

QUALITY DISTRIBUTION INC

Form 10-Q

November 13, 2001

Edgar Filing: QUALITY DISTRIBUTION INC - Form 10-Q

**Table of Contents**

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITY EXCHANGE ACT OF 1934.

For the quarterly period ended SEPTEMBER 30, 2001

or  
TRANSITION  
REPORT  
PURSUANT  
TO SECTION  
13 OR 15(d)  
OF THE  
SECURITIES  
EXCHANGE  
ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-24180

Quality Distribution, Inc.

(Exact name of registrant as specified in its charter)

Florida

59-3239073

(State or other jurisdiction of incorporation  
or organization) (I.R.S. Employer  
Identification No.)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE USERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Outstanding at SEPTEMBER 30, 2001

Edgar Filing: QUALITY DISTRIBUTION INC - Form 10-Q

---

(Common Stock, \$.01 par value) 2,011,428

---

**TABLE OF CONTENTS**

**PART I FINANCIAL INFORMATION**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Notes to Condensed Consolidated Financial Statements**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**PART II OTHER INFORMATION**

**ITEM 1. Legal Proceedings**

**ITEM 4. Submission of Matters to a Vote of Security Holders**

**ITEM 6. Exhibits**

**Reports on Form 8-K**

**Signatures**

**Bank Consent & Waiver**

---

**Table of Contents**

QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

INDEX

	<b>Page No.</b>
<b>Part I</b>	<b>Financial Information</b>
Item 1 Financial Statements	
Condensed consolidated balance sheets September 30, 2001 (unaudited) and December 31, 2000	3-4
Condensed consolidated statements of operations three months and nine months ended September 30, 2001 and 2000 (unaudited)	5
Condensed consolidated statements of cash flows nine months ended September 30, 2001 and 2000 (unaudited)	6
Notes to condensed consolidated financial statements	7-23
Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations	

Management's  
discussion and  
analysis of financial  
condition and  
results of  
operations

24-26

Part II

Other

Information

Item 1 Legal  
proceedings 27

Item 4 Submission  
of matters to a vote  
of security  
holders 27

Item 6 Exhibits

Reports on Form  
8-K 27

Signatures 27

**Table of Contents**

FORM 10-Q  
PART 1 FINANCIAL INFORMATION  
QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands)

	September 30, 2001 (Unaudited)	December 31, 2000 *
<b>ASSETS</b>		
Current Assets		
Cash		
\$827 \$2,636		
Accounts receivable		
109,403 104,534		
Allowance for doubtful accounts		
(10,029) (9,779)		
Current maturities of other receivables		
1,087 518		
Inventories		
1,681 1,786		
Prepaid expenses		
4,069 7,391		
Prepaid tires		
7,999 8,156		
Income tax receivable		
350 350		
Other		
950 650		
Total current assets		
116,337 116,242		
Property, plant and equipment		
338,371 326,989		
Less accumulated depreciation and amortization		
(167,504) (151,473)		
170,867 175,516		
Intangibles and goodwill, net		
150,208 153,668		
Other Assets		

Edgar Filing: QUALITY DISTRIBUTION INC - Form 10-Q

9,109 7,647

---

---

\$446,521 \$453,073

---

---

Condensed from audited financial statements  
The accompanying notes are an integral part of these condensed consolidated financial statements.



**Table of Contents**

FORM 10-Q  
PART 1 FINANCIAL INFORMATION  
QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands)  
(continued)

	September 30, 2001 (Unaudited)	December 31, 2000 *
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current Liabilities		
Current maturities of indebtedness		
\$2,890	\$3,619	
Accounts payable and accrued expenses		
63,911	63,757	
Independent contractors payable		
8,455	7,563	
Other current liabilities		
1,149	3,340	
Income tax payable		
350	834	
<hr/>		
<hr/>		
Total current liabilities		
76,755	79,113	
Long term debt, less current maturities		
283,195	273,100	
Capital lease obligations, less current maturities		
220		
Subordinated debt		
140,000	140,000	
Environmental liabilities		
38,666	39,873	
Other long term obligations		
7,387	7,834	
Accrued loss and damage claims		
1,903	3,092	
Deferred tax		
1,760	1,182	
Minority interest in subsidiaries		
1,833	4,433	
Mandatorily redeemable preferred stock		
14,965	13,882	
Redeemable common stock (30,239 shares)		
1,210	1,210	
Stockholders' equity (deficit)		
Common stock		

# Edgar Filing: QUALITY DISTRIBUTION INC - Form 10-Q

20	20
Additional paid-in-capital	
105,656	105,656
Treasury stock	
(237)	(32)
Accumulated deficit	
(28,612)	(22,212)
Stock recapitalization	
(189,589)	(189,589)
Other comprehensive loss	
(6,505)	(2,823)
Note receivable	
(1,886)	(1,886)

---



---

Total stockholders' equity (deficit)	
(121,153)	(110,866)

---



---

\$446,521	\$453,073
-----------	-----------

---



---

Condensed from audited financial statements.  
The accompanying notes are an integral part of these condensed consolidated financial statements.

**Table of Contents**

FORM 10-Q  
PART 1 FINANCIAL INFORMATION  
QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)  
(In thousands, except per share data)

	Nine months ended September 30,		Three months ended September 30,	
	2001	2000	2001	2000
Operating Revenues				
Transportation				
\$351,382 \$390,546 \$118,158 \$125,495				
Other				
47,182 49,776 15,985 16,466				
398,564 440,322 134,143 141,961				
Operating Expenses				
Purchased transportation				
229,103 248,831 77,417 80,970				
Depreciation and amortization				
26,350 28,238 8,772 9,733				
Other operating expenses				
117,929 135,354 39,082 44,058				
Operating income				
25,182 27,899 8,872 7,200				
Interest expense, net				
29,552 30,210 10,490 10,007				
Other income				
(6) (54) (4) (9)				


Loss before taxes  
 (4,364) (2,257) (1,614) (2,798)  
 Income tax expense  
 845 3,431 135 2,946  
 Minority interest  
 226 76


Net loss  
 (5,209) (5,914) (1,749) (5,820)  
 Preferred stock dividends and accretions  
 (1,191) (1,086) (397) (364)


Net loss attributable to common shareholders  
 \$(6,400) \$(7,000) \$(2,146) \$(6,184)


Per Share Data:

Basic and diluted loss per common share  
 \$(3.18) \$(3.48) \$(1.07) \$(3.07)

---

---

---

---

Weighted average shares outstanding  
2,015 2,014 2,012 2,014

---

---

---

---

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

**Table of Contents**

FORM 10-Q  
PART 1 FINANCIAL INFORMATION  
QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited) (In thousands)

	Nine months ended September 30,	
	2001	2000
Cash provided by (used for)		
Operating activities:		
Net Loss		
\$ (5,209) \$ (5,914)		
Adjustments for non cash charges		
28,484 31,598		
Changes in assets and liabilities		
(11,162) 4,900		
Net cash provided by operating activities		
12,113 30,584		
Investing activities:		
Capital expenditures		
(21,994) (14,750)		
Proceeds from asset dispositions		
1,975 3,506		
Net cash (used for) investing activities		
(20,019) (11,244)		
Financing activities:		
Proceeds from issuance of debt		
11,500		
Payment of debt obligation		
(2,356) (17,124)		
Issuance of common stock		
169		
Purchase of preferred stock		
(2,600)		
Other		
769		

---



---

Net cash provided by (used for)  
financing activities  
7,313 (16,955)

---



---

Net increase (decrease) in cash  
(593) 2,385  
Effect of exchange rate changes on  
cash  
(1,216) (237)  
Cash, beginning of period  
2,636 1,050

---



---

Cash, end of period  
\$827 \$3,198

---



---

Cash payments for:

Interest  
\$22,303 \$24,426  
Income taxes  
\$604 \$225

Non cash activities:

Preferred Stock Accretion  
\$1,083 \$1,086  
Unrealized gain or (loss) on  
derivative instruments  
\$(3,475)

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

**Table of Contents**

FORM 10-Q  
Item 1. Financial Statements  
QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements  
(Unaudited)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:****Basis of Presentation**

The accompanying unaudited condensed, consolidated financial statements of Quality Distribution, Inc. (the Company) have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments and accruals) considered necessary for a fair presentation have been included. Certain reclassifications have been made in the fiscal 2000 statements to conform to the 2001 presentation.

For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2000, included in the Company's Form 10-K dated March 27, 2001.

Operating results for the third quarter ended September 30, 2001 are not necessarily indicative of the results that may be expected for the entire fiscal year.

**2. COMPREHENSIVE INCOME:**

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130 Reporting Comprehensive Income (SFAS 130). SFAS 130 requires that an enterprise (a) classify items of other comprehensive income by their nature in the financial statements and (b) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in-capital in the stockholders' equity section of the consolidated balance sheets for annual financial statements. The Company adopted SFAS 130 in 1998 and accordingly, Comprehensive Income is as follows:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2001	2000	2001	2000
Net Income or (loss)	\$ (5,209)	\$ (5,914)	\$ (1,749)	\$ (5,820)
Other comprehensive income (loss):				
Foreign currency translation adjustments				
(207) (541) (120) (291)				
Unrealized gain or (loss) on derivative instruments				
(3,475) (1,702)				
Comprehensive income (loss)				



\$(8,891) (6,455) \$(3,571) \$(6,111)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Table of Contents**

FORM 10-Q  
ITEM 1 Financial Statements  
QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements  
(Unaudited)-(continued)

3. DERIVATIVES:

The Company utilizes derivative financial instruments to reduce its exposure to market risks from changes in interest rates and foreign exchange rates. The instruments primarily used to mitigate these risks are interest rate swaps and foreign exchange contracts. The Company is exposed to credit related losses in the event of nonperformance by counterparties to these financial instruments however, counterparties to these agreements are major financial institutions; and the risk of loss due to nonperformance is considered by management to be minimal. The Company does not hold nor issue interest rate swaps or foreign exchange contracts for trading purposes.

The Financial Accounting Standards Board ( FASB ) issued, then subsequently amended, Statement of Financial Accounting Standards ( SFAS ) No. 133, Accounting for Derivative Instruments and Hedging Activities, which became effective for the Company on January 1, 2001. Under SFAS No. 133, as amended, all derivative instruments (including certain derivative instruments embedded in other contracts) are recognized in the balance sheet at their fair values and changes in fair value are recognized immediately in earnings, unless the derivatives qualify as hedges of future cash flows. For derivatives qualifying as hedges of future cash flows, the effective portion of changes in fair value is recorded temporarily in equity, then recognized in earnings along with the related effects of the hedged items. Any ineffective portion of a hedge is reported in earnings as it occurs.

The Company currently has approximately \$335.7 million of variable interest debt. The Company has entered into interest rate swap agreements designed as cash flow hedges of the Company's portfolio of variable rate debt. The purpose of these swaps is to fix interest rates on variable rate debt and reduce certain exposures to interest rate fluctuations.

The notional amounts do not represent a measure of exposure of the Company. The Company will pay counterparties interest at a fixed rate ranging from 4.765% to 5.16%, and the counterparties will pay the Company interest at a variable rate equal to LIBOR. The LIBOR rate applicable to these agreements at September 30, 2001 was 2.61%. These agreements mature and renew every three months and expire at dates ranging from July 2, 2002 to September 22, 2002. A 10% fluctuation in interest rates would have a \$1.8 million impact, net of interest rate swap agreements, on future earnings.

The nature of the Company's business activities necessarily involves the management of various financial and market risks, including those related to changes in interest rates and currency exchange rates. The Corporation uses derivative financial instruments to mitigate or eliminate certain of those risks. The January 1, 2001 accounting changes described above affected only the pattern and the timing of the non-cash accounting recognition.

**Table of Contents**

A reconciliation of current period changes in owners' equity follows.

	Nine Months Ended September 30, 2001	Three Months Ended September 30, 2001
<hr/>		
(In thousands)		
Balance beginning of period		
\$337 \$(1,773)		
Current period declines in fair value		
(5,061) (2,313)		
Reclassifications to earnings		
1,249 611		
<hr/>		
<hr/>		
Balance at end of period		
\$(3,475) (3,475)		
<hr/>		
<hr/>		

Additional disclosures required by SFAS No. 133, as amended, are provided in the following paragraphs.

#### Hedges of Future Cash Flows

Per FASB 133, the ineffective portion of changes in fair values of hedge positions should be reported in earnings. All hedges were effective at September 30, 2001, and as such, there are no earnings reclassification at September 30, 2001, due to ineffective hedges. There were no amounts excluded from the measure of effectiveness in 2001 related to the hedge of future cash flows.

In 2001, \$0.2 million, \$0.4 million, and \$0.6 million were reclassified to earnings during the first, second and third quarters respectively and recorded in interest expense. The \$(3.5) million recorded in other comprehensive income at September 30, 2001 is expected to be reclassified to future earnings, contemporaneously with and primarily offsetting changes in interest expenses on floating-rate instruments. The actual amounts that will be reclassified to earnings over the next twelve months will vary from this amount as a result of changes in market conditions.

#### 4. LONG TERM DEBT:

Our credit agreements include financial covenants which were modified June 4, 2001 as part of an amendment thereto. The new financial covenants are less restrictive than the original covenants and remain in effect for eight consecutive calendar quarters. A technical default occurred with respect to these covenants. A waiver has been obtained from our creditors in connection with this default.

The Company paid a fee of \$1.1 million which will be amortized as interest expense for the covenant modification period. The interest rate on the credit agreement was also increased by .25%. The Company's Form 8-K dated June 8, 2001 contains full details relative to this amendment.

#### 5. ENVIRONMENTAL MATTERS:

## Edgar Filing: QUALITY DISTRIBUTION INC - Form 10-Q

Our activities involve the handling, transportation, storage, and disposal of bulk liquid chemicals, many of which are classified as hazardous materials, hazardous substances, or hazardous waste. Our tank wash and terminal operations engage in the storage or discharge of wastewater and storm-water that may contain hazardous substances, and from time to time we store diesel fuel and other petroleum products at our terminals. As such, we are subject to environmental, health and safety laws and regulation by U.S. federal, state, local and Canadian government authorities. Environmental laws and regulations are complex, change frequently and have tended to become more stringent over

**Table of Contents**

time. There can be no assurance that violations of such laws or regulations will not be identified or occur in the future, or that such laws and regulations will not change in a manner that could impose material costs to us.

Facility managers are responsible for environmental compliance. Self-audits along with audits conducted by our internal audit staff are required to address operations, safety training and procedures, equipment and grounds maintenance, emergency response capabilities, and wastewater management. We also contract with an independent environmental consulting firm that conducts periodic, unscheduled, compliance assessments which focus on conditions with the potential to result in releases of hazardous substances or petroleum, and which also include screening for evidence of past spills or releases. Our relationship to our affiliates could, under certain circumstances, result in our incurring liability for environmental contamination attributable to an affiliate's operations, although we have not incurred any material derivative liability in the past. Our environmental management program has been extended to our affiliates.

Our wholly-owned subsidiary, Quality Carriers, Inc., is staffed with environmental experts who manage our environmental exposure relating to historical operations and develop policies and procedures, including periodic audits of our terminals and tank cleaning facilities, in an effort to avoid circumstances that could lead to future environmental exposure.

As a handler of hazardous substances, we are potentially subject to strict, joint and several liability for investigating and rectifying the consequences of spills and other environmental releases of such substances either under CERCLA or comparable state laws. From time to time, we have incurred remedial costs and regulatory penalties with respect to chemical or wastewater spills and releases at our facilities and, notwithstanding the existence of our environmental management program, we cannot assure that such obligations will not be incurred in the future, nor that such liabilities will not result in a material adverse effect on our financial condition, results of operations or our business reputation. As the result of environmental studies conducted at our facilities in conjunction with our environmental management program, we have identified environmental contamination at certain sites that will require remediation.

We have also been named a potentially responsible party, or have otherwise been alleged to have some level of responsibility, under CERCLA or similar state laws for cleanup of off-site locations at which our waste, or material transported by us, has allegedly been disposed of. We have asserted defenses to such actions and have not incurred significant liability in the CERCLA cases settled to date. While we believe that we will not bear any material liability in any current or future CERCLA matters, there can be no assurance that we will not in the future incur material liability under CERCLA or similar laws. See certain considerations Environmental Risk Factors for a discussion of certain risks of our being associated with transporting hazardous substances.

CLC is currently solely responsible for remediation of the following two federal Superfund sites:

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

**Table of Contents**

undertake Remedial Design and Remedial Action ( RD/RA ) related to the groundwater operable unit of the cleanup.

In August 1994, the EPA issued a Record of Decision, selecting a remedy for the wetlands operable unit at the Bridgeport site at a cost estimated by the EPA to be approximately \$7 million. In October 1998, the EPA issued an administrative order that requires CLC to implement the EPA's wetlands remedy. In April 1998, the federal and state natural resource damages trustees indicated their intention to bring claims against CLC for natural resource damages at the Bridgeport site. CLC finalized a consent decree with the state and federal trustees that resolved the natural resource damages claims. In April 2001 the Company paid \$4.2 million representing settlement in full of this consent decree. CLC has also entered into an agreement in principle to reimburse the EPA's past costs in investigating and overseeing activities at the site over a three-year period for which we have established reserves. In addition, the EPA has investigated contamination in site soils. No decision has been made as to the extent of soil remediation to be required, if any.

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

- (1) pay the EPA for installation of an alternate water line to provide water to area residents;
- (2) perform an interim groundwater remedy at the site; and
- (3) conduct soil remediation.

U.S. v. Chemical Leaman Tank Lines, Inc., Civil Action No. 95-CV-4264 (RJB) (E.D. Pa.).

CLC has paid all costs associated with installation of the waterline. CLC has completed a hydro-geologic study, and has commenced activities for construction of a groundwater treatment plant to pump and treat groundwater. The EPA anticipates that CLC will operate the plant for about five years, at which time the EPA will evaluate groundwater conditions and determine whether a final groundwater remedy is necessary. Field sampling for soil remediation recently commenced. The Consent Decree does not cover the final groundwater remedy or other site remedies or claims, if any, for natural resource damages.

Other Environmental Matters. CLC has been named as PRP under CERCLA and similar state laws at approximately 40 former waste treatment and/or disposal sites including the Helen Kramer Landfill Site where CLC previously settled its liability. In general, CLC is among several PRP's named at these sites. CLC is also incurring expenses resulting from the investigation and/or remediation of certain current and former CLC properties, including its facility in Tonawanda, New York and its former facility in Putnam County, West Virginia, and its facility in Charleston, West Virginia. As a result of our acquisition of CLC, we identified other owned or formerly owned properties that may require investigation and/or remediation, including properties subject to the New Jersey Industrial Sites Recovery Act (ISRA). CLC's involvement at some of the above referenced sites could amount to material liabilities, and there can be no assurance that costs associated with these sites, individually or in the aggregate, will not be material. We have established reserves for liabilities

**Table of Contents**

associated with the Helen Kramer Landfill, CLC's facility at Tonawanda, New York and CLC's former facility in Putnam County.

**6. RECENT ACCOUNTING PRONOUNCEMENTS**

In July 2001 the Financial Accounting Standards Board (FASB) issued SFAS No. 141 Business Combinations and SFAS No. 142 Goodwill and Other Intangible Assets. SFAS No. 141 requires business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting, and broadens the criteria for recording intangible assets separate from goodwill. Recorded goodwill and intangibles will be evaluated against this new criteria and may result in certain intangibles being subsumed into goodwill, or alternatively, amounts initially recorded as goodwill may be separately identified and recognized apart from goodwill. SFAS No. 142 requires the use of a nonamortization approach to account for purchased goodwill and certain intangibles. Under a nonamortization approach, goodwill and certain intangibles will not be amortized into results of operations, but instead would be reviewed for impairment and written down and charged to results of operations only in the periods in which the recorded value of goodwill and certain intangibles is more than its fair value. The provisions of each statement which apply to goodwill and intangible assets acquired prior to June 30, 2001 will be adopted by the Company on January 1, 2002. We expect the adoption of these accounting standards will have the impact of reducing our amortization of goodwill and intangibles commencing January 1, 2002; however, impairment reviews may result in future periodic write-downs.

**7. GUARANTOR SUBSIDIARIES:**

The 10% Series B Senior Subordinated Notes issued in June 1998 and due 2006 are unconditionally guaranteed on a senior unsecured basis pursuant to guarantees by all the Company's direct and indirect domestic subsidiaries, except Bulknet (The Guarantors).

The Company conducts all of its business through and derives virtually all its income from its subsidiaries. Therefore, the Company's ability to make required principal and interest payments with respect all to the Company's debt depends on the earnings of subsidiaries and its ability to receive funds from its subsidiaries. The subsidiary guarantors are wholly owned subsidiaries of the Company and have fully and unconditionally guaranteed the Notes on a joint and several basis.

The Company has 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 Notes.

The following condensed consolidating financial information presents:

1. Balance Sheets as of September 30, 2001 and December 31, 2000.
2. Statements of Operations for the three months ended September 30, 2001 and 2000. 3. Statements of Operations for the nine months ended September 30, 2001 and 2000.
4. Statements of Cash Flows for the nine months ended September 30, 2001 and 2000.
5. The parent company and combined guarantor subsidiaries.
6. Elimination entries necessary to consolidate the parent company and all its subsidiaries.

**Table of Contents**

FORM 10-Q  
QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
CONSOLIDATING BALANCE SHEET  
SEPTEMBER 30, 2001  
(Unaudited)  
(In thousands)

	Parent	Guarantor Subs	Non-Guarantor Subs	Eliminations	Consolidated
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents					
\$ \$61 \$766 \$ \$827					
Accounts receivable, net					
98,299 1,075 99,374					
Inventories					
1,464 217 1,681					
Prepaid expense and other Current assets					
13,831 624 14,455					
Total Current Assets					
113,655 2,682 116,337					
Property and equipment, net					
153,764 17,103 170,867					
Intangibles & goodwill, net					
149,375 833 150,208					
Other assets					
100,000 9,105 4 (100,000) 9,109					
Investment in subsidiaries					
221,107 (221,107)					



\$321,107 \$425,899 \$20,622 \$(321,107) \$446,521

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Table of Contents**

FORM 10-Q  
QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
CONSOLIDATING BALANCE SHEET  
SEPTEMBER 30, 2001  
(Unaudited) (In thousands, continued)

	Parent	Guarantor Subs	Non-Guarantor Subs	Elim's	Consolidated
<b>Current Liabilities</b>					
Current maturities of indebtedness					
\$2,890 \$ \$ \$2,890					
Accounts payable and accrued expense					
62,027 1,884 63,911					
Inter-company					
(919) 919					
Independent contractors payable					
8,594 (139) 8,455					
Other current liabilities					
1,149 1,149					
Income tax payable					
178 172 350					
<b>Total Current Liabilities</b>					
2,890 71,029 2,836 76,755					
Bank debt, less current maturities					
283,195 283,195					
Subordinated debt, less Current maturities					
140,000 100,000 (100,000) 140,000					
Other long term liabilities					
7,387 7,387					
Environmental liabilities					
38,666 38,666					
Deferred income taxes					
(539) 2,299 1,760					
Accrued loss and damage claims					
1,903 1,903					

Total liabilities				
\$426,085	\$218,446	\$5,135	\$(100,000)	\$549,666
Minority interest in subs				
1,833		1,833		
Mandatorily redeemable preferred stock				
14,965		14,965		
Redeemable common stock				
1,210		1,210		
Stockholders' Equity				
Common stock and Additional paid-in-capital				
105,676	145,381	15,082	(160,463)	105,676
Retained earnings				
(28,612)	60,239	1,487	(61,726)	(28,612)
Stock recapitalization				
(189,589)	(55)	55	(189,589)	
Treasury stock				
(237)		(237)		
Other stockholders' equity				
(6,505)	(1,027)	1,027	(6,505)	
Note receivable				
(1,886)		(1,886)		

Total stockholders' equity or (deficit)				
(121,153)	205,620	15,487	(221,107)	(121,153)

\$321,107	\$425,899	\$20,622	\$(321,107)	\$446,521
-----------	-----------	----------	-------------	-----------

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Table of Contents**

FORM 10-Q  
QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
CONSOLIDATING BALANCE SHEET  
DECEMBER 31, 2000  
(Unaudited)  
(In thousands)

	Parent	Guarantor Subs	Non-Guarantor Subs	Elim's	Consolidated*
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents					
\$ \$2,469 \$167 \$ \$2,636					
Accounts receivable, net					
85,847 9,426 95,273					
Inventories					
1,528 258 1,786					
Prepaid expenses and other current assets					
15,889 658 16,547					
Total Current Assets					
105,733 10,509 116,242					
Property and equipment, net					
154,065 21,451 175,516					
Intangibles & goodwill, net					
152,748 920 153,668					
Other assets					
100,000 7,643 4 (100,000) 7,647					
Investment in subsidiaries					
221,098 (221,098)					

\$321,098 \$420,189 \$32,884 \$(321,098) \$453,073

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Condensed from audited financial statements.

**Table of Contents**

FORM 10-Q  
QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
CONSOLIDATING BALANCE SHEET  
DECEMBER 31, 2000  
(Unaudited, in thousands, continued)

	Guaranteed		Non-Guaranteed		Consolidated*
	Parent	Subs	Subs	Elim's	
<b>Current Liabilities</b>					
Current maturities of indebtedness					
\$3,619 \$ \$ \$3,619					
Accounts payable and accrued expenses					
66,782 315 67,097					
Inter Company					
(14,225) 14,225					
Independent contractors payable					
7,497 66 7,563					
Other current liabilities					
Income tax payable					
505 329 834					
<b>Total Current Liabilities</b>					
3,619 60,559 14,935 79,113					
Bank debt, less current maturities					
273,253 67 273,320					
Subordinated debt					
140,000 140,000					
Environmental liabilities					
39,873 39,873					
Other long term liabilities					
110,926 (100,000) 10,926					
Deferred income taxes					
(1,173) 2,355 1,182					
Minority interest in subs					
4,433 4,433					
Mandatorily redeemable preferred stock					
13,882 13,882					
Redeemable common stock					
1,210 1,210					
Stockholders Equity					

# Edgar Filing: QUALITY DISTRIBUTION INC - Form 10-Q

Common stock and Additional paid-in-capital  
105,676 142,963 15,082 (158,045) 105,676  
Retained earnings  
(22,212) 62,608 1,320 (63,928) (22,212)  
Treasury stock  
(32) (32)  
Stock recapitalization  
(189,589) (55) 55 (189,589)  
Other stockholders' equity  
(2,823) (820) 820 (2,823)  
Note receivable  
(1,886) (1,886)

---

---

---

---

---

Total stockholders' equity or (deficit)  
(110,866) 205,571 15,527 (221,098) (110,866)

---

---

---

---

---

\$321,098 \$420,189 \$32,884 \$(321,098) \$453,073

---

---

---

---

---

Condensed from audited financial statements.



	Parent	Guarantor Subs	Non-Guarantor Subs	Elim's	Consolidated
Operating Revenues					
Transportation					
\$ 112,176	\$5,982	\$ 118,158			
Other					
15,606	379	15,985			
127,782	6,361	134,143			
Operating Expenses					
Purchased transportation					
76,900	517	77,417			
Depreciation and amortization					
7,986	786	8,772			
Other operating expenses					
34,471	4,611	39,082			
Operating income (loss)					
8,425	447	8,872			
Interest expense, net					
10,490		10,490			
Other (income) expense					
(4)	(4)				
Equity in earnings (loss) of subsidiaries					

# Edgar Filing: QUALITY DISTRIBUTION INC - Form 10-Q

5,355 (5,355)


Income (loss) before taxes  
(5,135) 8,429 447 (5,355) (1,614)  
Income taxes  
(3,386) 3,456 65 135  
Minority interest


Net Income or (loss)  
\$(1,749) \$4,973 \$382 \$(5,355) \$(1,749)


**Table of Contents**

FORM 10-Q  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
QUALITY DISTRIBUTION, INC. AND SUBS CONDENSED CONSOLIDATING STATEMENTS OF INCOME  
THREE MONTHS ENDED SEPTEMBER 30, 2000  
(Unaudited) (In thousands)

	Parent	Guarantor Subs	Non-Guaran- tor Subs	Elim's	Consol- idated
Operating Revenues					
Transportation					
\$ \$118,359 \$7,136 \$ \$125,495					
Other					
16,219 247 16,466					
134,578 7,383 141,961					
Operating Expenses					
Purchased transportation					
80,196 774 80,970					
Depreciation and amortization					
8,778 955 9,733					
Other operating expenses					
38,383 5,675 44,058					
Operating income (loss)					
7,221 (21) 7,200					
Interest expense, net					
9,960 47 10,007					
Other (income) expense					
(9) (9)					
Equity in earnings (loss) of subsidiaries					

# Edgar Filing: QUALITY DISTRIBUTION INC - Form 10-Q

4,043 (4,043)


Income (loss) before taxes  
 (5,917) 7,230 (68) (4,043) (2,798)  
 Income taxes  
 (97) 2,964 79 2,946  
 Minority interest  
 76 76


Net Income or (loss)  
 \$(5,820) \$4,190 \$(147) \$(4,043) \$(5,820)


**Table of Contents**

FORM 10-Q  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
QUALITY DISTRIBUTION, INC. AND SUBS CONDENSED CONSOLIDATING STATEMENTS OF INCOME  
NINE MONTHS ENDED SEPTEMBER 30, 2001  
(Unaudited) (In thousands)

	<u>Parent</u>	<u>Guarantor Subs</u>	<u>Non-Guarantor Subs</u>	<u>Elim's</u>	<u>Consolidated</u>
Operating Revenues					
Transportation					
\$ \$333,371 \$18,011 \$ \$351,382					
Other					
45,964 1,218 47,182					
379,335 19,229 398,564					
Operating Expenses					
Purchased transportation					
226,959 2,144 229,103					
Depreciation and amortization					
23,818 2,532 26,350					
Other operating expenses					
103,737 14,192 117,929					
Operating income (loss)					
24,821 361 25,182					
Interest expense, net					
29,552 29,552					
Other expense					
(4) (2) (6)					
Equity in earnings (loss) of subsidiaries					

# Edgar Filing: QUALITY DISTRIBUTION INC - Form 10-Q

14,815 (14,815)

---



---



---



---



---

Income (loss) before taxes

(14,737) 24,825 363 (14,815) (4,364)

Income taxes

(9,528) 10,178 195 845

---



---



---



---



---

Net income (loss)

(5,209) 14,647 168 (14,815) (5,209)

---



---



---



---



---

**Table of Contents**

FORM 10-Q  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
QUALITY DISTRIBUTION, INC. AND SUBS CONDENSED CONSOLIDATING STATEMENTS OF INCOME  
NINE MONTHS ENDED SEPTEMBER 30, 2000  
(Unaudited) (In thousands)

	<u>Parent</u>	<u>Guarantor Subs</u>	<u>Non-Guaran- tor Subs</u>	<u>Elim's</u>	<u>Consol- idated</u>
Operating Revenues					
Transportation					
\$ \$368,856 \$21,690 \$ \$390,546					
Other					
49,191 585 49,776					
418,047 22,275 440,322					
Operating Expenses					
Purchased transportation					
246,409 2,422 248,831					
Depreciation and amortization					
25,343 2,895 28,238					
Other operating expenses					
119,170 16,184 135,354					
Operating income (loss)					
27,125 774 27,899					
Interest expense, net					
29,889 321 30,210					
Other expense					
(54) (54)					
Equity in earnings (loss) of subsidiaries					

# Edgar Filing: QUALITY DISTRIBUTION INC - Form 10-Q

16,014 (16,014)


Income (loss) before taxes  
 (13,875) 27,179 453 (16,014) (2,257)  
 Income taxes  
 (7,961) 11,143 249 3,431  
 Minority Interest  
 226 226


Net income (loss)  
 \$(5,914) \$15,810 \$204 \$(16,014) \$(5,914)




**Table of Contents**

FORM 10-Q  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS  
NINE MONTHS ENDED SEPTEMBER 30, 2001 (Unaudited) (In thousands)

	Parent	Guarantor Subs	Non-Guarantor Subs	Elim's	Consolidated
Cash provided by (used for)					
Operating activities:					
Net income (loss)					
\$ (5,209) \$14,647 \$168 \$(14,815) \$(5,209)					
Adjustments for non cash charges					
5,209 20,828 2,447 28,484					
Changes in assets/liabilities					
(22,843) (3,134) 14,815 (11,162)					
Net cash provided by operating activities					
12,632 (519) 12,113					
Investing activities:					
Capital expenditures					
(21,250) (744) (21,994)					
Proceeds from asset dispositions					
47 1,928 1,975					
Net cash provided by (used for) investing activities					
(21,203) 1,184 (20,019)					
Financing activities:					
Proceeds from issuance of long term debt					

# Edgar Filing: QUALITY DISTRIBUTION INC - Form 10-Q

11,500		11,500
Payment of obligations		
(2,291)	(65)	(2,356)
Issuance of common stock		
Redemption of preferred stock		
(2,600)		(2,600)
Other		
769		769
Net change in intercompany balances		
(6,609)		6,609

---



---



---



---



---

Net cash provided by financing activities

7,378	(65)	7,313
-------	------	-------

---



---



---



---



---

Net increase (decrease) in cash

(1,193)	600	(593)
---------	-----	-------

Effect of exchange rate changes on cash

(1,215)	(1)	(1,216)
---------	-----	---------

Cash, beginning of period

2,469	167	2,636
-------	-----	-------

---



---



---



---



---

Cash, end of period

\$	\$61	\$766	\$	\$827
----	------	-------	----	-------

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Table of Contents**

FORM 10-Q  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS  
NINE MONTHS ENDED SEPTEMBER 30, 2000 (Unaudited) (In thousands)

	Parent	Guarantor Subs	Non-Guarantor Subs	Elim's	Consolidated
Cash provided by (used for)					
Operating activities:					
Net income (loss)					
\$(5,914) \$15,810 \$204 \$(16,014) \$(5,914)					
Adjustments for non cash charges					
5,914 23,054 2,630 31,598					
Changes in assets/liabilities					
(20,501) 9,387 16,014 4,900					
Net cash provided by operating activities					
18,363 12,221 30,584					
Investing activities:					
Capital expenditures					
(11,427) (3,323) (14,750)					
Proceeds from asset dispositions					
2,672 834 3,506					
Net cash provided by (used for) investing activities					
(8,755) (2,489) (11,244)					
Financing activities:					
Proceeds from issuance of long term debt					

# Edgar Filing: QUALITY DISTRIBUTION INC - Form 10-Q

10,499	(10,499)	
Payment of obligations		
(17,415)	291	(17,124)
Issuance of common stock		
169	169	
Redemption of preferred stock		

Other

Net change in intercompany balances		
6,747	(6,747)	

---



---



---



---



---

Net cash provided by financing activities		
(6,747)	(10,208)	(16,955)

---



---



---



---



---

Net increase (decrease) in cash		
2,861	(476)	2,385
Effect of exchange rate changes on cash		
(237)	(237)	
Cash, beginning of period		
149	901	1,050

---



---



---



---



---

Cash, end of period		
\$ 2,773	\$425	\$ 3,198

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Table of Contents**

FORM 10-Q  
PART 1 FINANCIAL INFORMATION  
QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS  
THIRD QUARTER 2001 COMPARED TO THE THIRD QUARTER 2000

The Company's operating results are affected by shipments for the bulk chemical industry. Shipments of chemical products are in turn affected by many other industries, including consumer and industrial products, automotive, paint and coatings, and paper, and tend to vary with changing economic conditions. The Company also participates in the shipment of bulk food products through its food-grade division. The volumes of food products and certain other consumer products tend to be subject to fewer fluctuations due to swings in economic activity.

For the quarter ended September 30, 2001, revenues totaled \$134.1 million, a 5.5% decrease from revenues of \$142.0 million for the same period in 2000. This decrease is attributable to the continued soft demand for bulk transportation services which began in the third quarter of 2000, and continued throughout the third quarter of 2001 in the United States and Canada.

The decline in demand in the last several quarters is reflective of the softness in the manufacturing sector over the same period. The decline in base business demand, accompanied by flat pricing environment were offset partially by growth in new business as a result of successful competitive bids.

For the quarter ended September 30, 2001, operating income totaled \$8.9 million, an increase of \$1.7 million compared to \$7.2 million for the same period in 2000. This increase in operating income was due to a \$2.1 million restructuring charge taken in 2000, offset somewhat by a 0.7 special charge taken in 2001 related to employee reductions. Increases in natural gas prices led to significantly higher utility expense in 2001 versus 2000. These higher utility rates were partially offset by surcharges at some tank wash facilities.

The operating ratio for the quarter ended September 30, 2001 was 93.4% compared to 94.9% for the same period in 2000. This improvement was attributable to the reasons discussed above.

Net interest expense increased to \$10.5 million in the quarter ended September 30, 2001, from \$10.01 million in the quarter ended September 30, 2000. This increase is the result of the modification of our bank loan agreement.

The pretax loss for the quarter ended September 30, 2001 totaled \$1.6 million compared to a \$2.8 million loss for the same period in 2000.

Income tax expense decreased from \$2.9 million to \$0.1 million due to the relative impact of non-deductible items on the different pre tax amounts and the non-recognition of tax benefits.

For the quarter ended September 30, 2001, the Company's net loss was \$1.7 million compared with a \$5.8 million loss for the same period last year.

Basic weighted average shares decreased to 2,012,000 in the third quarter of 2001 from 2,014,000 at September 30, 2000. As of September 30, 2001, a total of 2,011,428 shares were outstanding.

**Table of Contents**

FORM 10-Q  
PART 1 FINANCIAL INFORMATION  
QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS  
FIRST NINE MONTHS 2001 COMPARED TO THE FIRST NINE MONTHS 2000

For the nine months ended September 30, 2001, revenues totaled \$398.6 million, a 9.5% decrease from revenues of \$440.3 million for the same period in 2000. This decrease is attributable to the continued decline in demand for bulk transportation services which began in the third quarter of 2000 and has since continued to intensify throughout the United States and Canada.

For the nine months ended September 30, 2001, operating income totaled \$25.2 million, a decrease of \$2.7 million compared to \$27.9 million for the same period in 2000. This decrease was primarily the result of the overall decrease in transportation revenue. Proportional reductions occurred in purchased transportation, wages and fuel. Offsetting these reductions were additional start up costs for new business, costs associated with the continuing conversion of Company terminals to affiliate operations, higher fleet maintenance costs and continued higher than anticipated insurance payments on older claims. Additionally, increases in natural gas prices led to higher utility expense favorably offset by surcharges at some tank wash facilities.

The operating ratio for the nine months ended September 30, 2001 was 93.7% compared to 93.7% for the same period in 2000.

Net interest expense decreased to \$29.6 million in the nine months ended September 30, 2001, from \$30.2 million in the nine months ended September 30, 2000. This decrease is the result of lower interest rates on the variable interest portion of the Company's debt, offset by increases due to the modification of our bank agreement.

The pretax loss for the nine months ended September 30, 2001 totaled \$4.4 million compared to a \$2.3 million loss for the same period in 2000.

Income tax expense decreased from \$3.4 million to \$0.8 million due to the relative impact of non-deductible items on the different pretax amounts and the non-recognition of tax benefits.

For the nine months ended September 30, 2001, the Company's net loss was \$5.2 million compared with a \$5.9 million loss for the same period last year.

Basic weighted average shares increased to 2,015,000 in the third quarter of 2001 from 2,014,000 at September 30, 2000. As of September 30, 2001, a total of 2,011,428 shares were outstanding.



**Table of Contents**

FORM 10-Q

PART 1 FINANCIAL INFORMATION

QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

Liquidity and Capital Resources

The Company's primary sources of liquidity are funds provided by operations and borrowings under various credit arrangements with financial institutions.

Net cash provided by operating activities totaled \$12.1 million for the nine months ended September 30, 2001, versus \$30.6 million for the same period in 2000. This difference is due largely to the receipt of insurance proceeds offset by payments against environmental and other accruals in the first quarter of 2000, and the timing of payments for environmental and accrued expenses in 2001.

Cash used by investing activities totaled \$20.0 million for the nine month period ended September 30, 2001, compared to \$11.2 million used for the comparable 2000 period. Capital was used primarily to acquire replacement revenue equipment and for significant upgrades to the Company's computer infrastructure and new dispatch system in 2001.

Cash provided by financing activities totaled \$7.3 million during the nine month period ended September 30, 2001, compared to \$17.0 million used in the comparable period in 2000. This difference is due to the increased proceeds from borrowing in 2001.

The Company has a \$285,000,000 credit facility with a group of banks maturing at various times from June of 2004 to 2006. Additionally, the Company has a revolving credit facility in the amount of \$57.6 million until June 9, 2004. As of September 30, 2001, the Company has available \$26.3 million under this revolving credit facility. The Company also has \$100.0 million in 10% senior subordinated notes due in 2006 and \$40.0 million in floating interest rate subordinated term securities also due in 2006.

Our credit agreements include financial covenants, recently modified, which require minimum or maximum ratios to be maintained. As of September 30, 2001, a technical default existed relative to one of these covenants. The Company has obtained a waiver from the lenders with respect to this default. Continued compliance with these requirements could be effected by changes relating to economic factors, market uncertainties, or other events as described under forward looking statements and risk factors.

The Company's management believes that borrowings under the line of credit, together with available cash and internally generated funds, will be sufficient to fund QDI's continued growth and meet its working capital requirements for the foreseeable future.

**Table of Contents**

FORM 10 -Q

PART 1 FINANCIAL INFORMATION

Forward Looking Statements And Risk Factors

Some of the statements contained in this report discuss future expectations and contain projections of results of operations or financial condition or state other forward-looking information. Those statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by the statements. Please see the risk factors set forth in the Company's 2000 Form 10-K which identify important risk factors such as the Company's high leverage, dependence on affiliates and owner-operators, environmental risks and claims exposure.

The forward-looking information is based on various factors and was derived using numerous assumptions. Important factors that could cause our actual results to be materially different from the forward-looking statements include general economic conditions, cost and availability of diesel fuel, adverse weather conditions and competitive rate fluctuations. Future financial and operating results of QDI may fluctuate as a result of these and other risk factors as detailed from time to time in company filings with the Securities and Exchange Commission.

**Table of Contents**

FORM 10-Q

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

Reference is made to Item 2 on page 17 of the Company's Form 10-K for the year ended December 31, 2000. There have been no material changes in the Company's legal proceedings since this filing.

ITEM 4. Submission of Matters to a Vote of Security Holders

None

ITEM 6. (a) Exhibits:

<u>Exhibit No.</u>	<u>Description</u>
2.6	Bank Consent and Waiver

(b) Reports on Form 8-K: None

Signatures

QUALITY DISTRIBUTION, INC.

November 13, 2001

/s/ THOMAS L. FINKBINER

THOMAS L. FINKBINER, (CEO, PRESIDENT)  
(DULY AUTHORIZED OFFICER)

November 13, 2001

/s/ DENNIS R. FARNSWORTH

DENNIS R. FARNSWORTH (SR.VP.FINANCE)  
(PRINCIPAL FINANCIAL OFFICER)