

QUALITY DISTRIBUTION INC
Form DEF 14A
June 28, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. __)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

- .. Definitive Additional Materials
- .. Soliciting Material Pursuant to §240.14a-12

QUALITY DISTRIBUTION, INC.

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- .. Fee computed on table below per Exchange Act Rules 14(a)-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

5) Total Fee Paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Quality Distribution, Inc.

3802 Corporex Park Drive

Tampa, Florida 33619

June 28, 2004

Dear Fellow Shareholder:

You are cordially invited to attend the annual meeting of shareholders of Quality Distribution, Inc., which will be held on Wednesday, July 28, 2004, beginning at 1:30 p.m., Eastern Time. The meeting will be held at the Millennium Broadway Hotel, located at 145 West 44th Street, New York, NY 10036. The purpose of the meeting is to consider and vote upon the proposals explained in the notice and the proxy statement.

A formal notice describing the business to come before the meeting, a proxy statement, and a proxy card are enclosed. We have also enclosed our 2003 Annual Report on Form 10-K for your review, which contains detailed information concerning our financial performance and activities during 2003.

It is important that your shares be represented at the annual meeting. Whether or not you plan to attend the annual meeting in person, please vote your shares by completing, signing, and dating the enclosed proxy card, and returning it in the enclosed postage paid envelope. If you later decide to attend the annual meeting and vote in person, or if you wish to revoke your proxy for any reason before the vote at the annual meeting, you may do so and your proxy will have no further effect.

Sincerely,

/s/ THOMAS L. FINKBINER
President, Chief Executive Officer and Chairman

of the Board of Directors

Quality Distribution, Inc.

3802 Corporex Park Drive

Tampa, Florida 33619

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders of Quality Distribution, Inc. will be held at 1:30 p.m., Eastern Time, on Wednesday, July 28, 2004 at the Millennium Broadway Hotel, located at 145 West 44th Street, New York, NY 10036 for the following purposes:

- (1) To elect directors;
- (2) To ratify the appointment of PricewaterhouseCoopers LLP as independent auditors for the 2004 fiscal year; and
- (3) To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Shareholders of record at the close of business on June 21, 2004, are entitled to notice of the meeting and are entitled to vote at the meeting in person or by proxy. Only shareholders or their proxy holders are invited to attend the meeting.

By Order of the Board of Directors

/s/ THOMAS L. FINKBINER
President, Chief Executive Officer and Chairman

of the Board of Directors

June 28, 2004

IMPORTANT

Whether or not you expect to attend the meeting in person, we urge you to sign, date, mark and return the enclosed proxy at your earliest convenience. This will ensure the presence of a quorum at the meeting. **Promptly signing, dating, marking and returning the proxy will save the Company the expenses and extra work of additional solicitation.** An addressed envelope for which no postage is required if mailed in the United States is enclosed for that purpose. Sending in your proxy will not prevent you from voting your shares at the meeting if you desire to do so, as your proxy is revocable at your option.

Quality Distribution, Inc.

3802 Corporex Park Drive

Tampa, Florida 33619

PROXY STATEMENT FOR 2004 ANNUAL MEETING OF SHAREHOLDERS

You have received this proxy statement and the accompanying notice of annual meeting and proxy card as an owner of the common stock, no par value, of Quality Distribution, Inc., in connection with the solicitation of proxies by the Board of Directors (the *Board*) for use at Quality Distribution's 2004 annual meeting of shareholders.

Unless the context requires otherwise, references in this statement to *Quality Distribution*, *QDI*, the *Company*, *we*, *us*, or *our* refer to Quality Distribution, Inc. and its consolidated subsidiaries.

Your vote is very important. For this reason, the Board is requesting that you allow your common stock to be represented at the 2004 annual meeting of shareholders by the proxies named on the enclosed proxy card. We are first mailing this proxy statement and the proxy card on or about June 28, 2004.

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Time and Place

July 28, 2004

1:30 p.m. Eastern Time

Millennium Broadway Hotel

145 West 44th Street, New York, NY 10036

Items to be Voted Upon

You will be voting on the following matters:

The election of directors;

The ratification of the appointment of the independent auditors; and

Such other business as is properly brought before the meeting and at any adjournment or postponement of the meeting.

Who May Vote

You are entitled to vote your common stock if our records show that you held your shares as of the close of business on the record date, June 21, 2004. Each shareholder is entitled to one vote for each share of common stock held on that date, at which time we had 19,001,125 shares of common stock outstanding and entitled to vote. Common stock is our only issued and outstanding class of stock.

How to Vote

You may vote in person at the meeting or by proxy. We recommend you vote by proxy even if you plan to attend the meeting. You can always change your vote at the meeting. If you hold shares in street name (that is, through a bank, broker or other nominee) and would like to attend the annual meeting and vote in person, you will need to bring an account statement or other acceptable evidence of ownership of our common stock as of the close of business on June 21, 2004, the record date for voting. Alternatively, in order to vote, you may contact the person in whose name your shares are registered and obtain a proxy from that person and bring it to the annual meeting.

Proxy Card

If you sign, date and return your signed proxy card before the annual meeting, we will vote your shares as you direct. You have three choices on each matter to be voted upon. For the election of directors, you may vote for (1) all of the nominees, (2) none of the nominees, or (3) all of the nominees except those you designate. For each other item of business, you may vote FOR or AGAINST the matter or you may ABSTAIN from voting.

If you return your signed proxy card but do not specify how you want to vote your shares, we will vote your shares:

FOR the election of all nominees for director identified on pages 4, 5 and 6;

FOR the ratification of appointment of PricewaterhouseCoopers LLP as our independent auditors; and

In our discretion as to other business that properly comes before the meeting or at any adjournment or postponement of the meeting.

Changing Your Vote

You can revoke your proxy at any time before it is voted at the annual meeting by:

Submitting a new proxy with a later date by signing and returning a proxy card to the Company;

Attending the annual meeting and voting in person; or

Sending written notice of revocation addressed to our Corporate Secretary.

Quorum

A quorum at the annual meeting will consist of a majority of the votes entitled to be cast by holders of shares of Quality Distribution's common stock.

Votes Required

Nominees for election as a director are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. The ratification of the appointment of the independent auditors will be approved if the votes cast at a meeting at which a quorum is present favoring the ratification exceed the votes cast opposing it. Any other matters will be approved if the votes cast at a meeting at which a quorum is present favoring the matter exceed the votes cast opposing the matter, unless a greater number of affirmative votes is required for approval of that matter under our charter or bylaws or the Florida Business Corporation Act.

All votes will be tabulated by an inspector of election appointed for the meeting, who will separately tabulate affirmative and negative votes and abstentions. Under Florida corporate law, abstentions and shares referred to as *broker non-votes* (i.e., shares held by brokers or nominees as to which instructions have not been received from the beneficial owners entitled to vote and the broker or nominee does not have discretionary authority to vote on a particular matter) are treated as shares of common stock that are present and entitled to vote for purposes of determining the presence of a quorum. Since abstentions and broker non-votes are not considered votes cast on a proposal and are not considered votes opposing the election of a director or other actions, abstentions and broker non-votes will have no effect on the election of directors or the ratification of the appointment of independent auditors.

Solicitation

Quality Distribution will bear the entire cost of soliciting proxies, including preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to shareholders. We have engaged The Altman Group, Inc. to assist us with the distribution of proxies (but not the solicitation thereof). We expect to pay The Altman Group, Inc. approximately \$2,000 for their services. We will reimburse banks, brokerage houses, fiduciaries and custodians for their costs of forwarding solicitation materials to beneficial owners of our common stock. In addition to solicitations by mail, our directors, officers or other regular employees of the Company, without additional compensation, may solicit proxies by telephone, facsimile, e-mail or in person.

PROPOSAL 1:

ELECTION OF DIRECTORS

Our charter and bylaws provide that our Board shall consist of not less than one (1) nor more than eleven (11) directors. Vacancies on the Board may be filled only by the Board. A director elected to fill a vacancy shall hold office until the next annual meeting of shareholders and until such director's successor is elected and qualified.

Our Board is presently composed of ten (10) members. The following is a list of our directors whose term of office expires in 2004: Thomas L. Finkbiner, Anthony R. Ignaczak, Richard B. Marchese, Joshua J. Harris, Michael D. Weiner, Marc J. Rowan, Marc E. Becker, Donald C. Orris, Alan H. Schumacher and Eric L. Press. If elected at the annual meeting, each of the nominees would serve until the 2005 annual meeting and until his successor is elected and qualified, or until such director's earlier death, resignation or removal.

Directors are elected by a plurality of the votes present in person or represented by proxy and entitled to vote at the meeting. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the nominees named below. If any nominee should be unavailable for election as a result of an unexpected occurrence, such shares will be voted for the election of a substitute nominee proposed by management. Each person nominated for election has agreed to serve if elected, and management has no reason to believe that any nominee will be unable to serve.

Set forth below is biographical information for each person nominated. There are no family relationships among any of our directors or executive officers.

Nominees for Election for a One-Year Term Expiring at the 2005 Annual Meeting

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.

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. Ignaczak was an Associate with the Merchant Banking Group at Merrill Lynch and a member of the Mergers and Acquisitions department of Drexel, Burnham, Lambert Inc. Mr. Ignaczak also serves as a director of Asset Acceptance Capital Corporation.

Richard B. Marchese became a director of QDI and a member of the Board of Managers of Quality Distribution, LLC effective January 1, 2004. Mr. Marchese served as Vice President Finance, Chief Financial Officer and Treasurer of Georgia Gulf Corporation since 1989 prior to retiring at the end of 2003. Prior to 1989, Mr. Marchese served as the Controller of Georgia Gulf Corporation and prior to that as the Controller

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of the Resins Division of Georgia Pacific Corporation.

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Joshua J. Harris has been a director of QDI since June 1998. Mr. Harris is a founding senior partner of Apollo Management, L.P. since 1990. Prior to that time, Mr. Harris was a member of the Mergers and Acquisitions department of Drexel Burnham Lambert Incorporated. Mr. Harris is also a director of Breuners Home Furnishings Corporation, Pacer International, Inc., Compass Minerals Group, Inc., Nalco Company, Resolution Performance Products, Inc., United Agri Products Inc. and UAP Holdings Corp.

Michael D. Weiner has been a director of QDI since June 1998. Mr. Weiner is a partner of Apollo Management and has served as a Vice President and general counsel of Apollo Management and certain affiliates of Apollo Management since 1992. He became a member of Quality Distribution, LLC's Board of Managers on May 14, 2002. Prior to 1992, Mr. Weiner was a partner in the law firm of Morgan, Lewis & Bockius LLP, specializing in securities law, public and private financing, and corporate and commercial transactions.

Marc J. Rowan has been a director of QDI since June 1998. Mr. Rowan is a founding senior partner of Apollo Management since 1990. He became a member of Quality Distribution, LLC's Board of Managers on May 14, 2002. From 1985 until 1990 Mr. Rowan was with Drexel Burnham Lambert Incorporated, most recently as Vice President with responsibilities in high yield financing, transaction idea generation and merger structure and negotiation. Mr. Rowan is also a director of AMC Entertainment, National Financial Partners Corporation, SkyTerra Communications, Inc. and Wyndham International, Inc.

Marc E. Becker has been a director of QDI since June 1998, and became a member of the Board of Managers of Quality Distribution, LLC on May 14, 2002. Mr. Becker is a partner of Apollo. He has been employed with Apollo Management, L.P. since 1996 and has served as an officer of certain affiliates of Apollo Management since 1999. Prior to that time, Mr. Becker was employed by Smith Barney Inc. within its Investment Banking division. Mr. Becker serves on several boards of directors including National Financial Partners Corporation, Pacer International, Inc., United Agri Products Inc., and UAP Holdings Corp.

Donald C. Orris has been a director of QDI since 1999, and became a member of Quality Distribution, LLC's Board of Managers on May 14, 2002. Mr. Orris has been Chairman, President and Chief Executive Officer of Pacer International, Inc. since May 1999. From Pacer Logistics inception in March 1997 until May 1999 he served as Chairman, President and Chief Executive Officer of Pacer Logistics. Mr. Orris served as President of Pacer International Consulting LLC, a wholly owned subsidiary of Pacer Logistics, since September 1996. From January 1995 to September 1996, Mr. Orris served as President and Chief Operating Officer, and from 1990 until January 1995, he served as Executive Vice President of Southern Pacific Transportation Company. Mr. Orris was the President and Chief Operating Officer of American Domestic Company and American President Intermodal Company from 1982 until 1990.

Alan H. Schumacher became a director of QDI and a member of the Board of Managers of Quality Distribution, LLC effective May 13, 2004. Mr. Schumacher is currently the Chairman of the Board of Directors of Anchor Glass Container Corporation and a member of the Federal Accounting Standards Advisory Board. From 1997 to 2000, Mr. Schumacher served in various financial positions at American National Can and American National Can Group, most recently serving as Executive Vice President and Chief Financial Officer.

Eric L. Press became a director of QDI effective May 26, 2004 and a member of the Board of Managers of Quality Distribution, LLC effective June 3, 2004. Mr. Press is a partner of Apollo. He has been employed with Apollo Management since 1998 and has served as an officer of certain affiliates of Apollo Management. From 1992 to 1998, Mr. Press was associated with the law firm of Wachtell, Lipton, Rosen & Katz specializing in mergers, acquisitions, restructurings and related financing transactions. From 1987 to 1989, Mr. Press was a consultant with The Boston Consulting Group.

OUR BOARD RECOMMENDS A VOTE FOR EACH NAMED NOMINEE.

BOARD MEETINGS AND COMMITTEES

During the fiscal year ended December 31, 2003, our Board held 3 meetings and acted by unanimous written consent 8 times. The Board has an Audit Committee, a Corporate Governance Committee, a Compensation Committee and an Executive Committee. All of the directors attended 75% or more of the combined total meetings of the Board (held during the period the director then served) and the committees on which they served during 2003.

We encourage our directors to attend annual general meetings of our stockholders. All of our directors have indicated that they intend to attend the 2004 annual meeting, our first as a public company.

Audit Committee

Our Board of Directors has an Audit Committee. The Audit Committee provides assistance to the Board of Directors in fulfilling its legal and fiduciary obligations in matters involving our accounting, auditing, financial reporting, internal control and legal compliance function. The Audit Committee also oversees the audit efforts of our independent registered certified public accounting firm and takes those actions it deems necessary to satisfy itself that the independent registered certified public accounting firm is independent of management.

The Audit Committee currently consists of three directors, Mr. Marchese, Mr. Ignaczak and Mr. Schumacher. Messrs. Marchese, Ignaczak and Schumacher are independent directors as such term is used in Item 7(d)(3)(iv) of Schedule 14A under the Exchange Act and as defined in Rule 4200(a)(15) of The Nasdaq Stock Market, Inc.'s Marketplace Rules (as amended and in effect from time to time, the *Nasdaq Rules*). Our Board of Directors has determined that Mr. Marchese, the chairman of the Audit Committee, is an audit committee financial expert as defined by Item 401(h) of Regulation S-K of the Exchange Act.

The Audit Committee met 3 times during the last fiscal year. The Audit Committee has adopted a revised written Audit Committee Charter that is attached as [Appendix A](#) and that also can be found on our website at www.qualitydistribution.com. Other information contained on our website does not constitute a part of this proxy statement.

Corporate Governance Committee

In addition, our Board of Directors has a Corporate Governance Committee. The Corporate Governance Committee identifies, evaluates and recommends potential Board and committee members. The Corporate Governance Committee also develops and recommends to the Board governance guidelines. The members of the Corporate Governance Committee are Messrs. Marchese, Harris and Becker. Although not required due to the Company's status as a controlled company, Messrs. Marchese, Harris and Becker are independent directors as defined in Rule 4200(a)(15) of the Nasdaq Rules. Mr. Marchese serves as Chairman of the Corporate Governance Committee. The Corporate Governance Committee was formed in November of 2003 in connection with our initial public offering and did not meet during the last fiscal year. The Corporate Governance Committee has adopted a Corporate Governance Committee Charter that is attached as [Appendix B](#) and that also can be found on our website at www.qualitydistribution.com.

Compensation Committee

In addition, our Board of Directors has a Compensation Committee. The Compensation Committee determines our compensation policies and forms of compensation provided to our directors and officers. The Compensation Committee also reviews and determines bonuses for our officers and other employees. In addition, the Compensation Committee reviews and determines stock-based compensation for our directors, officers, employees and consultants and administers our stock incentive plans. The members of the Compensation Committee are Messrs. Becker, Harris and Schumacher. Mr. Harris serves as Chairman of the Compensation Committee. In preparation for the initial public offering, the Compensation Committee was constituted on November 5, 2003. Accordingly, the Compensation Committee had no role in the determination of compensation prior to that date. The Compensation Committee acted by written consent one time during the last fiscal year. The Compensation Committee has adopted a Compensation Committee Charter that is attached as Appendix C and that also can be found on our website at www.qualitydistribution.com.

Executive Committee

In addition, our Board of Directors has an Executive Committee. The Executive Committee consults with and advises the officers of the Company in the management of its business and exercises the power and authority of the Board of Directors to direct the business and affairs of the Company in intervals between meetings of the Board, subject to certain exceptions. The members of the Executive Committee are Messrs. Marchese, Harris and Becker. Mr. Harris serves as Chairman of the Executive Committee. The Executive Committee was formed on May 11, 2004 and as such did not meet during the last fiscal year.

CONTROLLED COMPANY EXCEPTION

Quality Distribution is a controlled company as defined in Rule 4350(c)(5) of the NASDAQ Marketplace Rules because more than 50% of our voting power is held by Apollo. See Security of Certain Beneficial Owners and Management. Therefore, we are exempt from the requirements of Rule 4350(c) with respect to (1) having a majority of independent directors on our Board, (2) having the compensation of our executive officers determined by a majority of independent directors or a compensation committee composed solely of independent directors, and (3) having nominees for director selected or recommended for selection by a majority of the independent directors or a committee composed solely of independent directors.

DIRECTOR NOMINATION PROCEDURES

At present, the Corporate Governance Committee determines nominees for director. The Corporate Governance Committee does not have a policy with regard to consideration of director candidates recommended by shareholders. The Company does not believe that it is necessary or appropriate for the Corporate Governance Committee to have such a policy because the Amended and Restated By-Laws of the Company provide that directors shall be elected by a plurality of the votes cast by shares entitled to vote at a meeting in which a quorum is present, and the Company is controlled by Apollo Investment Fund III, L.P., Apollo Overseas Partners, III, L.P. and Apollo (U.K.) Partners III, L.P. (collectively, *Apollo*) who collectively own a majority of the shares of Quality Distribution.

Generally, nominees for director are identified and suggested by the members of the Board or management using their business networks. The Board has not retained any executive search firms or other third parties to identify or evaluate director candidates in the past. The Board and the Corporate

Governance Committee have not established any specific minimum qualifications that a candidate for director must meet in order to be recommended for Board membership.

SHAREHOLDER COMMUNICATIONS

The Company has a process for shareholders to communicate with the directors. For more information, please see the investor relations section of our website at www.qualitydistribution.com. Other information contained on our website does not constitute a part of this proxy statement.

DIRECTOR COMPENSATION

Our independent directors are compensated \$2,000 per month plus \$1,500 per Board of Directors meeting attended and \$1,000 per committee meeting attended. The chairman of each committee receives \$2,000 per committee meeting. Telephonic meetings are paid at 50% of the standard rate. On November 5, 2003, each non-employee director at the time was granted 20,000 options, contingent on the closing of the initial public offering, at the initial public offering price of \$17.00 per share. On June 3, 2004, Messrs. Marchese, Schumacher and Press each received grants of options to purchase 10,000 shares of the Company's common stock pursuant to the 2003 Stock Option Plan at the then market price of \$9.20 per share.

PROPOSAL 2:

APPOINTMENT OF INDEPENDENT AUDITORS

The firm of PricewaterhouseCoopers LLP served as our independent auditors for the fiscal year ending December 31, 2003. The Audit Committee has selected PricewaterhouseCoopers LLP to serve as the Company's independent auditors for the fiscal year ending December 31, 2004. We are submitting our appointment of independent auditors for shareholder ratification at this annual meeting.

Our charter and bylaws do not require that our shareholders ratify the appointment of PricewaterhouseCoopers LLP as our independent auditors. We are doing so because we believe it is a matter of good corporate practice. If our shareholders do not ratify the appointment, the Audit Committee will reconsider whether to retain PricewaterhouseCoopers LLP but may still retain them. Even if the appointment is ratified, the Audit Committee, in its discretion, may change the appointment at any time during the year if it determines that a change in accountants would be in the best interests of the Company and its shareholders.

Representatives of PricewaterhouseCoopers LLP, who will be present at the annual meeting of shareholders, will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

**OUR BOARD RECOMMENDS A VOTE FOR THE
RATIFICATION OF THE INDEPENDENT AUDITORS.**

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS*

The Audit Committee reviews the Company's financial reporting process on behalf of our Board. Management is responsible for our internal controls, the financial reporting process and the preparation of our consolidated financial statements. The independent auditors are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and issuing a report on the financial statements.

In this context, the Audit Committee has met and held discussions with management and PricewaterhouseCoopers LLP, the Company's independent auditors. Management represented to the Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent auditors. The Audit Committee discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 61 (Communication With Audit Committees), as modified or supplemented.

In addition, the Audit Committee has discussed with the independent auditors, the accountants' independence from the Company and its management, and has received the written disclosures and letter required by the Independence Standards Board Standard No. 1 (Independence Discussion With Audit Committees).

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board, and the Board approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, for filing with the SEC.

THE AUDIT COMMITTEE

Richard B. Marchese

Anthony R. Ignaczak

Alan H. Schumacher**

* *The report of the Audit Committee is not soliciting material, is not deemed filed with the SEC, and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing.*

** *Mr. Schumacher did not become a member of the Audit Committee until May 13, 2004.*

FEES PAID TO INDEPENDENT AUDITORS IN 2003

Audit Fees

During the years ended December 31, 2003 and 2002, we were billed \$225,000 and \$257,000, respectively, for professional services rendered by PricewaterhouseCoopers LLP (*PwC*) for the audit of our annual financial statements and review of our financial statements included in our Form 10-Q s.

During the year ended December 31, 2003, we were billed by PwC \$772,000 for work performed in connection with our initial public offering of common stock in November 2003 and with a debt offering that was not effected. During the year ended December 31, 2002, we paid PwC \$130,300 for work performed on our debt exchange offer in the second quarter of 2002.

Audit-Related Fees

During the year ended December 31, 2003 and 2002, we were billed by PwC \$22,500 and \$15,000, respectively, for the audits of two of our benefit plans.

Tax Fees

We were billed by PwC \$128,000 and \$169,000 for the years ended December 31, 2003 and 2002, respectively, for tax compliance work performed.

All Other Fees

No other fees were billed by PwC during 2003 nor 2002.

Our Audit Committee Charter requires that the Audit Committee be solely and directly responsible for the appointment, compensation, retention, valuation and oversight of the work of the independent auditors, including, but not limited to, approving fees, evaluating the scope of the audit, pre-approving all audit and non-audit services and reviewing all proposed audit adjustments. Prior to our initial public offering and the approval of the Audit Committee Charter, the services described above were approved by either our Chief Financial Officer or the then existing audit committee.

SECURITY OWNERSHIP OF**CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding the beneficial ownership of our common stock as of June 3, 2004 (based on 19,001,125 shares of common stock outstanding), by:

each person known by us to be a beneficial owner of more than 5.0% of our outstanding common stock,

each of our directors,

each of our named executive officers, and

all directors and executive officers as a group.

The amounts and percentage of common stock beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or to direct the voting of such security, or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed a beneficial owner of securities as to which he has no economic interest. The number of shares of common stock outstanding used in calculating the percentage for each listed person includes the shares of common stock underlying options or warrants held by such person that are exercisable within 60 days of June 3, 2004, but excludes shares of common stock underlying options or warrants held by any other person.

Except as indicated by footnote, the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

NAME OF BENEFICIAL OWNER	SHARES OF	PERCENTAGE
	COMMON STOCK	OF CLASS
Thomas L. Finkbiner ⁽¹⁾⁽²⁾	158,718	*
Samuel M. Hensley ⁽¹⁾⁽²⁾	5,294	*
Virgil T. Leslie ⁽¹⁾⁽²⁾	5,589	*
Keith J. Margelowsky ⁽¹⁾⁽²⁾	18,362	*
Dennis R. Copeland ⁽¹⁾⁽²⁾	25,162	*
Michael A. Grimm ⁽¹⁾	24,359	*
Richard B. Marchese ⁽¹⁾		
Joshua J. Harris ⁽³⁾⁽⁴⁾		
Michael D. Weiner ⁽³⁾⁽⁴⁾		
Marc J. Rowan ⁽³⁾⁽⁴⁾		
Marc E. Becker ⁽³⁾⁽⁴⁾		
Anthony R. Ignaczak ⁽⁵⁾		
Donald C. Orris ⁽¹⁾		

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Alan H. Schumacher⁽¹⁾

Eric L. Press⁽³⁾⁽⁴⁾

All executive officers and directors as a group (15 persons)

237,484

1.25%

Apollo Investment Fund III, L.P. ⁽⁶⁾ c/o Apollo Advisors III, L.P. Two

Manhattanville Road, Purchase, New York 10577

10,535,312

55.10%

Wellington Management Company, LLP⁽⁷⁾

1,226,649

6.46%

* Less than 1.0%

- (1) The business address for Messrs. Finkbiner, Hensley, Orris, Margelowsky, Grimm, Leslie, Marchese, Copeland and Schumacher is Quality Distribution, Inc., 3802 Corporex Park Drive, Tampa, FL 33619.
- (2) The shares for certain of our executive officers include the issuance of restricted stock, which has voting rights. These shares are subject to vesting incrementally over five years beginning December 31, 2004. Mr. Finkbiner has 41,176 shares, Mr. Hensley has 5,294 shares, Mr. Leslie has 5,589 shares, Mr. Margelowsky has 3,353 shares and Mr. Copeland has 3,353 shares.
- (3) The business address for Messrs. Harris, Weiner, Rowan, Becker and Press is Apollo Management, L.P., 9 West 57th Street, New York, NY 10019.
- (4) Messrs. Harris, Weiner, Rowan, Becker and Press are each partners and officers of certain affiliates of Apollo. Although each of Messrs. Harris, Weiner, Rowan, Becker and Press may be deemed to beneficially own shares owned by Apollo, each such person disclaims beneficial ownership of any such shares.
- (5) The business address for Mr. Ignaczak is Quad-C Management, Inc., 230 East High Street, Charlottesville, Virginia 22902.
- (6) Includes shares owned by Apollo Overseas Partners III, L.P., a Delaware limited partnership, and Apollo (U.K.) Partners III, L.P., a limited partnership organized under the laws of the United Kingdom as well as 7,810 shares, which are issuable upon exercise of QDI's warrants held by such entities. Also includes 136,521 shares owned by two other institutional investors as to which Apollo has sole voting power pursuant to the irrevocable proxy granted by such institutional investors in the Amended and Restated Common and Preferred Stock Purchase and Shareholder Agreement, dated as of August 28, 1998 thereto as amended by Amendment No. 1 dated April 2, 2002. The Amended and Restated Common and Preferred Stock Purchase and Shareholder Agreement dated August 28, 1998, as amended by Amendment No. 1 thereto dated April 2, 2002, provides that in no event shall the grant of the proxy be effective to the extent that the voting power of the proxy, when combined with the voting power of Apollo Investment Fund III, L.P., Apollo Overseas Partners III, L.P. or Apollo (U.K.) Partners III, L.P. would exceed 79.99% of the voting power of QDI.
- (7) Based solely on information obtained from a Schedule 13G filed by Wellington Management Company, LLP with the SEC on or about February 13, 2004. The foregoing information has been included solely in reliance upon, and without independent investigation of, the disclosure contained in Wellington Management Company's Schedule 13G. The business address of Wellington Management Company, LLP is 75 State Street, Boston, MA 02109. The entity has shared investment power for all 1,226,649 shares beneficially owned and has shared voting power for 770,059 of these shares.

EXECUTIVE COMPENSATION

The following table sets forth the total compensation paid by QDI for services rendered by our Chief Executive Officer, our four other most highly compensated executive officers and one former highly compensated executive officer (the *Named Executive Officers*) during the years ended December 31, 2003, 2002 and 2001.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long-Term Awards		Securities Underlying	All Other Compensation ⁽²⁾
		Salary	Bonus	Restricted Stock Awards (\$) ⁽¹⁾	Options (#)		
Thomas L. Finkbiner President and Chief Executive Officer	2003	254,273	69,000	700,000	464,000	906	
	2002	253,545				6,773	
	2001	258,000				113,569	
Samuel M. Hensley Senior Vice President Finance and Chief Financial Officer ⁽³⁾	2003	195,962	25,000	90,000	145,000	60,408	
Virgil T. Leslie Executive Vice President and General Manager	2003	194,204	50,000	95,000	170,000	433	
	2002	172,543				6,773	
	2001	159,115	15,000			13,886	
Dennis R. Copeland Senior Vice President Administration	2003	167,514	12,000	57,000	85,000	558	
	2002	164,764				6,773	
	2001	153,320	14,042			12,929	
Michael A. Grimm Former Executive Vice President Business Development ⁽⁴⁾	2003	164,973	12,500			1,004	
	2002	162,184				6,773	
	2001	160,326				7,656	
Keith Margelowsky Senior Vice President of Performance Planning	2003	159,824	10,000	57,000	85,000	341	
	2002	156,352				6773	
	2001	154,539				7,656	

⁽¹⁾ All restricted stock was granted pursuant to the 2003 Restricted Stock Plan and vests in 20% increments over five years beginning December 31, 2004. Restricted Stock Awards were granted on November 5, 2003, contingent on the closing of the initial public offering, based on a price per share equal to the initial public offering price of \$17.

⁽²⁾ Amounts shown represent employer contributions to the profit sharing and 401(k) plans, automobile allowance, employer paid premiums for group term life insurance and relocation reimbursement. QDI maintains various employee benefits and compensation plans, including an incentive bonus plan and 401(k) savings plan.

⁽³⁾ Samuel M. Hensley joined QDI in October 2002. His compensation during 2002 was less than \$100,000.