.

If we give effect to our sale of 7,000,000 shares of common stock in this offering at the initial public offering price of $17.00 per share, after deducting the estimated underwriting discounts and commissions and the estimated offering expenses payable by us, our adjusted net tangible book value as of September 30, 2003 would have been $(142.5) million, or $(7.91) per share. This amount represents an immediate dilution of $24.91 per share to new investors. The following table illustrates this per share dilution:

Initial public offering price per share		$ 17.00
Net tangible book value per share as of September 30, 2003 after giving effect to the stock split, the conversion of preferred stock into common stock and purchase of 25,000 additional shares of common stock	$ (22.80)	
Increase in net tangible book value per share attributable to new investors	14.89	
Net tangible book value per share after this offering		(7.91)
Dilution per share to new investors		$ 24.91

The following table summarizes on the basis described above, as of September 30, 2003, the difference between the number of shares of common stock purchased from us, the total consideration paid to us, and the average price per share paid by existing stockholders and by new investors, at the initial public offering price of $17.00 per share before deducting underwriting discounts and commissions and estimated offering expenses payable by us:

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing stockholders	11,012,311(1)	61.1%	$ 193,529,000	61.9%	$ 17.57
New investors	7,000,000	38.9	119,000,000	38.1	17.00
Total	18,012,311	100.0%	$ 312,529,000	100.0%	

(1) Includes 7,654,235 shares of common stock to be issued upon conversion of the outstanding preferred stock and the purchase of an additional 25,000 shares of common stock by an existing shareholder at $11.63 per share.

The tables above assume no exercise of stock options or warrants outstanding on September 30, 2003. As of September 30, 2003, there were options outstanding to purchase 103,955 shares of common stock, each at an exercise price of $23.53 per share, and warrants to purchase 291,186 shares of common stock, each at an exercise price of $2.94 per share. To the extent any of these options or warrants are exercised, there will be further dilution to new investors. If all of these outstanding options and warrants had been exercised as of September 30, 2003, net tangible book value per share after this offering would have been $(7.56) and total dilution per share to new investors would have been $24.56. In addition, we may grant additional options or warrants or issue other equity securities in the future that may be dilutive to investors in this offering.

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CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and capitalization as of September 30, 2003 and as adjusted to give effect to the Transaction and the application of proceeds therefrom, assuming we sell 7,000,000 shares of our common stock in this offering at the initial offering price of $17.00 per share. This table should be read in conjunction with our audited consolidated financial statements, including the notes thereto, Selected Historical Financial Information and Management s Discussion and Analysis of Financial Condition and Results of Operations, included elsewhere in this prospectus.

	As of September 30, 2003	
	Actual	As Adjusted
	(dollars in thousands)	
Cash and cash equivalents	$ 2,247	$ 2,247
Debt:		
Existing credit facility:		
Revolving credit facility	$ 6,500	$
Tranche A term loan	78,219	
Tranche B term loan	93,458	
Tranche C term loan	80,107	
Tranche D term loan	5,000	
Tranche E term loan	8,750	
New credit facility(1):		
Term loan		140,000
New notes		125,000
12.5% Senior Subordinated Secured Notes due 2008(2)	58,304	
Bond carrying value in excess of face value(2)	11,673	
10% Senior Subordinated Notes due 2006	18,100	
Series B floating interest rate subordinated term security due 2006 (FIRSTS)	7,500	7,500
12% Junior PIK Notes due 2009(3)	14,373	
Bond carrying value in excess of face value(3)	1,889	
Capital lease obligations	345	345
Total debt (including current maturities)	384,218	272,845
Mandatorily redeemable preferred stock liability(4)	69,384	
Total stockholders deficit(5)	(188,747)	(5,668)
Total capitalization	$ 264,855	$ 267,177

(1) We will terminate the existing credit facility and we will enter into the new credit facility in connection with the Transaction. The as adjusted amount also reflects borrowings of approximately $87.0 million under the delayed draw term loan to pay the redemption price for the securities to be redeemed as part of the Transaction. For a description of the anticipated terms of the new credit facility, see Description of the New Credit Facility and Other Indebtedness The New Credit Facility.

(2) Quality Distribution, LLC s 12.5% Senior Subordinated Secured Notes consist of $58.3 million face amount and $11.7 million in bond carry value adjustment to reflect accounting under FAS 15 that is being amortized as a reduction of interest expense over the life of the 12.5% Senior Subordinated Secured Notes. The bond carry value adjustment will result in an immediate gain recognition for the unamortized balance as a result of the Transaction, net of a redemption premium.

(3) QDI s 12% Junior PIK Notes consist of $14.4 million face amount and $1.9 million in bond carry value adjustment to reflect accounting under FAS 15 that is being amortized as a reduction of interest expense over the life of the 12% Junior PIK Notes. The bond carry value adjustment will result in an immediate gain recognition for the unamortized balance as a result of the Transaction, net of a redemption premium.

(4) At September 30, 2003, mandatorily redeemable preferred stock consisted of $51.0 million face amount and accrued dividends of $18.6 million and is net of $0.2 million in stockholder loans. At September 30, 2003, such stock was redeemable on September 15, 2006. On October 1, 2003, the terms of our preferred stock were amended and our preferred stock is no longer mandatorily redeemable. Prior to, or concurrently with, the completion of this offering, our preferred stock will be converted into 7,654,235 shares of common stock. See Conversion of Preferred Stock. The difference between the value of the common stock (valued at the initial offering price) issued upon conversion and the then carrying amount of the preferred stock will be recorded as a one-time charge to interest expense of approximately $60.7 million. Prior to, or concurrently with, the completion of this offering, one of our shareholders will purchase 25,000 shares of our common stock in a cash transaction as a result of the exercise of his preemptive rights in connection with the conversion of the preferred stock.

(5) The as adjusted stockholders deficit gives effect to the after tax write off of $5.7 million of debt issuance costs, redemption premium of $3.0 million, a charge to interest expense of $60.7 million from the conversion of our preferred stock, representing the difference between the carrying value of the preferred stock and the value of the common stock (valued at the initial offering price of $17.00 per share), a gain of $13.6 million on bond carrying values in excess of face value, net proceeds from the Transaction, and proceeds from the purchase of 25,000 additional shares of common stock by an existing shareholder at $11.63 per share.

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SELECTED HISTORICAL FINANCIAL INFORMATION

The following table presents, as of the dates and for the periods indicated, our selected historical financial information as discussed below. The historical statement of operations data for the fiscal years ended December 31, 2000, 2001 and 2002 and the historical balance sheet data as of December 31, 2001 and 2002 are derived from our audited financial statements included elsewhere in this prospectus. The historical statement of operations for the year ended December 31, 2001 has been restated. The historical financial statements as of and for the fiscal years ended December 31, 1998 and 1999 and the historical balance sheet data as of December 31, 1998, 1999 and 2000 are derived from our audited financial statements that are not included herein. The historical statement of operations data and other data for the nine months ended September 30, 2002 and September 30, 2003 and the historical balance sheet data as of September 30, 2003 are derived from our unaudited financial statements which, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the data for the period. The results of operations for the interim period are not necessarily indicative of the operating results for the entire year or any future period.

The information contained in this table should also be read in conjunction with Capitalization, Management s Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements and accompanying notes thereto included elsewhere in this prospectus. Share and per share information set forth below gives effect to the stock split.

	Years ended December 31,					Nine months ended September 30,	
	1998(1)	1999	2000	2001	2002	2002	2003
				(Restated)			
	(dollars in thousands, except per share data)						
STATEMENT OF OPERATIONS DATA:							
Operating revenues	$ 381,388	$ 569,597	$ 556,547	$ 510,701	$ 516,538	$ 390,347	$ 426,251
Operating expenses:							
Purchased transportation(2)	223,781	319,271	320,943	298,688	301,921	227,766	267,635
Depreciation and amortization(3)	29,402	60,556	35,281	33,410	31,823	23,282	22,744
Other operating expenses	106,504	172,391	170,729	150,284	155,511	114,801	105,687
Stock compensation expense(4)	14,678						
Operating income(5)	7,023	17,379	29,594	28,319	27,283	24,498	30,185
Interest expense(6)	25,065	40,806	40,605	40,389	33,970	27,518	22,022
Interest expense, transaction fees(7)					10,077	10,077	700
Foreign currency transaction loss							937
Other expense (income)	(718)	(488)	(393)	(143)	6	(16)	(200)
Income (loss) before taxes	(17,324)	(22,939)	(10,618)	(11,927)	(16,770)	(13,081)	6,726
Provision (benefit) for income taxes(8)	(5,844)	(6,068)	31,225	1,135	1,443	415	360
Minority interest	(74)	(21)					
Income (loss) from continuing operations, before discontinued operations and cumulative change in accounting principle	(11,554)	(16,892)	(41,843)	(13,062)	(18,213)	(13,496)	6,366
Income (loss) from discontinued operations, net of tax	1,389	1,462	56	(359)	(2,913)	(2,201)	
Cumulative effect of a change in accounting principle, net of tax(9)					(23,985)	(23,985)	

Net income (loss)	(10,165)	(15,430)	(41,787)	(13,421)	(45,111)	(39,682)	6,366
Preferred stock dividends and accretions	(581)	(1,444)	(1,745)	(2,762)	(6,021)	(3,747)	(4,481)
Net income (loss) attributable to common stockholders	$ (10,746)	$ (16,874)	$ (43,532)	$ (16,183)	$ (51,132)	$ (43,429)	$ 1,885
Earnings (loss) from continuing operations per share(10)							
Basic	$ (2.25)	$ (5.35)	$ (12.72)	$ (4.62)	$ (7.19)	$ (5.14)	$ 0.56
Diluted	(2.25)	(5.35)	(12.72)	(4.62)	(7.19)	(5.14)	0.53
Weighted average common shares oustanding(10)							
Basic	5,403,000	3,426,000	3,427,000	3,422,000	3,369,000	3,352,000	3,337,000
Diluted	5,403,000	3,426,000	3,427,000	3,422,000	3,369,000	3,352,000	3,575,000
OTHER DATA:							
Cash paid for interest	$ 24,600	$ 38,450	$ 39,412	$ 33,914	$ 32,079	$ 24,510	$ 16,055
Net cash and cash equivalents provided by operating activities	16,596	9,169	41,282	7,468	25,832	12,043	26,182
Net cash and cash equivalents used in investing activities(11)	(289,275)	(8,875)	(18,721)	(34,936)	(7,169)	(2,038)	(4,407)
Net cash and cash equivalents (used in) provided by financing activities	271,413	674	(20,171)	27,263	(19,998)	(11,986)	(19,772)
Number of terminals at end of period	194	171	152	148	153	151	156
Number of trailers operated at end of period	8,003	7,625	7,526	7,737	7,565	7,606	7,884
Number of tractors operated at end of period	3,679	3,943	3,491	3,394	3,363	3,371	3,441

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	As of December 31,					As of September 30,	
	1998(1)	1999	2000	2001	2002	2002	2003
				(Restated)			
	(dollars in thousands, except per share data)						
BALANCE SHEET DATA:							
Working capital (12)	$ 50,844	$ 53,469	$ 37,129	$ 34,542	$ 19,492	$ 29,836	$ 14,278
Total assets	583,246	542,241	453,073	448,138	387,265	399,919	377,392
Total indebtedness, including current maturities	441,331	434,156	416,939	443,856	397,613	397,235	384,218
Redeemable securities(13)	17,204	13,287	15,092	17,709	62,675	60,638	69,384
Stockholders deficit	(48,320)	(64,773)	(110,866)	(135,427)	(191,099)	(174,126)	(188,747)

(1) Includes the results of operations of Chemical Leaman Tank Lines, Inc. (CLC) since its date of acquisition and merger on August 28, 1998.
(2) Does not include purchased transportation from discontinued operations of $1.9 million, $1.9 million, $1.7 million and $1.4 million in 1998, 1999, 2000 and 2001, respectively.
(3) Does not include depreciation and amortization from discontinued operations of $1.6 million, $1.7 million, $1.8 million and $1.7 million in 1998, 1999, 2000 and 2001, respectively.
(4) Related to the exercise of stock options of Montgomery Tank Lines, Inc. (MTL), in connection with the acquisition and merger of MTL and CLC in 1998.
(5) For the years ended December 31, 2000, 2001 and 2002, operating income includes charges of $9.9 million, $3.4 million and $4.1 million, respectively, relating to expenses or losses attributable to our operations prior to the 1998 acquisition of CLC and restructuring charges.
(6) After giving effect to the Transaction, we would have had interest expense of $27.3 million for the year ended December 31, 2002 and $16.1 million for the nine months ended September 30, 2003.
(7) Represents transaction fees paid in connection with the exchange offer completed on May 30, 2002. See Certain Relationships and Related Transactions The 2002 Transactions.
(8) The provision for income taxes for the year ended December 31, 2000 includes the establishment of a valuation reserve of $32.6 million, which was a non-cash charge.
(9) Adoption of FAS Statement 142 resulted in a non-cash impairment loss related to goodwill.
(10) Earnings (loss) per share and weighted average common shares outstanding gives effect to the 1.7 for 1 stock split effected on November 4, 2003.
(11) Consists of capital expenditures less proceeds from asset sales for the periods presented.
(12) Working capital consists of current assets minus current liabilities. Working capital on an actual basis is lower than working capital on an as adjusted basis because it includes current maturities of indebtedness to be redeemed as part of the Transaction.
(13) At September 30, 2003, redeemable securities of QDI on a consolidated basis consisted of $51.0 million of mandatorily redeemable preferred stock and accrued dividends on this stock of $11.9 million and $18.6 million at December 31, 2002 and September 30, 2003, respectively, and are net of $0.2 million in shareholder loans. On July 1, 2003, we adopted SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. In accordance with the standard, we reclassified the mandatorily redeemable securities to liabilities. Additionally, QDI issued 30 shares of mandatorily redeemable common stock, which has been written down to its redemption value of $0 at December 31, 2002, September 30, 2002 and September 30, 2003. At September 30, 2003, our mandatorily redeemable preferred stock was redeemable on September 15, 2006. On October 1, 2003, the terms of our preferred stock were amended and our preferred stock is no longer mandatorily redeemable. Prior to, or concurrently with, the completion of this offering, our preferred stock will be converted into 7,654,235 shares of common stock. See Conversion of Preferred Stock. The difference between the value of the common stock (valued at the initial offering price) issued upon conversion and the then carrying amount of the preferred stock will be recorded as a one-time charge to interest expense of approximately $60.7 million.

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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 financial statements and the related notes included elsewhere in this prospectus. 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 Cautionary Statement Regarding Forward Looking Statements.

Overview

Our revenue is principally a function of the volume of shipments by the bulk chemical industry, our market share as opposed to that of our competitors and the amount spent on tank truck transportation as opposed to other modes of transportation such as rail. The volume of shipments of chemical products are in turn affected by many other industries, including consumer and industrial products, automotive, paint and coatings, and paper, and tend to vary with changing economic conditions. Additionally we also provide leasing, tank cleaning, insurance products for drivers and affiliates and intermodal services which are presented as other service revenue.

The principal components of our operating costs include purchased transportation, salaries, wages, benefits, annual tractor and trailer maintenance costs, insurance technology infrastructure and fuel costs. We believe our use of affiliates and owner-operators provides a more flexible cost structure, increases our asset utilization and increases our return on invested capital.

We have historically focused on maximizing cash flow and return on invested capital. Our affiliate program has greatly reduced the amount of capital needed for us to maintain and grow our terminal network. In addition, the extensive use of owner-operators reduces the amount of capital needed to operate our fleet of tractors, which have shorter economic lives than trailers. These factors have allowed us to concentrate our capital spending on our trailer fleet where we can achieve superior returns on invested capital through our transportation operations and leasing to third parties and affiliates.

Through several strategic asset purchases during the latter half of 2001, we were further able to expand our service capabilities and our geographic coverage. We intend to continue providing these core services and expand upon existing customer relationships by providing our value-added services as well as increasing the fleet size in these markets.

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 United States 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, plant 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. Generally, annual depreciable lives are 10-25 years for buildings and improvements, 5-15 years for tractors and trailers, 7 years for terminal equipment, 3-5 years for furniture and fixtures and 3-10 years for other equipment. 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 5 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

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assets when placed in service, and 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 of 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 fact and circumstances could result in material changes in the amount of any write-offs for impairment.

Deferred tax assets We use the liability method 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. Since realization is not assured as of December 31, 2002, management has deemed it appropriate to establish a 100% valuation allowance against the net deferred tax assets. Any change in the actual future results of operations could impact the valuation of the net deferred tax asset.

Environmental liabilities We have reserved for potential environmental liabilities based on the best estimates of potential clean-up and remediation estimates for known environmental sites. We employ a staff of environmental experts 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. This analysis requires us to make significant estimates, and changes in facts and circumstances could result in material changes in the environmental accrual.

Accident claims reserves We carry insurance for auto liability claims, with a $5 million per occurrence deductible as of September 30, 2003 and worker s compensation with a $1 million per accident deductible. For cargo claims, we are self-insured. In developing liability reserves, we rely on professional third party claims administrators, insurance company estimates and the judgment of our own safety department personnel. This analysis requires us to make significant estimates, and changes in facts and circumstances could result in material changes in the accident claims reserves.

Revenue recognition Transportation revenues and related costs are recognized on the date the freight is delivered or the tank wash is performed. Other operating revenues, consisting primarily of tank wash services and lease revenues from affiliates, independent operators and third parties, are recognized as earned.

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 owner-operators and affiliates. This analysis requires us to make significant estimates, and changes in facts and circumstances and the economic environment could result in material changes in the allowance for uncollectible receivables.

Pension Plans We maintain two noncontributory defined benefit plans resulting from a prior acquisition that cover certain full-time salaried employees and certain other employees under a 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 generally accepted accounting principles, which include various actuarial assumptions such as discount rates (6.75%) and assumed rates of return (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 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 was modeled based on the current and projected asset mix of the funds and considering the historical returns earned on the type of assets in the funds. We review our actuarial assumptions on an annual basis and make modifications to the assumptions based on current rates and trends when appropriate. As required by U.S. GAAP, the effects of the modifications are amortized over future periods. Based on the information provided by its independent actuaries and other relevant sources, we believe that the assumptions used are reasonable.

Assumed discount rates and expected return on plan assets have a significant effect on the amounts reported for the pension plans. Any changes in these assumptions could result in material changes to our annual pension cost and pension balances.

New Accounting Pronouncements

Effective January 1, 2002, we adopted the provisions of Statement of Financial Accounting Standards (SFAS) No 142, Goodwill and Other Intangible Assets (Statement 142). As a result of the adoption of Statement 142, the amortization of goodwill ceased, resulting in a decrease in the net loss of $3.9 million for the year ended December 31, 2002. Under Statement 142, goodwill is subject to an annual impairment test. We completed our initial impairment test during 2002. During our initial impairment analysis of goodwill, we determined that approximately $4.6 million of goodwill had been classified as an offset against accounts payable and accrued expenses. These amounts have been reclassified into goodwill during 2002. As a result of our initial impairment test, an impairment adjustment of $24.0 million was charged to earnings as a cumulative effect of a change in accounting principle at January 1, 2002. There were several factors that led to the conclusion that an impairment charge was warranted. These factors included several consecutive years of declining base business revenues and operating losses, an uncertain economic environment exacerbated by the events of September 11, 2001, increased insurance costs for the foreseeable future and the highly leveraged nature of the Company. No tax benefit was recorded in connection with this charge. The fair value was determined based on a combination of prices of comparable businesses and present value techniques.

In July 2001, the FASB issued SFAS 143, Accounting for Asset Retirement Obligations, which requires that companies recognize a liability for retirement obligations of long lived assets in the period the liability occurs. This pronouncement is effective for fiscal years beginning after June 15, 2002. The adoption of this standard had no significant impact on our financial results.

In April 2002, the Financial Accounting Standard Board issued Statement of Financial Accounting Standards No. 145 Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections regarding the accounting of gains and losses from the extinguishment of debt and to eliminate an inconsistency between the accounting for sale-leaseback transactions and certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS No. 145 is effective for transactions occurring after May 15, 2002. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that did not meet the criteria in Opinion 30 for classification as an extraordinary item is required to be reclassified. As a result, $4.7 million was reclassified from extraordinary item to interest expense for the year ended December 31, 1998.

On January 17, 2003, the FASB issued FIN 46, Consolidation of Variable Interest Entities, An Interpretation of Accounting Research Bulletin No. 51. The primary objectives of FIN 46 are to provide guidance on how to identify entities for which control is achieved through means other than through voting rights (variable interest entities or VIE) and how to determine when and which business enterprise should consolidate the VIE. This new model for consolidation applies to an entity in which either (1) the equity investors do not have a controlling financial interest or (2) the equity investment at risk is insufficient to finance that entity s activities without receiving additional subordinated financial support from other parties. FIN 46 will be fully adopted in the fourth quarter of 2003. We do not believe the adoption of this standard will have a material impact on our financial reporting.

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In May 2003, the FASB issued SFAS 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. SFAS 150 requires that certain financial instruments, including mandatorily redeemable financial instruments, be classified as liabilities. For existing financial instruments, the standard is applicable for the first quarter beginning after June 15, 2003. The adoption of this standard increased liabilities by the carrying value of the preferred stock and increased interest expense by the amount of the preferred stock dividends in the third quarter of 2003.

Results of Operations

During the second quarter of 2002, we sold the Levy petroleum trucking division and closed the Levy mining trucking operation, as well as closed Bulknet, our internet-based load brokerage subsidiary. Revenue and operating expenses in the following discussion have been adjusted to remove the revenues and expenses associated with the operations of these divisions.

The consolidated financial statements as of and for the year ended December 31, 2001 have been restated to reflect the correction of a clerical error and establish a reserve for incurred but not reported insurance losses relating to a subsidiary that markets insurance products. This correction resulted in a decrease in net income of approximately $1 million. All financial data in this section has been restated to reflect the correction of the error.

In addition, we reclassified our insurance subsidiary s premium revenue and insurance loss expenses to a gross basis versus a net basis for 2002. The impact of those reclassifications increased other service revenue and other operating expense by $1.7 million, $2.4 million and $3.1 million for the nine months ended September 30, 2002 and for the years ended December 31, 2001 and 2000, respectively.

Nine months ended September 30, 2003 compared to nine months ended September 30, 2002

For the nine months ended September 30, 2003, revenues increased $35.9 million, or 9.2%, to $426.3 million compared to the same period in the prior year. Transportation revenue increased $25.2 million primarily as the result of an increase in demand from existing customers and new business secured during the first three quarters of 2003. Additionally, eight new affiliates joined us since September 30, 2002 providing approximately $9.9 million of incremental transportation revenue for the nine months ended September 30, 2003. Fuel surcharge increased $8.7 million during the first three quarters of 2003 as a result of higher fuel prices and volume increases. Other service revenues increased $2.0 million primarily from the growth of our insurance subsidiary and from trailer rental revenue as a result of our converting company owned terminals to affiliates.

Operating income increased $5.7 million, or 23.2%, for the nine months ended September 30, 2003 as compared to the same period in the prior year. The increase in purchased transportation and the decrease in compensation and other operating expenses are primarily the result of higher revenues, cost reductions and the impact of the conversion of several company terminals to affiliate operations at the end of 2002 through the third quarter of 2003. As terminals are converted, we reduce our overhead and increase purchased transportation expense, representing the affiliates percentage split of revenues. Insurance claims expense increased $1.3 million from the nine months ended September 30, 2002 to the same period in 2003 as a result of an increase in self-insurance reserves of $1.5 million relating to an accident in Pikeville, Kentucky, offset by reductions in reserves of previously accrued incidents. The overall reduction of costs is evidenced by the improvement of the operating margin from 6.3% for the nine months ended September 30, 2002 to 7.1% for the nine months ended September 30, 2003.

Interest expense decreased $5.5 million during the first nine months of 2003 from the same period in the prior year as a result of reductions in debt, lower interest rates and the amortization of deferred gains on the May 2002 debt restructuring. On July 1, 2003, we adopted SFAS 150, which increased our interest expense by $2.3 million for the preferred stock dividends recorded since adoption of the standard. Additionally, interest expense for the nine months ended September 30, 2003 included $0.7 million in transaction fees incurred in a debt offering that was not effected. Interest expense for the nine months ended September 30, 2002 included $10.1 million fees incurred in a debt restructuring during May 2002.

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The provision for income taxes remained relatively constant from period to period. This expense mainly represents state franchise and foreign taxes. Federal taxes for the nine months ended September 30, 2003 have been offset by net operating loss carryforwards from previous years.

For the nine months ended September 30, 2003, net income was $6.4 million compared to a net loss of $39.7 million during the same period in the previous year. The results in 2002 include a loss of $2.2 million on discontinued operations. Additionally, in 2002 we recorded a $24.0 million charge for the cumulative effect of a change in accounting principle to recognize impairment of goodwill related to the implementation of Statement of Financial Accounting Standard No. 142, Goodwill and Other Intangible Assets. Net income from continuing operations increased $19.9 million as a result of the increase in business, cost cutting efforts and reduced interest expense. The increase for the nine months ended September 30, 2003 is net of a loss of $0.9 million on foreign currency transactions related to debt denominated in Canadian dollars due to the significant weakening of the U.S. dollar compared to the Canadian dollar during 2003.

Year ended December 31, 2002 compared to year ended December 31, 2001

The chemical industry overall remained weak for most of 2002, continuing a decline that started in the third quarter of 2000. Total revenues for 2002 were $516.5 million, an increase of $5.8 million or 1.1% compared to 2001 revenues. Transportation revenue increased by $3.1 million or 0.7% compared to 2001. The increase in transportation revenue is partially attributable to business acquired through strategic asset purchases in the last half of 2001 that was retained throughout 2002 ($7.3 million), offset by lower fuel surcharge for the year ($4.5 million). New business gains and insurance surcharge revenue accounted for $0.3 million of the net revenue increase in 2002. Non-trucking revenue increased by $2.8 million or 4.2% in 2002 versus 2001 primarily due to acquisitions during 2002 and the second half of 2001 by QSI, our tank-wash subsidiary.

We operated 153 terminals at December 31, 2002 compared to 148 terminals at December 31, 2001. The increase is the result of strategic new affiliate terminals opened in 2002, and new transload operations, offset by further consolidation and rationalization of terminals from cost cutting measures in response to decreased demand.

We operated a total of 7,565 trailers and 3,363 tractors at the end of 2002 compared to 7,737 trailers and 3,394 tractors for year ended December 31, 2001. The decline in tractors, many of which are owned by owner-operators, is largely due to the sale of older equipment, and disposal of the Canadian petroleum division, partially offset by new tractor purchases in the fourth quarter of 2002. The decrease in trailers is due to better equipment utilization allowing for the disposals of older equipment, plus the disposal of our Levy petroleum division.

Operating expenses totaled $489.3 million in 2002, an increase of $6.9 million or 1.4% from 2001. The increase in operating expenses was primarily attributable to higher purchased transportation, driver compensation and insurance costs. Purchased transportation increased $3.2 million as a result of the addition of several new affiliate operations added in 2002. Driver wages and benefits increased by $2.1 million due primarily to escalating group health costs and workers compensation premiums. Also significantly contributing to the operating expense increase was insurance claims expense, which increased $1.7 million or 14.3% versus 2001. These costs were negatively impacted by higher premiums due to a tight insurance market, which was exacerbated by the events of September 11, 2001. Fuel expenses for company operations was $0.2 million lower in 2002 reflecting overall lower annual fuel costs and conversions to affiliate locations. Additionally, selling and administrative expense in 2002 includes a $6.4 million charge to increase the reserve for uncollectible accounts, due to increased collection efforts on trade receivables and receivables from terminated owner-operators and affiliates. Selling and administrative cost also include a benefit from a $6.0 million reduction in environmental liabilities reflecting lower than anticipated environmental clean-up costs. Selling and administrative expenses increased by $0.5 million as a result of our initiation of an aggressive campaign on both driver retention and recruiting. Additionally, in 2002 we increased our credit and collection staffing in an effort to improve cash flow and decrease our days sales outstanding (DSO).

Our operating expenses have been impacted by several charges in both 2002 and 2001. We have incurred severance, benefits and other related expenses from cost cutting measures and consolidating terminals that resulted in charges of $1.8 million and $1.0 million in 2002 and 2001, respectively. In addition we had charges related to the prior operations of CLC of $2.3 million and $2.4 million in 2002 and 2001, respectively, related to insurance claims associated with the operations of predecessor companies incurred prior to the merger in 1998.

Depreciation and amortization totaled $31.8 million for 2002 versus $33.4 million in 2001. The decrease is attributable to the implementation of SFAS 142 in 2002 which eliminated the amortization of goodwill ($3.9 million) and to tractor and trailer equipment acquired at the time of the merger with CLC that became fully depreciated in 2002. These decreases were partially offset by depreciation related to higher capital spending on computer related infrastructure and acquisitions of equipment in 2002 and the end of 2001.

Our operating margin decreased to 5.3% in 2002 versus 5.5% in 2001.

Interest expense was $34.0 million in 2002 versus $40.4 million during 2001. The reduction in interest expense was the result of an exchange offer consummated during the second quarter of 2002 which reduced our overall level of indebtedness. For a discussion of the exchange offer see note 8 to the consolidated financial statements included elsewhere in this document. In connection with the exchange offer, we recorded $10.1 million in transaction fees, including the write-off of existing unamortized fees from prior credit agreement amendments.

Discontinued operations accounted for a $1.4 million loss and $0.4 million loss in 2002 and 2001, respectively. The discontinued operations consisted of the sale and disposal of the Canadian petroleum and mining divisions of Levy, and the closure of Bulknet, our internet-based load brokerage subsidiary. We incurred a $1.5 million loss on the ultimate disposition of the operations, due largely to the write-off of goodwill, sale of assets associated with the Canadian petroleum and mining division and write down of all software and development costs at Bulknet.

During 2002 there was a change in accounting principle to recognize the impairment of goodwill relating to implementation of FAS 142 of $24.0 million. See note 3 to the consolidated financial statements for further discussion.

Income tax expense for 2002 was $1.4 million versus $1.1 million for 2001.

Our net loss was $45.1 million for 2002 versus $13.4 million for 2001 for the reasons outlined above.

Year ended December 31, 2001 compared to year ended December 31, 2000

Revenues for 2001 were $510.7 million, a decrease of $45.8 million or 8.2% compared to 2000 revenues. The revenue decline was largely attributable to the sustained weak industrial production demand that began in the third quarter of 2000 and has continued dropping throughout 2001. This decline in demand for bulk transportation services was due to the overall slowing economic conditions, downsizing and consolidation in the U.S. chemical industry, and increased competition from other forms of transportation such as rail. This environment has also intensified pricing competition in the bulk transportation industry. In addition, the terrorist attack on the World Trade Center and other locations on September 11, 2001, pushed overall demand lower in the fourth quarter of 2001. The revenue decline was mitigated by new business of $36

million and business acquired through strategic asset purchases in 2001 of $8.7 million. The 2000 results include $15.7 million of fuel surcharge versus $11.9 million in 2001. This decline reflects both overall volume decreases and the drop in fuel prices towards the end of 2001. We instituted an insurance surcharge in October 2001 in response to dramatically rising insurance costs.

We operated 148 terminals at December 31, 2001 compared to 152 terminals at December 31, 2000. The reduction is the result of further consolidation and rationalization of terminals from cost cutting measures in response to demand, offset by strategic new terminals acquired in 2001.

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We operated a total of 7,737 trailers and 3,394 tractors at the end of 2001 compared to 7,526 trailers and 3,491 tractors for year ended December 31, 2000. The decline in tractors, many of which are owned by owner-operators, is largely due to lower demand, offset by new tractor purchases in 2001. The increase in trailers is due to several strategic asset purchases made in 2001, offset by disposals of older equipment.

Operating expenses, excluding depreciation and amortization, totaled $449.0 million in 2001, a decrease of $42.7 million or 8.7% from 2000. This decrease in operating expenses was largely due to the lower shipment volume in 2001 that resulted in lower purchased transportation, compensation and other operating costs due to personnel reductions and cost control. In addition, in 2001 we converted several less profitable terminals to affiliate operations. Together, these factors resulted in reducing our driver wages ($1.0 million) and reducing purchased transportation expense for owner-operators ($29.0 million). These decreases were offset by net increases in purchased transportation for affiliates ($6.6 million) due to the conversions and the pass through payments of fuel surcharge.

Cost cutting initiatives, volume related declines and the conversion of our terminals to affiliate operations reduced overall compensation and benefit expense in 2001 compared to 2000 by ($6.1 million, or 8.3%), as well as selling and administrative costs ($3.8 million, or 21.8%). Fuel, supplies and maintenance decreased $4.0 million in 2001. This decrease was largely the result of ($1.0 million) decrease in our fuel expense due to fuel prices dropping during the second half of the year, plus demand declines. Other volume related operating expenses declined, including declines in tank wash expense of ($1.8 million) and equipment maintenance and other expenses ($1.2 million). Insurance and claims increased ($0.5 million) as a result of new vehicle and workers compensation insurance policies starting in the third quarter of 2001. These higher insurance costs reflect the current unfavorable insurance market for the trucking industry. We were able to recoup a portion of these increased costs through implementation of an insurance surcharge.

Our operating expenses have been impacted by several charges in both 2001 and 2000. We have incurred severance, benefits and other related expenses from cost cutting measures and consolidating terminals that resulted in charges of $1.0 million and $3.2 million in 2001 and 2000, respectively. In addition, we had charges related to the prior operation of CLC of $2.4 million and $6.7 million in 2001 and 2000, respectively. These expenses related primarily to pre-merger accounts receivable, poor experience on pre-merger insurance claims and other expenses associated with the operations of the predecessor companies prior to the merger in 1998.

Depreciation and amortization totaled $33.4 million for 2001 versus $35.3 million in 2000. The decrease is attributable to tractor and trailer equipment acquired at the time of the merger with CLC that became fully depreciated in 2001, offset by higher capital spending on computer related infrastructure and acquisitions of equipment in 2001.

Our operating margin increased to 5.5% in 2001 compared to 5.3% in 2000.

Interest expense remained relatively constant from $40.6 million in 2000 to $40.4 million in 2001. This was the result of lower interest rates on variable term debt that were offset by losses on interest rate swaps on that debt, and additional expenses associated with amending the credit agreement and increased borrowing. Total debt increased in 2001 by $26.9 million primarily to finance strategic terminal and tank wash assets purchased in several areas of the country.

Income tax expense for 2001 was $1.1 million versus $31.2 million for 2000. In 2000, we established a $32.6 million valuation allowance on net deferred tax assets as a result of cumulative losses in recent years.

Our net loss after discontinued operations was $13.4 million for 2001 versus $41.8 million loss in 2000. The decrease in the net loss was due primarily to the valuation allowance on net deferred tax assets and the charges in 2000 discussed above.

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Historical Liquidity and Capital Resources Prior to The Transaction

Historically, our primary source of liquidity has been cash flow from operations and borrowing availability under the existing credit facility. The revolving credit facility under the existing credit facility becomes due in June of 2005. We generated $41.3 million, $7.5 million and $25.8 million from operating activities in 2000, 2001 and 2002, respectively. The increase in cash provided by operating activities in 2002 reflects a decrease in days sales outstanding (DSO) of accounts receivable during 2002 largely as a result of our increased collection efforts, and timing of payments on our self-insured auto claims and accounts and brokers payable. In 2000, we received $11.0 million of insurance proceeds for environmental claims. Net cash provided by operating activities totaled $26.2 million for the nine months ended September 30, 2003, compared to $12.0 million for the same period in 2002, which was primarily due to the increase in net income.

Capital expenditures totaled $23.1 million, $37.4 million and $15.3 million in 2000, 2001 and 2002, respectively. As of December 31, 2002, we were committed to purchase tractors for $2.0 million. In 2001, several major asset purchases occurred including west coast terminals and new tank wash facilities totaling approximately $14.7 million. In 2002, capital was used to complete the purchase of our new dispatch system and other computer infrastructure, new tractors and a tank wash facility. Net cash used in investing activities in 2000, 2001 and 2002 was $18.7 million, $34.9 million and $7.2 million, respectively. In 2002, we recognized proceeds of approximately $4.3 million in connection with our disposal of the petroleum and mining divisions of Levy. Cash used by investing activities totaled $4.4 million for the nine month period ended September 30, 2003, compared to $2.0 million used for the comparable 2002 period. This increase is the result of reduced proceeds from the disposal of fixed assets, as capital expenditures decreased by $3.4 million.

Net cash (used in) or provided by financing activities was ($20.2 million), $27.3 million and ($20.0 million) in 2000, 2001 and 2002, respectively. The use of cash in 2002 is a result of paying down our revolving debt and from transaction fees associated with the exchange offer described in more detail under Certain Relationships and Related Transactions The 2002 Transactions. In 2001, we reached an agreement with a minority interest shareholder to repurchase shares of CLC preferred stock for the stated value of $2.6 million plus associated costs. In 2001, we increased our total debt by $26.9 million to finance the strategic asset purchases described above. Cash used for financing activities totaled $19.8 million during the nine-month period ended September 30, 2003, compared to $12.0 million used in the comparable period in 2002. This increase is primarily the result of an increase in the repayment of the revolving credit facility by $5.7 million and an increase in the repayment of the term loan of the credit facility by $3.4 million due to the increase in cash flows from operations.

The existing credit facility includes financial covenants which require certain ratios to be maintained. In 2001, a default, for which we received a waiver in October 2001, occurred with respect to the financial covenants in the existing credit facility. In addition, we separately amended the existing credit facility on May 23, 2001, December 14, 2001 and April 5, 2002 to, among other things, modify our financial covenants.

On August 11, 2003, we entered into a seventh amendment to the existing credit facility, which consists of, among other things, the following material provisions:

A one year extension of the maturity of the revolving credit facility and Tranche A Term Loan to June 9, 2005,

A permanent reduction of the revolving credit facility by $15.0 million to its current $60 million,

An increase in the scheduled quarterly principal payment of the Tranche A Term Loan from $225 thousand to $2.1 million beginning with the quarter ending September 30, 2003,

A termination of our Canadian subsidiary s ability to borrow under the revolving credit facility;

A conversion of $10.0 million of the outstanding revolving credit facility into a new Tranche E Term Loan, which Tranche E Term Loan is repayable in scheduled quarterly installments of $1.25 million beginning with the quarter ending September 30, 2003; and

- A pricing increase to, at our option, the Eurodollar rate + 4.25% or the administrative agents base rate + 3.25% for all tranches of the term loan (other than the Tranche D Term Loan) and the revolving credit facility.

Our existing credit facility currently provides for a term-loan facility consisting of a $90.0 million Tranche A Term Loan maturing on June 9, 2005, a $105.0 million Tranche B Term Loan maturing on August 28, 2005, a $90.0 million Tranche C Term Loan maturing on February 28, 2006, a $5 million Tranche D Term Loan maturing on March 2, 2006 (or, if earlier, two days following acceleration of any principal amount under the existing credit facility), a $10.0 million Tranche E Term Loan maturing on June 9, 2005 and a $60.0 million revolving credit facility available until June 9, 2005.

As of September 30, 2003, total borrowings under the existing credit facility, including current maturities, were $272.0 million and we would have had borrowing availability of $22.3 million under the revolving credit facility.

On May 30, 2002, Quality Distribution, LLC consummated an exchange offer and consent solicitation as described in more detail under Certain Relationships and Related Transactions The 2002 Transactions.

As a result of the 2002 exchange offer transactions, on May 30, 2002, Quality Distribution, LLC issued $54.5 million aggregate principal amount of the 12.5% Senior Subordinated Secured Notes to the holders of QDI s 10% Senior Subordinated Notes and the FIRSTS (collectively, the QDI notes) participating in the transactions and to Ares Management L.P. Quality Distribution, LLC s 12.5% Senior Subordinated Secured Notes are guaranteed on a senior subordinated basis by all of Quality Distribution, LLC s domestic subsidiaries. The guarantees are full, unconditional, joint and several obligations of the guarantors. Quality Distribution, LLC s obligations under the 12.5% Senior Subordinated Secured Notes and the guarantor s obligations under the guarantees are secured by a second priority lien, subject to certain exceptions, on all of our domestic assets and the domestic assets of the guarantors that secure the existing credit facility and the interest rate protection and other hedging agreements permitted thereunder, excluding capital stock and other securities owned or held by us or our existing and future subsidiaries. Quality Distribution, LLC s 12.5% Senior Subordinated Secured Notes bear interest at a rate of 12 1/2% per annum, of which 7 1/4% per annum is payable in cash and 5 1/4% per annum is payable in kind, subject to increases in the cash portion if total leverage ratio or senior leverage ratio targets are met.

The carrying amount of Quality Distribution, LLC s 12.5% Senior Subordinated Secured Notes has been adjusted by $14.3 million to reflect accounting under SFAS 15 and is being amortized over the life of the 12.5% Senior Subordinated Secured Notes as a reduction in interest expense. After the closing of the transactions, $25.6 million in aggregate principal amount and carrying amount of the QDI notes remained outstanding, but the indenture governing the QDI notes was amended to eliminate most of the restrictive covenants. In addition, as a result of the closing of the 2002 transactions, the amendments to the financial covenants contained in the Fifth Amendment to the existing credit facility became effective as discussed below.

In connection with the exchange offer, deferred debt issue costs relating to the fourth amendment of the existing credit facility totaling approximately $4.2 million and legal and advisory fees relating to the exchange offer totaling approximately $5.9 million were recorded as transaction expenses.

Currently, our primary cash needs consist of capital expenditures and debt service under the existing credit facility, Quality Distribution, LLC s 12.5% Senior Subordinated Secured Notes and the QDI notes. We incur capital expenditures for the purpose of replacing older tractors and trailers, purchasing new tractors and trailers, and maintaining and improving infrastructure, including the integration of the information technology system.

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The following is a schedule at September 30, 2003 of our long-term contractual commitments, including the current portion of our long-term indebtedness, over the periods that we expect them to be paid under the existing credit facility as amended on August 11, 2003:

	Balance at September 30, 2003	Remainder 2003	2004	2005	2006	After
Operating leases	$	$ 788	$ 2,072	$ 1,759	$ 1,190	$
Total indebtedness, including capital lease obligations	370,656	4,153	15,229	208,789	69,808	72,677
Total	$ 370,656	$ 4,941	$ 17,301	$ 210,548	$ 70,998	$ 72,677

The transactions that occurred on May 30, 2002 significantly changed our capital structure and long-term contractual commitments from those that existed on December 31, 2001. In particular, the transactions reduced our overall level of indebtedness by exchanging $114.4 million principal amount of the QDI notes which were outstanding at December 31, 2001 for approximately $54.5 million principal amount of the 12.5% Senior Subordinated Secured Notes issued by Quality Distribution, LLC and the following securities issued by us: approximately $14.8 million of the 12% Junior PIK Notes due 2009; approximately $30.5 million of 13.75% preferred stock; and warrants to purchase 291,186 shares of our common stock. Further, indebtedness outstanding under the existing credit facility was reduced by $10 million with the cash proceeds received by QDI from the issuance of additional shares of 13.75% preferred stock. The transactions also had the effect of reducing our annual cash debt service requirements because the 12.5% Senior Subordinated Secured Notes bear interest at a rate of 12 1/2% per annum, of which 7 1/4% per annum is paid in cash and 5 1/4% per annum is paid in kind in the form of additional notes, subject to certain adjustments described in more detail under Description of the New Credit Facility and Other Indebtedness and the 12% Junior PIK Notes bear interest at a rate of 12% per annum, of which 1% per annum is paid in cash and 11% per annum is paid in kind in the form of additional notes.

At September 30, 2003, our redeemable securities consisted of $51.0 million face amount of mandatorily redeemable preferred stock, redeemable on September 15, 2006, subject to certain exceptions, and redeemable common stock which is redeemable upon the shareholder s put right anytime after June 15, 2002. The redemption amount for the redeemable common stock is based on a fair market value calculation set forth under the terms of the agreement, which is currently $0. On October 1, 2003, the terms of our preferred stock were amended and our preferred stock is no longer mandatorily redeemable. All outstanding shares of our preferred stock will be converted into shares of common stock on or prior to the completion of the Transaction.

Post-Transaction Liquidity and Capital Resources

The Transaction will significantly change our capital structure and long-term contractual commitments from those that existed on September 30, 2003. Upon completion of the Transaction, our primary cash needs will consist of capital expenditures and our debt service under the new credit facility and the new notes.

We will continue to incur capital expenditures for the purpose of replacing older tractors and trailers, purchasing new tractors and trailers, and maintaining and improving infrastructure. The following is a schedule, as of September 30, 2003 on a pro forma basis to give effect to the Transaction, of our long-term contractual commitments, including the current portion of our long-term indebtedness, over the periods that we expect them to be paid (dollars in thousands):

	Balance at September 30, 2003	Remainder 2003	2004	2005	2006	After
Operating leases	$	$ 788	$ 2,072	$ 1,759	$ 1,190	$
Total indebtedness, including capital lease obligations	272,845	345	1,400	1,400	8,900	260,800
Total	$ 272,845	$ 1,133	$ 3,472	$ 3,159	$ 10,090	$ 260,800

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Additionally, as of September 30, 2003, we had $30.5 million of environmental liabilities, $15.9 million of pension plan and other long-term insurance claim obligations we expect to pay out over the next five to seven years and $31.2 million in letters of credit outstanding.

The following is a schedule of our indebtedness, exclusive of capital lease obligations, at September 30, 2003, as adjusted to give effect to the Transaction, over the periods we are required to pay such indebtedness (dollars in thousands).

	New credit facility			
	Term	**FIRSTS**	**New notes**	**Total**
2003	$	$	$	$
2004	1,400			1,400
2005	1,400			1,400
2006	1,400	7,500		8,900
Thereafter	135,800		125,000	260,800
	$ 140,000	$ 7,500	$ 125,000	$ 272,500

Following the Transaction, Quality Distribution, LLC will have the ability to incur additional debt, subject to limitations imposed by the new credit facility and the indenture governing the new notes. Under the indenture governing the new notes, in addition to specified permitted indebtedness, Quality Distribution, LLC will be able to incur additional indebtedness so long as on a pro forma basis Quality Distribution, LLC s consolidated fixed charge coverage ratio (the ratio of Consolidated EBITDA (as defined in the indenture for the new notes) to consolidated fixed charges) is 2.0 to 1.0 or greater. For the twelve month period ended September 30, 2003, on a pro forma basis after giving effect to the Transaction, Quality Distribution, LLC Consolidated EBITDA (as defined in the indenture for the new notes) would have been approximately $67.7 million and Quality Distribution, LLC consolidated fixed charge coverage ratio would have been 3.3 to 1.0.

The new credit facility will include financial covenants which require certain ratios to be maintained. These ratios will include the interest coverage ratio, the ratio of consolidated EBITDA to consolidated interest expense, and the consolidated total leverage ratio, which is the ratio of consolidated total debt to consolidated EBITDA. As of September 30, 2003, on a pro forma basis Quality Distribution, LLC would have been in compliance with these financial covenants and the other covenants contained in the new credit facility.

If our operating cash flow and borrowings under the new revolving credit facility are not sufficient to satisfy our capital expenditures, debt service and other long-term contractual commitments, we will be required to seek alternative plans. These alternatives would likely include another restructuring or refinancing of our long-term debt, the sale of a portion or all of our assets or operations or the sale of additional debt or equity securities. If these alternatives are not available in a timely manner or on satisfactory terms, or are not permitted under our existing agreements, we may default on some or all of our obligations. If we default on our obligations, including our financial covenants required to be maintained under the new credit facility, and the debt under the indenture for the new notes were to be accelerated, our assets may not be sufficient to repay in full all of our indebtedness, including the new notes, and we may be forced into bankruptcy.

We have historically sought to acquire smaller local operators as part of our program of strategic growth. We continue to evaluate potential accretive acquisitions in order to capitalize on the consolidation occurring in the industry and expect to fund such acquisitions from available

sources of liquidity, including borrowings under the revolving credit facility.

Upon completion of the Transaction, we will realize greater flexibility in our debt structure and will have significantly reduced the amount of our long-term debt. For a description of the anticipated terms of the new credit facility, see Description of the New Credit Facility and Other Indebtedness The New Credit Facility.

While uncertainties relating to environmental, labor and 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. The new credit facility will be affected by many factors, including our financial results, operating cash flows and total indebtedness. We believe that following the Transaction, based on current levels of operations and anticipated growth, our cash flow from operations, together with available sources of liquidity, including borrowings under the new credit facility, will be sufficient to fund anticipated capital expenditures and make required payments of principal and interest on our debt, including obligations under the new credit facility and satisfy other long-term contractual commitments for the next twelve months.

As a holding company with no significant assets other than ownership of 100% of Quality Distribution, LLC s membership units, we also depend upon Quality Distribution, LLC s cash flows to service our debt. Following the Transaction, Quality Distribution, LLC s ability to make distributions to us will be restricted by the covenants contained in the new credit facility and the indenture governing the new notes. However, Apollo as our controlling stockholder, may have an interest in pursuing reorganizations, restructurings or other transactions involving us that, in their judgment, could enhance their equity investment even though those transactions might involve increasing Quality Distribution, LLC s leverage or impairing Quality Distribution, LLC s creditworthiness in order to decrease QDI s leverage. While the restrictions in the indenture governing the new notes will cover a wide variety of arrangements which have traditionally been used to effect highly leveraged transactions, the indenture governing the new notes may not afford the holders of the new notes protection in all circumstances from the adverse aspects of a highly leveraged transaction, reorganization, restructuring, merger or similar transaction. Although QDI has no current intention to engage in these types of transactions, there can be no assurance it will not do so in the future if permitted under the terms of the new credit facility and the indenture governing the new notes.

On August 13, 2003, a truck operated by Advent Logistics under dispatch from Quality Carriers, Inc. accidentally disengaged its tank trailer, releasing approximately 6,000 gallons of liquid xylene on a roadway in a rural area in Pikeville, Kentucky. All emergency response authorities were timely notified, and the spill was successfully contained by hazardous materials crews mobilized at the site. We estimate remedial expense and business interruption claims from affected businesses to be $1.5 million, which was recorded as insurance claims expense in the third quarter.

Quantitative and Qualitative Disclosures about Market Risk

We utilize derivative financial instruments to reduce our exposure to market risk from changes in interest rates and foreign exchange rates. The instruments primarily used to mitigate these risks are interest rate swaps and foreign exchange contacts. All derivative instruments held by us are designated as hedges, and accordingly, the gains and losses from changes in derivative fair values are recognized as comprehensive income as required by SFAS 133. Gains and losses upon settlement are recognized in the statement of operations or recorded as part of the underlying asset or liability as appropriate. We are exposed to credit related losses in the event of nonperformance by counterparties to these financial instruments; however, counterparties to these agreements are major financial institutions; and the risk of loss due to nonperformance is considered by management to be minimal. We do not hold or issue interest rate swaps or foreign exchange contracts for trading purposes.

We are exposed to the impact of interest rate changes primarily through our variable-rate borrowings under our existing credit facility. With the adoption of the seventh amendment to our existing credit facility, floating rates are based, at our option, upon the administrative agent s base rate plus a margin ranging from 1.00% to 3.25% or upon the Eurodollar rate plus a margin ranging from 2.00% to 4.25%. A 10% increase in the current per annum interest rate would result in $1.5 million additional interest expense. We anticipate that upon entering into

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the new credit facility, interest rates for the revolving credit facility will be based, at Quality Distribution, LLC s option, upon the administrative agent s base rate plus a margin of 2.50% or upon the Eurodollar rate plus a margin of 3.50%, and interest rates for the term loan will be based, at Quality Distribution, LLC s option, upon the administrative agent s base rate plus a margin of 2.0% or upon the Eurodollar rate plus a margin of 3.0% in each case subject to reductions in the applicable margins for the revolving credit facility and term loan only if we reduce our total consolidated leverage below certain levels. As of September 30, 2003, we had no outstanding interest rate swaps.

We may incur economic losses due to adverse changes in foreign currency exchange rates, primarily with fluctuations in the Canadian dollar. A 10% adverse change in foreign currency exchange rates would not have a material impact on our results of operation. At September 30, 2003, we had no active foreign currency hedge agreements.

BUSINESS

Overview

We operate the largest dedicated bulk tank truck network in North America based on bulk service revenues, and we believe we have twice the revenues of our closest competitor in our primary chemical bulk transport market. The bulk tank truck market in North America includes all items shipped by bulk tank truck carriers and consists primarily of the shipping of chemicals, gasoline and food-grade products. We transport a broad range of chemical products and provide our customers with value-added services, including intermodal, transportation management, transloading, tank cleaning, dry-bulk hauling, leasing and other logistics services. We extensively utilize third-party affiliate terminals and owner-operator drivers in our core bulk service network. Our non-asset based operations enable us to minimize our capital investments and increase the flexibility of our cost structure, while providing superior localized customer service. We are a core carrier for many of the Fortune 500 companies engaged in chemical processing, including Dow Chemical Company, Procter & Gamble Company, E.I. Dupont and PPG Industries, and we provide services to each of the top 100 chemical producers in the world with U.S. operations. We expect to grow as our customers continue to outsource more of their transportation management and logistics needs to full-service carriers such as ourselves. As a result of our leading market position, flexible business model and decentralized operating structure, we believe we are well positioned to benefit from current industry trends. Operating revenues and operating income were $516.5 million and $27.3 million, respectively, for the year ended December 31, 2002. For the nine months ended September 30, 2003, we generated operating revenues and operating income of $426.3 million and $30.2 million, respectively, representing growth rates of 9.2% and 23.2%, respectively, over the comparable period in 2002.

Our company was formed in 1994 as a holding company known as MTL Inc., and consummated its initial public offering on June 17, 1994. On June 9, 1998, MTL Inc. was recapitalized through a merger with a corporation controlled by Apollo Investment Fund III, LP. As a result of the recapitalization, MTL Inc. became a private company. On August 28, 1998, we completed our acquisition of Chemical Leaman Corporation and its subsidiaries (CLC). Through the 1998 acquisition, we combined two of the then leading bulk transportation service providers namely, Montgomery Tank Lines, Inc. and Chemical Leaman Tank Lines, Inc. under one holding company, Quality Carriers, Inc. (QCI). In 1999, we changed our name from MTL Inc. to Quality Distribution, Inc.

In 2000, we began assembling a new management team to guide the post-merger integration of our predecessor companies and position us for profitable future growth. Led by Thomas L. Finkbiner, who joined us in November 1999 as our President and Chief Executive Officer with over 20 years of industry experience, our new management team undertook several major initiatives designed to enhance our operating flexibility, upgrade and standardize our business processes, improve our customer service and increase our profitability. Most of these initiatives, which are described below, were completed during 2002, and are now beginning to yield benefits as reflected in our operating results for the nine months ended September 30, 2003.

- We significantly expanded the use of affiliate terminals and owner-operator drivers in our transformation to a more non-asset based business model.
- We installed a new order entry, dispatch and billing system, a new decision support system and a new mobile satellite communication system.
- We established new standard operating procedures for customer service and safety and implemented a new field operating structure utilizing regional vice-presidents to monitor compliance with these procedures.
- We added several terminals and tank wash facilities in strategic locations to fill out our core bulk network.

We began offering additional, value-added services that complement our core bulk service and offer attractive growth potential, including intermodal services and third-party logistics.

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We implemented a new yield management system and other profit improvement initiatives.

We sold a non-core petroleum and mining trucking business.

We believe that we will realize significant additional financial benefits from these and other strategic initiatives as the chemical industry recovers from its recent downturn.

Our Industry

We estimate, based on industry sources, that the for-hire North American bulk tank truck industry generated revenues of approximately $5.0 billion in 2002. We estimate that our primary chemical bulk transport market consists of a greater than $2.5 billion for-hire segment. We operate in the highly fragmented for-hire segment of the chemical bulk transport market where we have achieved a leading market share of approximately 20%. Our competition in the for-hire segment includes more than 200 smaller, primarily regional carriers. In addition to the for-hire segment, we also compete for the private fleet segment of the market, which we estimate is an approximately $2.4 billion market, by targeting private fleet operators who would benefit from outsourcing their transportation needs to us. Because we operate the largest dedicated bulk tank truck network in North America, we believe we are well-positioned to expand our business by converting private fleets.

Industry growth is generally dependent on volume growth in the industrial chemical industry and on the rate at which chemical companies outsource their transportation needs. According to *Modern Bulk Transporter,* total chemical shipments declined by 13% between 1999 and 2002, and according to *Chemical Week* and management estimates, industry growth is expected to be flat in 2003. As competitive pressures force chemical companies to reduce costs and focus on their core businesses, we believe that chemical companies will continue to consolidate their shipping relationships and seek to outsource a greater portion of their transportation management and logistics needs to third-party carriers. We believe that large, full-service carriers, like us, who can provide a broad range of value-added services on a nationwide basis, will benefit from this outsourcing trend and will be able to grow faster than the overall bulk tank truck industry.

Our industry is characterized by high barriers to entry such as (i) the time and cost required to develop the capabilities necessary to handle sensitive chemical cargo, (ii) the financial and managerial resources required to recruit and train drivers, (iii) substantial industry regulatory requirements and (iv) the significant capital investments required to build a fleet of equipment and establish a network of terminals. In addition, the industry continues to experience consolidation due to economic and competitive pressures, increasing operating costs for driver recruitment and insurance, and increasing capital investments for equipment and technology. As the cost and complexity of operating a bulk tank truck business increase and smaller competitors continue to exit the industry, we believe that large, well established carriers like ourselves will increase market share and grow faster than the overall industry.

Our Strengths

Largest tank truck network in a fragmented industry. We provide our customers with access to the largest captive trailer network in the industry, consisting of more than 7,800 bulk tank trailers. In addition, our nationwide network of 156 terminals covers all major chemical markets and enables us to serve customers with both national and regional shipping requirements. In 2002, we provided transportation services to over 4,000 chemical plant locations in North America. Our size allows us, our affiliates and our owner-operators to benefit from efficiencies through greater network density and economies of scale in the purchasing of supplies and services, including fuel, tires and insurance coverage. Our size also enables us to invest in strategic assets and new technologies that increase our operating efficiency and lower our costs.

Flexible non-asset based business model. Our extensive use of affiliates and owner-operators results in a more variable cost structure, increases our asset utilization, contributes to the stability of our cash flow and increases our return on capital. For the nine months ended September 30, 2003, affiliates and owner-operators

accounted for approximately 84% of our revenues. Affiliates are independent contractors that, through comprehensive contracts with us, operate their terminals exclusively for us. Affiliates are responsible for the capital investments and operating expenses related to their terminals. Adding new affiliates enables us to expand our geographic coverage with minimal additional capital investment. In addition, the conversion of company-owned terminals to affiliate status generally improves our operating margins, and we plan to continue to convert the substantial majority of our terminals in the future. From 1999 to 2002, the percentage of our revenues generated by affiliate terminals has increased from 38% to 53%, and we estimate that approximately 64% of revenues will be generated by affiliates by the end of 2003. Owner-operators are independent contractors who supply one or more tractors and drivers for our own or our affiliates exclusive use. By using owner-operators who are responsible for all applicable trip expenses, including maintenance and fuel, we can avoid the high capital costs of purchasing and maintaining tractors. As of September 30, 2003, affiliates and owner-operators provided approximately 80% of the tractors in our network.

Core carrier to top 100 chemical companies. We provide services to each of the top 100 chemical producers in the world with U.S. operations. Our ability to maintain these business relationships reflects our service performance and commitment to safety and reliability. We have established long-term customer relationships with these clients, which helps us attract and retain experienced affiliate terminal operators and drivers.

Broad menu of complementary services. Our ability to provide value-added services that complement our core liquid bulk transport service differentiates us from smaller competitors and enables us to gain market share, particularly with large customers that seek to use a limited number of core carriers. By capitalizing on our scale, we are able to offer additional value-added services such as intermodal, transportation management, transloading, tank cleaning, dry-bulk hauling, leasing and other logistics services that can be customized to meet a customer s specific needs to improve its operating efficiency. By increasing the number of services offered to our customers, we enhance our position as a leading national full-service provider in the industry.

Enhanced productivity and efficiency through installed technology. We utilize technology to improve our customer service and operating efficiency. We have equipped over 90% of our tractor fleet with the Qualcomm OmniTRACS® a mobile satellite communications system which enables us to continuously monitor our tractors and communicate with our drivers in the field. Through this system, we believe we are one of only a few companies in the bulk transport industry that enables customers to track the location and monitor the progress of their cargo through the internet on a real time basis. In addition, our website allows our customers to view bills and generate customized service reports. We have implemented TMW, a centralized order entry, dispatch and billing program which enhances our control over our equipment and drivers thereby increasing utilization and productivity. We have also implemented a yield management system, which enables our terminal operators to deploy assets where they can generate optimal profitability.

Our Strategy

We believe that industry trends such as consolidation and outsourcing, our leading competitive position and our unique business model offer us significant opportunities to grow. Our business strategy is designed to take advantage of these growth opportunities. By implementing our strategy, we believe that we can continue to add value to our customers and increase our market share, revenues, margins and cash flow. The key elements of our business strategy are as follows:

Add new affiliates and convert private fleets. We believe there are significant opportunities to enhance revenue growth by affiliating additional third-party carriers into our network. Typically, these carriers compete at a disadvantage due to their limited size and regional focus. By joining our affiliate network, they have the opportunity to serve a national customer base, achieve economies of scale through centralized corporate support functions and cost-effective purchasing, and improve utilization through increased backhaul. We also intend to

grow by continuing to target the $2.4 billion private fleet segment of the chemical bulk transport industry. By outsourcing their transportation needs to us, private fleet operators can refocus the financial and managerial costs associated with maintaining in-house transportation functions back into their core business. Over the last 12 months, we have added seven new affiliates and converted one private fleet operation, which we estimate will add approximately $28.8 million of revenues per year.

Expand scope of service capabilities. We plan to continue to expand the scope of our service capabilities in order to serve the growing needs of our customer base. As our customers continue to focus on their core business, we believe that they will increasingly rely on primary service providers like us to provide value-added services such as intermodal, transportation, management, transloading, tank cleaning, dry-bulk hauling, leasing and other logistics services. In December 2002, we began to manage the load scheduling and dispatching function for one of our largest customers in two facilities, and expanded to thirteen facilities by July 2003. We believe that as our customers outsource a larger share of their transportation function to core carriers, they will prefer to partner with well-established full-service providers like ourselves.

Leverage our non-asset based business model. We will continue to convert existing company-owned terminals to affiliate status and expand our use of owner-operators. Our affiliate program has greatly reduced the amount of capital needed to maintain and grow our terminal network and has allowed us to increase profitability as affiliate conversions increase margins and reduce overhead. Our extensive use of owner-operators reduces the amount of capital we need to expand our fleet of tractors, which are more expensive and have significantly shorter economic lives than trailers. These and other factors have allowed us to concentrate our capital spending on systems-related projects where we can achieve higher returns on capital through improved yield management, and have also allowed us to reduce net maintenance capital expenditures to less than $10 million in 2002. We expect that our emphasis on non-asset based operations will allow us to minimize the capital required to operate our fleet and terminal network and further improve our return on capital.

Development of Our Company

Our company was formed in 1994 as a holding company known as MTL Inc., and consummated its initial public offering on June 17, 1994. On June 9, 1998, MTL Inc. was recapitalized through a merger with a corporation controlled by Apollo Investment Fund III, LP. As a result of the recapitalization, MTL Inc. became a private company. On August 28, 1998, we completed our acquisition of Chemical Leaman Corporation and its subsidiaries (CLC). Through the 1998 acquisition, we combined two of the then leading bulk transportation service providers, namely, Montgomery Tank Lines, Inc. and Chemical Leaman Tank Lines, Inc., under one operating company, Quality Carriers, Inc. In 1999, we changed our name from MTL Inc. to Quality Distribution, Inc.

QDI is owned principally by the Apollo Funds, each of which is an affiliate of Apollo Management, L.P. As of September 30, 2003, Apollo owned approximately 87.4% of QDI s common stock, certain other investors owned approximately 9.8%, and our management owned approximately 2.8%. On a fully diluted basis after giving effect to stock options and warrants, as of September 30, 2003, the Apollo Funds owned approximately 77.9% of QDI s common stock, certain other investors owned approximately 17.4% and our management owned approximately 4.7%.

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The following chart illustrates our corporate structure and capital structure as of September 30, 2003, on a pro forma basis after giving effect to the Transaction.

We are or will be the:

- issuer of our common stock;
- guarantor under Quality Distribution, LLC s new credit facility;
- guarantor of the new notes; and
- issuer of the Series B Floating Interest Rate Subordinated Term Securities due 2006 (the FIRSTS).

Quality Distribution, LLC will be:

- a co-issuer of the new notes; and
- the borrower under the new credit facility.

QD Capital will be a co-issuer of the new notes.

All of Quality Distribution LLC s domestic subsidiaries (including QD Capital) will be guarantors under the new credit facility.

All of Quality Distribution LLC s domestic subsidiaries (other than QD Capital) are or will be the:

- guarantorsof the new notes; and
- guarantorsof the FIRSTS.

Bulk Transportation Services

We are primarily engaged in the business of bulk transportation of liquid and dry chemical products. Business services are provided through company-owned and affiliate terminals. As of September 30, 2003, 75 of 156 locations were company operations and the remaining locations were affiliate operations. Owner-operators are heavily relied upon to fulfill driver and tractor needs at both company and affiliate terminals. We

believe the combination of the affiliate program and the emphasis on the use of owner-operators result in an efficient and flexible operating structure that provides superior customer service.

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Affiliate Program

Affiliates are established and maintained by their owners as independent companies with individualized, parochial profit incentives designed to stimulate and preserve the entrepreneurial motivation common to small business owners. Each affiliate enters into a comprehensive contract with QCI pursuant to which the affiliate is required to operate its bulk tank truck enterprise exclusively for and on behalf of QCI. Each affiliate is supported by our corporate staff and is linked via computer to central management s information systems located at the Tampa, Florida headquarters of QDI. New affiliate candidates are ordinarily selected from QCI s management/employee pool, thereby jump-starting the new business opportunity with an experienced, savvy owner/manager, significantly reducing ramp-up time, while simultaneously improving the chances for both operating and financial success.

Affiliates gain multiple benefits from their relationship with QCI, such as improved equipment utilization through access to our network of operating terminals, access to and enhancement of our broad national and local customer relationships, national and local driver recruitment programs, standardized safety training (for drivers, tankwashers and mechanics) at our six (6) Safety Schools, and expanded marketing and sales resources, combined with sophisticated marketplace/competitive research. Affiliates gain further value from QCI s management information systems which provide essential operating and financial reports, while simplifying daily operating situations with system-wide technology support (TMW Systems, Incorporated (TMW) dispatch/billing platforms and Qualcomm en-route electronic linkage with each vehicle). Affiliates also derive significant financial benefit through our purchasing leverage on items such as insurance coverage, tractors, trailers, fuel, tires, health care, and other significant operating requirements.

Affiliates predominantly operate under the marketing identity of QCI and typically receive a percentage of gross revenues from each shipment they transport. Affiliates are responsible for their own operating expenses, such as fuel, licenses and worker s compensation insurance. We pay affiliates each week on the basis of completed billings to customers from the previous week. Our weekly settlement program automatically deducts any amounts advanced to affiliates (and their individual drivers) for fuel, insurance, loans or other miscellaneous operating expenses, including rental charges for QCI s tank trailers. We reimburse affiliates for certain expenses billed back to customers, including fuel, tolls and scaling charges.

Our contracts with affiliates typically carry a term ranging from one to five years and thereafter renew on an annual basis, unless terminated by either party. Affiliate contracts uniformly contain restrictive covenants prohibiting them from competing directly with QCI for a period of one year following termination of the contract. In addition, affiliates are required to meet all QCI standard operating procedures as well as being required to submit regular financial statements.

Affiliates engage and/or employ their own drivers and personnel. All affiliate personnel must meet QCI s operating standards/requirements.

Affiliates are required to pay for and provide evidence of their own workers compensation coverage, which must meet both company-established and statutory coverage levels. Affiliates are provided, as part of their contract, auto and general liability insurance, subject to certain deductibles per incident. Expenses exceeding the prescribed deductible limits of the affiliate are the responsibility of QCI or its insurer. For an additional fee, our subsidiary, Power Purchasing Inc. (PPI), makes available additional insurance to affiliates for physical damage coverage, operating a tractor without a trailer, health care, life insurance, and garage-keepers insurance.

Drivers and Owner-Operators

At September 30, 2003, we utilized 3,269 drivers. Of this total, 1,840 were owner-operators, 1,077 were affiliate company drivers and 352 were company drivers.

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Owner-Operators

QCI terminals and affiliates extensively utilize owner-operators. Owner-operators are independent contractors who, through an exclusive contract with QCI, supply one or more tractors and drivers for QCI or affiliate use. QCI retains owner-operators under contracts generally terminable by either party upon short notice.

In exchange for the services rendered, owner-operators are generally paid a fixed percentage of the revenues generated for each load hauled or on a per mile rate. The owner-operator pays all tractor operating expenses such as fuel, physical damage insurance, tractor maintenance, fuel taxes and highway use taxes. However, we reimburse owner-operators for certain expenses passed through to our customers, such as fuel surcharges, tolls and scaling charges. QCI attempts to enhance the profitability of our owner-operators through purchasing programs that take advantage of our significant purchasing power. These programs cover such operating expenses as fuel, tires, occupational accidental and physical damage insurance.

Owner-operators utilized by QCI or an affiliate must meet specified guidelines for driving experience, safety records, tank truck experience and physical examinations in accordance with U.S. Department of Transportation (DOT) regulations. We emphasize safety to our independent contractors and their drivers and maintain driver safety inspection programs, safety awards, terminal safety meetings and stringent driver qualifications.

Driver Recruitment and Retention

QCI and its affiliates dedicate significant resources to recruiting and retaining owner-operators and our own company drivers. Company drivers and owner-operators are hired in accordance with specific guidelines regarding safety records, driving experience and a personal evaluation by our staff. We employ only qualified tank truck drivers with a minimum of two years of over-the-road, tractor-trailer experience. These drivers are required to attend a rigorous training program conducted at one of our six safety schools.

Driver recruitment and retention is a primary focus for all operations personnel. Each terminal manager has direct responsibility for hiring drivers. We use many of the traditional methods of driver recruitment as well as using many newer methods of driver recruitment, including the use of the Internet and the efforts of the President s Team.

The President s Team is a group consisting of our very best drivers, whose mission it is to recruit and retain drivers while promoting QCI to customers. The equipment utilized by the President s Team distinguishes these drivers, thereby providing another tool in our continuous driver recruiting efforts. The President s Team maintains contact with new candidates throughout the hiring process. They also provide insight on the issues important to our current drivers and owner-operators. In 2001, a comprehensive Driver Excellence Program was implemented to reward our best drivers with recognition and awards based on meeting standards of excellence in productivity, safety and positive Company image. QCI added a centralized recruiting department at the Tampa corporate office during 2002.

Other Personnel

As of September 30, 2003, we employed 430 support personnel, including 225 employed at our corporate office in Tampa, Florida. Our field operations consist of 726 employees, including 52 mechanics, 178 tank cleaners and 205 other support, clerical and administrative personnel.

Where appropriate, the field management is responsible for hiring mechanics, customer service and tank wash personnel. We provide our employees with health, dental, vision, life, and other insurance coverages subject to certain premium sharing and deductible provisions. These and other insurance programs are available to affiliates and owner-operators for a fee.

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Union Labor

As of September 30, 2003, we had 252 employees (128 drivers) in trucking, maintenance or cleaning facilities and approximately 125 employees of three affiliate terminals who were members of the International Brotherhood of Teamsters.

Customer Service, Quality Assurance and Billing

Our Quality Assurance Program is designed to enable the achievement of superior customer service through the development and implementation of Standardized Operating Procedures for each area within our company. The procedures provide guidance in such areas as marketing, contracts, dispatch and terminal operations, driver hiring, safety and training, trailer operations, tractor operations, administrative functions, payroll, settlements, insurance, data processing and fuel tax administration.

We also have an Internal Audit department which helps monitor and ensure compliance with company policies and procedures.

We have also implemented a Quality Corrective Action procedure to identify, document and correct safety and service non-conformance. This procedure collects non-conformance data so that all levels of the organization can better understand where processes breakdown causing a non-conformance. This information is also reported back to many of our customers in the form of monthly service reports. Service reporting is required by an increasing number of chemical shippers.

During the third quarter of 2002, QCI completed its initiative to centralize the billing function for all Company terminals and some affiliate terminals in order to gain better quality control over the billing and invoicing processes. At the same time, QCI completed its conversion to the TMW billing application, which integrated the dispatch and billing systems. See Technology section below.

Mobile Communications

Over 90% of our entire tractor fleet is equipped with the Qualcomm OmniTRACS® mobile satellite communications system. This system provides continuous monitoring and two-way communications with tractors in transit. The information generated by this system is used to track load status, optimize the use of drivers and equipment and respond to emergency situations.

Technology

In 2001, QCI purchased and began implementing a new operating system for dispatching trucks. The system was purchased from TMW, a company with over 500 customer installations. The rollout of this program was completed in the third quarter of 2002 for all U.S. operations.

The TMW software enhances our ability to track our drivers, tractors, trailers and manage the business better at a tactical level. The software handles order entry, resource planning, dispatch, and communications, through Qualcomm OmniTRACS® integration and auto-rating of invoices. The software is another step in the continued upgrading of systems utilized in our trucking subsidiaries: installation of an IBM storage and multi-server network, which centralized the data and increased reliability, adding TMW for resource tracking, completing Qualcomm OmniTRACS® installation for communications and equipment location updates, introduction of imaging at all locations, and the incorporation of all of this data into our website at *http://www.qualitydistribution.com*. Information contained on our website does not constitute a part of this prospectus. These projects add to the productivity of our employees and equipment, which we believe result in improved value to our customers.

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Leasing

We lease tractors and trailers to affiliates and other third parties, including shippers. Tractor lease terms range from 6 to 60 months and may include a purchase option. Trailer lease terms range from 1 to 84 months and do not include a purchase option. We have the largest stainless steel trailer fleet in North America and derive a portion of our income from leasing these units to customers and affiliates.

Tank Wash Operations

To maximize equipment utilization and efficiency we rely on thirty-two tank wash facilities owned and operated by our subsidiary, Quala Systems, Inc. (QSI), two tank wash facilities owned and operated by our subsidiary, Transplastics, Inc. (TPI) and fifteen affiliate-owned tank wash facilities located throughout our operating network. These facilities allow us to generate additional tank washing fees from non-affiliated carriers and shippers. Management believes that the availability of these facilities enables us to provide an integrated service package to our customers and minimize the risk of cost escalation associated with reliance on third party tank wash vendors.

Intermodal and Transloading

In support of our liquid and dry bulk truck operations, we offer our customers supplementary services in the areas of import/export container drayage to and from major port operations, domestic intermodal door-to-door service, and railcar to truck transloading services.

In order to take advantage of the ever-changing balance of global chemical industry trade, QCI has developed the capability to operate inland trucking services for the transportation of liquid bulk containers on special chassis. Domestic intermodal operation is accomplished through the use of our drivers at both the origin and destination facilities, loading and unloading the product, while the linehaul portion of the trip is performed on rail intermodal train service. This allows shippers to combine a consistent service with an economical way to serve long-haul markets. The ability to offer railcar to truck transloading service is another niche product that can provide the customer a cost-effective supply chain alternative for prepositioned inventory and to serve end-customers that are not served by any railroad.

Owner-Operator and Affiliate Services

Through PPI we offer insurance products and other services to both our internal and external fleet and to our owner-operators at favorable prices. By offering purchasing programs that take advantage of our significant purchasing power for products and services such as tractors, fuel and tires as well as automobile, general liability and workers compensation insurance, we believe we strengthen our relationship with our owner-operators and improve driver recruitment. We also actively market these products and services to other customers.

Load Brokerage Services

We provide load brokerage services to enhance our ability to handle our customers trucking requirements. To the extent that we do not have the equipment necessary to service a particular shipment, we will broker the load to another carrier, thereby meeting the customer s shipping needs and generating additional revenues for us. Through our relationship with over sixty independent bulk carriers, we can assure timely response to customer needs.

Tractors and Trailers

As of September 30, 2003, we operated a fleet of 7,884 tank trailers. The majority of these tanks are single compartment, chemical-hauling trailers. The balance of the fleet is made up of multi-compartment trailers, dry bulk trailers and special use equipment. The chemical transport units typically have a capacity between 5,000 to

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7,000 gallons and are designed to meet Department of Transportation specifications for transporting hazardous materials. Each trailer is designed for a useful service life of 15 to 20 years, though this can be greatly extended through upgrades and modifications.

We acquire new tractors with an initial utilization period of five years. The useful life of a tractor may be extended if restoration or an overhaul is performed. As of September 30, 2003, we operated 3,441 tractors of which 679 were owned by us, 1,786 were operated by owner-operators, and 976 were operated by affiliate drivers.

Many of our and our affiliate terminals provide preventative maintenance and receive computer-generated reports that indicate when inspection and servicing of units are required. Our maintenance facilities are registered with the Department of Transportation and are qualified to perform trailer inspections and repairs for our fleet and equipment owned by third parties. We also rely on unaffiliated repair shops for many major repairs. In 2002, we implemented a new maintenance tracking, invoicing and reporting system, which is now fully operational at all of our domestic company-owned terminals.

The following table shows the age of trailers and tractors we operated that were in service as of December 31, 2002. All numbers are approximated as of such date:

TRAILERS(1)	Less Than 3 Years	3-5 Years	6-10 Years	11-15 Years	16-20 Years	Greater Than 20 Years	Total
Company	7	534	1,450	1,383	1,184	1,638	6,196
Affiliate	68	322	285	127	116	175	1,093
Shipper-owned	12	79	58	66	30	31	276
Total	87	935	1,793	1,576	1,330	1,844	7,565

TRACTORS(1)	Less Than 3 Years	3-5 Years	6-10 Years	11-15 Years	Greater Than 15 Years	Total
Company	160	166	415	18	34	793
Affiliate	236	326	196	36	8	802
Owner-Operator	160	633	793	125	57	1,768
Total	556	1,125	1,404	179	99	3,363

(1) Age based upon original date of manufacture; tractor/trailer may be substantially refurbished or re-manufactured.

Marketing

We conduct our marketing activities at both the national and local levels. We employ geographically dispersed sales managers who market our services primarily to national accounts. These sales managers have extensive experience in marketing specialized tank truck transportation services. The corporate sales staff also concentrates on developing dedicated logistics opportunities. Our senior management is actively involved in the marketing process, especially in marketing to national accounts. In addition, significant portions of our marketing activities are conducted locally by our terminal managers and dispatchers who act as local customer service representatives. These managers and dispatchers maintain regular contact with shippers and are well positioned to identify the changing transportation needs of customers in their respective geographic areas.

Customers

Our revenue base consists of customers located throughout North America, including many Fortune 500 companies such as the Dow Chemical Company, Procter & Gamble, PPG Industries and E.I. Dupont. As of December 31, 2002 and 2001, approximately 85% of trade accounts receivable were due from companies in the

liquid chemical and bulk food products industries, respectively. In 2002, 2001 and 2000, Dow Chemical accounted for approximately 12.6%, 12.5% and 7.5% of operating revenue, respectively. In 2002, our 10 largest customers accounted for 30.8% of operating revenues.

Administration

As of September 30, 2003, we operated 156 terminals throughout the United States, Canada and Mexico. Company-owned and affiliate terminals operate as separate profit centers and terminal managers are responsible and accountable for most operational decisions. Effective supervision requires maximum personal contact with customers and drivers. Therefore, to accomplish mutually defined operating objectives, the functions of customer service, dispatch and general administration typically rest within each terminal. Cooperation and coordination is further encouraged by the Quality Carriers, Inc. backhaul program.

From the corporate offices in Tampa, Florida, management monitors each terminal s operating and financial performance, safety and training record, accounts receivable and customer service efforts. Terminal managers ensure the terminals remain in strict compliance with safety, maintenance, customer service and other operating procedures. Senior corporate executives, safety department personnel and audit department personnel conduct unannounced visits to verify terminal compliance. We strive to achieve uniform service and safety at all company-owned and affiliate terminals, while simultaneously affording terminal managers the freedom to focus on generating business in their region.

Competition

The tank truck business is extremely competitive and fragmented. We compete primarily with other tank truck carriers and private carriers in various states and Canada. With respect to certain aspects of our business, we also compete with intermodal transportation and railroads. Intermodal transportation has increased in recent years. In 2001, a major competitor, Matlack Systems, Inc., went bankrupt and ceased operations.

Competition for the freight transported by us is based primarily on rates and service. Management believes that we enjoy significant competitive advantages over other tank truck carriers because of our low fixed cost structure, overall fleet size, national terminal network and tank wash facilities.

Our largest competitors are Trimac Transportation Services Ltd., Schneider National, Inc. and Superior Carriers, Inc.; however, there are many other smaller recognized tank truck carriers, most of whom are primarily regional operators.

We also compete with other motor carriers for the services of our drivers and owner-operators. Our overall size and our reputation for good relations with affiliates and owner-operators have enabled us to attract a sufficient number of qualified professional drivers and owner-operators.

Competition from non-trucking modes of transportation and from intermodal transportation would likely increase if state or federal fuel taxes were to increase without a corresponding increase in taxes imposed upon other modes of transportation.

Risk Management and Insurance/Safety

The primary insurable risks associated with our business are bodily injury and property damage, workers compensation claims and cargo loss and damage. We maintain insurance against these risks and are subject to liability as a self-insurer to the extent of the deductible under each policy. We currently maintain liability insurance for bodily injury and property damage in the amount of $55 million per incident, with a $5 million per incident deductible. There is no aggregate limit on this coverage.

We currently maintain a $1 million per incident deductible for workers compensation insurance coverage. We are insured over our deductible up to the statutory requirement by state. We are self-insured for damage or loss to the equipment we own or lease, and for cargo losses.

We employ a safety and insurance staff of 32 professionals. In addition, we employ specialists to perform compliance checks and conduct safety tests throughout our operations. We conduct a number of safety programs designed to promote compliance with rules and regulations and to reduce accidents and cargo claims. These programs include training programs, driver recognition programs, safety awards, an ongoing Substance Abuse Prevention Program, driver safety meetings, distribution of safety bulletins to drivers and participation in national safety associations.

Environmental Matters

Our activities involve the handling, transportation, storage and disposal of bulk liquid chemicals, many of which are classified as hazardous materials, hazardous substances, or hazardous waste. Our tank wash and terminal operations engage in the storage or discharge of wastewater and storm-water that may have contained hazardous substances, and from time to time we store diesel fuel and other petroleum products at our terminals. As such, we are subject to environmental, health and safety laws and regulation by U.S. federal, state, local and Canadian government authorities. Environmental laws and regulations are complex, change frequently and have tended to become more stringent over time. There can be no assurance that violations of such laws or regulations will not be identified or occur in the future, or that such laws and regulations will not change in a manner that could impose material costs to us.

Facility managers are responsible for environmental compliance. Self-audits conducted by our internal audit staff are required to assess operations, safety training and procedures, equipment and grounds maintenance, emergency response capabilities and waste management. We may also contract with an independent environmental consulting firm that conducts periodic, unscheduled, compliance assessments which focus on conditions with the potential to result in releases of hazardous substances or petroleum, and which also include screening for evidence of past spills or releases. Our staff includes environmental experts who develop policies and procedures, including periodic audits of our terminals, tank cleaning facilities, and historical operations, in an effort to avoid circumstances that could lead to future environmental exposure.

As a handler of hazardous substances, we are potentially subject to strict, joint and several liability for investigating and rectifying the consequences of spills and other environmental releases of such substances under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (CERCLA) and comparable state laws. 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, notwithstanding the existence of our environmental management program, we cannot assure that such obligations will not be incurred in the future, nor that such liabilities will not result in a material adverse effect on our financial condition, results of operations or our business reputation. As the result of environmental studies conducted at our facilities in conjunction with our environmental management program, we have identified environmental contamination at certain sites that will require remediation. See Risk Factors Risks Related to Our Business Operations involving hazardous materials could create environmental liabilities for a discussion of certain risks of our being associated with transporting hazardous substances.

We are currently solely responsible for remediating and investigating five properties under federal and state Superfund programs where we are the only performing party. Each of these five remediation projects relates to operations conducted by CLC prior to our acquisition of and merger with CLC in 1998. The following is a brief discussion of two such federal Superfund sites:

Bridgeport, New Jersey. During 1991, CLC entered into a Consent Decree with the EPA filed in the U.S. District Court for the District of New Jersey, U.S. v. Chemical Leaman Tank Lines, Inc., Civil Action No. 91- 2637 (JFG) (D.N.J.), with respect to its site located in Bridgeport, New

Jersey, requiring CLC to remediate

groundwater contamination. The Consent Decree required CLC to undertake Remedial Design and Remedial Action (RD/RA) related to the groundwater operable unit of the cleanup. A groundwater remedy design has subsequently been approved by the EPA and is under consideration.

In August 1994, the EPA issued a Record of Decision, selecting a remedy for the wetlands operable unit at the Bridgeport site at a cost estimated by the EPA to be approximately $7 million. In October 1998, the EPA issued an administrative order that requires CLC to implement the EPA s wetlands remedy. A remedial design for this remedy is currently under consideration by EPA and the State of New Jersey. In April 1998, the federal and state natural resource damages trustees indicated their intention to bring claims against CLC for natural resource damages at the Bridgeport site. CLC finalized a consent decree on March 16, 2001 with the state and federal trustees and has resolved the natural resource damages claims. In addition, the EPA has investigated contamination in site soils. No decision has been made as to the extent of soil remediation to be required, if any.

West Caln Township, PA. The EPA has alleged that CLC disposed of hazardous materials at the William Dick Lagoons Superfund Site in West Caln, Pennsylvania. On October 10, 1995, CLC entered into a Consent Decree with the EPA which required CLC to:

- pay the EPA for installation of an alternate water line to provide water to area residents;
- perform an interim groundwater remedy at the site; and
- conduct soil remediation. US v. Chemical Leaman Tank Lines, Inc., Civil Action No. 95-CV-4264 (RJB) (E.D. Pa.).

CLC has paid all costs associated with installation of the waterline. CLC has completed a groundwater study, and has submitted designs for a groundwater treatment plant to pump and treat groundwater. The EPA anticipates that CLC will conduct the groundwater remedy over the course of five years, at which time the EPA will evaluate groundwater conditions and determine whether further groundwater remedy is necessary. Field sampling for soil remediation has been completed and activities for the design of a soil remediation system have been completed. Soil remediation will include the use of both a low temperature thermal treatment unit and a soil vapor extraction system. The Consent Decree does not cover the final groundwater remedy or other site remedies or claims, if any, for natural resource damages.

CLC is also incurring expenses resulting from the investigation and/or remediation of certain current and former CLC properties, including its facility in Tonawanda, New York and its former facility in Putnam County, West Virginia, and its facility in Charleston, West Virginia. As a result of our acquisition of CLC, we identified other owned or formerly owned properties that may require investigation and/or remediation, including properties subject to the New Jersey Industrial Sites Recovery Act (ISRA). CLC s involvement at some of the above referenced sites could amount to material liabilities, and there can be no assurance that costs associated with these sites, individually or in the aggregate, will not be material.

Other Environmental Matters. We have also been named as a potentially responsible party under CERCLA and similar state laws at 37 other sites including the Helen Kramer Landfill Site where CLC previously settled its liability. In general, we are among several PRP s named at these sites. We have asserted defenses to such actions. However, there can be no assurance that we will not incur material liability under CERCLA or similar laws. CLC is also named as co-defendant in two civil toxic tort claims arising from alleged exposure to hazardous substances that were allegedly transported to disposal sites by CLC and other co-defendants.

Reserves. We currently have reserves in the amount of $30.5 million for all environmental matters discussed above. However, we cannot guarantee that our ultimate costs will not exceed our reserves or be material.

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Regulation

As a motor carrier, we are subject to regulation. There are additional regulations specifically relating to the tank truck industry, including testing and specifications of equipment and product handling requirements. We may transport most types of freight to and from any point in the United States over any route selected by us. The trucking industry is subject to possible regulatory and legislative changes that may affect the economics of the industry by requiring changes in operating practices or by changing the demand for common or contract carrier services or the cost of providing truckload services. Some of these possible changes may include increasingly stringent environmental regulations, changes in the hours-of-service regulations which govern the amount of time a driver may drive in any specific period of time, onboard black box recorder devices or limits on vehicle weight and size. In addition, our tank wash facilities are subject to stringent local, state and federal environmental regulations.

The Federal Motor Carrier Act of 1980 served to increase competition among motor carriers and limit the level of regulation in the industry. The Federal Motor Carrier Act also enabled applicants to obtain Interstate Commerce Commission (ICC) operating authority more readily and allowed interstate motor carriers such as ourselves greater freedom to change their rates each year without ICC approval. The law also removed many route and commodity restrictions on the transportation of freight. A series of federal acts, including the Negotiated Rates Act of 1993, the Trucking Industry Regulatory Reform Act of 1994 and the ICC Termination Act of 1995, further reduced regulation applicable to interstate operations of motor carriers such as ourselves, and resulted in transfer of interstate motor carrier registration responsibility to the Federal Highway Administration of the DOT. On February 13, 1998, the Federal Highway Administration published proposed new rules governing registration to operate by interstate motor carriers. To this point in time adopted changes have not adversely affected interstate motor carrier operations. During 1999, the Federal Motor Carrier Safety Improvement Act of 1999 took effect establishing the Federal Motor Carrier Safety Administration effective January 1, 2000. This agency s principal assignment is to regulate and maintain safety within the ranks of motor carriers.

Interstate motor carrier operations are subject to safety requirements prescribed by the DOT. To a large degree, intrastate motor carrier operations are subject to safety and hazardous material transportation regulations that mirror federal regulations. Such matters as weight and dimension of equipment are also subject to federal and state regulations. DOT regulations mandate drug testing of drivers. To date, the DOT s national commercial driver s license and drug testing requirements have not adversely affected the availability of qualified drivers to us. Alcohol testing rules were adopted by the DOT in February 1994 and became effective in January 1995 for employers with 50 or more drivers. These rules require certain tests for alcohol levels in drivers and other safety personnel. These rules have not adversely affected the availability of qualified drivers.

Title VI of The Federal Aviation Administration Authorization Act of 1994, which became effective on January 1, 1995, largely deregulated intrastate transportation by motor carriers. This Act generally prohibits individual states, political subdivisions thereof and combinations of states from regulating price, entry, routes or service levels of most motor carriers. However, the states retained the right to continue to require certification of carriers, based upon two primary fitness criteria safety and insurance and retained certain other limited regulatory rights. Prior to January 1, 1995, we held intra-state authority in several states. Since that date, we have either been grandfathered in or have obtained the necessary certification to continue to operate in those states. In states in which we were not previously authorized to operate intra-state, we have obtained certificates or permits allowing us to operate.

From time to time, various legislative proposals are introduced including proposals to increase federal, state, or local taxes, including taxes on motor fuels. We cannot predict whether, or in what form, any increase in such taxes applicable to us will be enacted.

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Seasonality

Our business is subject to limited seasonality due to the cyclical nature of the business of our customers, with revenues generally declining slightly during winter months, namely the first and fourth fiscal quarters, and over holidays. Highway transportation can be adversely affected depending upon the severity of the weather in various sections of the country during the winter months. Our operating expenses also have been somewhat higher in the winter months, due primarily to decreased fuel efficiency, increased utility costs and increased maintenance costs of revenue equipment in colder months.

Legal Proceedings

In addition to those items disclosed under Business Environmental Matters, we are from time to time involved in routine litigation incidental to the conduct of our business. We believe that no 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.

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Properties

As of September 30, 2003, our operating facilities were located in the following cities:

QCI OPERATED	QSI	AFFILIATE OPERATED	
Albany, NY *	Albany, NY *	Augusta, GA	New Castle, DE
Appleton, WI	Atlanta, GA *	Baltimore, MD	North Charleston, SC
Atlanta, GA *	Augusta, GA *	Barberton, OH *	Niagara Falls, NY
Augusta, GA *	Barberton, OH *	Beaumont, TX	Norfolk, VA *
Becancour, QC	Baton Rouge, LA	Bessemer, AL	Owensboro, KY
Brunswick, GA	Branford, CT *	Bowling Green, OH	Pasadena, TX
Calvert City, KY	Bridgeport, NJ *	Branford, CT *	Parker, PA *
Castleton, VT	E. Channelview, TX	Bridgeport, NJ *	Parisburg, VA *
Channelview, TX	W. Channelview, TX**	Bristol, WI	Pocatello, ID *
Charleston, SC *	Charleston, SC	Carteret, NJ	Portland, OR
Chester, SC *	Chattanooga, TN *	Caseyville, IL	Roanoke, VA
Columbus, OH	Freeport, TX*	Charlotte, NC	Salisbury, NC
Coteau du Lac, QC *	Friendly, WV *	Chattanooga, TN *	South Point, OH
Follansbee, WV	Houston, TX *	Chattanooga, TN *	South Point, OH
Fort Worth, TX *	Institute, WV*	Cincinnati, OH	Southern, CA
Geismer, LA *	Kalamazoo, MI *	Columbus, OH	Spartenburg, SC
Greenup, KY	Kenner, LA	Danville, IL	Springfield, MO
Kalamazoo, MI *	Kent, WA *	Delaware, OH *	St. Gabriel, LA *
Ludington, MI *	Lansing, IL	Dumfries, VA	Sulfur, LA
Midland, MI *	Midland, MI *	Fall River, MA	Tampa, FL
Montreal, QC	Newark, NJ *	Fairfield, OH	Thorofare, NJ
Newark, NJ *	Pocatello, ID *	Fairforest, SC	Torrance, CA

Oakville, ON

Orlando, FL

Richmond, CA*

Salt Lake City, UT *

Sarnia, ON

South Gate, CA*

St. Louis, MO

Summit, IL

Tonawanda, NY *

Waterford, NY

Rahway, NJ

Rock Hill, SC *

Salt Lake City, UT *

San Pablo, CA *

Sarnia, ON*

Savannah, GA*

South Gate, CA*

Spartanburg, SC *

Sulphur, LA

Wilmington, NC *

TPI

East Rutherford, NJ *

Essexville, MI *

Greer, SC

Laredo, TX

Montreal, QC

North Haven, CT

Ozark, AR

Palmer, MA *

Port Arthur, TX *

Saddle Brook, NJ

Sarnia, ON

Freeport, TX *

Ft. Worth, TX *

Gary, IN

Garden City, GA

Glennmoore, PA

Hagerstown, MD

Houston, TX *

Institute, WV *

Jacksonville, FL

Joliet, IL

Johnstown, NY

Kansas City, MO

Kelso, WA

Kent, WA *

Kent, WA

Lansing, IL

Lima, OH

Louisville, KY

Luling, LA

Madison, MS

Mediapolis, IA

Memphis, TN *

Memphis, TN

Memphis, TN

Mobile, AL *

Modesto, CA

Morgantown, WV

Nazareth, PA *

Torrance, CA

Triadelphia, WV

Tucker, GA

Walbridge, OH

Warsaw, IN

Williamsport, PA*

Wilmington, NC *

New Castle, DE

New Castle, DE

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* Indicates the terminal is owned by us.
** QSI facility operated by affiliate as of November 2002.

In addition to the properties listed above, we also own property in Croydon, PA; Syracuse, NY; Downingtown, PA; Detroit, MI; Greenboro, NC; Lexington, NC; Chesner, SC; Houston, TX; Oyster Creek, TX; Morgantown, WV; Austin, MN and Hartford, WI. Our executive and administrative offices are located in Tampa, Florida.

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MANAGEMENT

The following table sets forth certain information as of November 5, 2003 with respect to the members of our Board of Directors and our executive officers, who also hold the same positions with our wholly-owned subsidiary, Quality Distribution, LLC:

Name	Age	Position
Thomas L. Finkbiner	51	Chairman of the Board, President and Chief Executive Officer
Samuel M. Hensley	42	Senior Vice President and Chief Financial Officer
Virgil T. Leslie	48	Executive Vice President and General Manager
Keith J. Margelowsky	48	Senior Vice President of Performance Planning
Michael A. Grimm	56	Executive Vice President Business Development
Dennis R. Copeland	53	Senior Vice President Administration
Anthony R. Ignaczak	39	Director
Joshua J. Harris	38	Director
Michael D. Weiner	50	Director
Marc J. Rowan	41	Director
Marc E. Becker	31	Director
Donald C. Orris	62	Director

Our directors hold office until their successors have been elected and qualified, or, if earlier, upon their death, resignation, removal or disqualification. Officers serve at the discretion of the Board of Directors.

Thomas L. Finkbiner has been employed by QDI since November 1999 as its President and Chief Executive Officer, and he has been a director of QDI since March 2000. Since May 14, 2002, Mr. Finkbiner has also served as President, Chief Executive Officer, and a member of the Board of Managers of Quality Distribution, LLC, and he became Quality Distribution, LLC s Chairman on June 19, 2002. Prior to his employment by QDI, he was Vice President, Intermodal for Norfolk Southern Corporation from 1987-1999, Vice President of Marketing and Administration and Vice President of Sales for North American Van Lines (then an operating subsidiary of Norfolk Southern) from 1981-1987. Prior to these positions he held various sales and management positions with Airborne Freight Corporation and Roadway Express, Inc. from 1976-1981. Mr. Finkbiner serves as Chairman of the Board of Directors for Intermodal Transportation Institute, University of Denver. He is a director of Pacer International, Inc.

Samuel M. Hensley serves as QDI s Senior Vice President and Chief Financial Officer. Since October 31, 2002, Mr. Hensley has also served as the Senior Vice President and Chief Financial Officer of Quality Distribution, LLC. Prior to his employment with QDI, Mr. Hensley served as Vice President, Chief Financial Officer and Treasurer for Cendian Corporation, a global logistics and distribution services company for the chemical industry, since 2000. From 1993 to 2000, he was Corporate Controller for Georgia Gulf Corporation, a manufacturer of commodity and specialty chemicals. Prior to these positions, he had various senior positions with Arthur Andersen LLP from 1983 to 1993.

Virgil T. Leslie joined QDI in April 2000 as Senior Vice President of Sales and Marketing. Mr. Leslie also serves as Vice President of Sales and General Manager of Quality Distribution, LLC. Prior to joining QDI, he served as Vice President of Sales with Triple Crown Services in Ft. Wayne, Indiana. Mr. Leslie also spent 16 years with Roadway Express holding various sales and operating positions.

Keith J. Margelowsky joined QDI in April 2000 as Senior Vice President of Performance Planning and is responsible for improving QDI s systems, procedures and capabilities. Mr. Margelowsky became Senior Vice President of Performance Planning of Quality Distribution, LLC on May 14, 2002. Prior to joining QDI, he led the marketing effort for Werner Logistics. He was with Werner since 1992 and has extensive pricing and costing experience. His early experience includes five years in LTL and eleven additional years in truckload with North American Van Lines and National Freight.

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Michael A. Grimm joined QDI in 1989 in connection with the acquisition of Quality-O Boyle, Inc. by Montgomery Tank Lines, then serving as Senior Vice President of Sales. Prior to his association with QDI he served in various positions with O Boyle Tank Lines. Mr. Grimm became Executive Vice President Business Development of Quality Distribution, LLC on May 14, 2002.

Dennis R. Copeland serves as QDI s Senior Vice President Administration. Mr. Copeland also serves as Senior Vice President Administration of Quality Distribution, LLC. Mr. Copeland joined QDI in 1998 in connection with the acquisition of Chemical Leaman Corporation, at which time he assumed the position of Vice President Labor Relations and Human Resources. From October 1988 until he joined QDI, Mr. Copeland served as Vice President of Human Resources and Labor Relations for Chemical Leaman Corporation. Prior to that time, he held various management positions with Lukens Steel Company.

Anthony R. Ignaczak became a director of QDI and a member of the Board of Managers of Quality Distribution, LLC in October 2003. Mr. Ignaczak has been a partner with Quad-C Management, a private equity firm based in Charlottesville, Virginia, since May 1993, and joined the firm in 1992. Prior to that time, Mr. Igna