Ship Finance International LTD
Form 6-K
September 05, 2012

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

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO
RULE 13A-16 OR 15D-16 UNDER THE SECURITIES
EXCHANGE ACT OF 1934

For the month of September 2012
Commission File Number: 001-32199

Ship Finance International Limited

(Translation of registrant's name into English)

Par-la-Ville Place
14 Par-la-Ville Road
Hamilton, HM 08, Bermuda

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F [X]   Form 40-F [   ]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ________.

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ________.

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Attached hereto as Exhibit 1 is a copy of the press release of Ship Finance International Limited, dated September 4, 2012, announcing that its 2012 Annual General Meeting will be held on September 21, 2012.

EXHIBIT 1

SFL - Notice of Annual General Meeting 2012

Press release from Ship Finance International Limited, September 4, 2012

Ship Finance International Limited (NYSE:SFL) ("Ship Finance" or the "Company") announces that its 2012 Annual General Meeting will be held on September 21, 2012. A copy of the Notice of Annual General Meeting and associated information including the Company's Annual Report on Form 20-F can be found on our website and in the attachments below.

September 4, 2012
The Board of Directors
Ship Finance International Limited
Hamilton, Bermuda

About Ship Finance

Ship Finance is a major ship owning company listed on the New York Stock Exchange (NYSE: SFL). Including newbuildings, the Company has a fleet of 67 vessels, including 25 crude oil tankers (VLCC and Suezmax), two chemical tankers, three oil/bulk/ore vessels, 12 drybulk carriers including two newbuildings, 15 container vessels including four newbuildings, six offshore supply vessels, one jack-up drilling rig, one ultra-deepwater drillship and two ultra-deepwater semi-submersible drilling rigs. The fleet is one of the largest in the world and most of the vessels are employed on long-term charters.

More information can be found on the Company's website: www.shipfinance.org

Cautionary Statement Regarding Forward Looking Statements

This press release may contain forward looking statements. These statements are based upon various assumptions, many of which are based, in turn, upon further assumptions, including Ship Finance management's examination of historical operating trends. Although Ship Finance believes that these assumptions were reasonable when made, because assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond its control, Ship Finance cannot give assurance that it will achieve or accomplish these expectations, beliefs or intentions.

Important factors that, in the Company's view, could cause actual results to differ materially from those discussed in this presentation include the strength of world economies and currencies, general market conditions including fluctuations in charter hire rates and vessel values, changes in demand in the tanker market as a result of changes in OPEC's petroleum production levels and worldwide oil consumption and storage, changes in the Company's operating expenses including bunker prices, dry-docking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports filed by the Company with the United States Securities and Exchange Commission.

http://hugin.info/134876/R/1638712/527275.pdf http://hugin.info/134876/R/1638712/527276.pdf

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SHIP FINANCE INTERNATIONAL LIMITED

Date: September 5, 2012

By:	/s/	Ole B. Hjertaker
Name:		Ole B. Hjertaker
Title:		Chief Executive Officer
		Ship Finance Management AS

/TD>

Non-current deferred tax asset, net

22,328 2,135 24,463

Accumulated deficit

(115,283) (3,467) (118,750)**Statement of Cash Flows Unaudited**

(Dollars in thousands)

As Originally Reported Effect of Change As Adjusted

Nine Months Ended September 30, 2007:

Net income

$3,499 $113 $3,612

Deferred income taxes

848 848

Depreciation and amortization

12,562 398 12,960

Prepaid tires

(129) 129

Capital expenditures

(6,728) (640) (7,368)

Six Months Ended June 30, 2007:

Net income

$2,147 $(34) $2,113

Deferred income taxes

(193) (193)

Depreciation and amortization

8,230 262 8,492

Prepaid tires

(106) 106

Capital expenditures

(4,415) (334) (4,749)

Three Months Ended March 31, 2007:

Net loss

$(95) $(78) $(173)

Deferred income taxes

(1,764) (1,764)

Depreciation and amortization

4,047 128 4,175

Prepaid tires

(37) 37

Capital expenditures

(2,334) (87) (2,421)

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2007, 2006 and 2005

The accounting change affects the quarters of 2006 as follows:

Statement of Operations *(Dollars in thousands, except per share data)*	**As Originally Reported**	**Unaudited Effect of Change**	**As Adjusted**
Quarter Ended December 31, 2006:			
Fuel, supplies and maintenance	$ 14,992	$ (92)	$ 14,900
Depreciation and amortization	4,049	149	4,198
Total operating expenses	161,160	57	161,217
Operating income	9,943	(57)	9,886
Income before income taxes	1,203	(57)	1,146
Benefit from income taxes	(4,963)		(4,963)
Net income	6,166	(57)	6,109
Net income per common share:			
Basic	$ 0.33	$ (0.01)	$ 0.32
Diluted	$ 0.31	$ (0.00)	$ 0.31
Quarter Ended September 30, 2006:			
Fuel, supplies and maintenance	$ 15,064	$ (120)	$ 14,944
Depreciation and amortization	3,873	187	4,060
Total operating expenses	176,402	67	176,469
Operating income	13,626	(67)	13,559
Income before income taxes	5,888	(67)	5,821
Benefit from income taxes	(32,139)	(2,135)	(34,274)
Net income	38,027	2,068	40,095
Net income per common share:			
Basic	$ 2.01	$ 0.11	$ 2.12
Diluted	$ 1.94	$ 0.11	$ 2.05
Quarter Ended June 30, 2006:			
Fuel, supplies and maintenance	$ 12,796	$ (263)	$ 12,533
Depreciation and amortization	3,851	140	3,991
Total operating expenses	177,475	(123)	177,352
Operating income	12,803	123	12,926
Income before income taxes	6,001	123	6,124
Provision for income taxes	467		467
Net income	5,534	123	5,657
Net income per common share:			
Basic	$ 0.29	$ 0.01	$ 0.30
Diluted	$ 0.28	$ 0.01	$ 0.29
Quarter Ended March 31, 2006:			
Fuel, supplies and maintenance	$ 10,943	$ 4	$ 10,947
Depreciation and amortization	3,937	167	4,104
Total operating expenses	166,672	171	166,843
Operating income	12,078	(171)	11,907
Income before income taxes	5,082	(171)	4,911

Provision for income taxes	602		602
Net income	4,480	(171)	4,309
Net income per common share:			
Basic	$ 0.24	$ (0.01)	$ 0.23
Diluted	$ 0.23	$ (0.01)	$ 0.22

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2007, 2006 and 2005

Balance Sheet *(Dollars in thousands)*	**As Originally Reported**	**Unaudited Effect of Change**	**As Adjusted**
September 30, 2006:			
Prepaid tires	$ 7,445	$ (7,445)	$
Property and equipment, net	115,691	1,978	117,669
Non-current deferred tax asset, net	14,785	2,135	16,920
Accumulated deficit	(121,006)	(3,332)	(124,338)
June 30, 2006:			
Prepaid tires	$ 7,648	$ (7,648)	$
Property and equipment, net	115,788	2,248	118,036
Accumulated deficit	(159,015)	(5,400)	(164,415)
March 31, 2006:			
Prepaid tires	$ 7,647	$ (7,647)	$
Property and equipment, net	115,108	2,124	117,232
Accumulated deficit	(164,506)	(5,523)	(170,029)

Statement of Cash Flows *(Dollars in thousands)*	**As Originally Reported**	**Unaudited Effect of Change**	**As Adjusted**
Nine Months Ended September 30, 2006:			
Net income	$ 48,041	$ 2,020	$ 50,061
Deferred income taxes	(32,190)	(2,135)	(34,325)
Depreciation and amortization	11,661	494	12,155
Prepaid tires	(448)	448	
Capital expenditures	(10,692)	(827)	(11,519)
Six Months Ended June 30, 2006:			
Net income	$ 10,014	$ (48)	$ 9,966
Depreciation and amortization	7,788	307	8,095
Prepaid tires	(465)	465	
Capital expenditures	(8,095)	(724)	(8,819)
Three Months Ended March 31, 2006:			
Net income	$ 4,480	$ (171)	$ 4,309
Depreciation and amortization	3,937	167	4,104
Prepaid tires	(287)	287	
Capital expenditures	(3,309)	(283)	(3,592)

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2007, 2006 and 2005

4. INCOME (LOSS) PER COMMON SHARE

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

	December 31, 2007			December 31, 2006			December 31, 2005		
	Earnings (loss) from continuing operations (numerator)	Shares (denominator)	Per-share amount	Earnings (loss) from continuing operations (numerator)	Shares (denominator)	Per-share amount	Earnings (loss) from continuing operations (numerator)	Shares (denominator)	Per-share amount
Basic earnings (loss) available to common shareholders:									
Net earnings (loss) from continuing operations	$ (7,563)			$ 56,170			$ 11,867		
Dividends and accretion on preferred stock and minority stock dividends									
Earnings (loss)	(7,563)	19,336	$ (0.39)	56,170	18,920	$ 2.97	11,867	18,934	$ 0.63
Effect of dilutive securities:									
Stock options					221			134	
Unvested restricted stock					37			13	
Stock units					303			71	
Stock warrants					90			149	
Diluted earnings (loss) available to common shareholders:									
Income (loss)	$ (7,563)	19,336	$ (0.39)	$ 56,170	19,571	$ 2.87	$ 11,867	19,301	$ 0.61

The effect of our stock options, restricted stock, stock warrants and stock units which represent the shares shown in the table above are included in the computation of diluted earnings per share for each year.

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

	For the years ended December 31,		
	2007	2006	2005
Stock options	2,790	1,121	1,307
Restricted stock	125	11	17

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2007, 2006 and 2005

5. ACQUISITIONS

Boasso America Corporation

On December 18, 2007, we acquired 100% of the stock of Boasso America Corporation (Boasso). Boasso provides container repair, storage, handling, sales, cleaning and drayage service. The results of Boasso have been included in our results since the date of acquisition.

The purchase price of Boasso has initially been allocated to the assets acquired and liabilities assumed according to their estimated fair values at the time of the acquisition as follows:

	Boasso (In thousands)
Working capital, net of cash	$ 8,312
Property and equipment	7,209
Other long-term assets	81
Non-compete agreements	400
Customer related intangibles	11,900
Tradename	9,800
Long-term debt and capital lease obligations	(4,512)
Deferred tax liabilities	(9,435)
Goodwill	31,301
	$ 55,056

The customer-related intangible assets relate to acquired customer relationships, and will be amortized over a twelve year weighted-average useful life on a straight-line basis. The tradename has an indefinite useful life. The allocation of the purchase price to the assets acquired and liabilities assumed are preliminary and subject to change pending final purchase accounting. The goodwill acquired in this acquisition is not tax deductible.

Unaudited Pro forma Results. Businesses acquired are included in consolidated results from the date of acquisition. Other than the Boasso acquisition, our other acquisitions in 2007, 2006 and 2005 are not presented, as they would not differ by a material amount from actual results. The following unaudited pro forma consolidated results are presented to show the results, on a pro forma basis, as if the 2007 acquisition of Boasso had been completed as of January 1, 2006:

	2007	2006
	(In thousands, except per share data)	
Operating revenues	$ 821,609	$ 800,537
Net (loss) income	(8,333)	55,787
(Loss) Income per share basic	(0.43)	2.95
(Loss) Income per share diluted	(0.43)	2.85

Other 2007 Acquisitions

During fiscal year 2007, we acquired the business of a tank wash operation for $2.5 million and a transportation company for $0.5 million. We also purchased the businesses of six affiliates for $6.0 million. Of the $9.0 million aggregate purchase price, we allocated $3.3 million to fixed assets, parts and prepaid expenses, $4.3 million to goodwill, and $1.4 million to other intangible assets such as non-compete arrangements or customer lists.

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2007, 2006 and 2005

2006 Acquisitions

During fiscal year 2006, we acquired the businesses of two transportation companies for approximately $4.1 million. We also purchased the businesses of three affiliates for $8.1 million. Of the $12.2 million aggregate purchase price, we allocated $4.9 million to fixed assets and parts, $6.5 million to goodwill, $0.6 million to other intangible assets such as non-compete arrangements or customer lists, and expensed $0.2 million for consulting services.

2005 Acquisitions

During fiscal year 2005, we purchased the business of one affiliate for $1.2 million of cash consideration and $0.6 million forgiveness of amounts due from affiliates which resulted in $1.8 million of goodwill. We also purchased $2.7 million of tractors and trailers from two other affiliates.

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

	Quarter Ended			
	March 31 (As adjusted)	**June 30 (As adjusted)**	**September 30 (As adjusted)**	**December 31**
2007				
Operating revenues	$ 178,095	$ 194,710	$ 192,181	$ 186,572
Operating income (loss)	5,454	11,924	10,655	(4,180)
Net (loss) income	(173)	2,286	1,499	(11,175)
(Loss) Income per share basic	(0.01)	0.12	0.08	(0.58)
(Loss) Income per share diluted	(0.01)	0.12	0.08	(0.58)
2006				**(As adjusted)**
Operating revenues	$ 178,750	$ 190,278	$ 190,028	$ 171,103
Operating income	11,907	12,926	13,559	9,886
Net income	4,309	5,657	40,095	6,109
Income per share basic	0.23	0.30	2.12	0.32
Income per share diluted	0.23	0.29	2.05	0.31

Results for the fourth quarter of 2007 include $1.6 million related to an unconsummated acquisition and refinancing activities and $2.0 million write-off of debt issuance costs due to our debt refinancing. Results for the fourth quarter of 2006 include a $4.5 million gain from the sale of real property, tractors and trailers, $2.2 million of additional environmental costs as compared to the prior year, $1.0 million of costs associated with a proposed stock offering and the reversal of $6.7 million of deferred tax valuation allowance. Results for the third quarter of 2006 include the reversal of $32.1 million of deferred tax valuation allowance.

In 2007, we changed our accounting policy for tires. The change was retroactively applied to prior-period financial statements (See Note 3).

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2007, 2006 and 2005

7. GEOGRAPHIC SEGMENTS

Our operations are located primarily in the United States, Canada, and Mexico. Inter-area sales are not significant to the total revenue of any geographic area. Information about our operations in different geographic areas for the years ended December 31, 2007, 2006, and 2005 is as follows (in thousands):

		2007	
	U.S.	International	Consolidated
Total operating revenues	$ 698,797	$ 52,761	$ 751,558
Operating income	17,415	6,438	23,853
Long lived assets (1)	138,827	7,332	146,159

		2006 (As adjusted)	
	U.S.	International	Consolidated
Total operating revenues	$ 677,572	$ 52,587	$ 730,159
Operating income	39,960	8,318	48,278
Long lived assets (1)	111,523	8,450	119,973

		2005 (As adjusted)	
	U.S.	International	Consolidated
Total operating revenues	$ 629,776	$ 48,300	$ 678,076
Operating income	32,797	7,022	39,819
Long lived assets (1)	108,708	9,822	118,530

(1) includes property and equipment, assets held-for-sale and intangible assets.

8. ACCOUNTS RECEIVABLE

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

	2007	2006
Trade accounts receivable	$ 94,270	$ 82,373
Affiliate and owner-operator receivables	4,747	3,015
Other receivables	3,518	4,025
	102,535	89,413
Less allowance for doubtful accounts	(3,454)	(3,931)

	$ 99,081	$ 85,482

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

	2007	**2006**
Balance, beginning of period	$ 3,931	$ 5,982
Adjustment to bad debt expense	1,276	(121)
Adjustments to revenues credit memos	(480)	(240)
Write-offs, net of recoveries	(1,273)	(1,690)
Balance, end of period	$ 3,454	$ 3,931

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2007, 2006 and 2005

For 2007, 2006 and 2005, Dow Chemical Company accounted for approximately 8.3%, 9.7% and 10.2% of our total revenues, respectively.

9. PROPERTY AND EQUIPMENT

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

	2007	2006
Land and improvements	$ 12,262	$ 11,597
Buildings and improvements	23,481	19,199
Revenue equipment	244,214	244,059
Other equipment	46,635	45,663
Total property and equipment	326,592	320,518
Accumulated depreciation	(204,600)	(201,180)
Property and equipment, net	$ 121,992	$ 119,338

Depreciation expense was $17.6 million, $16.3 million and $17.3 million for the years ending December 31, 2007, 2006 and 2005, respectively. At December 31, 2007 and 2006, we had $5.6 million and $4.6 million of capitalized cost and $2.0 million and $1.0 million of accumulated depreciation of equipment under capital leases, respectively, included in revenue equipment in the above schedule.

10. GOODWILL AND INTANGIBLE ASSETS

Intangible Assets

Intangible assets at December 31, 2007 are as follows:

	Gross value	Accumulated amortization	Net book value	Average lives (in years)
Tradename	$ 9,800	$	$ 9,800	Indefinite
Customer relationships	11,998	(13)	11,985	12
Non-compete agreements	2,825	(443)	2,382	3 5
	$ 24,623	$ (456)	$ 24,167	

Intangible assets as of December 31, 2006 consisted of $1.0 million of non-compete agreements with accumulated amortization of $0.4 million. The net book value was $0.6 million at December 31, 2006.

Amortization expense for the years ended December 31, 2007, 2006, and 2005 was $0.3 million, $0.1 million and $0.1 million, respectively. Remaining intangible assets will be amortized to expense as follows (in thousands):

2008	$ 1,649
2009	1,609
2010	1,559
2011	1,410
2012 and after	8,140

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2007, 2006 and 2005

Goodwill

Under SFAS 142, Goodwill and Other Intangible Assets, goodwill is subject to an annual impairment test as well as impairment assessments of certain triggering events. SFAS 142 requires us to compare the fair value of the reporting unit to its carrying amount to determine if there is a potential impairment. If the fair value of the reporting unit is less than its carrying amount, an impairment loss is recorded to the extent the carrying amount of the goodwill within the reporting unit is greater than the implied fair value of goodwill.

We perform our impairment test annually with a measurement date of June 30th. Projections for future cash flows were based on our recent operating trends which projected an average growth rate for revenue of approximately 5.2% over 5 years. Earnings before interest, taxes, depreciation and amortization (EBITDA) multiples were derived from other comparable publicly traded companies. The discount rate used to discount cash flows was based on our weighted-average cost of capital of approximately 12.1%. No impairment was determined to have occurred as of June 30, 2007, since the calculated fair value exceeded the carrying amount.

Our goodwill assets as of December 31, 2007 and 2006 were $173.6 million and $139.0 million, respectively. Goodwill increased $31.3 million due to the acquisition of Boasso and $3.3 million due to the purchase of eight other businesses. Goodwill increased $6.5 million in 2006 due to the purchase of four businesses and was reduced by $0.6 million related to the release of acquired deferred tax valuation allowances.

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable includes $6.6 million and $5.5 million of book overdrafts at December 31, 2007 and 2006, respectively.

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

	2007	2006
Salaries, wages and benefits	$ 7,269	$ 4,404
Accrued interest	3,715	3,846
Claims and deposits	4,243	3,350
Taxes	2,000	3,013
Other	8,730	6,584
	$ 25,957	$ 21,197

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2007, 2006 and 2005

12. LONG-TERM INDEBTEDNESS

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

	2007	2006
Term Loan	$	$ 65,450
Revolver		
Capital lease obligations	5,283	4,896
ABL Facility	84,130	
Senior Floating Rate Notes due 2012	135,000	85,000
9% Senior Subordinated Notes due 2010	125,000	125,000
Boasso Note	2,500	
Other Notes	1,805	
Long-term debt, including current maturities	353,718	280,346
Discount on Senior Floating Rate Notes	(4,447)	(1,224)
	349,271	279,122
Less current maturities of long-term debt (including capital lease obligations)	(1,864)	(2,578)
Long-term debt, less current maturities	$ 347,407	$ 276,544

Our principal debt sources at December 31, 2007 comprise $125 million aggregate principal amount of 9% Senior Subordinated Notes due 2010 (the 9% Notes), $135 million principal amount of our Senior Floating Rate Notes due 2012 (the 2012 Notes) and a $225 million asset-based loan facility (the ABL Facility).

The ABL Facility

The ABL Facility, which was effective December 18, 2007, consists of a current asset-based revolving facility in an initial amount of $195.0 million (the current asset tranche) and a fixed asset-based revolving facility in an initial amount of $30.0 million (the fixed asset tranche), with the total commitments under the fixed asset tranche to be reduced, and the total commitments under the current asset tranche correspondingly increased by $5.0 million on each at December 18, 2009 and 2010. Borrowings of revolving loans under the ABL Facility are allocated pro rata to the current asset tranche and the fixed asset tranche based on the then-current asset borrowing base and the then-current fixed asset borrowing base. The ABL Facility matures June 18, 2013. The maturity date of the ABL Facility may be accelerated if we default on our obligations under the ABL Facility. The maturity date of the ABL Facility is also advanced to a date 91 days prior to the maturity date of the 2012 Notes or the 9% Notes (and replacement indebtedness) if the aggregate principal amount of the notes maturing in the 91-day period exceeds $50.0 million.

The ABL Facility includes borrowing capacity of up to $150.0 million for letters of credit, which are allocated pro rata between the two tranches based on the then-current borrowing base for each tranche (or, if the credit extensions under the fixed asset tranche are repaid and the commitments there under are terminated prior to the termination of the ABL Facility, to the current asset tranche), and up to $10.0 million for swingline borrowings on same-day notice, which are allocated under the current asset tranche. The proceeds of the ABL Facility were used, together with the proceeds from an additional private offering of $50 million of Senior Floating Rate Notes (described below under Senior Floating Rate Notes), to finance a portion of the Boasso acquisition. The ABL facility contains a fixed charge coverage ratio of 1.0 to 1.0 which only needs to be met if borrowing availability is less than $20 million. At December 31, 2007, we had $52.1 million of borrowing availability under the ABL facility.

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2007, 2006 and 2005

Borrowings under the ABL Facility bear interest at a rate equal to an applicable margin plus, at our option, either a base rate or LIBOR. The initial applicable margin for borrowings under the current asset tranche are 1.00% with respect to base rate borrowings and 2.00% with respect to LIBOR borrowings. The initial applicable margin for borrowings under the fixed asset tranche are 1.25% with respect to base rate borrowings and 2.25% with respect to LIBOR borrowings. The applicable margin for such borrowings will be reduced or increased based on aggregate borrowing base availability under the ABL Facility over the life of the ABL Facility. The base rate for the ABL Facility is the higher of the prime rate and the federal funds overnight rate plus 0.50%. We are also required to pay a fee for utilized commitments under the ABL Facility at a rate equal to 0.25% per annum. The ABL Facility is required to be prepaid only to the extent that aggregate amount of outstanding borrowings, unreimbursed letter of credit drawings and undrawn letters of credit under the relevant tranche exceeds the lesser of the applicable commitments and the applicable borrowing base in effect at such time for such tranche. The borrowing base for the current asset tranche consists of eligible accounts receivable, eligible inventory and eligible truck and trailer fleet, and the borrowing base for the fixed asset tranche consists of eligible real property and certain eligible equipment. We may voluntarily repay outstanding loans under the ABL Facility at any time without premium or penalty, other than customary breakage costs with respect to LIBOR loans. The interest rate on the ABL Facility at December 31, 2007 was 7.0% . The weighted average interest rate during fiscal year 2007 was 7.9%.

All obligations under the ABL Facility are guaranteed by QDI and each of our wholly-owned domestic restricted subsidiaries (other than our immaterial subsidiaries). Obligations under the current asset tranche, and the guarantees of those obligations (as well as cash management obligations and any interest hedging or other swap agreements), are secured by a first priority lien on certain assets of QD LLC and the guarantors, including eligible accounts, eligible inventory and eligible truck and trailer fleet (current asset tranche priority collateral) and a second priority lien on all other assets of QD LLC and the guarantors, including eligible real property and certain eligible equipment (fixed asset tranche priority collateral). Obligations under the fixed asset tranche, and the guarantees of those obligations, are secured by a first-priority lien on fixed asset tranche priority collateral and a second priority lien on current asset tranche priority collateral.

We incurred $6.4 million in debt issuance costs relating to the ABL Facility. We are amortizing these costs over the term of the ABL Facility.

Senior Floating Rate Notes

On January 28, 2005, we consummated the private offering of $85 million in Senior Floating Rate Notes by QD LLC and QD Capital and guaranteed by QDI and domestic subsidiaries at 98% of the face value of the notes. On December 18, 2007, we consummated a private offering of $50 million in Senior Floating Rate Notes by QD LLC and QD Capital and guaranteed by QDI and domestic subsidiaries at 93% of the face value of the notes (combined the 2012 Notes). The 2012 Notes, due January 15, 2012, pay interest quarterly on January 15, April 15, July 15, and October 15. Interest accrues at a floating rate per annum, reset quarterly, equal to LIBOR plus 4.5%. The net proceeds of the $85 million offering were used to repay approximately $70 million of a previous term loan and to make a distribution to QDI, which in turn used such proceeds to redeem all $7.5 million principal amount of previous outstanding Series B Notes. The balance was used for general corporate purposes, including the repayment of $5.8 million of indebtedness under the revolving credit portion of our previous credit facility. The previous credit facility was amended to incorporate this reduction in the term-loan portion of the facility and to modify the covenants. The net proceeds of the $50 million offering were used to repay a portion of our previous credit facility. The interest rate on the $85 million of the 2012 Notes at

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December 31, 2007 and 2006 was 9.7% and 9.9%, respectively. The weighted average interest rate during fiscal year 2007 and 2006 was 9.9% and 9.4%, respectively. The interest rate on the $50 million of the 2012 Notes at December 31, 2007 was 9.7%. The weighted average interest rate during fiscal year 2007 was 9.7%.

We incurred $2.4 million in debt issuance costs relating to the $85 million of the 2012 Notes and $1.9 million related to the $50 million of the 2012 Notes. We are amortizing these costs over the term of the notes.

We may redeem the 2012 Notes, in whole or in part from time to time, upon not less than 30 nor more than 60 days notice at the following redemption prices, expressed as percentages of the principal amount thereof, if redeemed during the twelve-month period commencing on January 15 of the year set forth below, plus, in each case, accrued and unpaid interest thereon, if any, to the date of redemption:

Year	Percentage
2008	101.00
2009 and thereafter	100.00

Previous Term Loan

Prior to entering into the ABL Facility, our term loan carried interest at our option at (a) 2.00% in excess of the defined Base Rate or (b) 3.00% in excess of the Eurodollar rate for Eurodollar Loans, subject in each case, to adjustment based upon the achievement of certain financial ratios and matured on November 12, 2009. The principal payments were payable quarterly on March 15, June 15, September 15 and December 15.The interest rate on the term loan at December 31, 2006 was 8.4%. The weighted average interest rate during fiscal year 2006 was 8.0%. The interest rate on the term loan upon refinancing with the new ABL Facility on December 18, 2007 was 9.7% and the weighted average interest rate during 2007 was 8.6%.

We incurred $3.4 million in debt-issuance costs relating to the term loan and wrote-off $1.1 million of the debt-issuance costs upon the $70 million partial repayment of the term loan in January 2005. We amortized the $2.3 million remaining debt-issuance costs over the term of the term loan to interest expense until we wrote off the balance of $0.7 million upon refinancing the term loan with the new ABL Facility.

Previous Revolving Credit Facility

Prior to entering into the ABL Facility, our revolving credit facility comprised a $75.0 million revolver that was available until November 12, 2008 and a $20 million pre-funded letter of credit facility that was available until November 12, 2009. The revolver was used for working capital and general corporate purposes, including permitted acquisitions and additional letters of credit. At December 31, 2006, we had $39.7 million available under the revolver and $55.3 million in outstanding letters of credit.

Interest on the revolver was, at our option, (a) 2.50% in excess of the Base Rate provided in the credit agreement or (b) 3.50% in excess of the Eurodollar rate for Eurodollar Loans, in each case subject to adjustments based upon the achievement of certain financial ratios. The interest rate on the revolver at December 31, 2006 was 10.8%. The weighted average interest rate on the revolver during fiscal year 2006 was 9.8%. The interest rate on the revolver upon refinancing with the new ABL Facility on December 18, 2007 was 9.6% and the weighted average interest rate during 2007 was 10.6%.

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The credit facility provided for payment by us in respect of outstanding letters of credit of an annual fee equal to the spread over the Eurodollar rate for Eurodollar Loans under the revolver from time to time in effect on the aggregate outstanding stated amounts of such letters of credit and a fronting fee equal to $^{1}/4$ of 1.0% on the aggregate outstanding stated amounts of such letters of credit. We paid a commitment fee equal to $^{1}/2$ of 1.0% per annum on the undrawn portion of the available commitment under the revolver, subject to decreases based on the achievement of certain financial ratios.

Voluntary prepayments and commitment reductions were permitted in whole or in part, subject to minimum prepayment or reduction requirements, without premium or penalty, provided that voluntary prepayments of Eurodollar Loans on a date other than the last day of the relevant interest period will be subject to payment of customary breakage costs, if any.

We incurred $1.5 million in debt issuance costs relating to the revolver and we amortized these costs over the term of the revolver. Upon the refinancing of the revolver with the new ABL Facility, we wrote off a balance of the debt issuance costs of $0.4 million.

9% Senior Subordinated Notes

The 9% Notes are unsecured obligations, due 2010, guaranteed on a senior subordinated basis by us and all of our direct and indirect domestic subsidiaries. The guarantees are full, unconditional, joint and several obligations of the guarantors.

We incurred $5.5 million in debt issuance costs relating to the 9% Notes. We are amortizing these costs over the term of the 9% Senior Subordinated Notes.

We may redeem the 9% Notes, in whole or in part from time to time, upon not less than 30 nor more than 60 days notice at the following redemption prices, expressed as percentages of the principal amount thereof, if redeemed during the twelve-month period commencing on November 15 of the year set forth below, plus, in each case, accrued and unpaid interest thereon, if any, to the date of redemption:

Year	Percentage
2008	102.25
2009 and thereafter	100.00

Boasso Note

Included in the aggregate purchase price of the Boasso acquisition is a $2.5 million 7% promissory note with a maturity on December 18, 2009 for the benefit of a former Boasso shareholder. The shareholder has the right to demand payment on December 18, 2009. The Boasso Note is convertible into shares of our common stock following the first anniversary of the acquisition at the election of the holder at a price of $4.47 per share (the closing price of the shares reported on NASDAQ on the day before the acquisition). If the conversion option is exercised, we have the right, instead of issuing shares to pay the holder a cash amount equal to the number of shares of common stock into which the Boasso Note is then convertible multiplied by the average closing price plus any accrued and unpaid interest.

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Collateral, Guarantees and Covenants

The ABL Facility contains a number of covenants that, among other things, restrict, subject to certain exceptions, our ability, and the ability of our subsidiaries, to sell assets; incur additional indebtedness; prepay other indebtedness (including the notes); pay dividends and distributions or repurchase their capital stock; create liens on assets; make investments; make certain acquisitions; engage in mergers or consolidations; engage in certain transactions with affiliates; amend certain charter documents and material agreements governing subordinated indebtedness, including the Existing Subordinated Notes; change the business conducted by it and its subsidiaries; and enter into agreements that restrict dividends from subsidiaries. The ABL Facility also contains certain customary affirmative covenants and events of default.

The term loan and revolver were guaranteed by all of our existing and future direct and indirect domestic subsidiaries (collectively, the subsidiary guarantors). Our obligations under the term loan and revolver and our subsidiary guarantor obligations were collateralized by a first priority perfected lien on substantially all of our properties and assets and the subsidiary guarantors, now owned or subsequently acquired, including a pledge of all capital stock and notes owned by us and the subsidiary guarantors, subject to certain exceptions. In addition, in certain cases, no more than 65.0% of the stock of our foreign subsidiaries is required to be pledged. Such assets pledged also collateralize certain interest rate protection and other hedging agreements permitted by the credit facility that may be entered into from time to time by us.

The previous credit agreement contained restrictions on debt incurrence, investments, transactions with affiliates, creation of liens, asset dispositions, redeemable common stock, preferred stock issuance, capital expenditures, and the payment of dividends. At the time of refinancing our previous credit facility with the new ABL Facility, we were in compliance with all these debt covenants. The previous credit agreement included one financial covenant, the ratio of Senior Secured Debt (as defined) to Consolidated EBITDA (as defined), which we were in compliance with at the time of refinancing.

QD LLC, has the ability to incur additional debt, subject to limitations imposed by the indentures governing the 9% Notes and the 2012 Notes. Under the indentures governing the 9% Notes and 2012 Notes, in addition to specified permitted indebtedness, QD LLC will be able to incur additional indebtedness so long as, on a pro forma basis, QD LLC s consolidated fixed charge coverage ratio (the ratio of Consolidated EBITDA (as defined in the respective indentures for the QD LLC Notes) to consolidated fixed charges) is 2.00 to 1.0 or less. As of December 31, 2007, we were in compliance with this covenant.

We are in compliance with all covenants at December 31, 2007.

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Debt Retirement

The following is a schedule of our indebtedness at December 31, 2007 over the periods we are required to pay such indebtedness (in thousands):

	2008	2009	2010	2011	2012 and after	Total
Boasso Note (1)	$	$ 2,500	$	$	$	$ 2,500
Capital lease obligations	1,451	1,593	1,553	575	111	5,283
ABL Facility (2)					84,130	84,130
9% Senior Subordinated Notes, due 2010			125,000			125,000
Senior Floating Rate Notes, due 2012					135,000	135,000
Other Notes	413	444	477	402	69	1,805
Total	$ 1,864	$ 4,537	$ 127,030	$ 977	$ 219,310	$ 353,718

(1) The holder of the Boasso Note has the right to require that we repay the Boasso Note in full on the first anniversary of the Boasso acquisition.

(2) The maturity date of the ABL Facility may be accelerated if we default on our obligations under the ABL Facility. The maturity date of the ABL Facility is also advanced to a date 91 days prior to the maturity date of the 2012 Notes or the 9% Notes (and replacement indebtedness) if the aggregate principal amount of the notes maturing in the 91-day period exceeds $50.0 million.

The above table does not include the remaining unamortized original issue discount of $4.4 million relating to the 2012 Notes.

The following is a schedule of our debt issuance costs at December 31, 2007 (in thousands):

	Issuance Costs	Accumulated Amortization	Balance
ABL Facility	$ 6,395	$ 39	$ 6,356
9% Senior Subordinated Notes, due 2010	5,496	3,271	2,225
Senior Floating Rate Notes, due 2012	4,403	1,060	3,343
Total	$ 16,294	$ 4,370	$ 11,924

We are amortizing these costs over the term of the debt instruments.

Liquidity

We believe that, based on current operations and anticipated growth, our cash flow from operations, together with available sources of liquidity, including borrowings under the revolver, will be sufficient to fund anticipated capital expenditures, make required payments of principal and interest on our debt, including obligations under our credit agreement, and satisfy other long-term contractual commitments for the next twelve months.

However, for periods extending beyond twelve months, if our operating cash flow and borrowings under the revolving portions of the ABL Facility are not sufficient to satisfy our capital expenditures, debt service and other long-term contractual commitments, we would be required to seek alternative financing. These alternatives would likely include another restructuring or refinancing of our long-term debt, the sale of a portion or all of our assets or operations, or the sale of additional debt or equity securities. If these alternatives were not available in a timely manner or on satisfactory terms, or were not permitted under our existing agreements, we might default on

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some or all of our obligations. If we default on our obligations and the debt under the indentures for the 9% Notes and 2012 Notes were to be accelerated, our assets might not be sufficient to repay in full all of our indebtedness, and we might be forced into bankruptcy.

13. INCOME TAXES

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

	2007	2006	2005
Domestic	$ (10,805)	$ 16,862	$ 11,597
Mexico	694	1,106	590
Canada	469	34	32
	(9,642)	18,002	12,219

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

	2007	2006	2005
Current taxes:			
Federal	$ (168)	$ 150	$ (286)
State	1,119	1,621	563
Mexico	300	223	27
Canada	1,296	405	314
	2,547	2,399	618
Deferred taxes:			
Federal	(5,700)	(39,041)	
State	1,311	(1,319)	
Mexico	(106)	(201)	(182)
Canada	(131)	(6)	(84)
	(4,626)	(40,567)	(266)
(Benefit from) provision for income taxes	$ (2,079)	$ (38,168)	$ 352

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

	2007	2006
Deferred tax assets:		
Environmental reserve	$ 7,732	$ 8,790
Tax credit carryforwards	5,202	4,147
Self-insurance reserves	12,187	12,297
Allowance for doubtful accounts	1,448	1,617
Pension	1,625	2,883
Net operating loss carryforwards	34,832	27,794
Other accruals	7,742	5,001
Accrued losses and damage claims	301	602
	71,069	63,131
Less valuation allowance	(1,645)	(927)
	69,424	62,204
Deferred tax liabilities:		
Property and equipment basis differences	(24,112)	(22,895)
Intangible basis differences	(8,626)	
Net deferred tax asset	36,686	39,309
Comprised of:		
Current deferred tax asset	20,483	18,320
Long-term deferred tax asset	16,203	21,713
Long-term deferred tax liability		(724)
Net deferred tax asset	$ 36,686	$ 39,309

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

	2007	2006	2005
Tax (benefit) expense at the statutory rate	$ (3,375)	$ 6,361	$ 4,156
State income taxes, net of federal benefit	299	2,493	1,022
Subpart F		156	
Foreign taxes	951	22	(136)
Equity in earnings of foreign subsidiaries			
Valuation allowance	1,625	(47,958)	(4,614)
Valuation allowance OCI			(373)
Valuation allowance Goodwill		597	

Increase in federal NOL	(1,007)		
IRC Section 956 income	401	154	291
Foreign tax credit	(1,122)	(550)	(257)
Secondary offering costs	(304)	304	
Other	453	253	263
(Benefit from) provision for income taxes	$ (2,079)	$ (38,168)	$ 352

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At December 31, 2007, we had approximately $94.0 million in federal net operating loss carryforwards, $2.6 million in alternative minimum tax credit carry forwards and $2.6 million in foreign tax credit carryforwards. We have determined based on the weight of available evidence that it is more-likely-than not that some portion of the foreign tax credits may not be realized. As a result, we have established a valuation allowance of $1.6 million against our foreign tax credits. The net operating loss carryforwards will expire in the years 2018 through 2027 while the alternative minimum tax credits may be carried forward indefinitely and the foreign tax credits may be carried forward for ten years. Approximately $16.8 million of net operating loss carryforwards and $1.9 million of alternative minimum tax credit carryforwards were generated by Chemical Leaman Corporation prior to its acquisition. The use of pre-acquisition operating losses and tax credit carryforwards is subject to limitations imposed by the Internal Revenue Code. We have approximately $53.0 million in state net operating loss carryforwards, which expire over the next 1 to 18 years.

Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of a global business, there are many transactions for which the ultimate tax outcome is uncertain. We review our tax contingencies on a regular basis and make appropriate accruals as needed.

Rollforward of valuation allowance (in thousands):

	2007	2006
Beginning balance	$ (927)	$ (48,885)
(Increase)/decrease attributable to current year operations	(1,625)	8,441
(Increase)/decrease attributable to FIN 48	907	
(Increase)/decrease attributable to AMT & foreign tax credit carryforwards		3,600
(Increase)/decrease to goodwill		597
(Increase)/decrease attributable to prior year federal & state NOL carryforwards		35,320
Ending balance	$ (1,645)	$ (927)

At January 1, 2007 (the date we adopted FIN 48) and December 31, 2007, we had approximately $3.5 and $3.2 million, respectively, of total gross unrecognized tax benefits. Of the total gross unrecognized tax benefits at December 31, 2007, $2.2 million (net of federal benefit on state tax issues) represents the amount of unrecognized tax benefits that, if recognized would favorably affect the effective income tax rate in any future periods.

Included in the balance of gross unrecognized tax benefits at December 31, 2007 is $0.8 million related to tax positions for which it is reasonably possible that the total amounts could significantly change during the next twelve months due to expiration of the applicable statute of limitations.

A reconciliation of the total amount of unrecognized tax benefits follows (in thousands):

Total unrecognized tax benefits as of January 1, 2007	$ 3,500
Increases in tax positions taken during prior period	119
Decreases in tax positions taken during prior period	
Increases in tax positions taken during the current period	542
Settlements with taxing authorities	
Decreases in lapse of applicable statute of limitations	(968)

Total unrecognized tax benefits as of December 31, 2007	$ 3,193

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Our continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. For year ended December 31, 2007 we recognized $0.3 million of interest and penalties in the provision for income taxes. As of 1/1/07, we had accrued interest of $1.1 million (net of federal benefit) and $0.4 million accrued for penalties. At December 31, 2007 we had accrued interest of $1.3 million (net of federal benefit) and $0.5 million accrued for penalties.

We are subject to the income tax jurisdiction of U.S., Canada, and Mexico, as well as income tax of multiple state jurisdictions. We believe we are no longer subject to U.S. federal income tax examinations for the years before 2005, to international examinations for years before 2003 and with few exceptions, to state exams before 2004.

In accordance with FIN 48, we updated the presentation of our deferred tax asset and valuation allowance to remove any unrecognized tax benefit. In the first quarter of 2007, we reversed the remaining $0.9 million deferred tax valuation allowance and the associated deferred tax asset on state tax net operating losses that contained unrecognized tax benefits.

14. EMPLOYEE BENEFIT PLANS

We maintain two noncontributory defined benefit plans resulting from a prior acquisition that cover certain full-time salaried employees (CLC Plan) and certain other employees under a collective bargaining agreement (TTWU Plan). Retirement benefits for employees covered by the salaried plan are based on years of service and compensation levels. The monthly benefit for employees under the collective bargaining agreement plan is based on years of service multiplied by a monthly benefit factor. Pension costs are funded in accordance with the provisions of the applicable law.

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

On December 31, 2006, we adopted the recognition and disclosure requirements of Statement of Financial Accounting Standards No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R) (SFAS 158). SFAS 158 requires us to recognize the funded status of its postretirement benefit plans in the consolidated statement of financial position at December 31, 2007, with a corresponding adjustment to accumulated other comprehensive income. The funded status is the difference between the fair value of plan assets and the benefit obligation. The adjustment to accumulated other comprehensive income at adoption represents the net unrecognized actuarial gains or losses and unrecognized prior service costs. Future actuarial gains or losses that are not recognized as net periodic benefits cost in the same periods will be recognized as a component of other comprehensive income.

		2007 (in thousands)
Items not yet recognized as a component of net periodic cost:		
Unrecognized net actuarial loss	$	13,254
Unamortized prior service benefit		792
Unrecognized loss and prior service costs recorded as a component of accumulated other comprehensive loss	$	14,046
Items to be recognized in 2008 as a component of net periodic cost:		
Net actuarial loss	$	353
Prior service cost		94
Net periodic cost to be recorded in 2008 as a component of accumulated other comprehensive loss	$	447

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Obligations and Funded Status

The following table sets forth the change in the benefit obligation, change in plan assets and unfunded status of the two plans at December 31 (in thousands):

	2007	2006
Change in Benefit Obligation		
Benefit obligation at beginning of year	$ 49,818	$ 50,820
Service cost	256	256
Interest cost	2,680	2,700
Actuarial (gain) loss	(3,507)	(533)
Benefits and expenses paid	(3,420)	(3,425)
Benefit obligation at end of year	$ 45,827	$ 49,818

	2007	2006
Change in Plan Assets		
Fair value of plan assets at beginning of year	$ 42,965	$ 39,750
Actual return on plan assets	1,783	4,321
Contributions by company	810	2,319
Benefits and expenses paid	(3,420)	(3,425)
Fair value of plan assets at end of year	$ 42,138	$ 42,965

	2007	2006
Funded Status of Plans		
Projected benefit obligation	$ (45,827)	$ (49,818)
Fair value of plan assets	42,138	42,965
Unfunded status	$ (3,689)	$ (6,853)

The accumulated benefit obligation for both defined benefit pension plans equaled the projected benefit obligations of $45.8 million and $49.8 million at December 31, 2007 and 2006, respectively.

Accumulated Other Comprehensive Loss (in thousands)

	2007	2006

Adjustment to pension benefit obligation, net of tax of $1,009 and $923, respectively	$ 1,601	$ 1,448
Adjustment to initially apply SFAS 158, net of tax of nil		(886)

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Periodic Pension Costs

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

	2007	2006
Service cost	$ 256	$ 256
Interest cost	2,680	2,700
Amortization of loss	415	593
Amortization of prior service cost	94	94
Expected return on plan assets	(3,284)	(3,075)
Net periodic pension cost	$ 161	$ 568

Assumptions

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

	2007	2006
Discount rate	6.13%	5.50%

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

	2007	2006
TTWU Plan		
Discount rate	5.75%	5.75%
Expected long-term rate of return on plan assets	7.50%	7.50%
CLC Plan		
Discount rate	5.50%	5.50%
Expected long-term rate of return on plan assets	8.00%	8.00%

The discount rate is based on a model portfolio of AA rated bonds with a maturity matched to the estimated payouts of future pension benefits. The TTWU Plan s expected return on plan assets is based on our expectation of the long-term average rate of return on assets in the pension funds, which is based on the allocation of assets and includes approximately 20% of the assets being held in low return insurance company annuities.

Asset Mix

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

	2007	2006
TTWU Plan		
Equity securities	66.0%	59.4%
Debt securities	34.0%	40.6%
CLC Plan		
Equity securities	68.0%	62.0%
Debt securities	32.0%	38.0%

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Plan Assets

Our investment policy is that plan assets will be managed utilizing an investment philosophy and approach characterized by all of the following, but listed in priority order: (1) emphasis on total return, (2) emphasis on high-quality securities, (3) sufficient income and stability of income, (4) safety of principal with limited volatility of capital through proper diversification and (5) sufficient liquidity. The target allocation percentages for the TTWU Plan assets are 50% in domestic equity securities and 50% in debt securities. The target allocation percentages for the CLC Plan assets are 67% in domestic equity securities and 33% in debt securities. None of our equity or debt securities are included in plan assets.

Cash Flows

We expect to contribute $0.3 million to the CLC pension plan during the year ending December 31, 2008.

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

2008	$ 3,402
2009	3,379
2010	3,384
2011	3,370
2012	3,416
2013 2017	16,993

We charged to operations payments to multi-employer pension plans required by collective bargaining agreements of approximately $2.2 million, $2.2 million and $2.0 million for the years ended December 31, 2007, 2006 and 2005, respectively. These defined benefit plans cover substantially all of our union employees not covered under the TTWU pension plan. The actuarial present value of accumulated plan benefits and net assets available for benefits to employees under these multi-employer plans is not readily available.

In 2001, we established a Deferred Compensation Plan for our executives and other key employees. The plan is a non-qualified deferral plan that allows participants to contribute a portion of their wages on a pre-tax basis and includes a death benefit. We may credit participants accounts with a discretionary contribution at our sole discretion. No contributions were made in 2007, 2006 and 2005.

Substantially all of our U.S. employees are entitled to participate in our profit sharing plan established under Section 401(k) of the U.S. Internal Revenue Code. Employees are eligible to contribute voluntarily to the plan after 90 days of employment. At our discretion, we may also contribute to the plan. Employees are always vested in their contributed balance and become fully vested in our contributions after four years of service. The expenses related to contributions to the plan for the years ended December 31, 2007, 2006 and 2005 were approximately $0.2 million, $0.2 million and $0.1 million, respectively.

15. CAPITAL STOCK

Authorized Capital Stock

In accordance with our Amended and Restated Articles of Incorporation dated November 4, 2003, the Company is authorized to issue 30 million shares of capital stock, 29 million shares of no par value common stock and 1 million shares of no par value preferred stock.

Our ABL Facility and indentures governing the 2012 Notes and the 9% Notes contain restrictions on the payment of dividends.

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Preferred Stock

Of the 1 million shares of preferred stock authorized, 600,000 shares were designated as convertible preferred stock, of which 510,000 were issued and outstanding prior to the initial public offering of shares of our common stock, when they were converted into shares of common stock pursuant to our Amended and Restated Articles of Incorporation. The remaining shares of preferred stock may be issued from time to time in one or more classes or series, with such relative rights, preferences, qualifications, and limitations as our Board of Directors from time to time may adopt by resolution. Prior to November 4, 2003, we had authorized 5.0 million shares, $.01 per share par value, of preferred stock.

Treasury Stock

As of December 31, 2007 and 2006, we had approximately 158,000 and 172,000 treasury shares carried at a cost of approximately $1.6 million and $1.5 million, respectively. These shares were acquired pursuant to our initial public offering and the return of shares under limited recourse secured loans to shareholders.

16. STOCK COMPENSATION PLANS

Effective January 1, 2006, we adopted SFAS 123(R), using the modified prospective transition method, and, as a result, did not retroactively adjust results from prior periods. Under this transition method, stock-based compensation was recognized for: 1) expense related to the remaining unvested portion of all stock option awards granted prior to January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123; and 2) expense related to all stock option awards granted on or subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R). We apply the Black-Scholes valuation model in determining the fair value of share-based payments to employees. The resulting compensation expense is recognized over the requisite service period, which is generally the option vesting term of four years. Prior to fiscal 2006, stock-based compensation was included as a pro forma disclosure in the Notes to the Consolidated Financial Statements as permitted by SFAS 123.

Performance Incentive Plans

As of December 31, 2007, we have three stock-based compensation plans. In addition, there was an agreement regarding stock units which applied solely to Mr. Gerald L. Detter, our former Chief Executive Officer.

2003 Stock Option Plan

The 2003 Stock Option Plan was adopted on November 5, 2003 in connection with our IPO and expires 10 years after adoption. It was amended on May 13, 2005. It provides for the grant of nonqualified stock options that become exercisable, with limited exceptions, in 25% increments on each of the first four anniversaries of the date upon which the options are granted or vest 50% in the third and 50% in the fourth year after issuance of the grant. The number of shares available for issuance under this plan automatically increases on January 1 of each year commencing with January 1, 2004 unless otherwise determined by the Board of Directors. The current year increase is 2.5% of the outstanding shares as of December 31 of the prior year. No more than 6,500,000 shares of common stock may be issued under the 2003 Stock Option Plan.

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The 2003 Stock Option Plan activity for the year ended December 31, 2007 is as follows (in thousands, except per share data):

	Number of Shares Outstanding	Weighted Average Exercise Price	Weighted Average Remaining contractual Term (in years)	Aggregate Intrinsic Value (in thousands) (a)
Options outstanding at December 31, 2006	2,522	$ 11.56		
2007 option activity:				
Granted	361	$ 10.41		
Exercised	(8)	$ 8.30		
Expired	(100)	$ 16.09		
Canceled	(48)	$ 10.66		
Options outstanding at December 31, 2007	2,727	$ 11.27		
Options exercisable at December 31, 2007	1,874	$ 12.31	6.5	$ 1,306

(a) The intrinsic value of a stock option is the amount by which the market value of the underlying stock as of December 31, 2007 exceeds the exercise price of the option.

During the years ended December 31, 2007, 2006 and 2005:

- the weighted average fair value per share of stock-based compensation granted to employees was $5.56, $5.02 and $4.12, respectively;
- the total intrinsic value of stock options exercised was nominal in 2007 and $0.1 in 2006. No stock options were exercised in 2005, and
- the total fair value of stock options that vested during the three periods above was $1,324, $747 and $1,796, respectively.

During the year ended December 31, 2007, less than $0.1 million was received for the exercise of stock options. No tax benefits were realized from the exercise of those options. Cash was not used to settle any equity instruments previously granted. Any options that are exercised are issued out of our treasury share account.

1998 Stock Option Plan

Until adoption of the 2003 Stock Option Plan, we administered the 1998 Stock Option Plan pursuant to which a total of 377,400 shares of our common stock were available for grant at an exercise price of $23.53. The maximum term of granted options is ten years. Fifty percent of each new option granted vested in equal increments over four years. The remaining fifty percent of each new option will vest in nine years from grant date, subject to acceleration if certain per-share equity value targets are achieved or in the event of a sale of the Company. Vesting of the new options occurs only during an employee s term of employment. The new options will become fully vested in the event of a termination of employment without cause or for good reason within nine months following a sale of the Company.

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The 1998 Stock Option Plan activity for the year ended December 31, 2007 is as follows (in thousands, except per share data):

	Number of Shares Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands) (a)
Options outstanding at December 31, 2006	67	$ 23.53		
2007 option activity:				
Expired	(2)	$ 23.53		
Canceled	(1)	$ 23.53		
Options outstanding at December 31, 2007	64	$ 23.53		
Options exercisable at December 31, 2007	32	$ 23.53	1.0	

(a) The intrinsic value of a stock option is the amount by which the market value of the underlying stock as of December 31, 2007 exceeds the exercise price of the option.

During the years ended December 31, 2007, 2006 and 2005:

- no options were granted, respectively;
- the total intrinsic value of stock options exercised was $0, and
- the total fair value of stock options that vested during the three periods above was $0.

2003 Restricted Stock Incentive Plan

On November 5, 2003, our Board of Directors approved the 2003 Restricted Stock Incentive Plan, which terminates ten years from the approval date. The 2003 Restricted Stock Incentive Plan was amended on May 13, 2005. The restricted stock issuances to persons initially receiving a grant generally vest by December 31, 2008 regardless of when issued. The vesting periods for other grant recipients are at the discretion of the Compensation Committee of the Board of Directors. In subsequent years, participants in the plan may be granted an annual, aggregate amount of up to $1 million of shares, valued at our common stock closing price at the date of grant, at the direction of the Board of Directors. No more than 700,000 shares of common stock may be issued under this plan nor may more than $7.5 million of stock be issued under this plan.

The 2003 Restricted Stock Incentive plan activity for the year ended December 31, 2007 is as follows (in thousands, except per share data):

	Number of Shares Outstanding		Weighted Average Grant Date Fair Value
Stock unvested at December 31, 2006	79	$	10.81
2007 activity:			
Granted	76	$	8.16
Vested	(28)	$	11.31
Canceled	(2)	$	17.00
Stock unvested at December 31, 2007	125	$	8.96

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Stock Unit Grant Agreement

In 2005 in connection with his employment agreement, our former Chief Executive Officer, Mr. Detter, was granted 300,000 stock units. Mr. Detter was also entitled to $50,000 in value of stock units annually with the first annual grant made upon execution of his employment agreement and subsequent grants on each anniversary. Under the Stock Unit Grant Agreement, the 300,000 unit grant (Initial Grant) vested on December 31, 2006 at which time Mr. Detter was still an employee.

Annual grants were determined by dividing $50,000 by the fair market value of the common stock on the date of grant. Stock units subject to each annual award vest (i) 14.2% on December 31 of the year in which such Annual Award is granted; and (ii) 28.6% on December 31 of each successive year.

The stock units were credited to an unfunded account and dividends, if any, paid on Company stock are paid on stock units in additional stock units rather than in cash. Stock units credited will be paid out in a single lump sum in an equivalent whole number of shares of common stock. We have discretion to pay stock units attributable to dividend equivalents in cash. Fractional share interests shall be disregarded, but may be cumulated, or, in our discretion, paid in cash. The Initial Grant will be distributed upon the first to occur of: (1) December 31, 2008, (2) termination of employment, (3) disability or (4) a change in control event. Annual awards shall be distributed upon the first to occur of: (1) termination of employment, (2) disability or (3) a change in control event.

The Stock Unit activity for the year ended December 31, 2007 is as follows (in thousands, except per share data):

	Number of Shares Outstanding (a)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands) (b)
Stock units outstanding at December 31, 2006	310	$ 7.72		
2007 unit activity:				
Granted				
Exercised				
Expired				
Canceled	(7)	$ 10.14		
Stock units outstanding at December 31, 2007	303	$ 7.66		
Stock units outstanding and vested at December 31, 2007	303	$ 7.66	7.4	
Stock units exercisable at December 31, 2007	303	$ 7.66	7.4	

(a) Pursuant to Mr. Detter s agreement, upon termination of his employment on July 13, 2007, 303,343 stock units were fully vested and 7,050 units were forfeited.

(b) The intrinsic value of a stock unit is the amount by which the market value of the underlying stock as of December 31, 2007 exceeds the value of the unit at the date of grant.

During the years ended December 31, 2007, 2006 and 2005:

no stock units were granted in 2007; in 2006 and 2005, the weighted average fair value per share of stock units granted was $12.96 and $7.65, respectively;

no stock units were converted, and

no stock units vested in 2007. The total fair value of stock units that vested during 2006 was $1,712 and was nominal in 2005.

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Accounting for Stock-Based Compensation

Compensation expense is recognized only for those options expected to vest, with forfeitures estimated based on our historical experience and future expectations. Prior to the adoption of SFAS 123(R) , the effect of forfeitures on the pro forma expense amounts was recognized as the forfeitures occurred.

To calculate the excess tax benefits available as of the date of adoption for use in offsetting future tax shortfalls, we followed the alternative transition method discussed in SFAS 123(R)-3. We also utilize our tax benefits through the use of the tax law method, which allows us to recognize tax benefits generated by SFAS 123(R) before the utilization of existing net operating loss carryforwards.

In addition, prior to the adoption of SFAS 123(R), we presented the tax benefit resulting from the exercise of stock options as operating cash inflows in the Consolidated Statements of Cash Flows. Under SFAS 123(R), any excess tax benefits for those options are classified as financing cash inflows and operating cash outflows.

Pro Forma Stock-Based Compensation

The table below reflects net income and basic and diluted net income per share for the year ended December 31, 2005, had we applied the fair value recognition provisions of SFAS 123(R) (in thousands, except per share data):

	2005
Net income (loss) attributable to common shareholders (in thousands):	
As reported	$ 11,867
Deduct: Total stock-based compensation expense determined under the fair value based method for all awards, net of $0 related tax effects	(7,749)
Add: Stock-based compensation expense included in net income (loss) attributable to common shareholders as reported	1,077
Pro forma	$ 5,195
Weighted average number of shares (in thousands) basic	18,934
Weighted average number of shares (in thousands) diluted	19,301
Income (loss) per common share:	
As reported basic	$ 0.63
Pro forma basic	$ 0.27
As reported diluted	$ 0.61
Pro forma diluted	$ 0.27

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Stock-Based Compensation

The fair value of options granted during 2007, 2006 and 2005 was based upon the Black-Scholes option-pricing model. The expected term of the options represents the estimated period of time until exercise giving consideration to the contractual terms, vesting schedules and expectations of future employee behavior. For fiscal 2007, expected stock price volatility is based on the historical volatility of our common stock, which began trading on November 13, 2003. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant with an equivalent remaining term. The Company has not paid dividends in the past and does not currently plan to pay any dividends in the foreseeable future. The Black-Scholes model was used with the following assumptions:

	2007	2006	2005
Risk free rate	4.35%	4.5%	3.74%
Expected life	5 years	4 years	4 years
Volatility	68%	71%	60%
Expected dividend	nil	nil	nil

Restricted stock awards are measured at market value on the date of grant and recognized over time using graded vesting, which accelerates compensation expense into the first two years of the four year vesting period. Stock Units are measured at fair value at time of issuance and recognized on a straight-line basis over the vesting period.

Stock-based compensation expense recognized during the years ended December 31, 2007, 2006 and 2005 for each of the types of stock-based awards was (in thousands):

	2007	2006	2005
Stock options	$ 1,143	$ 1,163	$ 125
Restricted stock	420	369	143
Stock units		1,473	859
Total stock-based compensation expense	$ 1,563	$ 3,005	$ 1,127

All stock-based compensation expense is classified within Compensation on the Consolidated Statements of Operations. None of the stock-based compensation was capitalized during 2007. There were no modifications to stock option awards during 2007.

As of December 31, 2007, there was approximately $2.7 million of total unrecognized compensation cost related to stock options granted. The recognition period for the remaining unrecognized stock-based compensation cost is approximately four years. As of December 31, 2007, unrecognized compensation expense related to the unvested portion of our restricted stock awards was approximately $1.1 million, which is expected to be recognized over a period of approximately four years. These amounts do not include the cost of any additional options or restricted stock that may be granted in future periods nor any changes in the Company s forfeiture rate.

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17. COMMITMENTS AND CONTINGENCIES

Operating Leases

We are obligated under various noncancelable operating leases for our office facilities, office equipment, revenue equipment and vehicles. Future noncancelable lease commitments (excluding any sublease income) as of December 31, 2007, are as follows (in thousands):

2008	$ 26,181
2009	23,596
2010	17,701
2011	13,164
2012	9,622
2013 and after	13,975
Total	$ 104,239

The operating lease commitments includes minimum lease commitments for tractors that we expect will be partially offset by rental revenue from sub-leasing the tractors to owner-operators or affiliates. Rent expense under operating leases was $23.5 million, $10.9 million and $6.2 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Environmental Matters

It is our policy to be in compliance with all applicable environmental, safety, and health laws. We also are committed to the principles of Responsible Care®, an international chemical industry initiative to enhance the industry s responsible management of chemicals.

Our activities involve the handling, transportation and storage of bulk chemicals, both liquid and dry, many of which are classified as hazardous materials or hazardous substances. Our tank wash and terminal operations engage in the generation, storage, discharge and disposal of wastewater that may contain hazardous substances, the inventory and use of cleaning materials that may contain hazardous substances and the control and discharge of storm-water from industrial sites. In addition, we may store diesel fuel, materials containing oil and other hazardous products at our terminals. As such, we and others who operate in our industry or own and operate real property, are subject to environmental, health and safety laws and regulation by U.S. federal, state and local agencies as well as foreign governmental authorities. Environmental laws and regulations are complex, and address emissions to the air, discharge onto land or water, and the generation, handling, storage, transportation, treatment and disposal of waste materials. These laws change frequently and generally require us to obtain and maintain various licenses and permits. Environmental laws have tended to become more stringent over time, and most provide for substantial fines and potential criminal sanctions for violations. Some of these laws and regulations are subject to varying and conflicting interpretations.

Facility managers are responsible for environmental compliance at each operating location. Audits conducted by our staff assess operations, safety training and procedures, equipment and grounds maintenance, emergency response capabilities and waste management. We may also, if circumstances warrant, contract with independent environmental consulting firms to conduct periodic, unscheduled, compliance assessments that focus on unsafe conditions with the potential to result in releases of hazardous substances or petroleum, and that also include screening for evidence of past spills or releases. Our staff includes environmental professionals who develop guidelines and procedures, including audits of our terminals, tank cleaning facilities, and certain historical operations.

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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We have incurred in the past, and expect to incur in the future, capital and other expenditures related to environmental compliance for current and planned operations. Such expenditures are generally included in our overall capital and operating budgets and are not accounted for separately. However, we do not anticipate that compliance with existing environmental laws in conducting current and planned operations will have a material adverse effect on our capital expenditures, earnings or competitive position.

We are potentially subject to strict, joint and several liability for investigating and rectifying the consequences of spills and other environmental releases of such substances under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA), the Resource Conservation and Recovery Act of 1976 (RCRA), the Superfund Amendments and Reauthorization Act of 1986, and comparable state and foreign laws. Under certain of these laws, we could also be subject to allegations of liability for the activities of our affiliates or owner-operators. From time to time, we have incurred remedial costs and regulatory penalties with respect to chemical or wastewater spills and releases at our facilities and on the road, and, notwithstanding the existence of our environmental management program, we cannot assure that such obligations will not be incurred in the future, predict with certainty the extent of future liabilities and costs under environmental, health, and safety laws, or assure that such liabilities will not result in a material adverse effect on our business, financial condition, operating results or cash flow .

In addition, we may face liability for alleged personal injury or property damage due to exposure to chemicals and other hazardous substances at our facilities or as the result of accidents and spills. Although these types of claims have not historically had a material impact on our operations, a significant increase in these claims could have a material adverse effect on our business, financial condition, operating results or cash flow.

As the result of environmental studies conducted at our facilities or third party sites in conjunction with our environmental management program, we have identified environmental contamination at certain sites that will require remediation. In addition, we have been named a potentially responsible party at various sites under the CERCLA and other similar state statutes.

Reserves

Our policy is to accrue remediation expenses when it is probable that such efforts will be required and the related expenses can be reasonably estimated. Estimates of costs for future environmental compliance and remediation are necessarily imprecise due to such factors as the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the identification of currently unknown potential remediation sites and the allocation of costs among the potentially responsible parties under applicable statutes. As of December 31, 2007 and 2006, we had reserves in the amount of $11.2 million and $11.8 million, respectively, for all environmental matters discussed below.

The activity in the environmental liability reserves is as follows at December 31 (in thousands):

	2007	2006
Reserve at beginning of year	$ 11,826	$ 17,159
Payments	(3,387)	(7,515)
Additions	2,730	2,182
Reserve at end of year	$ 11,169	$ 11,826

The balances presented include both long term and current environmental reserves. We expect these environmental obligations to be paid over the next five years. Additions to the environmental liability reserves are classified on the Consolidated Statements of Operations within the Selling and administrative category.

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Property Contamination Liabilities

We have been named as (or are alleged to be) a potentially responsible party (PRP) under CERCLA and similar state laws at approximately 28 sites. At 17 of these sites, we are one of many parties with alleged liability and are negotiating with either Federal, State or private parties on the scope of our obligations, if any. For example, we have been notified of potential liabilities involving the Lower Passaic River Study Area in New Jersey, the Malone Superfund Site in Texas, and two Quanta Resources sites in New York. We will be participating in the initial studies of these sites to determine site remediation objectives, goals and technologies. Since our overall liability cannot be estimated at this time, we have set reserves for only the initial remedial investigation phase at the four sites. Of the 17 sites, we have explicitly denied any liability for three sites and since there has been no subsequent demand for payment we have not established a reserve for these matters. We have estimated future expenditures for these off-site multi-party environmental matters, to be in the range of $1.7 million to $3.8 million.

We and our predecessors have also been named in three civil actions related to property contamination. One of these matters has been settled, subject to a $25,000 payment. The second matter involves plaintiffs seeking contribution for remediation at an offsite chemical distribution and re-packaging facility and the third matter involves claims for the remediation of and diminution in value of privately owned property near the Omega Chemical Superfund Site. However, we are seeking indemnification from the PRP Group in accordance with a previous de-minimis settlement agreement with the Omega PRP Group.

At eight sites, we are the only responsible party and are in the process of conducting investigations and/or remediation projects. Six of these projects relate to operations conducted by Chemical Leaman Corporation and its subsidiaries (CLC) prior to our acquisition of and merger with CLC in 1998. These six sites are: Bridgeport, New Jersey; William Dick, Pennsylvania; Charleston, West Virginia; Tonawanda, New York; Scary Creek, West Virginia; and East Rutherford, New Jersey. Each of these sites is discussed in more detail below. The remaining two investigations and remediations were triggered by the New Jersey Industrial Site Remediation Act (ISRA), which requires such investigations and remediations following the sale of industrial facilities. In addition to these eight sites, the current owner of one of our leased tank wash sites has agreed to take responsibility for complying with the investigation and remediation required by ISRA, and is currently investigating the site. We have estimated future expenditures for these eight properties to be in the range of $8.8 million to $16.7 million.

Bridgeport, New Jersey

QDI is required under the terms of two federal consent decrees to perform remediation at this operating truck terminal and tank wash site. CLC entered into consent orders with USEPA in May 1991 for the treatment of groundwater (operable unit one or OU1) and October 1998 for the removal of contamination in the wetlands (OU3). In addition, we were required to assess the removal of contaminated soils (OU2).

In connection with OU1, USEPA originally required us to construct a large treatment plant with discharge via a two mile pipeline to the Delaware River watershed with construction to be completed by the end of 2001. We have negotiated an alternative remedy with USEPA which would call for a significantly smaller treatment facility, in place treatment of groundwater contamination via in-situ treatment and a local discharge. The treatment facility has been approved and construction was completed in early 2007. The plant is going through the start-up phase. USEPA has also approved an OU3 remedy for approximately 2.5 acres of affected wetland. This reflects a reduction from an approximate seven acre area that had been under negotiation. Site mobilization for the OU3 work took place in late May 2004 but was delayed due to weather-related issues. Field work was re-started in May 2005 has been completed. Monitoring of the restoration work is on-going. Additional

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contamination has been identified since December 31, 2005. In regard to OU2, USEPA is now in the process of finalizing a Feasibility Study for the limited areas that show contamination and warrant additional investigation or work. USEPA also wants to include in OU2 the in-situ treatment previously described as part of OU1. The environmental projections for OU1 and OU2 have been changed to reflect the reallocation of the in-situ costs to OU2 and the proposed contract amount for the OU1 work. We have estimated expenditures to be in the range of $4.8 million to $8.5 million.

William Dick, Pennsylvania

CLC entered into a consent order with the Pennsylvania DEP (PADEP) and USEPA in October 1995 obligating it to provide a replacement water supply to area residents (OU1), treat contaminated groundwater (OU2), and perform remediation of contaminated soils (OU3) at this former wastewater disposal site. OU1 is complete. With respect to OU2, PADEP and USEPA have approved an interim remedy, which involves the construction of a treatment facility and discharge locally. We began construction of this facility in November 2006 and the work was completed in the fourth quarter 2007. The plant is going through the start-up phase. Based on recent data showing reduction in site groundwater contamination due to natural attenuation and the more extensive handling and removal of contaminated soils, we believe that the groundwater project can be completed over the five-year term of this interim remedy. The agencies have approved an OU3 remedy, which requires both thermal treatment of contaminated soils and treatment of residuals via soil vapor extraction (SVE). The OU3 remedy expanded in April 2004 to off-site shipment of contaminated soils because these soils were found to be incompatible with the thermal treatment unit, which started full-scale operation in May 2004. In 2004, we also discovered buried drums and associated contaminated material and soils, which required off-site disposal. In the third quarter of 2004, we determined that a latex liner waste material was present in the third pond, which needed to be excavated and removed for disposal offsite. This work was completed in early 2005. We also determined that the soils in pond three needed to be excavated to determine if they will be suitable for the originally planned SVE treatment. We excavated the pond s soils into three discrete piles and determined the best approach to treat these soil piles. It was determined that most of the soil piles could be treated on site using SVE as originally planned. However, some modifications to the design had to be made in order to treat a limited number of soil piles. The SVE work began in 2006 and was completed in September 2007. Final site sampling will be conducted to determine if soil clean-up objectives have been achieved. We have estimated expenditures to be in the range of $1.4 million to $3.4 million.

Other Properties

Scary Creek, West Virginia: CLC received a clean up notice from the State authority in August 1994 requiring remediation of contaminated soils and groundwater at this former wastewater disposal facility. However, the State and we have agreed that remediation can be conducted under the State s voluntary clean-up program (instead of the state superfund enforcement program). We are currently completing the originally planned remedial investigation and the additional site investigation work that is required to completely delineate the extent of site contamination. Upon completion of the site investigation phase, a remedial feasibility study and design will be prepared to address contaminated soils, and, if applicable, groundwater. The expectation is that a remedy utilizing primarily in-situ treatment with limited soil removal will be conducted.

Tonawanda, New York: CLC entered into a consent order with the New York Department of Environmental Conservation on June 22, 1999 obligating it to perform soil and groundwater remediation at this former truck terminal and tank wash site. We have completed a remedial investigation and a feasibility study with the expectation that we will conduct a remedy that may include in-situ treatment, limited soil removal and monitored natural attenuation of the groundwater.

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We have estimated future expenditures for Scary Creek and Tonawanda to be in the range of $2.6 million to $4.8 million.

Charleston, West Virginia: CLC completed a remediation of a former drum disposal area in 1995 at its active truck terminal and tank wash site under the terms of a State hazardous waste permit. The State has required supplemental groundwater monitoring in connection with the same permit. We have completed this work and believe that no additional remediation will be required.

East Rutherford, New Jersey: CLC entered into a Memorandum of Agreement with the State of New Jersey on June 11, 1996 obligating it to perform a Remedial Investigation and Remedial Action with respect to a subsurface loss of an estimated 7,000 gallons of fuel oil at this active truck terminal and tank wash site. We have completed the recovery of free product and conducted groundwater monitoring and are awaiting final approval of a plan to terminate further remedial action with some limited contamination left in place.

ISRA New Jersey Facilities: We are obliged to conduct investigations and remediation at three current or former New Jersey tank wash and terminal sites pursuant to the state s Industrial Sites Remediation Act, which requires such remediation following the sale of facilities after 1983. The former owner has agreed to take responsibility for one of the sites and the other two are in the process of remedial investigation with projections set in contemplation of limited soil remediation expense for contaminated areas.

There can be no assurance that additional issues or sites for which we are responsible will not be discovered, that violations by us of environmental laws or regulations will not be identified or occur in the future, or that environmental, health and safety laws and regulations will not change in a manner that could impose material costs on us.

Other Legal Matters

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

18. TRANSACTIONS WITH RELATED PARTIES

In 2006 and 2005, we provided advisory and consulting services to affiliates of Apollo Management, L.P., (Apollo), who is our majority shareholder. The fee for these services was less than $0.1 million and $0.3 million, respectively.

Two of our customers (Hexion Speciality Chemicals and Momentive Performance Materials) are controlled by Apollo. Revenues from these two customers was $15.9 million, $10.8 million and $5.5 million in 2007, 2006 and 2005, respectively. All pricing with the companies controlled by Apollo Management was based on market rates, including such factors as total expected revenue to be generated by the customer, number of loads to be hauled and the number of miles to be driven.

Of the $0.3 million stock subscription receivable, $0.2 million relates to current members of management.

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19. GUARANTOR SUBSIDIARIES

The 9% Notes issued by QD LLC and QD Capital and the 2012 Notes issued by us are unconditionally guaranteed on a senior subordinated basis pursuant to guarantees by all of our direct and indirect domestic subsidiaries, and by QDI. In addition, we have unconditionally guaranteed on a senior subordinated basis the 9% Notes. Each of our direct and indirect subsidiaries, including QD LLC, is 100% owned. All non-domestic subsidiaries including Levy Transport, Ltd. are non-guarantor subsidiaries. QD Capital has no material assets or operations.

QD LLC conducts substantially all of its business through and derives virtually all of its income from its subsidiaries. Therefore, its ability to make required principal and interest payments with respect to its indebtedness depends on the earnings of subsidiaries and its ability to receive funds from its subsidiaries through dividend and other payments. The subsidiary guarantors are wholly owned subsidiaries of QD LLC and have fully and unconditionally guaranteed the 9% Notes and the 2012 Notes on a joint and several basis.

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

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

Condensed consolidating balance sheets at December 31, 2007 and 2006 and condensed consolidating statements of operations and of cash flows for each of the three years ended December 31, 2007, 2006 and 2005.

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

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2007, 2006 and 2005

Condensed Consolidating Statement of Operations

For the Year Ended December 31, 2007

(in thousands)

	QDI	QD LLC & QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenues:						
Transportation	$	$	$ 580,676	$	$	$ 580,676
Other service revenue			75,444	777		76,221
Fuel surcharge			94,661			94,661
Total operating revenues			750,781	777		751,558
Operating expenses:						
Purchased transportation			471,531			471,531
Compensation			85,838	(18)		85,820
Fuel, supplies and maintenance			81,316			81,316
Depreciation and amortization			16,903	641		17,544
Selling and administrative	1	1	31,166	123		31,291
Insurance claims			23,883			23,883
Taxes and Licenses			3,980			3,980
Communication and utilities			11,381			11,381
(Gain)/loss on disposal of property and equipment			792	(191)		601
Impairment on property and equipment			358			358
Operating income (loss)	(1)	(1)	23,633	222		23,853
Interest (income) expense, non-related party, net	(6)	29,580	1,025	(75)		30,524
Interest (income) expense, related party, net		(29,019)	29,500	(481)		
Write-off of debt issuance costs		2,031				2,031
Other (income) expense	5	1,555	(234)	(386)		940
Income (loss) before taxes		(4,148)	(6,658)	1,164		(9,642)
Income tax (provision) benefit	(981)		(1,562)	464		(2,079)
Equity in earnings (loss) of subsidiaries	(8,544)	(4,396)			12,940	
Net income (loss)	$ (7,563)	$ (8,544)	$ (5,096)	$ 700	$ 12,940	$ (7,563)

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2007, 2006 and 2005

Condensed Consolidating Statement of Operations

For the Year Ended December 31, 2006 (As adjusted)

(in thousands)

	QDI	QD LLC and QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenues:						
Transportation	$	$	$ 577,227	$ 12	$	$ 577,239
Other service revenue			65,614	1,030		66,644
Fuel surcharge			86,276			86,276
Total operating revenues			729,117	1,042		730,159
Operating expenses:						
Purchased transportation			493,686			493,686
Compensation			73,207			73,207
Fuel, supplies and maintenance			53,310	14		53,324
Depreciation and amortization			15,693	660		16,353
Selling and administrative			24,282	(240)		24,042
Insurance claims			13,294	13		13,307
Taxes and Licenses			3,810	2		3,812
Communication and utilities			9,043			9,043
(Gain)/loss on disposal of property and equipment			(5,153)	(10)		(5,163)
Impairment on property and equipment			270			270
PPI class action settlement and related expenses						
Operating income			47,675	603		48,278
Interest expense		(30,410)	(990)		445	(30,955)
Interest income	749		765	498	(445)	1,567
Write-off of debt issuance costs						
Other income (expense)	(986)		59	39		(888)
Income (loss) before taxes	(237)	(30,410)	47,509	1,140		18,002
Income tax provision for (benefit from)	28		(38,233)	37		(38,168)
Equity in earnings (loss) of subsidiaries	56,435	86,845			(143,280)	
Net income (loss)	$ 56,170	$ 56,435	$ 85,742	$ 1,103	$ (143,280)	$ 56,170

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2007, 2006 and 2005

Condensed Consolidating Statement of Operations

For the Year Ended December 31, 2005 (As adjusted)

(in thousands)

	QDI	QD LLC and QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenues:						
Transportation	$	$	$ 545,669	$ 858	$	$ 546,527
Other service revenue			66,287	960		67,247
Fuel surcharge			64,184	118		64,302
Total operating revenues			676,140	1,936		678,076
Operating expenses:						
Purchased transportation			471,167	71		471,238
Compensation			62,185	373		62,558
Fuel, supplies and maintenance			34,781	558		35,339
Depreciation and amortization			16,611	667		17,278
Selling and administrative			20,300	133		20,433
Insurance claims			19,183			19,183
Taxes and Licenses			2,863	31		2,894
Communication and utilities			7,921	11		7,932
(Gain)/loss on disposal of property and equipment			250	38		288
Impairment on property and equipment			75			75
PPI class action settlement and related expenses			1,039			1,039
Operating income			39,765	54		39,819
Interest expense		(26,789)	(558)	(23)	413	(26,957)
Interest income	7		227	424	(413)	245
Write-off of debt issuance costs		(1,110)				(1,110)
Other income (expense)			55	167		222
Income (loss) before taxes	7	(27,899)	39,489	622		12,219
Income tax provision for (benefit from)			680	(328)		352
Equity in earnings (loss) of subsidiaries	11,860	39,759			(51,619)	
Net income (loss)	$ 11,867	$ 11,860	$ 38,809	$ 950	$ (51,619)	$ 11,867

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2007, 2006 and 2005

Consolidating Balance Sheet, December 31, 2007

(in thousands)

	QDI	QD LLC and QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Current Assets:						
Cash and cash equivalents	$	$	$ 7,339	$ 2,372		$ 9,711
Accounts receivable, net	64		98,916	101		99,081
Prepaid expenses		96	8,024	30		8,150
Deferred tax asset			20,483			20,483
Other	6		6,248	4		6,258
Total current assets	70	96	141,010	2,507		143,683
Property and equipment, net			122,014	(22)		121,992
Goodwill			173,575			173,575
Intangibles, net			24,167			24,167
Investment in subsidiaries	26,148	648,835	21,234		(696,217)	
Non-current deferred tax asset	1,007		15,196			16,203
Other assets		11,923	2,433			14,356
	$ 27,225	$ 660,854	$ 499,629	$ 2,485	$ (696,217)	$ 493,976
LIABILITIES, MINORITY INTEREST, SHAREHOLDER S EQUITY (DEFICIT)						
Current liabilities:						
Current maturities of indebtedness			413			413
Current maturities of capital leases			1,451			1,451
Accounts payable			17,385	43		17,428
Intercompany	(75)	288,656	(262,349)	(4,998)	(21,234)	
Affiliates and independent owner-operators payable			12,597			12,597
Accrued expenses		3,866	21,994	97		25,957
Environmental liabilities			4,751			4,751
Accrued loss and damage claims			13,438			13,438
Income taxes payable			90	465		555
Total current liabilities	(75)	292,522	(190,230)	(4,393)	(21,234)	76,590
Long-term indebtedness, less current maturities		342,184	764	627		343,575
Long-term capital leases, less current maturities			3,832			3,832
Environmental liabilities			6,418			6,418
Accrued loss and damage claims			18,474			18,474
Other non-current liabilities			15,954			15,954
Deferred tax liability						
Total liabilities	(75)	634,706	(144,788)	(3,766)	(21,234)	464,843
Minority interest in subsidiary			1,833			1,833

Shareholders equity (deficit):

Common stock	361,617	354,963	493,866	7,629	(856,458)	361,617
Treasury stock	(1,564)					(1,564)
(Accumulated deficit) retained earnings	(126,146)	(122,478)	164,551	(408)	(41,665)	(126,146)
Stock recapitalization	(189,589)	(189,589)		(55)	189,644	(189,589)
Accumulated other comprehensive income	(16,748)	(16,748)	(15,833)	(915)	33,496	(16,748)
Stock purchase warrants						
Stock subscription receivable	(270)					(270)
Total shareholders equity (deficit)	27,300	26,148	642,584	6,251	(674,983)	27,300
Total liabilities, minority interest and shareholders equity (deficit)	$ 27,225	$ 660,854	$ 499,629	$ 2,485	$ (696,217)	$ 493,976

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2007, 2006 and 2005

Consolidating Balance Sheet, December 31, 2006 (As adjusted)

(in thousands)

	QDI	QD LLC & QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$	$	$ 5,386	$ 1,455	$	$ 6,841
Accounts receivable, net	58		85,052	372		85,482
Prepaid expenses		84	5,987	30		6,101
Deferred tax asset			18,320			18,320
Other	(6)		9,471	(251)		9,214
Total current assets	52	84	124,216	1,606		125,958
Property and equipment, net			118,291	1,047		119,338
Goodwill			138,980			138,980
Intangibles, net			635			635
Investment in subsidiaries	29,520	591,990			(621,510)	
Non-current deferred tax asset			21,713			21,713
Other assets		6,649	4,600			11,249
Total assets	$ 29,572	$ 598,723	$ 408,435	$ 2,653	$ (621,510)	$ 417,873
LIABILITIES, MINORITY INTEREST, SHAREHOLDERS EQUITY (DEFICIT)						
Current liabilities:						
Current maturities of indebtedness	$	$ 1,400	$	$	$	$ 1,400
Current maturities of capital leases			1,178			1,178
Accounts payable			13,914	43		13,957
Intercompany	(2,937)	291,341	(284,055)	(4,349)		
Affiliates and independent owner-operators payable			11,025			11,025
Accrued expenses	735	3,636	16,784	42		21,197
Environmental liabilities			5,995			5,995
Accrued loss and damage claims			11,533			11,533
Total current liabilities	(2,202)	296,377	(223,626)	(4,264)		66,285
Long-term indebtedness, less current maturities		272,826				272,826
Long-term capital leases, less current maturities			3,718			3,718
Environmental liabilities			5,831			5,831
Accrued loss and damage claims			20,633			20,633
Other non-current liabilities			14,249			14,249
Deferred tax liability				724		724
Total liabilities	(2,202)	569,203	(179,195)	(3,540)		384,266
Minority interest in subsidiary			1,833			1,833
Shareholders equity (deficit):						
Common stock	359,995	354,963	437,796	7,629	(800,388)	359,995

Treasury stock	(1,527)					(1,527)
(Accumulated deficit)/retained earnings	(118,255)	(117,323)	166,301	(1,149)	(47,829)	(118,255)
Stock recapitalization	(189,589)	(189,589)		(55)	189,644	(189,589)
Accumulated other comprehensive loss	(18,531)	(18,531)	(18,300)	(232)	37,063	(18,531)
Stock purchase warrants	21					21
Stock subscription receivable	(340)					(340)
Total shareholders equity (deficit)	31,774	29,520	585,797	6,193	(621,510)	31,774
Total liabilities, minority interest and shareholders equity (deficit)	$ 29,572	$ 598,723	$ 408,435	$ 2,653	$ (621,510)	$ 417,873

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2007, 2006 and 2005

Condensed Consolidating Statement of Cash Flows

For the Year Ended December 31, 2007

(in thousands)

	QDI	QD LLC and QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Net income (loss)	$ (7,563)	$ (8,544)	$ (5,096)	$ 700	$ 12,940	$ (7,563)
Adjustments for non-cash charges	7,563	(24,699)	49,795	837	(12,940)	20,556
Net changes in assets and liabilities	(753)	218	725	869		1,059
Intercompany activity	753	33,025	(31,220)	(2,558)		
Net cash provided by (used in) operating activities			14,204	(152)		14,052
Cash flows from investing activities:						
Capital expenditures			(10,557)			(10,557)
Acquisition of Boasso and other business assets		(60,251)				(60,251)
Cash acquired from Boasso acquisition		1,015				1,015
Proceeds from sales of property and equipment			5,325	1,069		6,394
Net cash (used in)/provided by investing activities		(59,236)	(5,232)	1,069		(63,399)
Cash flows from financing activities:						
Proceeds from the issuance of long-term debt		46,809				46,809
Principal payments of long-term debt and capital lease obligations		(64,746)	(2,500)			(67,246)
Proceeds from revolver		123,030				123,030
Payments on revolver		(41,400)				(41,400)
Deferred financing fees		(9,170)				(9,170)
Other	(717)	(145)	1,033			171
Intercompany activity	717	4,858	(5,575)			
Net cash provided by (used in) financing activities		59,236	(7,042)			52,194
Effect of exchange rate changes on cash			23			23
Net increase in cash and cash equivalents			1,953	917		2,870

Cash and cash equivalents, beginning of period			5,386	1,455		6,841
Cash and cash equivalents, end of period	$	$	$ 7,339	$ 2,372	$	$ 9,711

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2007, 2006 and 2005

Condensed Consolidating Statement of Cash Flows

For the Year Ended December 31, 2006 (As adjusted)

(in thousands)

	QDI	QD LLC and QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Net income (loss)	$ 54,035	$ 54,472	$ 85,742	$ 1,103	$ (139,182)	$ 56,170
Adjustments for non-cash charges	(54,035)	(82,715)	(27,035)	650	139,182	(23,953)
Net changes in assets and liabilities	199	62	(3,786)	(456)		(3,981)
Intercompany activity		28,181	(27,290)	(891)		
Net cash provided by (used in) operating activities	199		27,631	406		28,236
Cash flows from investing activities:						
Capital expenditures			(14,870)			(14,870)
Acquisition of businesses and assets			(6,447)			(6,447)
Proceeds from sales of property and equipment			10,706	20		10,726
Other						
Net cash (used in) provided by investing activities			(10,611)	20		(10,591)
Cash flows from financing activities:						
Proceeds from issuance of long-term debt						
Principal payments of long-term debt and capital lease obligation		(1,400)	(363)			(1,763)
Proceeds from revolver		209,500				209,500
Payments on revolver		(222,500)				(222,500)
Deferred financing fees						
Other	4		2,285			2,289
Intercompany activity	(203)	14,400	(14,197)			
Net cash used in financing activities	(199)		(12,275)			(12,474)
Effect of exchange rate changes on cash			34			34
Net increase in cash and cash equivalents			4,779	426		5,205
Cash and cash equivalents, beginning of period			607	1,029		1,636
Cash and cash equivalents, end of period	$	$	$ 5,386	$ 1,455	$	$ 6,841

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Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Years Ended December 31, 2007, 2006 and 2005

Condensed Consolidating Statement of Cash Flows

For the Year Ended December 31, 2005 (As adjusted)

(in thousands)

	QDI	QD LLC and QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Net income (loss)	$ 11,867	$ 11,866	$ 38,809	$ 950	$ (51,625)	$ 11,867
Adjustments for non-cash charges	(11,860)	(38,649)	21,231	667	51,625	23,014
Net changes in assets and liabilities		2,119	(26,389)	(1,572)		(25,842)
Intercompany activity	(7)	24,664	(23,659)	(998)		
Net cash provided by (used in) operating activities			9,992	(953)		9,039
Cash flows from investing activities:						
Capital expenditures			(15,842)	(13)		(15,855)
Acquisition of businesses and assets			(4,466)			(4,466)
Proceeds from sales of property and equipment			4,233	25		4,258
Net cash (used in) provided by investing activities			(16,075)	12		(16,063)
Cash flows from financing activities:						
Proceeds from issuance of long-term debt		83,300				83,300
Principal payments of long-term debt and capital lease obligations		(78,900)	(27)			(78,927)
Proceeds from revolver		140,600				140,600
Payments on revolver		(133,400)				(133,400)
Deferred financing fees		(3,231)				(3,231)
Other	76		(2,560)			(2,484)
Intercompany activity	(76)	(8,369)	8,445			
Net cash provided by financing activities			5,858			5,858
Effect of exchange rate changes on cash			102			102
Net decrease in cash and cash equivalents			(123)	(941)		(1,064)
Cash and cash equivalents, beginning of period			730	1,970		2,700
Cash and cash equivalents, end of period	$	$	$ 607	$ 1,029	$	$ 1,636

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EXHIBIT INDEX

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation of Quality Distribution, Inc. dated November 5, 2003. Incorporated herein by reference to Exhibit No. 3.1 to Quality Distribution, Inc. s Amendment No. 3 to Registration Statement on Form S-1 filed with the Securities and Exchange Commission on November 5, 2003 (Registration No. 333-108344).
3.2	Amended and Restated Bylaws of Quality Distribution. Inc. dated June 28, 2005. Incorporated herein by reference to Exhibit No. 3.2 to Quality Distribution, Inc. s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 28, 2005 (Registration No. 333-108344).
3.3	Articles of Amendment, dated June 28, 2005 to Amended and Restated Articles of Incorporation of Quality Distribution, Inc. dated November 5, 2003. Incorporated herein by reference to Exhibit 3.1 to Quality Distribution, Inc. s Current Report on Form 8-K, filed with the Securities Exchange Commission on June 28, 2005.
4.1	Credit Agreement, dated as of November 13, 2003, between Quality Distribution, Inc., Quality Distribution, LLC, the lenders party thereto and Credit Suisse First Boston, as administrative agent. Incorporated herein by reference to Exhibit 4.1 to Quality Distribution, Inc. s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2004.
4.2	Security Agreement dated as of November 13, 2003, among Quality Distribution, LLC, various subsidiaries of Quality Distribution, Inc. and Credit Suisse First Boston, as collateral agent. Incorporated herein by reference to Exhibit 4.2 to Quality Distribution, Inc. s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2004.
4.3	U. S. Pledge Agreement dated as of November 13, 2003, among Quality Distribution, LLC, various subsidiaries of Quality Distribution, Inc. and Credit Suisse First Boston, as collateral agent and pledgee. Incorporated herein by reference to Exhibit 4.3 to Quality Distribution, Inc. s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2004.
4.4	Subsidiaries Guaranty dated as of November 13, 2003, among various subsidiaries of Quality Distribution, Inc. and Credit Suisse First Boston, as administrative agent. Incorporated herein by reference to Exhibit 4.4 to Quality Distribution, Inc. s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2004.
4.5	Indenture, dated as of November 13, 2003, among Quality Distribution, LLC, QD Capital Corporation, the Guarantors named therein and The Bank of New York as Trustee. Incorporated herein by reference to Exhibit 4.5 to Quality Distribution, Inc. s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2004.
4.6	Form of Exchange Note for Quality Distribution, LLC s 9% Senior Subordinated Notes due 2010 (included as Exhibit B to Exhibit 4.5).
4.7	Registration Rights Agreement, dated as of November 13, 2003, among Quality Distribution, LLC, QD Capital Corporation, the subsidiaries of Quality Distribution, LLC set forth on Annex I thereto and The Bank of New York. Incorporated herein by reference to Exhibit 4.7 to Quality Distribution, Inc. s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2004.
4.8	Indenture, dated as of January 28, 2005, among Quality Distribution, LLC, QD Capital Corporation, the Guarantors named therein and The Bank of New York Trust Company, N.A. as Trustee. Incorporated herein by reference to Exhibit 10.2 to Quality Distribution, Inc. s Current Report on Form 8-K filed on January 28, 2005.

Exhibit No.	Description
4.9	Form of Exchange Note for Quality Distribution, LLC s Senior Floating Rate Notes due 2012 (included as Exhibit B to Exhibit 4.8).
4.10	Registration Rights Agreement, dated as of January 28, 2005, among Quality Distribution, LLC, QD Capital Corporation, and the subsidiaries of Quality Distribution, LLC set forth on Annex I thereto. Incorporated herein by reference to Exhibit 10.3 to Quality Distribution, Inc. s Current Report on Form 8-K filed on January 28, 2005.
4.11	First Amendment and Consent to Credit Agreement and Intercompany Subordination Agreement, dated as of January 20, 2005, between Quality Distribution, Inc., Quality Distribution, LLC, various subsidiaries of Quality Distribution, LLC, the lenders party thereto and Credit Suisse First Boston, as administrative agent. Incorporated herein by reference to Exhibit 10.1 to Quality Distribution, Inc. s Current Report on Form 8-K, filed with the Securities Exchange Commission on January 28, 2005.
4.12	Indenture, dated as of December 18, 2007, among the Issuers, the guarantors of the Notes and The Bank of New York Trust Company, N.A., as trustee. Incorporated herein by reference to Exhibit 10.1 to Quality Distribution, Inc. s Current Report on Form 8-K filed on December 24, 2007.
4.13	Registration Rights Agreement, dated as of December 18, 2007, between the Issuers, the guarantors of the Notes and the other parties thereto. Incorporated herein by reference to Exhibit 10.2 to Quality Distribution, Inc. s Current Report on Form 8-K filed on December 24, 2007.
4.14	Credit Agreement, dated as of December 18, 2007, by and among the Company, QD LLC, the other loan parties party thereto, the lenders party thereto from time to time, Credit Suisse, Cayman Islands Branch, as administrative agent for the lenders, General Electric Capital Corporation, as collateral agent for the lenders, and SunTrust Bank, as syndication agent. Incorporated herein by reference to Exhibit 10.3 to Quality Distribution, Inc. s Current Report on Form 8-K filed on December 24, 2007.
4.15	Current Asset Revolving Facility Guarantee and Collateral Agreement, dated as of December 18, 2007, by and among the Company, QD LLC, the other loan parties party thereto, Credit Suisse, Cayman Islands Branch, as current asset revolving facility administrative agent, and General Electric Capital Corporation, as current asset revolving facility collateral agent. Incorporated herein by reference to Exhibit 10.4 to Quality Distribution, Inc. s Current Report on Form 8-K filed on December 24, 2007.
4.16	Fixed Asset Revolving Facility Guarantee and Collateral Agreement, dated as of December 18, 2007, by and among the Company, QD LLC, the other loan parties party thereto, Credit Suisse, Cayman Islands Branch, as fixed asset revolving facility administrative agent, and General Electric Capital Corporation, as fixed asset revolving facility collateral agent. Incorporated herein by reference to Exhibit 10.5 to Quality Distribution, Inc. s Current Report on Form 8-K filed on December 24, 2007.
4.17	Supplemental Indenture to the indenture governing the Issuers 9% senior subordinated notes due 2010, dated as of December 18, 2007, by the Issuers, the guarantors named therein, Boasso and The Bank of New York Trust Company, N.A., as trustee. Incorporated herein by reference to Exhibit 10.6 to Quality Distribution, Inc. s Current Report on Form 8-K filed on December 24, 2007.
4.18	Supplemental Indenture to the indenture governing the Issuers senior floating rate notes due 2012, dated as of December 18, 2007, by the Issuers, the guarantors named therein, Boasso and The Bank of New York Trust Company, N.A., as trustee. Incorporated herein by reference to Exhibit 10.7 to Quality Distribution, Inc. s Current Report on Form 8-K filed on December 24, 2007.

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Exhibit No.	Description
10.1	Amended and Restated Shareholders Agreement, dated as of February 10, 1998, among MTL, Apollo Investment Fund III, L.P., Apollo Overseas Partners III, L.P., Apollo U.K. Fund III, L.P. and certain shareholders of QDI. Incorporated herein by reference to Exhibit 4.13 to Quality Distribution, Inc. s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 29, 2002.
10.2	Amended and Restated Common and Preferred Stock Purchase and Shareholders Agreement, dated as of August 28, 1998, among BT Investment Partners, Inc., MTL Equity Investors, L.L.C., Apollo Investment Fund III, L.P., Apollo Overseas Partners III, L.P., Apollo U.K. Fund III, L.P. and MTL. Incorporated herein by reference to Exhibit No. 13 to Quality Distribution, Inc. s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 29, 2002.
10.3	Amendment No. 1, dated as of April 2, 2002, to the Amended and Restated Common and Preferred Stock Purchase and Shareholders Agreement, dated as of August 28, 1998, among BT Investment Partners, Inc., MTL Equity Investors, L.L.C., Apollo Investment Fund III, L.P., Apollo Overseas Partners III, L.P., Apollo U.K. Fund III, L.P. and MTL. Incorporated herein by reference to Exhibit No. 10.3 to Quality Distribution, LLC s Registration Statement on Form S-4 filed with the Securities and Exchange Commission on August 14, 2002 (Registration No. 333-98077).
10.4	Second Amended and Restated Registration Rights Agreement, dated as of August 28, 1998, among Apollo Investment Fund III, L.P., Apollo Overseas Partners III, L.P., Apollo U.K. Fund III, L.P., QDI and certain shareholders of QDI. Incorporated herein by reference to Exhibit No. 10.4 to Quality Distribution, LLC s Registration Statement on Form S-4 filed with the Securities and Exchange Commission on August 14, 2002 (Registration No. 333-98077).
10.5	Agreement, dated as of May 30, 2002, among Apollo Investment Fund III, L.P., Apollo Overseas Partners III, L.P., Apollo U.K. Fund III, L.P., QDI and certain shareholders of QDI. Incorporated herein by reference to Exhibit No. 10.5 to Quality Distribution, LLC s Registration Statement on Form S-4 filed with the Securities and Exchange Commission on August 14, 2002 (Registration No. 333-98077).
10.6	1998 Stock Option Plan of Quality Distribution, Inc. Incorporated herein by reference to Exhibit No. 10.1 to Quality Distribution, Inc. s Registration Statement on Form S-4 filed with the Securities and Exchange Commission on November 3, 1998 (Registration No. 333-66711).
10.7 #	Employment Agreement, dated June 3, 2004, between Quality Distribution, Inc. and Virgil T. Leslie. Incorporated herein by reference to Exhibit No. 10.1 to Quality Distribution, Inc. s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 16, 2004.
10.8 #	Employment Agreement, dated June 23, 1998, between Quality Distribution, Inc. and Dennis R. Copeland. Incorporated herein by reference to Exhibit No. 10.7 to Quality Distribution, Inc. s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 29, 2002.
10.9	Stock Purchase Agreement dated as of August 2, 2007, by and among Quality Distribution, LLC, and each of Walter J. Boasso, Scott Leonard, Scott D. Giroir, Robert E. Showalter, an individual of the full age of majority resident in St. Bernard Parish, (v) Robert E. Showalter , in his individual capacity as trustee for The Boasso Inter Vivos Trust for each of the individuals named herein. Incorporated herein by reference to Exhibit No. 2.1 to Quality Distribution, Inc. s Form 10-Q filed with the Securities and Exchange Commission on November 8, 2007.

Exhibit No.	Description
10.10	Amendment to Stock Purchase Agreement, dated as of December 18, 2007, by and among QD LLC and each of Walter J. Boasso, Scott Leonard, Scott D. Giroir, Robert E. Showalter, in his individual capacity and as trustee for the Boasso Inter Vivos Trust for each of the individuals named therein. Incorporated herein by reference to Exhibit 2.1 to Quality Distribution, Inc. s Current Report on Form 8-K filed on December 24, 2007.
10.11	Contribution Agreement dated May 30, 2002, between Quality Distribution, LLC and Quality Distribution, Inc. Incorporated herein by reference to Exhibit No. 10.26 to Quality Distribution, LLC s Registration Statement on Form S-4 filed with the Securities and Exchange Commission on August 14, 2002 (Registration No. 333-98077).
10.12	Warrant Agreement (including form of warrant certificate), dated as of May 30, 2002, between Quality Distribution, Inc. and The Bank of New York. Incorporated herein by reference to Exhibit 10.32 to Quality Distribution, Inc. s Amendment No. 2 to Registration Statement on Form S-1 filed with the Securities and Exchange Commission on October 24, 2003 (Registration No. 333-108344).
10.13 #	Form of Stock Option Agreement Under Stock Option Plan of Quality Distribution, Inc. Incorporated herein by reference to Exhibit No. 10.34 to Quality Distribution, Inc. s Amendment No. 3 to Registration Statement on Form S-1 filed with the Securities and Exchange Commission on November 5, 2003 (Registration No. 333-108344).
10.14 #	Form of Restricted Award Agreement Under Restricted Stock Plan of Quality Distribution, Inc. Incorporated herein by reference to Exhibit No. 10.36 to Quality Distribution, Inc. s Amendment No. 3 to Registration Statement on Form S-1 filed with the Securities and Exchange Commission on November 5, 2003 (Registration No. 333-108344).
10.15 #	Employment Agreement dated August 3, 2004 between Quality Distribution, Inc. and Robert J. Millstone. Incorporated by reference to Exhibit 10.27 to Quality Distribution, LLC s Amendment No. 3 to Registration Statement on Form S-4 filed with the Securities and Exchange Commission on September 21, 2004 (Registration No. 333-114485).
10.16 #	Employment Agreement dated November 3, 2004 between Quality Distribution, Inc. and Gary Enzor. Incorporated herein by reference to Exhibit 99.2 to Quality Distribution, Inc. s Current Report on Form 8-K filed on November 8, 2004.
10.17 #	Employment Agreement dated November 4, 2004 between Quality Distribution, Inc. and Timothy Page. Incorporated herein by reference to Exhibit 99.3 to Quality Distribution, Inc. s Current Report on Form 8-K filed on November 8, 2004.
10.18 #	Summary of the terms of the Quality Distribution, Inc. 2005 Compensation Bonus Plan. Incorporated herein by reference to Exhibit 99.1 to Quality Distribution, Inc. s Current Report on Form 8-K filed on January 7, 2005.
10.19 #	Quality Distribution, Inc. Deferred Compensation Plan dated as of January 1, 2001. Incorporated herein by reference to Exhibit 10.33 to Quality Distribution, Inc s Annual Report on Form 10-K/A filed with the Securities and Exchange Commission on April 3, 2005.
10.20 #	Quality Distribution, Inc. Deferred Compensation Plan dated as of January 1, 2001. Incorporated herein by reference to Exhibit 10.34 to Quality Distribution, Inc s Annual Report on Form 10-K/A filed with the Securities and Exchange Commission on April 3, 2005.
10.21 #	Quality Distribution, Inc. 2003 Stock Option Plan, as amended. Incorporated herein by reference to Exhibit 10.1 to Quality Distribution, Inc. s Current Report on Form 8-K filed with the Securities Exchange Commission on May 13, 2005.

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Exhibit No.	Description
10.22 #	Quality Distribution, Inc. 2003 Restricted Stock Incentive Plan, as amended. Incorporated herein by reference to Exhibit 10.2 to Quality Distribution, Inc. s Current Report on Form 8-K filed with the Securities Exchange Commission on May 13, 2005.
10.23 #	Form of Form of Non Qualified Stock Option Agreement. Incorporated herein by reference to Exhibit 10.5 to Quality Distribution, Inc. s Current Report on Form 8-K filed with the Securities Exchange Commission on June 6, 2005.
10.24 #	Employment agreement dated June 5, 2005 between Quality Distribution, Inc. and Gerald L. Detter. Incorporated herein by reference to Exhibit 10.2 to Quality Distribution, Inc. s Current Report on Form 8-K filed with the Securities Exchange Commission on June 6, 2005.
10.25 #	2005 Stock Unit Grant Agreement, dated as of June 5, 2005 between Quality Distribution, Inc. and Gerald L. Detter. Incorporated herein by reference to Exhibit 10.3 to Quality Distribution, Inc. s Current Report on Form 8-K filed with the Securities Exchange Commission on June 6, 2005.
18.1 *	Preferability Letter of PricewaterhouseCoopers, LLP
21.1 *	Subsidiaries of the Registrant.
23 *	Consent of PricewaterhouseCoopers, LLP
24 *	Powers of Attorney
31.1 *	Certification of Chief Executive Officer pursuant to Rule 13(a) 14(a).
31.2 *	Certification of Chief Financial Officer pursuant to Rule 13(a) 14(a).
32.1 *	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Document is filed with this Form 10-K
\# Indicates a management contract or compensatory plan or arrangement required to be filed as an exhibit to this report pursuant to Item 15(b)