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

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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 terms 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,

- 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.

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(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)