

QD CAPITAL CORP  
Form S-4/A  
February 05, 2010  
Table of Contents

As filed with the Securities and Exchange Commission on February 5, 2010

Registration No. 333-163868

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

**AMENDMENT NO. 1 TO**  
**FORM S-4**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**QUALITY DISTRIBUTION, LLC**

and the Guarantors identified in footnote (1) below

(Exact name of registrant as specified in charter)

**Delaware**  
(State or other jurisdiction of

**4213**  
(Primary Standard Industrial

**04-3668323**  
(I.R.S. Employer

Edgar Filing: QD CAPITAL CORP - Form S-4/A

incorporation or organization)

Classification Code Number)  
4041 Park Oaks Blvd., Suite 200

Identification Number)

Tampa, Florida 33610

(813) 630-5826

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

## QD CAPITAL CORPORATION

and the Guarantors identified in footnote (1) below

(Exact name of registrant as specified in charter)

Delaware

(State or other jurisdiction of

4213

(Primary Standard Industrial

02-0692668

(I.R.S. Employer

incorporation or organization)

Classification Code Number)  
4041 Park Oaks Blvd., Suite 200

Identification Number)

Tampa, Florida 33610

(813) 630-5826

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Jonathan C. Gold**

**Senior Vice President, General Counsel and Secretary**

**Quality Distribution, Inc.**

**4041 Park Oaks Blvd., Suite 200**

**Tampa, Florida 33610**

**(813) 630-5826**

(Name, address, including zip code, and telephone number, including area code, of agent for service of process)

*With copies to:*

**William E. Turner II**

Edgar Filing: QD CAPITAL CORP - Form S-4/A

**Barack Ferrazzano Kirschbaum & Nagelberg LLP**

**200 West Madison Street, Suite 3900**

**Chicago, Illinois 60606**

**(312) 984-3100**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective.

**Table of Contents**

If any of the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act:

Large accelerated filer " Accelerated filer " Non-accelerated filer " Smaller reporting company x

**(Do not check if a smaller reporting company)**

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) "

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) "

**The registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrants shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

- (1) The following parent of Quality Distribution, LLC and domestic direct or indirect wholly owned subsidiaries of Quality Distribution, LLC are guarantors of the exchange 10% Senior Notes due 2013 and the 11.75% Senior Subordinated PIK Notes due 2013, and are Co-Registrants, each of which is incorporated in the jurisdiction and has the I.R.S. Employer Identification Number indicated: Quality Distribution, Inc., a Florida corporation (59-3239073); American Transinsurance Group, Inc., a Delaware corporation (23-2613934); Boasso America Corporation, a Louisiana corporation (72-1176189); Chemical Leaman Corporation, a Pennsylvania corporation (23-2021808); EnviroPower, Inc., a Delaware corporation (23-2735584); Fleet Transport Company, Inc., a Delaware corporation (23-2848144); Mexico Investments, Inc., a Florida corporation (59-3433851); MTL of Nevada, a Nevada corporation (88-0350589); QD Risk Services, Inc., a Florida corporation (80-0388660); Power Purchasing, Inc., a Delaware corporation (23-2611487); Quala Systems, Inc., a Delaware corporation (23-2343087); Quality Carriers, Inc., an Illinois corporation (36-2590063); and Transplastics, Inc., a Delaware corporation (23-2932792).

**CALCULATION OF REGISTRATION FEE**

Title of each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Note	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
10% Senior Notes due 2013	\$134,499,000	100%	\$134,499,000 (1)	\$7,506
11.75% Senior Subordinated PIK Notes due 2013	\$81,395,785 (2)	100%	\$81,395,785 (1)	\$4,553 (3)
Guarantees of 10% Senior Notes due 2013	\$134,499,000	(4)	(4)	(4)
Guarantees of 11.75% Senior Subordinated PIK Notes due 2013	\$81,395,785	(4)	(4)	(4)

## Edgar Filing: QD CAPITAL CORP - Form S-4/A

Total	\$215,241,000	100%	\$215,241,000 (1)	\$12,059 (5)
-------	---------------	------	-------------------	--------------

- (1) Estimated solely for the purpose of calculating the registration fee.
- (2) Includes \$653,785 in aggregate principal amount of 11.75% Senior Subordinated PIK Notes due 2013 issued on February 1, 2010 as partial payment of interest on such notes paid in accordance with their terms. No additional consideration will be received for such 11.75% Senior Subordinated PIK Notes due 2013.
- (3) The registration fee payable with respect to the 11.75% Senior Subordinated PIK Notes due 2013 was calculated as follows: the sum of (i) the product of (a) \$80,742,000 (the original principal amount registered upon the initial filing of this Registration Statement on Form S-4 on December 18, 2009) multiplied by (b) .0000558, the applicable rate at the time of filing, plus (ii) the product of (a) \$653,785 (the additional principal amount comprising interest that was paid in-kind on February 1, 2010) multiplied by (b) .0000713, the applicable rate at the time of filing of this Amendment No. 1.
- (4) Each of Quality Distribution, Inc., American Transinsurance Group, Inc., Boasso America Corporation, Chemical Leaman Corporation, EnviroPower, Inc., Fleet Transport Company, Inc., Mexico Investments, Inc., MTL of Nevada, Power Purchasing, Inc., QD Risk Services, Inc., Quala Systems, Inc., Quality Carriers, Inc. and Transplastics, Inc. will guarantee the obligations of Quality Distribution, LLC and QD Capital Corporation under the 10% Senior Notes due 2013 and the 11.75% Senior Subordinated PIK Notes due 2013. No additional consideration for the guarantees of the 10% Senior Notes due 2013 and the 11.75% Senior Subordinated PIK Notes due 2013 will be furnished. Pursuant to Rule 457(n), no additional registration fee is payable with respect to such guarantees.
- (5) \$12,012 was previously paid in connection with the initial filing of this Registration Statement on Form S-4 on December 18, 2009. This amount will be offset against the total registration fee, leaving an additional balance to be paid of \$47.

**Table of Contents**

**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to acquire these securities in any state where the offer or sale is not permitted.**

**Subject to Completion, dated February 5, 2010**

**Quality Distribution, LLC**

**QD Capital Corporation**

**Offer to Exchange**

**All Outstanding \$134,499,000 Principal Amount of 10% Senior Notes due 2013 For**

**10% Senior Notes due 2013 Which Have Been Registered Under the Securities Act of 1933**

**and**

**All Outstanding \$80,742,000 Principal Amount at Issuance of 11.75% Senior Subordinated PIK Notes due 2013 For**

**11.75% Senior Subordinated PIK Notes due 2013 Which Have Been Registered Under the Securities Act of 1933**

**The Exchange Offer:**

We will exchange all existing 10% Senior Notes due 2013 that are validly tendered and not validly withdrawn for an equal principal amount of exchange 10% Senior Notes due 2013 that have been registered, and we will exchange all existing 11.75% Senior Subordinated PIK Notes due 2013 that are validly tendered and not validly withdrawn for an equal principal amount of exchange 11.75% Senior Subordinated PIK Notes due 2013 that have been registered.

You may withdraw tenders of existing 10% Senior Notes due 2013 or existing 11.75% Senior Subordinated PIK Notes due 2013 at any time prior to the expiration of the exchange offer.

The exchange offer expires at 5:00 p.m., New York City time, on [\_\_\_\_], 2010, unless we extend the offer.

**The Exchange Notes:**

The terms of the exchange 10% Senior Notes due 2013 to be issued in the exchange offer are substantially identical to the existing 10% Senior Notes due 2013, and the terms of the exchange 11.75% Senior Subordinated PIK Notes due 2013 to be issued in the exchange offer are substantially identical to the existing 11.75% Senior Subordinated PIK Notes due 2013, except that in each case the exchange notes will be freely tradable by persons who are not affiliated with us.

No public market currently exists for the existing 10% Senior Notes due 2013 or the existing 11.75% Senior Subordinated PIK Notes due 2013. We do not intend to list either the exchange 10% Senior Notes due 2013 or the exchange 11.75% Senior Subordinated PIK

## Edgar Filing: QD CAPITAL CORP - Form S-4/A

Notes due 2013 on any securities exchange and, therefore, no active public market is anticipated for any of the exchange notes.

The exchange notes, like the existing notes, will be guaranteed by our parent, Quality Distribution, Inc., and each of our existing and certain future U.S. restricted subsidiaries.

The exchange 10% Senior Notes due 2013, like the existing 10% Senior Notes due 2013, will be unsecured and rank equally with all of our existing and future senior debt and rank senior to our existing and future subordinated debt, and will be effectively subordinated to all of our secured debt, to the extent of the value of the assets securing such debt, and to all liabilities of our non-guarantor subsidiaries.

The exchange 11.75% Senior Subordinated PIK Notes due 2013, like the existing 11.75% Senior Subordinated PIK Notes due 2013, will be unsecured and rank equally with all of our existing and future senior subordinated debt, and will be effectively subordinated to all of our senior unsecured debt and our secured debt, to the extent of the value of the assets securing the secured debt, and to all liabilities of our non-guarantor subsidiaries.

Like the existing notes, if we fail to make payments on the exchange notes, Quality Distribution, Inc. and our subsidiary guarantors must make them instead. The exchange notes, and the guarantees, will also be junior to all of our secured debt and all liabilities of our non-guarantor subsidiaries.

Each broker-dealer that receives any exchange notes pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of those exchange notes.

If the broker-dealer acquired existing notes as a result of market-making or other trading activities, such broker-dealer may use this prospectus for the exchange offer, as supplemented or amended, in connection with its resales of exchange notes.

**You should carefully consider the risk factors beginning on page 1 of this prospectus before participating in the exchange offer.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus is [\_\_\_\_\_], 2010.

**Table of Contents**

## TABLE OF CONTENTS

	Page
<u>MARKET AND INDUSTRY DATA</u>	ii
<u>SUMMARY</u>	iii
<u>RISK FACTORS</u>	1
<u>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	11
<u>THE EXCHANGE OFFER</u>	13
<u>USE OF PROCEEDS</u>	21
<u>CAPITALIZATION</u>	21
<u>SELECTED HISTORICAL FINANCIAL INFORMATION</u>	22
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	25
<u>BUSINESS</u>	48
<u>LEGAL PROCEEDINGS</u>	56
<u>PROPERTIES</u>	56
<u>MANAGEMENT</u>	57
<u>DESCRIPTION OF THE ABL FACILITY AND OTHER INDEBTEDNESS</u>	65
<u>DESCRIPTION OF 10% SENIOR NOTES DUE 2013</u>	69
<u>DESCRIPTION OF 11.75% SENIOR SUBORDINATED PIK NOTES DUE 2013</u>	108
<u>BOOK-ENTRY, DELIVERY AND FORM</u>	148
<u>CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS</u>	150
<u>PLAN OF DISTRIBUTION</u>	156
<u>LEGAL MATTERS</u>	156
<u>EXPERTS</u>	156
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	156
<u>INDEX TO FINANCIAL STATEMENTS</u>	156

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

The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our notes. In this prospectus, unless the context otherwise requires or indicates, (i) the terms "our company," "QD LLC," "we," "us" and "our" refer to Quality Distribution, LLC, a Delaware limited liability company, and its consolidated subsidiaries and their predecessors, (ii) "QDI" refers to Quality Distribution, Inc., our parent company, (iii) "QD Capital" refers to QD Capital Corporation, our wholly owned subsidiary and a co-issuer of the 10% Senior Notes due 2013 and the 11.75% Senior Subordinated PIK Notes due 2013, (iv) the "Issuers" refers to QD LLC (without its consolidated subsidiaries and their predecessors) and QD Capital, (v) the "Existing 10% Senior Notes" refers to the Issuers' outstanding 10% Senior Notes due 2013 and the "Existing 11.75% Senior Subordinated PIK Notes" refers to the Issuers' outstanding 11.75% Senior Subordinated PIK Notes due 2013, (vi) the "Exchange 10% Senior Notes" and the "Exchange 11.75% Senior Subordinated PIK Notes" refers to the Issuers' 10% Senior Notes due 2013 and the Issuers' 11.75% Senior Subordinated PIK Notes due 2013, respectively, that are registered under the Securities Act of 1933 and will be issued pursuant to this exchange offer, (vii) the "Existing Notes" refers to the Existing 10% Senior Notes and the Existing 11.75% Senior Subordinated PIK Notes collectively, (viii) the "Exchange Notes" refers to the Exchange 10% Senior Notes and the Exchange 11.75% Senior Subordinated PIK Notes collectively, (ix) the "ABL Facility" refers to our asset-based revolving credit facility that we entered into on December 18, 2007, (x) "9% Notes" refers to our 9% Senior Subordinated Notes due 2010, and (xi) "2012 Notes" refers to our Senior Floating Rate Notes due 2012.

In connection with the exchange offer, we have filed with the SEC a registration statement on Form S-4 under the Securities Act, relating to the Exchange Notes to be issued in the exchange offer. As permitted by SEC rules, this prospectus does not contain all the information included in the registration statement. Accordingly, this prospectus incorporates important business and financial information about us that is not included in or delivered with this document. Copies of this information are available without charge to any person to whom this prospectus is delivered, upon written or oral request. Written requests should be sent to Quality Distribution, Inc., Attention: Investor Relations, 4041 Park Oaks Boulevard, Suite 200, Tampa, Florida 33610. Oral requests should be made by telephone (813) 569-7235. To obtain delivery, you must request the information no later than [\_\_\_\_], 2010, which is five business days before the expiration of the Exchange Offer.



**Table of Contents**

**MARKET AND INDUSTRY DATA**

Market and industry data and other statistical information used throughout this prospectus are based on independent industry publications, government publications and other published independent sources, including *Bulk Transporter's Tank Truck Carrier 2008 Annual Gross Revenue Report*. Some data are also based on our good faith estimates, which are derived from our review of management's knowledge of the industry and independent sources. Although we believe that this information is reliable, we cannot guarantee its accuracy and completeness, nor have we independently verified it. We also obtain certain other market share and industry data from internal company analyses and management estimates, and based on our knowledge of the industry. While we believe such internal company analyses and management estimates are reliable, no independent sources have verified such analyses and estimates. Although we are not aware of any misstatements regarding the market share and the industry data that we present in this prospectus, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements."

---

**Table of Contents**

**SUMMARY**

*This summary highlights information contained elsewhere in this prospectus but might not contain all of the information that is important to you. Before participating in the exchange offer, you should read this entire prospectus carefully, including the Risk Factors section and the consolidated financial statements and the notes thereto included elsewhere in this prospectus. Except as otherwise noted, the financial data included in the prospectus comes from the consolidated financial statements of our parent, Quality Distribution, Inc. and its subsidiaries. Quality Distribution, Inc. is a guarantor of our Existing 10% Senior Notes, our Existing 11.75% Senior Subordinated PIK Notes, our 9% Notes, our 2012 Notes and our ABL Facility and has no material assets or operations other than its ownership of 100% of our membership interests. As a result, the consolidated financial position and results of operations of Quality Distribution, Inc. are substantially the same as ours.*

**Our Company**

We operate the largest chemical bulk tank truck network in North America through our wholly owned subsidiary, Quality Carriers, Inc., or QCI, and are a leading provider of ISO container and depot services through our wholly owned subsidiary Boasso America Corporation, or Boasso.

The bulk tank truck market in North America includes all products shipped by bulk tank truck carriers and consists primarily of liquid and dry bulk chemicals (including plastics) and bulk dry and liquid food-grade products. We primarily transport a broad range of chemical products and provide our customers with logistics and other value-added services. We are a core carrier for many Fortune 500 companies engaged in chemical processing including BASF, Dow, DuPont, ExxonMobil, Georgia-Pacific, Honeywell, Proctor & Gamble, Sunoco and Unilever, and we provide services to most of the top 100 chemical producers with United States operations.

Our transportation revenue is a function of the volume of shipments by the bulk chemical industry, prices, the average number of miles driven per load, our market share and the allocation of shipments between tank truck transportation and other modes of transportation such as rail. The volume of shipments of chemical products is, in turn, affected by many other industries and end use markets, including consumer and industrial products, paints and coatings, paper and packaging, agriculture and food products, and tends to vary with changing economic conditions.

Our wholly owned subsidiary, Boasso, is the leading North American provider of ISO (International Organization for Standardization) tank container transportation and depot services with nine terminals located in the eastern half of the United States. In addition to intermodal ISO tank transportation services, Boasso provides tank cleaning, heating, testing, maintenance and storage services to customers. Boasso provides local and over-the-road trucking primarily within the proximity of the port cities where its depots are located and also sells equipment that its customers use for portable alternative storage or office space.

Demand for ISO tank containers is impacted by the volume of imports and exports of chemicals through United States ports. Boasso's revenues are accordingly impacted by this import/export volume, in particular the number of shipments through ports at which Boasso has terminals and the volume of rail shipments from ports at which Boasso has terminals as well as by Boasso's market share. Economic conditions and differences among the laws and currencies of nations may impact the volume of shipments as well.

**Our Formation and Development**

We are a Delaware limited liability company formed on April 14, 2002. We are a holding company with no significant assets or operations other than the ownership of our operating subsidiaries, including QCI and Boasso. Our sole member is QDI. QDI is a holding company with no significant assets or operations other than the ownership of 100% of our membership interests. QD Capital, our wholly owned subsidiary, is a Delaware corporation, formed on May 1, 2003 and is a co-issuer of the Existing Notes and will be a co-issuer of the Exchange Notes. QD Capital has nominal assets and no operations.

We are the primary obligor under the Existing Notes, the ABL Facility and other outstanding notes, and will be the primary obligor under the Exchange Notes. QDI is a guarantor under the ABL Facility and the Existing Notes and will be a guarantor of the Exchange Notes.

QDI was formed in 1994 as a holding company known as MTL, Inc. In 1999, QDI changed its name from MTL, Inc. to Quality Distribution, Inc. On May 30, 2002, as part of a corporate reorganization, QDI transferred substantially all of its assets to us, consisting principally of the capital stock of QDI's operating subsidiaries. On November 13, 2003, QDI consummated the initial public offering of its common stock. Boasso became our wholly owned subsidiary in December 2007, when we acquired all of its outstanding capital stock from a third party.



**Table of Contents**

QDI is owned principally by Apollo Management, L.P. and certain of its affiliates, or Apollo. As of December 31, 2009, Apollo owned or controlled approximately 52.2% of QDI's outstanding common stock, and approximately 47.1% of QDI's common stock on a fully diluted basis.

**Risk Factors**

An investment in the Exchange Notes involves a high degree of risk. Potential investors should carefully consider the risk factors set forth under Risk Factors beginning on page 1 and the other information contained in this prospectus prior to participating in the exchange offer.

**Corporate Information**

Our principal executive offices are located at 4041 Park Oaks Blvd., Suite 200, Tampa, Florida, 33610, and our telephone number is (813) 630-5826.

---

**Table of Contents**

**Summary of the Terms of the Exchange Offer**

We and the guarantors of the Existing Notes have entered into registration rights agreements with the dealer managers in connection with the issuances of the Existing Notes, in which we agreed to file a registration statement relating to an offer to exchange the Existing 10% Senior Notes for Exchange 10% Senior Notes and the Existing 11.75% Senior Subordinated PIK Notes for Exchange 11.75% Senior Subordinated PIK Notes within 120 days of the issuances of the Existing Notes and to use our commercially reasonable efforts to cause the registration statement to be declared effective within 180 days following the issuances of the Existing Notes. The registration statement, of which this prospectus forms a part, was initially filed pursuant to this obligation on December 18, 2009, and was declared effective by the SEC on [\_\_\_\_], 2010. We further agreed to use our best efforts to consummate the exchange offer within 40 days following the effective date of the registration statement. In the exchange offer, you are entitled to exchange your Existing 10% Senior Notes for Exchange 10% Senior Notes or your Existing 11.75% Senior Subordinated PIK Notes for Exchange 11.75% Senior Subordinated PIK Notes. The Exchange Notes that you receive will be identical in all material respects to the class of Existing Notes that you tendered for exchange except that:

the issuance of the Exchange Notes has been registered under the Securities Act, and as a result the Exchange Notes will be freely tradable by persons who are not affiliated with us;

the Exchange Notes are not entitled to registration rights, which are only applicable to the Existing Notes under the registration rights agreements; and

our obligation to pay additional interest on the Existing Notes because (a) the registration statement of which this prospectus forms a part was not initially filed by February 12, 2010, (b) the registration statement of which this prospectus forms a part was not declared effective by April 13, 2010, or (c) the exchange offer was not consummated by May 23, 2010, in each case, at incremental rates ranging from 0.25% per annum to 1.0% per annum depending on how long we fail to comply with these deadlines, does not apply to the Exchange Notes.

**The Exchange Offer**

We are offering to exchange (i) up to all outstanding 10% Senior Notes due 2013, which were issued on October 15, 2009, for a like principal amount of 10% Senior Notes due 2013 that have been registered under the Securities Act, and (ii) up to all outstanding 11.75% Senior Subordinated PIK Notes due 2013, which were issued on October 15, 2009, for a like principal amount of 11.75% Senior Subordinated PIK Notes due 2013 that have been registered under the Securities Act (which principal amount of 11.75% Senior Subordinated PIK Notes due 2013 includes \$653,785 of interest that was paid in kind on February 1, 2010, thereby increasing the aggregate outstanding principal amount of 11.75% Senior Subordinated PIK Notes due 2013).

**Resales**

We believe that the Exchange Notes issued in the exchange offer may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act provided that:

the Exchange Notes are being acquired in the ordinary course of your business;

you are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate, in the distribution of the Exchange Notes issued to you in the exchange offer; and

you are not an affiliate of ours.

If any of these conditions are not satisfied and you transfer any Exchange Notes issued to you in the exchange offer without delivering a prospectus meeting the requirements of the Securities Act or without an exemption from registration of your Exchange Notes, you may incur liability under the Securities Act. We will not assume, nor will we indemnify you against, any such liability.

Each broker-dealer that is issued Exchange Notes in the exchange offer for its own account in exchange for Existing Notes that were acquired by that broker-dealer as a result of market-marking or other trading activities, must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of those Exchange Notes. A broker-dealer may use this prospectus for an offer to resell, resale or other retransfer of the Exchange Notes issued to it in the exchange offer.

---

**Table of Contents**

Expiration Date; Withdrawal of Tenders      The exchange offer will expire at 5:00 p.m., New York City time, [\_\_\_\_], 2010, or such later date and time to which we extend it. A tender of Existing Notes pursuant to the exchange offer may be withdrawn at any time prior to the expiration date. Any Existing Notes not accepted for exchange for any reason will be returned without expense to the tendering holder promptly after the expiration or termination of the exchange offer.

Conditions to the Exchange Offer      The exchange offer is subject to customary conditions, some of which we may waive.

Procedures for Tendering Existing Notes      If you wish to accept the exchange offer, you must complete, sign and date the accompanying letter of transmittal, or a copy of the letter of transmittal, according to the instructions contained in this prospectus and the letter of transmittal. You must also mail or otherwise deliver the letter of transmittal, or the copy, together with the Existing Notes and any other required documents, to the exchange agent at the address set forth on the cover of the letter of transmittal. If you hold Existing Notes through The Depository Trust Company, or DTC, and wish to participate in the exchange offer, you must comply with the Automated Tender Offer Program procedures of DTC, by which you will agree to be bound by the letter of transmittal.

By signing or agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

any Exchange Notes that you receive will be acquired in the ordinary course of your business;

you have no arrangement or understanding with any person or entity to participate in the distribution of the Exchange Notes;

if you are a broker-dealer that will receive Exchange Notes for your own account in exchange for Existing Notes that were acquired as a result of market-making activities, that you will deliver a prospectus, as required by law, in connection with any resale of those Exchange Notes;

if you are not a broker-dealer, that you are not engaged in, and you do not intend to engage in, the distribution of Exchange Notes; and

you are not our affiliate as defined in Rule 405 under the Securities Act.

Guaranteed Delivery Procedures      If you wish to tender your Existing Notes and your Existing Notes are not immediately available or you cannot deliver your Existing Notes, the letter of transmittal or any other documents required by the letter of transmittal or comply with the applicable procedures under DTC's Automated Tender Offer Program prior to the expiration date, you must tender your Existing Notes according to the guaranteed delivery procedures described in this prospectus.

Effect on Holders of Existing Notes

## Edgar Filing: QD CAPITAL CORP - Form S-4/A

As a result of the making of, and upon acceptance for exchange of all validly tendered Existing 10% Senior Notes or Existing 11.75% Senior Subordinated PIK Notes pursuant to the terms of, the exchange offer, we will have fulfilled covenants contained in the registration rights agreements applicable to the Existing 10% Senior Notes and the Existing 11.75% Senior Subordinated PIK Notes and, accordingly, we will not be obligated to pay additional interest as described in the registration rights agreement applicable to the particular class of Existing Notes. If you are a holder of Existing Notes and do not tender your Existing Notes in the exchange offer, you will continue to hold the Existing Notes and you will be entitled to all the rights and limitations applicable to the Existing Notes in the indenture governing the particular class of Existing Notes, except for any rights under the registration rights agreement applicable to the class of Existing Notes that by their terms terminate upon the consummation of the exchange offer.

### Consequences of Failure to Exchange

All untendered Existing Notes will continue to be subject to the restrictions on transfer provided for in the Existing Notes and in the indentures governing the Existing Notes. In general, the Existing Notes may not be offered or sold unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offer, or as otherwise required under certain limited circumstances pursuant to the terms of the registration rights agreements, we do not currently anticipate that we will register the Existing Notes under the Securities Act.



**Table of Contents**

Accounting Treatment	We will record the Exchange Notes in our accounting records at the same carrying value as the Existing Notes, as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes in connection with the exchange offer. We will capitalize certain expenses of the exchange offer as deferred financing costs and amortize those costs over the life of the Exchange Notes.
Certain U.S. Federal Income Tax Considerations	The exchange of Existing Notes for Exchange Notes in the exchange offer should not be a taxable event for U.S. federal income tax purposes. See Certain U.S. Federal Income Tax Considerations.
Use of Proceeds	We will not receive any cash proceeds from the issuance of the Exchange Notes. In consideration for issuing the Exchange Notes as contemplated in this prospectus, we will receive in exchange Existing Notes in like principal amount, which will be canceled and as such will not result in any increase in our indebtedness. We did not receive any cash proceeds from the issuances of the Existing Notes, which were issued in exchange for 9% Notes and 2012 Notes that were outstanding on the date of the issuances of the Existing Notes.
Exchange Agent	The Bank of New York Mellon Trust Company, N.A. is the exchange agent for the exchange offer. The address and telephone number of the exchange agent are set forth in the section entitled The Exchange Offer Exchange Agent.

**Summary of the Terms of the Exchange Notes**

Issuers	Quality Distribution, LLC and QD Capital Corporation
Securities Offered	
<i>Exchange 10% Senior Notes</i>	\$134,499,000 Principal Amount of 10% Senior Notes due 2013
<i>Exchange 11.75% Senior Subordinated PIK Notes</i>	\$81,395,785 Principal Amount of 11.75% Senior Subordinated PIK Notes due 2013 (\$653,785 of the aggregate principal amount is due to the payment in kind of interest on February 1, 2010, thereby increasing the outstanding principal amount of the 11.75% Senior Subordinated PIK Notes due 2013)
Maturity Date	
<i>Exchange 10% Senior Notes</i>	June 1, 2013
<i>Exchange 11.75% Senior Subordinated PIK Notes</i>	November 1, 2013
Interest	
<i>Exchange 10% Senior Notes</i>	Interest on the Exchange 10% Senior Notes will accrue at a rate of 10% per annum and will be payable in cash on June 1 and December 1 of each year, commencing June 1, 2010.
<i>Exchange 11.75% Senior Subordinated PIK Notes</i>	<p>Holder who exchange their Existing 10% Senior Notes for Exchange 10% Senior Notes will receive the same interest payment on June 1, 2010 that they would have received if they had not accepted the exchange offer.</p> <p>Interest on the Exchange 11.75% Senior Subordinated PIK Notes will accrue interest at the rate of 11.75% per annum, payable as follows: 9% in cash and 2.75% by increasing the outstanding principal amount of the Exchange 11.75% Senior Subordinated PIK Notes. Interest on the Exchange 11.75% Senior Subordinated PIK Notes will be payable on February 1, May 1, August 1 and November 1 of each year, commencing February 1, 2010.</p>



**Table of Contents**

Guarantees

Our obligations under the Exchange Notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured basis by our parent company, QDI, and each of our existing and certain future U.S. restricted subsidiaries. Exchange Notes are not and will not be, however, guaranteed by our foreign subsidiaries or our unrestricted subsidiaries. Investors should not rely on the QDI guarantee in evaluating an investment in the Exchange Notes as QDI currently has no material assets other than the ownership of 100% of our membership interests, and the covenants contained in the indentures governing the Exchange Notes will not apply to QDI.

Ranking

*Exchange 10% Senior Notes*

The Exchange 10% Senior Notes and the guarantees thereof will be our unsecured and unsubordinated obligations and will rank:

equally in right of payment with all of our existing and future senior unsecured debt, including the Existing 10% Senior Notes and the 2012 Notes and the guarantees thereof;

effectively junior to all of our existing and future secured debt, including borrowings under the ABL Facility, to the extent of the value of the assets securing such debt;

senior in right of payment to all of our existing and future subordinated debt, including the Existing 11.75% Senior Subordinated PIK Notes, the Exchange 11.75% Senior Subordinated PIK Notes and the 9% Notes and the guarantees thereof; and

structurally subordinated to all liabilities, including trade payables, of our subsidiaries that are not guarantors, which are principally our subsidiaries in Mexico and Canada, and which provided less than 1% of our operating revenues in the nine-month period ended September 30, 2009.

*Exchange 11.75% Senior*

The Exchange 11.75% Senior Subordinated PIK Notes and the guarantees thereof will be our unsecured and subordinated obligations and will rank:

*Subordinated PIK Notes*

equally in right of payment with all of our existing and future unsecured subordinated debt, including the Existing 11.75% Senior Subordinated PIK Notes and the 9% Notes and the guarantees thereof;

junior in right of payment with all of our existing and future senior unsecured debt, including the Existing 10% Senior Notes, the Exchange 10% Senior Notes and the 2012 Notes and the guarantees thereof;

effectively junior to all of our existing and future secured debt, including borrowings under the ABL Facility, to the extent of the value of the assets securing such debt; and

structurally subordinated to all liabilities, including trade payables, of our subsidiaries that are not guarantors, which are principally our subsidiaries in Mexico and Canada, and which provided less than 1% of our operating revenues in the nine-month period ended September 30, 2009.

Optional Redemption

*Exchange 10% Senior Notes*

We may redeem some or all of the Exchange 10% Senior Notes at any time, upon providing required notice, at a redemption price equal to 100% of the principal amount of the Exchange 10% Senior Notes plus accrued and unpaid interest and additional interest, if any, to the applicable redemption date.

**Table of Contents**

*Exchange 11.75% Senior*

*Subordinated PIK Notes*

Prior to the first anniversary of the issuance of the Existing 11.75% Senior Subordinated PIK Notes, we may redeem some or all of the Exchange 11.75% Senior Subordinated PIK Notes at a redemption price equal to 100% of the principal amount of the Exchange 11.75% Senior Subordinated PIK Notes plus accrued and unpaid interest and additional interest, if any, to the applicable redemption date plus the applicable make-whole premium. On or after the first anniversary of the issuance of the Existing 11.75% Senior Subordinated PIK Notes, we may redeem some or all of the Exchange 11.75% Senior Subordinated PIK Notes at a redemption price equal to 100% of the principal amount of the Exchange 11.75% Senior Subordinated PIK Notes plus accrued and unpaid interest and additional interest, if any, to the applicable redemption date. Additionally, on or prior to the first anniversary of the issuance of the Existing 11.75% Senior Subordinated PIK Notes, we may redeem up to 35% of the aggregate principal amount of the Exchange 11.75% Senior Subordinated PIK Notes with the net proceeds of specified equity offerings at a redemption price equal to 111% of the principal amount of the Exchange 11.75% Senior Subordinated PIK Notes plus accrued and unpaid interest and additional interest, if any, to the applicable redemption date.

Mandatory Redemption for Exchange

10% Senior Notes

*Semi-Annual Mandatory*

*Redemption*

The Exchange 10% Senior Notes must be redeemed on each June 1 and December 1, commencing December 1, 2010, at 100.00% of the principal amount, plus any accrued and unpaid interest to the date of redemption, in an aggregate principal amount of \$6 million. The required redemption amount may be increased by unpaid amounts required to be carried forward from prior periods.

*Additional Mandatory*

*Redemption*

Beginning with the year ending December 31, 2011, promptly following the delivery by QDI of its Annual Report on Form 10-K for each fiscal year (or the delivery by QD LLC of financial statements if QDI ceases to be a reporting company under the Exchange Act) but no later than 105 days after year-end, the Exchange 10% Senior Notes must be redeemed at 100.00% of the principal amount, plus any accrued and unpaid interest to the date of redemption, in an aggregate principal amount equal to 50% of consolidated excess cash flow for such fiscal year minus \$12 million.

*Reductions in Mandatory*

Both required redemption amounts will be reduced to the extent necessary so that

*Redemption Amounts*

the sum of borrowing availability under the ABL Facility, plus unrestricted cash and cash equivalents, is at least \$37.5 million;

the minimum borrowing availability requirements under the ABL Facility are satisfied;

there is fixed charge coverage ratio of at least 1.0 to 1.0 as calculated under the ABL Facility; and

no other event of default is otherwise caused under the ABL Facility by the redemption.

Mandatory Offer to Repurchase

The required redemption amounts are also reduced by any optional redemptions and repurchases during the redemption period.

If we sell all or substantially all of our assets or undergo other types of changes in control, each holder will have the right to require us to repurchase all or any part of such holder's Exchange Notes at 101% of the aggregate principal amount of the Exchange Notes.

**Table of Contents**

Certain Covenants

The indentures governing the Exchange Notes, among other things, limit our ability and the ability of our restricted subsidiaries to:

incur or guarantee additional indebtedness;

pay dividends or distributions on, or redeem or repurchase, capital stock and make other restricted payments;

make investments;

consummate certain asset sales;

engage in transactions with affiliates;

grant or assume liens; and

consolidate, merge or transfer all or substantially all of our assets.

These limitations are subject to a number of important qualifications and exceptions as described in this prospectus.

Limited Market

The Exchange Notes generally will be freely transferable. However, we do not currently intend to list either class of the Exchange Notes on any exchange, and there can be no assurance as to the development or liquidity of any market for any of the Exchange Notes.

## **Table of Contents**

### **Summary Financial Information**

The following table sets forth summary historical consolidated financial information, and other historical consolidated financial data of QDI. QDI is or will be a guarantor of the Existing 10% Senior Notes, the Exchange 10% Senior Notes, the Existing 11.75% Senior Subordinated PIK Notes, the Exchange 11.75% Senior Subordinated PIK Notes, the 9% Notes, the 2012 Notes and the ABL Facility and has no material assets or operations other than its ownership of 100% of our membership interests. As a result, the consolidated financial position and results of operations of QDI are substantially the same as ours. The summary historical consolidated financial information set forth below is qualified in its entirety by reference to, and should be read in conjunction with, our consolidated financial statements and notes thereto included elsewhere in this prospectus and the section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations. The historical results do not necessarily indicate results expected for any future period, and results for any interim period do not necessarily indicate results expected for a full fiscal year.

The consolidated statements of operations data set forth below for the years ended December 31, 2008, 2007 and 2006 and the historical balance sheet data as of December 31, 2008 and 2007 are derived from our audited financial statements included in this prospectus. The historical statements of operations data for the years ended December 31, 2005 and 2004 and the historical balance sheet data as of December 31, 2006, 2005 and 2004 are derived from our audited financial statements that are not included in this prospectus. The consolidated statements of operations data set forth below for the nine months ended September 30, 2009 and 2008 and the historical balance sheet data as of September 30, 2009 and 2008 are derived from our unaudited financial statements included in this prospectus.



**Table of Contents**

	(UNAUDITED)						
	NINE MONTHS ENDED			YEAR ENDED DECEMBER 31			
	SEPTEMBER 30	2008	2008	2007	2006	2005	2004
	2009	2008	2008	2007	2006	2005	2004
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)						
<b>Statements of Operations Data (1)</b>							
Operating revenues	\$ 462,323	\$ 647,204	\$ 815,290	\$ 751,558	\$ 730,159	\$ 678,076	\$ 622,015
Operating expenses:							
Purchased transportation	273,269	376,378	466,823	471,531	493,686	471,238	420,565
Depreciation and amortization	15,694	15,435	21,002	17,544	16,353	17,278	23,266
Impairment charge (2)	148,630						
Other operating expenses	154,072	230,255	294,487	238,630	171,842	149,741	162,936
Operating (loss) income	(129,342)	25,136	32,978	23,853	48,278	39,819	15,248
Interest expense, net	19,769	25,913	35,120	30,524	29,388	26,712	22,343
Write-off of debt issuance costs			283	2,031		1,110	
Gain on extinguishment of debt	(675)		(16,532)				
Other (income) expense	(284)	171	(2,945)	940	888	(222)	857
(Loss) income before taxes	(148,152)	(948)	17,052	(9,642)	18,002	12,219	(7,952)
Provision for (benefit from) income taxes	36,951	(98)	4,940	(2,079)	(38,168)	352	2,421
Net (loss) income	(185,103)	(850)	12,112	(7,563)	56,170	11,867	(10,373)
Preferred stock dividends							(145)
Net (loss) income attributable to common shareholders	\$ (185,103)	\$ (850)	\$ 12,112	\$ (7,563)	\$ 56,170	\$ 11,867	\$ (10,518)
Net (loss) income per common share:							
Basic	\$ (9.55)	\$ (0.04)	\$ 0.63	\$ (0.39)	\$ 2.97	\$ 0.63	\$ (0.56)
Diluted	\$ (9.55)	\$ (0.04)	\$ 0.62	\$ (0.39)	\$ 2.87	\$ 0.61	\$ (0.56)
Weighted average common shares outstanding:							
Basic	19,373	19,377	19,379	19,336	18,920	18,934	18,910
Diluted	19,373	19,377	19,539	19,336	19,571	19,301	18,910

**Table of Contents**

	(UNAUDITED)						
	NINE MONTHS ENDED			YEAR ENDED DECEMBER 31			
	SEPTEMBER 30			2007	2006	2005	2004
	2009	2008	2008	2007	2006	2005	2004
(DOLLARS IN THOUSANDS, EXCEPT TERMINAL, TRAILER							
AND TRACTOR DATA)							
<b>Other Data (1)</b>							
Cash paid for interest	\$ 15,867	\$ 20,308	\$ 30,690	\$ 28,850	\$ 27,034	\$ 24,645	\$ 19,293
Net cash provided by operating activities	29,213	10,665	19,593	14,052	28,236	9,039	15,945
Net cash used in investing activities	(630)	(10,448)	(8,524)	(63,399)	(10,591)	(16,063)	(8,081)
Net cash (used in) provided by financing activities	(32,574)	(13,529)	(13,485)	52,194	(12,474)	5,858	(6,070)
Number of terminals at end of period (3)	139	157	149	169	165	165	161
Number of trailers operated at end of period	7,204	7,562	7,245	7,506	7,769	7,461	7,377
Number of tractors operated at end of period	2,975	3,485	3,236	3,927	3,829	3,539	3,550
Ratio of earnings to fixed charges (4)			1.4x		1.5x	1.4x	
<b>Balance Sheet Data at Period End (1)</b>							
Working capital	\$ 35,614	\$ 74,191	\$ 44,967	\$ 67,093	\$ 59,673	\$ 43,079	\$ 4,926
Total assets	293,567	546,064	502,103	493,976	417,873	377,053	373,952
Total indebtedness, including current maturities	339,010	404,586	362,586	349,271	279,122	289,116	276,550
Shareholders' (deficit) equity	(152,825)	27,967	31,020	27,300	31,774	(27,462)	(39,446)

- (1) On December 17, 2007, we acquired 100% of the stock of Boasso America Corporation. The results of Boasso have been included in our results since the date of the acquisition. Refer to Note 4 to the Consolidated Financial Statements for the year ended December 31, 2008 included in this prospectus.
- (2) The impairment charge resulted from an impairment analysis of goodwill and intangible assets performed during the quarter ended June 30, 2009. Refer to Note 2 to the Consolidated Financial Statements for the nine months ended September 30, 2009 included in this prospectus.
- (3) Excludes transload facilities.
- (4) For the purpose of computing the ratio of earnings to fixed charges, earnings consist of earnings from continuing operations before income taxes and fixed charges. Fixed charges consist of interest expense including the amortization of deferred debt issuance costs. In 2007 and 2004 earnings were insufficient to cover fixed charges by approximately \$9.6 million and \$10.4 million, respectively. In the nine-month periods ended September 30, 2009 and 2008, earnings were insufficient to cover fixed charges by approximately \$148.2 million and \$0.9 million, respectively.

---

**Table of Contents**

**RISK FACTORS**

*You should carefully consider the risks described below before participating in the exchange offer. Although the risks described below are all of the risks that we believe are material, they are not the only risks relating to our business and the Exchange Notes. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially adversely affect our business, financial condition or results of operations. In such case, you may lose all or part of your investment.*

**Risks Related to the Exchange Offer**

***Your Existing Notes will not be accepted for exchange if you do not follow the exchange offer procedures described in this prospectus.***

We will not accept your Existing Notes for exchange if you do not follow the exchange-offer procedures described in this prospectus. We will issue Exchange Notes as part of the exchange offer only after a timely receipt of your Existing Notes, a properly completed and duly executed letter of transmittal or agent's message and all other required documents. Therefore, if you want to tender your Existing Notes for exchange, you should comply with the exchange procedures and allow sufficient time for your Existing Notes or agent's message to be received by the exchange agent. If we do not receive your Existing Notes, letter of transmittal or agent's message and other required documents by the expiration date of the exchange offer, we will not accept your Existing Notes for exchange. We are under no duty to notify you of defects or irregularities in your tender of Existing Notes for exchange. If there are defects or irregularities in your tender of your Existing Notes, we may not accept your Existing Notes for exchange.

***If you choose not to exchange your Existing Notes in the exchange offer or do not validly tender your Existing Notes, the transfer restrictions currently applicable to your Existing Notes will remain in force, which could inhibit your ability to sell your Existing Notes.***

If you do not exchange your Existing Notes for Exchange Notes in the exchange offer or fail to validly tender your Existing Notes, then your Existing Notes will continue to be subject to certain transfer restrictions. In general, the restrictions prevent the Existing Notes from being offered or sold unless the offer and sale is registered or exempt from registration under the Securities Act and applicable state securities laws. Except as may be required by the registration rights agreements in certain limited circumstances, we do not intend to register resales of the Existing Notes under the Securities Act.

***The market for Existing Notes may be significantly more limited after the exchange offer and you may not be able to sell your Existing Notes after the exchange offer.***

If Existing Notes are tendered and accepted for exchange under the exchange offer, the trading market for Existing Notes that remain outstanding may be significantly more limited. As a result, the liquidity of the Existing Notes not tendered for exchange could be adversely affected. The extent of the market for Existing Notes and the availability of price quotations would depend upon a number of factors, including the number of holders of Existing Notes remaining outstanding and the interest of securities firms in maintaining a market in the Existing Notes. An issue of securities with a similar outstanding market value available for trading, which is called the float, may command a lower price than would be comparable to an issue of securities with a greater float. As a result, the market price for Existing Notes that are not exchanged in the exchange offer may be affected adversely as Existing Notes exchanged in the exchange offer reduce the float. The reduced float also may make the trading price of the Existing Notes that are not exchanged more volatile.

***Certain persons who participate in the exchange offer must deliver a prospectus in connection with resales of the Exchange Notes.***

Based on interpretations of the staff of the SEC contained in *Exxon Capital Holdings Corp.*, SEC no-action letter (May 13, 1988), *Morgan Stanley & Co. Inc.*, SEC no-action letter (June 5, 1991) and *Shearman & Sterling*, SEC no-action letter (July 2, 1993), we believe that you may generally offer for resale, resell or otherwise transfer the Exchange Notes without compliance with the registration and prospectus delivery requirements of the Securities Act. However, in some instances described in this prospectus, certain holders of Exchange Notes will remain obligated to comply with the registration and prospectus delivery requirements of the Securities Act to transfer the Notes. If such a holder transfers any Exchange Notes without delivering a prospectus meeting the requirements of the Securities Act or without an applicable exemption from registration under the Securities Act, the holder could incur liability under the Securities Act. We do not and will not assume, or indemnify such holders against, this liability.

**Risks Related to the Exchange Notes**

## Edgar Filing: QD CAPITAL CORP - Form S-4/A

The following risks specifically apply to holders of Exchange Notes issued in the exchange offer and should be considered, along with other risk factors, by eligible holders. There are additional risk factors attendant to being an investor in our Exchange Notes

---

**Table of Contents**

whether or not you elect to tender your Existing Notes. These risks are described elsewhere in this prospectus Risk Factors section under the headings Risks Related to Our Indebtedness and Risks Related to Our Business.

***The Exchange Notes will be effectively junior to liabilities of certain subsidiaries.***

We conduct substantially all of our operations through our subsidiaries. As a result, we are required to rely upon our subsidiaries for the funds necessary to meet our obligations, including the payment of interest on and principal of the Exchange Notes. The ability of the subsidiaries to make these payments will be subject to, among other things, applicable state laws. Although the guarantees of the Exchange Notes provide the holders of the Exchange Notes with a direct claim against the guarantors, the subsidiary non-guarantors have not guaranteed the obligations under the Exchange Notes. Claims of creditors of our subsidiary non-guarantors, including trade creditors and the lenders under the ABL Facility, generally will have priority with respect to the assets and earnings of these subsidiaries over the claims of our creditors, including holders of the Exchange Notes. For the nine-month period ended September 30, 2009, less than 1% of our operating revenue was generated by our non-guarantor subsidiaries. The non-guarantor subsidiaries had approximately \$0.9 million of liabilities, including trade payables, but excluding intercompany balances, at September 30, 2009.

***We may not be able to repurchase the Exchange Notes upon a change of control.***

Upon the occurrence of certain change of control events, we will be required to offer to repurchase all of the outstanding 10% Senior Notes and 11.75% Senior Subordinated PIK Notes at 101% of the principal amount thereof plus, without duplication, accrued and unpaid interest and additional interest, if any, to the date of repurchase. However, a change of control will cause an event of default under the ABL Facility and may cause an acceleration of the borrowings thereunder. There can be no assurance that we will have sufficient funds at the time of the change of control to make the required repurchase of all such notes or that restrictions in the ABL Facility will allow such repurchases. In addition, certain important corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, would not constitute a Change of Control under the indentures for the Exchange Notes.

***An active trading market may not develop for the Exchange Notes.***

We do not intend to list the Exchange Notes on a national securities exchange. Although the deal managers in connection with the issuances of the Existing Notes have advised us that they currently intend to make a market in the Exchange Notes, they are not obligated to do so and may discontinue such market-making activity at any time without notice. In addition, market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act and may be limited during the exchange offer. If a trading market does not develop, you may not be able to sell the Exchange Notes. If any of the Exchange Notes are traded after their issuance, they may trade at a discount from the initial offering price of the Existing Notes, depending upon:

prevailing interest rates;

the market for similar securities; and

other factors, including general economic conditions and our financial condition, performance and prospects.

The market for non-investment grade debt securities has historically been subject to disruptions that have caused volatility in their prices independent of the operating and financial performance of the issuers of these securities. It is possible that the market for the Exchange Notes will be subject to these kinds of disruptions regardless of our prospects and financial performance. Accordingly, declines in the liquidity and market price of the Exchange Notes may occur independent of our operating and financial performance. We cannot assure you that any liquid market for the Exchange Notes will develop.

***We believe that the Exchange 10% Senior Notes should be treated as contingent payment debt instruments for U.S. federal income tax purposes.***

We believe that the Exchange 10% Senior Notes should be treated as contingent payment debt instruments for U.S. federal income tax purposes. Assuming the Exchange 10% Senior Notes are properly classified as such, each U.S. holder, regardless of its U.S. federal income tax accounting method, will be required to accrue interest on a constant-yield method at a rate that represents our determination of the yield on our comparable

## Edgar Filing: QD CAPITAL CORP - Form S-4/A

non-contingent, fixed-rate debt instrument with terms and conditions otherwise similar to the Exchange 10% Senior Notes. This method is similar to the accrual of income under the original issue discount rules and is discussed in greater detail below. The rules governing contingent payment debt instruments are complex and there can be no assurance that the IRS will agree with this result, in which case a U.S. holder could be required for any particular taxable year to include a greater or lesser amount of interest income. U.S. holders will also recognize gain or loss on the sale, exchange, redemption, retirement or other disposition of an Exchange 10% Senior Note in an amount equal to the difference between the amount realized and their adjusted tax basis in the Exchange 10% Senior Note. Gain recognized by a U.S. holder on such sale, exchange, redemption or retirement generally will be treated as ordinary interest income; any loss will be ordinary loss to the extent of the interest previously included in income, and thereafter, capital loss.

---

**Table of Contents**

***The Exchange 11.75% Senior Subordinated PIK Notes will be issued with original issue discount for U.S. federal income tax purposes.***

The Existing 11.75% Senior Subordinated PIK Notes will be treated as issued with original issue discount for U.S. federal income tax purposes to the extent that their stated principal amount exceeded their issue price and to the extent that the Existing 11.75% Senior Subordinated PIK Notes provide for pay-in-kind interest. The Exchange 11.75% Senior Subordinated PIK Notes will be treated as issued with original issue discount in the same amount as the original issue discount applicable to the Existing 11.75% Senior Subordinated PIK Notes. A U.S. holder of Exchange 11.75% Senior Subordinated PIK Notes treated as issued with original issue discount will be required to include such original issue discount in gross income for U.S. federal income tax purposes as it accrues, in accordance with a constant-yield method based on compounding of interest, before the receipt of cash payments attributable to such original issue discount.

***Because each guarantor's liability under its guarantees may be reduced to zero, avoided or released under certain circumstances, you may not receive any payments from some or all of the guarantors.***

You have the benefit of the guarantees of the guarantors. However, the guarantees by the guarantors are limited to the maximum amount that the guarantors are permitted to guarantee under applicable law. As a result, a guarantor's liability under its guarantee could be reduced to zero, depending on the amount of other obligations of such guarantor. Furthermore, you will lose the benefit of a particular guarantee if it is released under certain circumstances described in this prospectus. In addition, enforcement of the guarantees of the Exchange Notes against any guarantor may be subject to legal challenge in a bankruptcy or reorganization case or a lawsuit by or on behalf of creditors of any guarantor and would be subject to certain defenses available to guarantors generally. Although the indentures governing the Exchange Notes contain waivers of most guarantor defenses, certain of those waivers may not be enforced by a court in a particular case. To the extent that the guarantees of the Exchange Notes are not enforceable, the Exchange Notes would be effectively subordinated to all liabilities of the guarantors, including trade payables of any guarantors.

***The guarantee of our parent company is of limited value.***

Investors should not rely on the QDI guarantee in evaluating an investment in the Exchange Notes as QDI currently has no material assets other than the ownership of 100% of our membership interests and the covenants contained in the indentures governing the Exchange Notes will not apply to QDI.

***Repayment of our debt, including required principal and interest payments on and redemptions of the Exchange Notes, is dependent on cash flow generated by our subsidiaries.***

Our subsidiaries own substantially all of our assets and conduct a significant portion of our operations. Accordingly, repayment of our indebtedness, including the Exchange Notes, is dependent, to a significant extent, on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Our non-guarantor subsidiaries do not have any obligation to pay amounts due on the Exchange Notes or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the Exchange Notes. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the indentures governing the Exchange Notes limit the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to certain qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries we may be unable to make required principal and interest payments on our indebtedness, including the Exchange Notes.

***Your right to receive payments on the Exchange Notes is effectively junior to those lenders who have a security interest in our assets.***

As of September 30, 2009, we had approximately \$105.5 million of senior secured indebtedness, consisting of debt under the ABL Facility, capital lease obligations and other secured notes; and approximately \$52.1 million in availability under the ABL Facility. Our obligations under the Exchange Notes and our guarantors' obligations under their guarantees of the Exchange Notes will be unsecured. As a result, the Exchange Notes and the related guarantees will be effectively subordinated to all of our and the guarantors' secured indebtedness to the extent of the value of the assets securing the indebtedness. Our obligations under the ABL Facility and each applicable guarantor's obligations under its guarantee of the ABL Facility are secured by a security interest in substantially all of our domestic tangible and intangible assets. In the event that we or a relevant guarantor are declared bankrupt, become insolvent or are liquidated or reorganized, our obligations under the ABL Facility and any other secured obligations will be entitled to be paid in full from our assets or the assets of such guarantor, as the case may be, securing such obligation before any payment may be made with respect to the Exchange Notes. In addition, if we default under the ABL Facility, the lenders could declare all of the funds borrowed thereunder, together with accrued interest, immediately due and payable. If we were unable to repay such indebtedness, the lenders could foreclose on the pledged assets to the exclusion of holders of the Exchange Notes, even if an event of





---

## **Table of Contents**

default exists at such time under the indentures under which the Exchange Notes will be issued. Furthermore, if the lenders under the ABL Facility foreclose and sell the pledged equity interests in any subsidiary guarantor under the Exchange Notes, then that guarantor will be released from its guarantee of the Exchange Notes automatically and immediately upon such sale. In any such event, because the Exchange Notes will not be secured by any of our assets or the equity interests in subsidiary guarantors, it is possible that there would be no assets remaining from which your claims could be satisfied or, if any assets remained, they might be insufficient to satisfy your claims fully.

***Your right to receive payment on any Exchange 11.75% Senior Subordinated PIK Notes will also be junior to our senior unsecured indebtedness, such as the 10% Senior Notes.***

The Exchange 11.75% Senior Subordinated PIK Notes and the guarantees of the Exchange 11.75% Senior Subordinated PIK Notes will be our senior subordinated unsecured obligations and will rank junior in right of payment to all senior unsecured indebtedness, such as the 10% Senior Notes, in addition to any secured indebtedness. In the event that we are declared bankrupt, become insolvent or are liquidated or reorganized, all of our secured obligations, such as the ABL Facility, and all of our senior unsecured obligations, such as the 10% Senior Notes, will be entitled to be paid in full from our assets before any payment may be made with respect to the Exchange 11.75% Senior Subordinated PIK Notes. Once the secured and senior unsecured obligations are paid in full, holders of the Exchange 11.75% Senior Subordinated PIK Notes would participate ratably in our remaining assets with all other holders of our senior subordinated unsecured obligations, such as the 9% Notes, based upon the respective amount owed to each creditor. Accordingly, in the event of our bankruptcy, insolvency, liquidation or reorganization, the proceeds from the sale of our assets may be insufficient to repay our obligations under the Exchange 11.75% Senior Subordinated PIK Notes in full or at all.

***If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Exchange Notes.***

Any default under the agreements governing our indebtedness, including a default under the ABL Facility that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness, could make us unable to pay principal, premium, if any, or interest on the Exchange Notes and could substantially decrease the market value of the Exchange Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, or interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness (including the ABL Facility), we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the ABL Facility could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, or we may be required to apply all of our available cash to repay such holders, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek waivers from the required lenders under the ABL Facility to avoid being in default. If we breach our covenants under the ABL Facility and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under the ABL Facility, the lenders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation.

## **Risks Related to Our Indebtedness**

***Our debt agreements contain restrictions that could limit our flexibility in operating our business.***

The ABL Facility and the indentures governing our 10% Senior Notes and 11.75% Senior Subordinated PIK Notes contain various covenants that limit or prohibit our ability, among other things, to:

incur or guarantee additional indebtedness or issue certain preferred shares;

pay dividends on our capital stock or redeem, repurchase, retire or make distributions in respect of our capital stock or subordinated indebtedness or make other restricted payments;

make certain loans, acquisitions, capital expenditures or investments;

Edgar Filing: QD CAPITAL CORP - Form S-4/A

sell certain assets, including stock of our subsidiaries;

enter into sale and leaseback transactions;

create or incur liens;

consolidate, merge, sell, transfer or otherwise dispose of all or substantially all of our assets; and

enter into certain transactions with our affiliates.

---

## **Table of Contents**

The ABL Facility matures June 18, 2013. However, 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 if the aggregate principal amount of the notes (or certain replacement indebtedness) maturing in the 91-day period exceeds \$50.0 million.

If the maturity of the ABL Facility is accelerated, we do not believe that we will have sufficient cash on hand to repay the ABL Facility or, unless conditions in the credit markets improve significantly, that we will be able to refinance the ABL Facility on acceptable terms, or at all.

The failure to repay or refinance the ABL Facility at final maturity will have a material adverse effect on our business and financial condition, would cause substantial liquidity problems and may result in the bankruptcy of us and/or our subsidiaries. Any actual or potential bankruptcy or liquidity crisis may materially harm our relationships with our customers and suppliers, result in loss of market share, increase the cost of providing our services and otherwise result in significant permanent harm to our ability to operate our business. Because a substantial portion of our revenues is dependent on our affiliates and owner-operators rather than company-owned facilities and company employees, our ability to manage our business through any actual or potential bankruptcy or liquidity crisis may be limited, particularly if there is significant harm to our reputation and relationships with customers, suppliers, affiliates and owner-operators. The holders of our 10% Senior Notes and 11.75% Senior Subordinated PIK Notes are not entitled to any security interest in any of our property or that of our subsidiaries, and any deterioration of our business or prospects in connection with an actual or potential bankruptcy or liquidity crisis would have a material adverse effect on the value of the 10% Senior Notes or the 11.75% Senior Subordinated PIK Notes and the amount that the holders of 10% Senior Notes or the 11.75% Senior Subordinated PIK Notes would recover in a bankruptcy or restructuring.

*As a result of the restrictions in our debt agreements, we could be limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs.*

We have pledged a significant portion of our assets as collateral under the ABL Facility. If any of these lenders accelerate the repayment of borrowings, there can be no assurance that we will have sufficient assets to repay our indebtedness.

Under the ABL Facility we may be required to satisfy and maintain specified financial ratios. Our ability to meet those financial ratios can be affected by events beyond our control, and there can be no assurance that we will meet those ratios. A failure to comply with the covenants contained in the ABL Facility or our other indebtedness could result in an event of default under the ABL Facility or the agreements governing our other indebtedness, which, if not cured or waived, could have a material adverse effect on our business, financial condition and results of operations. In the event of any default under the ABL Facility or our other indebtedness, the lenders thereunder:

will not be required to lend any additional amounts to us;

could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due and payable and terminate all commitments to extend further credit; or

require us to apply all of our available cash to repay these borrowings.

Such actions by the lenders could cause cross defaults under our other indebtedness. If we were unable to repay those amounts, the lenders under the ABL Facility could proceed against the collateral granted to them to secure that indebtedness.

If the indebtedness under the ABL Facility were to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full.

*Our substantial indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry and prevent us from making debt service payments.*

At September 30, 2009, we had consolidated long-term indebtedness and capital lease obligations, including current maturities, of \$326.1 million. On October 15, 2009, we reduced the outstanding principal balance of our notes by approximately \$3 million by completing the exchange offers and retail tender offer for our 9% Notes and 2012 Notes and the related issuances of the Existing Notes. Our ability to generate sufficient cash flow from operations to make scheduled payments on our debt will depend on a range of economic, competitive and business factors, many of which are outside our control. Our business may not generate sufficient cash flow from operations to meet our debt service and

## Edgar Filing: QD CAPITAL CORP - Form S-4/A

other obligations, and currently anticipated cost savings and operating improvements may not be realized on schedule, or at all. If we are unable to meet our expenses and debt service and other obligations, we may need to refinance all or a portion of our indebtedness on or before maturity, sell assets or raise equity. Furthermore, Apollo has no obligation to provide us with debt or equity financing, and we therefore may be unable to generate sufficient cash to service all of our indebtedness. We may not be able to refinance any of our indebtedness, sell assets or raise equity on commercially reasonable terms or at all, which could cause us to default on our obligations and impair our liquidity. Our inability to generate sufficient cash

## **Table of Contents**

flow to satisfy our debt obligations or to refinance our obligations on commercially reasonable terms would have a material adverse effect on our business, financial condition, results of operations or cash flows.

In addition, covenants in our debt agreements limit the use of proceeds from our ordinary operations and from extraordinary transactions. These limits may require us to apply proceeds in a certain manner or prohibit us from utilizing the proceeds in our operations or from prepaying or retiring indebtedness that we desire.

***Our expected future higher interest expense could limit our ability to react to changes in the economy or our industry and prevent us from making debt service payments.***

Our 10% Senior Notes and 11.75% Senior Subordinated PIK Notes carry higher rates of interest and higher cash rates of interest than the rates of the 2012 Notes and 9% Notes for which they were exchanged. Our higher interest expense may reduce our future profitability.

Our future higher interest expense could have other important consequences with respect to our ability to manage our business successfully, including the following:

it may make it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the ABL Facility, the indentures governing our 10% Senior Notes and our 11.75% Senior Subordinated PIK Notes, and our other indebtedness;

using a portion of our cash flow to pay interest on our indebtedness will reduce the availability of our cash flow to fund working capital, capital expenditures and other business activities;

it increases our vulnerability to adverse economic and industry conditions;

it limits our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

it may make us more vulnerable to further downturns in our business or the economy; and

it limits our ability to exploit business opportunities.

***Despite our substantial indebtedness, we may still be able to incur significantly more indebtedness, which could have a material adverse effect on our business, financial condition, results of operations or cash flows.***

The ABL Facility and the indentures governing our 10% Senior Notes and 11.75% Senior Subordinated PIK Notes contain restrictions on our ability to incur additional indebtedness. These restrictions are subject to a number of important qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. Accordingly, we or our subsidiaries could incur significant additional indebtedness in the future. As of September 30, 2009, we had approximately \$52.1 million available for additional borrowing under the ABL Facility, including a subfacility for letters of credit, and the covenants under our debt agreements would allow us to borrow a significant amount of additional indebtedness. Additional leverage could have a material adverse effect on our business, financial condition, results of operations or cash flows.

***We may not be able to generate sufficient cash to make required interest and principal payments on, and redemptions of, our indebtedness, and may be forced to take other actions to satisfy our obligations under our indebtedness that may not be successful.***

Our ability to satisfy our debt obligations will depend upon, among other things:

our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our control; and

our future ability to borrow under the ABL Facility, the availability of which depends on, among other things, our complying with the covenants in the ABL Facility.

We cannot assure you that our business will generate sufficient cash flow from operations, or that we will be able to draw under the ABL Facility or otherwise, in an amount sufficient to fund our liquidity needs.

If our cash flows and capital resources are insufficient to service our indebtedness, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness, including the Exchange Notes. These alternative measures may not be successful and may not permit us to meet our scheduled debt-service obligations. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could

## **Table of Contents**

further restrict our business operations. In addition, the terms of existing or future debt agreements may restrict us from adopting some of these alternatives. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions for fair market value or at all. Furthermore, any proceeds that we could realize from any such dispositions may not be adequate to meet our debt service obligations then due.

### **Risks Related to Our Business**

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

Our business is dependent on various economic factors over which we have little control, that include:

the availability of qualified drivers,

access to the credit and capital markets,

changes in regulations concerning shipment and storage of material we transport and depot,

increases in fuel prices, taxes and tolls,

interest rate fluctuations,

excess capacity in the tank trucking industry,

changes in license and regulatory fees,

potential disruptions at U.S. ports of entry,

downturns in customers' business cycles, and

reductions in customers' shipping requirements.

As a result, we may experience periods of overcapacity, declining prices, lower profit margins and less availability of cash in the future. We have a large number of customers in the chemical-processing and consumer-goods industries. If these customers experience fluctuations in their business activity due to an economic downturn, work stoppages or other industry conditions, the volume of freight transported by us or container services provided by us on behalf of those customers may decrease. The trucking industry has experienced a slowdown due to lower demand resulting from slowing economic conditions through 2008 and continuing into 2009. We expect weak conditions and lower revenues to continue through 2009.

*Recent turmoil in the credit and capital markets and in the financial services industry may increase our borrowing costs and may negatively impact our liquidity.*

## Edgar Filing: QD CAPITAL CORP - Form S-4/A

Recently, the credit markets, capital markets and the financial services industry have been experiencing a period of unprecedented turmoil and upheaval characterized by the bankruptcy, failure, collapse or sale of various financial institutions and an unprecedented level of intervention from the United States federal government. While the ultimate outcome of these events cannot be predicted, they may have a material adverse effect on our liquidity and financial condition if our ability to borrow money to finance our operations from our existing lenders under the ABL Facility or obtain credit from trade creditors were to be impaired. We may also be unable to refinance existing indebtedness in the capital markets if we desire or we may be able to do so only at unfavorable rates as a result of capital markets turmoil. In addition, the recent economic crisis could also adversely impact our customers' ability to finance their operations, which may negatively impact our business and results of operations.

One consequence of these upheavals has been sudden and dramatic changes in LIBOR. At September 30, 2009, \$210 million in principal amount of our outstanding borrowings have interest based solely or alternatively on a margin over LIBOR. On October 15, 2009, we completed an exchange offer in which approximately \$134.5 million principal amount of our 2012 Notes then outstanding, which accrue interest at a rate equal to LIBOR plus 4.5%, were exchanged for a like principal amount of Existing 10% Senior Notes. Accordingly, on October 15, 2009, the amount of our outstanding borrowings that have interest based solely or alternatively on a margin over LIBOR decreased to approximately \$75.5 million. Increases in LIBOR could therefore materially increase the cost of our borrowings. In addition, capital markets have recently experienced significant volatility and disruption. A majority of our existing indebtedness was sold through capital markets transactions. We anticipate that the capital markets could be a source of refinancing of



**Table of Contents**

our existing indebtedness in the future. This source of refinancing may not be available if capital markets volatility and disruption continues, which could have a material adverse effect on our liquidity.

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

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

***We are self-insured and have exposure to certain claims and are subject to the insurance marketplace, all of which could affect our profitability.***

The primary accident risks associated with our business are:

motor-vehicle related bodily injury and property damage;

workers compensation claims;

cargo loss and damage; and

general liability claims.

We currently maintain insurance for:

motor-vehicle related bodily injury and property damage claims, covering all employees, owner operators and affiliates;

workers compensation insurance coverage on our employees and company drivers; and

general liability claims.

Our insurance program includes a self insured deductible of \$2.0 million per incident for bodily injury and property damage and a \$1.0 million deductible for workers compensation. In addition, we currently maintain insurance policies with a total limit of \$40.0 million. The \$2.0 million deductible per incident could adversely affect our profitability, particularly in the event of an increase in the number or severity of incidents. Additionally, we are self-insured for damage to the equipment that we own and lease, for cargo losses, and for non-trucking pollution legal liability and such self-insurance is not subject to any maximum limitation. We extend insurance coverage to our affiliates for (i) motor vehicle related bodily injury, (ii) property damage, (iii) general liability coverage, and (iv) cargo loss and damage. Under this extended coverage, affiliates are responsible for only a small portion of the applicable deductibles.

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

*The trucking industry is subject to regulation, and changes in trucking regulations may increase costs.*

As a motor carrier, we are subject to regulation by the Federal Motor Carrier Safety Administration and the U.S. Department of Transportation, and by various state, federal, provincial and local agencies. These regulatory authorities exercise broad powers governing activities such as operating authority, safety, hours of service, hazardous materials transportation, financial reporting and acquisitions. There are additional regulations specifically relating to the trucking industry, including testing and specification of equipment, product-handling requirements and drug testing of drivers. The trucking industry is subject to possible regulatory and legislative changes that may affect the economics of the industry by requiring changes in operating practices or by changing the demand for common or contract carrier services or the cost of providing truckload services. Possible changes include:

increasingly stringent environmental regulations;

increasing control over the transportation of hazardous materials;

**Table of Contents**

changes in the hours-of-service regulations, which govern the amount of time a driver may drive in any specific period;

onboard black box recorder devices;

requirements leading to accelerated purchases of new trailers;

mandatory limits on vehicle weight and size; and

mandatory regulations imposed by the Department of Homeland Security.

From time to time, various legislative proposals are introduced, including proposals to increase federal, state or local taxes, including taxes on motor fuels, which may increase our costs or adversely impact the recruitment of drivers.

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

Although only approximately 4.0% of our driver workforce, including owner-operators and employees of affiliates, was subject to collective bargaining agreements at December 31, 2008, unions such as the International Brotherhood of Teamsters have traditionally been active in the U.S. trucking industry. Unionized workers could disrupt our operations by a strike, work stoppage or other slowdown. In addition, our non-union workforce has been subject to unionization efforts in the past, and we could be subject to future unionization. Increased unionization of our workforce could result in higher compensation and working condition demands that could increase our operating costs or constrain our operating flexibility.

***Our operations involve hazardous materials, which could create environmental liabilities.***

Our activities, particularly those relating to our handling, transporting and storage of bulk chemicals, are subject to environmental, health and safety laws and regulation by governmental authorities in the United States as well as foreign governmental authorities. Among other things, these environmental, health and safety laws and regulations address emissions to the air, discharges to land or water, the generation, handling, storage, transportation, treatment and disposal of waste materials, and the health and safety of our employees. These laws generally require us to obtain and maintain various licenses and permits. Most environmental laws provide for substantial fines and potential criminal sanctions for violations. Environmental, health and safety laws and regulations are complex, change frequently and have tended to become stricter over time. Some of these laws and regulations are subject to varying and conflicting interpretations. There can be no assurance that violations of such laws, regulations, permits or licenses will not be identified or occur in the future, or that such laws and regulations will not change in a manner that could impose material costs on us.

As a handler of hazardous substances, we are potentially subject to strict, joint and several liability for investigating and rectifying the consequences of spills and other environmental releases of these substances. We have incurred remedial costs and regulatory penalties for chemical and/or wastewater spills and releases at our facilities or over the road, and, notwithstanding the existence of our environmental management program and insurance applicable to these risks, we expect that additional, similar obligations will be incurred in the future. As a result of environmental studies conducted at our facilities and at third party sites, we have identified environmental contamination at certain sites that will require remediation and we are currently conducting investigation and remediation projects at eight of our facilities. In addition to addressing contamination, we could also be held liable for any and all consequences arising out of human exposure to hazardous substances or other environmental damage. Future liabilities and costs under environmental, health and safety laws and regulations are not easily predicted, and such liabilities and costs could result in a material adverse effect on our financial condition, results of operations or business reputation.

In addition, we have been named a potentially responsible party at various sites under the Comprehensive Environmental Response Compensation and Liability Act of 1980. Our current reserves provided for these sites may prove insufficient, which would result in future charges against earnings. Further, we could be named a potentially responsible party at other sites in the future and the costs associated with such future sites could be material.

***Potential disruptions at U.S. ports of entry could adversely affect our business, financial condition and results of operations.***

## Edgar Filing: QD CAPITAL CORP - Form S-4/A

Any disruption of the delivery of ISO tank containers to those ports where we do business would reduce the number of ISO tank containers that we transport, store, clean or maintain. This reduced activity may have a material adverse effect on our operations.

***If fuel prices increase significantly, our results of operations could be adversely affected.***

We are subject to risk with respect to purchases of fuel. Prices and availability of petroleum products are subject to political, economic and market factors that are generally outside our control. Political events in the Middle East, Venezuela, and elsewhere, as well as hurricanes and other weather-related events and current and future market-based (cap-and-trade) greenhouse gas emissions control mechanisms, also may cause the price of fuel to increase. Because our operations are dependent upon diesel fuel, significant

---

## **Table of Contents**

increases in diesel fuel costs could materially and adversely affect our results of operations and financial condition if we are unable to pass increased costs on to customers through rate increases or fuel surcharges. Historically, we have recovered the majority of the increases in fuel prices from customers through fuel surcharges. Fuel surcharges that can be collected may not always fully offset the increase in the cost of diesel fuel. To the extent fuel surcharges are insufficient to offset our fuel costs, our results of operations may be adversely affected.

### ***Loss of qualified drivers or other personnel could limit our growth and negatively affect operations.***

During periods of high trucking volumes, there is substantial competition for qualified drivers in the trucking industry. Furthermore, certain geographic areas have a greater shortage of qualified drivers than other areas. We operate in many of the geographic areas where there have been driver shortages in the past and have turned down new business opportunities as a result of the lack of qualified new drivers. Difficulty in attracting qualified personnel, particularly qualified drivers, could require us to increase driver compensation, forego available customer opportunities and underutilize the tractors and trailers in our network. These actions could result in increased costs and decreased revenues. In addition, we may not be able to recruit other qualified personnel in the future.

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

We are dependent upon a limited number of large customers. Our top ten customers accounted for approximately 30.9% of our total revenues during 2008. In particular, our largest customer, Dow Chemical Company, accounted for 6.5% of our total QCI revenues during 2008. The loss of Dow Chemical Company or one or more of our other major customers, or a material reduction in services performed for such customers, may have a material adverse effect on our results of operations.

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

In the aftermath of the terrorist attacks of September 11, 2001, federal, state and municipal authorities have implemented and are implementing various security measures, including checkpoints and travel restrictions on large trucks and fingerprinting of drivers in connection with new hazardous materials endorsements on their licenses. Such existing measures and future measures may have significant costs associated with them which a motor carrier is forced to bear. Moreover, large trucks carrying toxic chemicals are a potential terrorist target, and we will be obligated to take measures, including possible capital expenditures, to harden our trucks. In addition, the insurance premiums charged for some or all of the coverage currently maintained by us could continue to increase dramatically or such coverage could be unavailable in the future.

### ***We depend on members of our senior management.***

We believe that our ability to successfully implement our business strategy and to operate profitably depends in large part on the continued employment of our senior management team. If members of senior management become unable or unwilling to continue in their present positions, our business or financial results could be adversely affected.

### ***Our long-lived assets are subject to potential asset impairment.***

At September 30, 2009, goodwill and other intangible assets represented approximately \$46.1 million, or approximately 15.7% of our total assets and approximately 24.2% of our non-current assets, the carrying value of which may be reduced if we determine that those assets are impaired. In addition, net property and equipment totaled approximately \$131.8 million, or approximately 44.9% of our total assets.

We review for potential goodwill impairment on an annual basis as part of our goodwill impairment testing in the second quarter of each year with a measurement date of June 30, and more often if a triggering event or circumstance occurs making it likely that impairment exists. In addition, we test for the recoverability of long-lived assets at year end, and more often if an event or circumstance indicates the carrying value may not be recoverable. We conduct impairment testing based on our current business strategy in light of present industry and economic conditions, as well as future expectations.

The annual goodwill impairment review performed in June 2009 indicated there was goodwill impairment. As a result of the analysis, we concluded that a total impairment charge to goodwill of \$146.2 million was necessary at June 30, 2009, of which \$144.3 million was related to our trucking segment, eliminating 100% of the carrying amount of goodwill, and \$1.9 million was related to our container services segment.

If there are changes to the methods used to allocate carrying values, if management's estimates of future operating results change, if there are changes in the identified reporting units or if there are changes to other significant assumptions, the estimated carrying values and the estimated fair value of our goodwill could change significantly, and could result in future impairment charges, which could materially impact our results of operations and financial condition.



---

**Table of Contents**

***Our restructuring involves risks to our business operations and may not reduce our costs.***

During 2008 and 2009, we eliminated non-driver positions, consolidated and closed under-performing company terminals and implemented certain contract terminations. These steps have placed, and will continue to place, pressures on our management, administrative and operational infrastructure as well as on our results of operations. Employees that departed in connection with the restructuring possessed knowledge of our business, skills and relationships with our customers, affiliates, drivers and other employees that were not replaced. As a result, our remaining employees may be required to serve new operational roles in which they have limited experience, which may reduce employee satisfaction and productivity. New relationships may also reduce customer, affiliate or driver satisfaction. Additionally, our restructuring plans and related efforts may divert management's and other employees' attention from other business concerns.

Due to the restructuring, we took pre-tax charges in 2008 and 2009, which represent severance-related costs and costs associated with lease and contract terminations. The majority of these costs were cash expenditures paid during 2008 and 2009 or costs that we expect to pay in the future. Actual costs may exceed our estimates. Furthermore, we have formulated this restructuring plan with the goal of reducing our future operating expenses. Our future operating expenses may not be reduced as we expect, or reductions may be offset in the future by other expenses.

In addition, risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition and/or operating results.

***Interests of Apollo may conflict with your interests.***

At December 31, 2009, Apollo and its affiliated funds owned or controlled approximately 52.2% of QDI's outstanding common stock. As a result, Apollo can influence substantially all matters requiring shareholder approval, including the election of directors, the approval of significant corporate transactions, such as acquisitions, and the ability to block an unsolicited tender offer. The interests of Apollo may conflict with your interests. For example, if we encounter financial difficulties, or are unable to pay our debts as they mature, Apollo may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investment, even though these transactions might involve risk to our shareholders or debt holders. Similarly, if our financial performance and creditworthiness significantly improve in the future, Apollo may have an interest in pursuing reorganizations, restructurings, or other transactions that could increase our leverage or impair our creditworthiness or otherwise, in their judgment, enhance Apollo's equity investment in QDI, even though these transactions might involve risk to our shareholders or debt holders.

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

We have a net operating loss for U.S. federal income tax purposes. If we undergo a change of control as described in Section 382 of the Internal Revenue Code, our ability to use those net operating losses to offset future income will be limited. This will have the effect of reducing our after tax cash flow.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements within the meaning of the Exchange Act. All statements included in this prospectus that address activities, events or developments that we or our management expect, believe or anticipate will or may occur in the future are forward-looking statements. These statements represent our reasonable judgment on the future based on various factors and using numerous assumptions and are subject to known and unknown risks, uncertainties and other factors that could cause our actual results and financial position to differ materially. We claim the protection of the safe harbor for forward-looking statements provided in the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act and Section 21E of the Exchange Act. Examples of forward-looking statements include: (i) projections of revenue, earnings, capital structure and other financial items, (ii) statements of our plans and objectives, (iii) statements of expected future economic performance, and (iv) assumptions underlying statements regarding us or our business. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as believes, expects, estimates, may, will, should, could, seeks, plans, intends, anticipates or scheduled to or the negatives of those terms, or other variations of comparable language, or by discussions of strategy or other intentions. Forward-looking 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. 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 the following risks and other factors discussed under the section entitled "Risk Factors" beginning on page 1 of this prospectus. These factors include:

## Edgar Filing: QD CAPITAL CORP - Form S-4/A

the effect of local and national economic, credit and capital market conditions on the economy in general, and on the industries in which we operate in particular,

turmoil in the credit and capital markets,



**Table of Contents**

access to available and reasonable financing on a timely basis,

availability and price of diesel fuel,

adverse weather conditions,

competitive rate fluctuations,

our substantial leverage and restrictions contained in our debt arrangements and interest rate fluctuations in our floating rate indebtedness,

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

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

potential disruption at U.S. ports of entry,

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

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

our material exposure to both historical and changing environmental regulations and the increasing costs relating to environmental compliance including those relating to the control of greenhouse gas emissions, such as market-based (cap-and-trade) mechanisms,

our liability as a self-insurer to the extent of our deductibles, as well as our ability or inability to reduce our claims exposure through insurance due to changing conditions and pricing in the insurance marketplace,

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

the potential loss of our ability to use net operating losses to offset future income,

increased unionization, which could increase our operating costs or constrain operating flexibility,

changes in senior management,

our ability to successfully manage workforce restructurings,

our ability to effectively manage terminal operations that are converted from company-operated to affiliate,

our ability to successfully integrate acquired businesses, and

interests of Apollo, our largest shareholder, which may conflict with your interests.

In addition, there may be other factors that could cause our actual results and financial condition to be materially different from the results referenced in the forward-looking statements. For example, the cost estimates and expected cost savings for our recent reduction in workforce were determined based upon the operating information and upon certain assumptions that we believe to be reasonable. The estimates are subject to a number of assumptions, which depend upon the actions of persons other than us or other factors beyond our control.

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

**Table of Contents**

**THE EXCHANGE OFFER**

**Purpose and Effect of the Exchange Offer**

We hereby offer to exchange a like principal amount of Exchange 10% Senior Notes for any and all Existing 10% Senior Notes, and a like principal amount of Exchange 11.75% Senior Subordinated PIK Notes for any and all Existing 11.75% Senior Subordinated PIK Notes, on the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal. You may tender some or all of your Existing 10% Senior Notes or Existing 11.75% Senior Subordinated PIK Notes pursuant to the exchange offer. As of the date of this prospectus, \$134,499,000 principal amount of Existing 10% Senior Notes are and \$81,395,785 principal amount of Existing 11.75% Senior Subordinated PIK Notes are outstanding (which principal amount of Existing 11.75% Senior Subordinated PIK Notes includes \$653,785 of interest that was paid in kind on February 1, 2010, thereby increasing the aggregate outstanding principal amount of Existing 11.75% Senior Subordinated PIK Notes). This prospectus, together with the letter of transmittal is first being sent to holders of the Existing Notes on or about [\_\_\_\_], 2010. Our obligation to accept the Existing Notes for exchange pursuant to the exchange offer is subject to certain conditions described in Certain Conditions to the Exchange Offer. We currently expect that the conditions will be met and that no waivers will be necessary. We have entered into registration rights agreements with the dealer managers in connection with the issuances of the Existing Notes, in which we agreed to file a registration statement or statements relating to an offer to exchange the Existing 10% Senior Notes for Exchange 10% Senior Notes, and the Existing 11.75% Senior Subordinated PIK Notes for Exchange 11.75% Senior Subordinated PIK Notes, within 120 days of the issuances of the Existing Notes, and to use our commercially reasonable efforts to cause the registration statement or statements to be declared effective within 180 days following the issuances of the Existing Notes. The registration statement, of which this prospectus forms a part, was initially filed pursuant to this obligation on December 18, 2009 and was declared effective by the SEC on [\_\_\_\_], 2010. We also agreed to use our best efforts to consummate the exchange offer within 40 days following the effective date of the registration statement or statements. The Exchange 10% Senior Notes will have terms substantially identical to the Existing 10% Senior Notes, and the Exchange 11.75% Senior Subordinated PIK Notes will have terms substantially identical to the Existing 11.75% Senior Subordinated PIK Notes, except that the Exchange Notes will not contain terms with respect to transfer restrictions, registration rights and additional interest payable for the failure to have the registration statement of which this prospectus forms a part declared effective by April 13, 2010 or the exchange offer consummated by May 23, 2010. The Existing Notes were issued on October 15, 2009.

Under the circumstances set forth below, we will be obligated under the registration rights agreements to use our commercially reasonable efforts to cause the SEC to declare effective a shelf registration statement or statements for the resale of the Existing Notes and to keep the shelf registration statement or statements effective until the earlier of (a) the date on which all outstanding Existing Notes held by persons that are not our affiliates may be resold without registration under the Securities Act pursuant to Rule 144 without being subject to volume restrictions or public information requirements, and (b) such time as all of the Existing Notes have been sold thereunder. These circumstances include:

because of any change in current law or applicable interpretations of the staff of the SEC, we are not permitted to effect the exchange offer;

the exchange offer is not consummated within 220 days after the closing date of the offering of the Existing Notes; or

any holder of Existing Notes who is not entitled to participate in the exchange offer so requests in writing on or before the 60th day after the consummation of the exchange offer.

Each holder of Existing Notes that wishes to exchange Existing Notes for transferable Exchange Notes in the exchange offer will be required to make the following representations to us in writing:

that any Exchange Notes to be received by it will be acquired in the ordinary course of its business;

that at the time of the commencement of the exchange offer it had no arrangement or understanding with any person to participate in the distribution (within the meaning of the Securities Act) of Exchange Notes in violation of the Securities Act;

## Edgar Filing: QD CAPITAL CORP - Form S-4/A

that it is not an affiliate, as defined in Rule 405 under the Securities Act, of ours, or if it is an affiliate of ours, that it will comply with the applicable registration and prospectus delivery requirements of the Securities Act;

if such holder is not a broker-dealer, that it is not engaged in, and does not intend to engage in, the distribution of Exchange Notes;  
and

if such holder is a broker-dealer, that it will receive Exchange Notes for its own account in exchange for Existing Notes that were acquired as a result of market-making or other trading activities and that it will deliver a prospectus in connection with any resale of the Exchange Notes.

---

## **Table of Contents**

### **Resale of Exchange Notes**

Based on interpretations of the SEC staff set forth in no-action letters issued to unrelated third parties, we believe that Exchange Notes issued under the exchange offer in exchange for Existing Notes may be offered for resale, resold and otherwise transferred by a holder of such Exchange Notes without compliance with the registration and prospectus delivery requirements of the Securities Act, if:

such holder is not an affiliate of ours within the meaning of Rule 405 under the Securities Act;

such Exchange Notes are acquired in the ordinary course of the holder's business; and

the holder does not intend to participate in the distribution of such Exchange Notes.

Any holder who tenders Existing Notes in the exchange offer with the intention of participating in any manner in a distribution of the Exchange Notes:

cannot rely on the position of the staff of the SEC set forth in Based on interpretations of the staff of the SEC contained in *Exxon Capital Holdings Corp.*, SEC no-action letter (May 13, 1988), *Morgan Stanley & Co. Inc.*, SEC no-action letter (June 5, 1991) and *Shearman & Sterling*, SEC no-action letter (July 2, 1993) or similar no-action letters; and

must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

This prospectus may be used for an offer to resell, for the resale or for other retransfer of Exchange Notes only as specifically set forth in this prospectus. With regard to broker-dealers, only broker-dealers that acquired the Existing Notes as a result of market-making activities or other trading activities may participate in the exchange offer. Each broker-dealer that receives Exchange Notes for its own account in exchange for Existing Notes, where such Existing Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the Exchange Notes. Please read Plan of Distribution for more details regarding these procedures for the transfer of Exchange Notes.

### **Terms of the Exchange Offer**

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, we will accept for exchange any Existing Notes properly tendered and not withdrawn prior to the expiration date of the exchange offer. We will issue a like principal amount of Exchange 10% Senior Notes in exchange for the principal amount of Existing 10% Senior Notes surrendered under the exchange offer, and a like principal amount of Exchange 11.75% Senior Subordinated PIK Notes in exchange for the principal amount of Existing 11.75% Senior Subordinated PIK Notes surrendered under the exchange offer.

The form and terms of the Exchange 10% Senior Notes will be substantially identical to the form and terms of the Existing 10% Senior Notes, and the form and terms of the Exchange 11.75% Senior Subordinated PIK Notes will be substantially identical to the form and terms of the Existing 11.75% Senior Subordinated PIK Notes, except the Exchange Notes will be registered under the Securities Act, will not bear legends restricting their transfer and will not provide for any additional interest upon our failure to fulfill our obligations under the registration rights agreements to file, and cause to be effective, a registration statement or statements. The Exchange 10% Senior Notes will evidence the same debt as the Existing 10% Senior Notes, and the Exchange 11.75% Senior Subordinated PIK Notes will evidence the same debt as the Existing 11.75% Senior Subordinated PIK Notes. The Exchange 10% Senior Notes will be issued under and entitled to the benefits of the same indenture that authorized the issuance of the Existing 10% Senior Notes, and the Exchange 11.75% Senior Subordinated PIK Notes will be issued under and entitled to the benefits of the same indenture that authorized the issuance of the Existing 11.75% Senior Subordinated PIK Notes. Consequently, both series of 10% Senior Notes will be treated as a single class of debt securities under the indenture governing the 10% Senior Notes, and both series of 11.75% Senior Subordinated PIK Notes will be treated as a single class of debt securities under the indenture governing the 11.75% Senior Subordinated PIK Notes.

## Edgar Filing: QD CAPITAL CORP - Form S-4/A

This exchange offer is not conditioned upon any minimum aggregate principal amount of Existing 10% Senior Notes or Existing 11.75% Senior Subordinated PIK Notes being tendered for exchange.

As of the date of this prospectus, \$134,499,000 principal amount of Existing 10% Senior Notes are outstanding and \$81,395,785 principal amount of Existing 11.75% Senior Subordinated PIK Notes are outstanding (which principal amount of Existing 11.75% Senior Subordinated PIK Notes includes \$653,785 of interest that was paid in kind on February 1, 2010, thereby increasing the outstanding principal amount of Existing 11.75% Senior Subordinated PIK Notes). This prospectus and the letter of transmittal are being sent to all registered holders of Existing Notes. There will be no fixed record date for determining registered holders of Existing Notes entitled to participate in the exchange offer.

We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreements, the applicable requirements of the Securities Act and the Exchange Act and the rules and regulations of the SEC. Existing Notes that are not tendered

---

**Table of Contents**

for exchange in the exchange offer will remain outstanding and continue to accrue interest and will be entitled to the rights and benefits such holders have under the indenture relating to the particular class of Existing Notes held by the holder.

We will be deemed to have accepted for exchange properly tendered Existing Notes when we have given oral or written notice of the acceptance to the exchange agent. The exchange agent will act as agent for the tendering holders for the purposes of receiving the Exchange Notes from us and delivering Exchange Notes to such holders. Subject to the terms of the registration rights agreements, we expressly reserve the right to amend or terminate the exchange offer, and not to accept for exchange any Existing Notes not previously accepted for exchange, upon the occurrence of any of the conditions specified below under the caption **Certain Conditions to the Exchange Offer**.

Holders who tender Existing Notes in the exchange offer will not be required to pay brokerage commissions or fees, or, except for those described below, transfer taxes with respect to the exchange of Existing Notes. We will pay all charges and expenses, other than those transfer taxes described below, in connection with the exchange offer. It is important that you read the section labeled **Fees and Expenses** below for more details regarding fees and expenses incurred in the exchange offer.

**Expiration Date; Extensions; Amendments**

This exchange offer will expire at 5:00 p.m., New York City time on [\_\_\_\_], 2010, unless in our sole discretion, we extend it.

In order to extend the exchange offer, we will notify the exchange agent orally or in writing of any extension. We will notify in writing or by public announcement the registered holders of Existing Notes of the extension no later than 9:00 a.m., New York City time on the business day after the previously scheduled expiration date.

We reserve the right, in our sole discretion:

to delay accepting for exchange any Existing Notes;

to amend the terms of the exchange offer, or to terminate the exchange offer and to refuse to accept Existing Notes not previously accepted, if any of the conditions set forth below under **Certain Conditions to the Exchange Offer** have not been satisfied, by giving oral or written notice of such termination or amendment to the exchange agent; or

to extend the exchange offer by giving oral or written notice to the exchange agent.

Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice or public announcement thereof to the registered holders of Existing Notes. If we amend the exchange offer in a manner that we determine to constitute a material change, including the waiver of a material condition, we will promptly disclose such amendment in a manner reasonably calculated to inform the holders of Existing Notes of such amendment and will extend the exchange offer to the extent required by law, if necessary. Generally we must keep the exchange offer open for at least five business days after a material change. Pursuant to Rule 14e-1(b) under the Exchange Act, if we increase or decrease the percentage of Existing Notes being sought, we will extend the exchange offer for at least ten business days from the date that notice of such increase or decrease is first published, sent or given by us to holders of the Existing Notes. We currently do not intend to decrease the percentage of Existing Notes being sought.

Without limiting the manner in which we may choose to make public announcements of any delay in acceptance, extension, termination or amendment of the exchange offer, we shall have no obligation to publish, advertise, or otherwise communicate any such public announcement, other than by issuing a timely press release to a financial news service.

**Certain Conditions to the Exchange Offer**

Despite any other term of the exchange offer, we will not be required to accept for exchange, or exchange any Exchange Notes for, any Existing Notes, and we may terminate the exchange offer as provided in this prospectus before accepting any Existing Notes for exchange if in our reasonable judgment:

## Edgar Filing: QD CAPITAL CORP - Form S-4/A

the Exchange Notes to be received will not be tradable by the holder without restriction under the Securities Act or the Exchange Act and without material restrictions under the blue sky or securities laws of substantially all of the states of the United States;

the exchange offer, or the making of any exchange by a holder of Existing Notes, would violate applicable law or any applicable interpretation of the staff of the SEC; or

any action or proceeding has been instituted or threatened in any court or by or before any governmental agency with respect to the exchange offer that, in our judgment, would reasonably be expected to impair our ability to proceed with the exchange offer.



## **Table of Contents**

In addition, we will not be obligated to accept for exchange the Existing Notes of any holder that prior to the expiration of the exchange offer has not made:

the representations described under Purpose and Effect of the Exchange Offer, Procedures for Tendering and Plan of Distribution, and

such other representations as may be reasonably necessary under applicable SEC rules, regulations or interpretations to make available to us an appropriate form for registration of the Exchange Notes under the Securities Act.

We expressly reserve the right, at any time or at various times on or prior to the scheduled expiration date of the exchange offer, to extend the period of time during which the exchange offer is open. Consequently, we may delay acceptance of any Existing Notes by giving oral or written notice of such extension to the registered holders of the Existing Notes in accordance with the notice procedures described in the following paragraph. During any such extensions, all Existing Notes previously tendered will remain subject to the exchange offer, and we may accept them for exchange unless they have been previously withdrawn. We will return any Existing Notes that we do not accept for exchange for any reason without expense to their tendering holder promptly after the expiration or termination of the exchange offer.

We expressly reserve the right to amend or terminate the exchange offer on or prior to the scheduled expiration date of the exchange offer, and to reject for exchange any Existing Notes not previously accepted for exchange, upon the occurrence of any of the conditions of the exchange offer specified above. We will give written notice or public announcement of any extension, amendment, non-acceptance or termination to the registered holders of the Existing Notes as promptly as practicable. In the case of any extension, such notice will be issued no later than 9:00 a.m., New York City time, on the business day after the previously scheduled expiration date.

These conditions are for our sole benefit and we may, in our sole discretion, assert them regardless of the circumstances that may give rise to them or waive them in whole or in part at any time or at various times except that all conditions to the exchange offer, other than those described in the first sentence of this section, must be satisfied or waived by us prior to the expiration of the exchange offer. If we fail to exercise any of the foregoing rights, that failure in itself will not constitute a waiver of such right. Each such right will be deemed an ongoing right that we may assert at any time or at various times except that all conditions to the exchange offer, other than those described in the first sentence of this section, must be satisfied or waived by us prior to the expiration of the exchange offer.

In addition, we will not accept for exchange any Existing Notes tendered, and will not issue Exchange Notes in exchange for any such Existing Notes, if any stop order is threatened or in effect with respect to the registration statement of which this prospectus constitutes a part.

## **Procedures for Tendering**

Only a holder of Existing Notes may tender such Existing Notes in the exchange offer. To tender in the exchange offer, a holder must:

complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal; have the signature on the letter of transmittal guaranteed if the letter of transmittal so requires; and mail or deliver such letter of transmittal or facsimile to the exchange agent prior to the expiration date; or

comply with DTC's Automated Tender Offer Program procedures described below.

In addition, either:

the exchange agent must receive Existing Notes along with the letter of transmittal; or

## Edgar Filing: QD CAPITAL CORP - Form S-4/A

the exchange agent must receive, prior to the expiration date, a timely confirmation of book-entry transfer of such Existing Notes into the exchange agent's account at DTC according to the procedures for book-entry transfer described below or a properly transmitted agent's message; or

the holder must comply with the guaranteed delivery procedures described below.

To be tendered effectively, the exchange agent must receive any physical delivery of the letter of transmittal and other required documents at the address set forth below under "Exchange Agent" prior to the expiration date.

The tender by a holder that is not withdrawn prior to the expiration date will constitute an agreement between such holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal.

The method of delivery of Existing Notes, the letter of transmittal and all other required documents to the exchange agent is at the holder's election and risk. Rather than mail these items, we recommend that holders use an overnight or hand delivery service. In

---

**Table of Contents**

all cases, holders should allow sufficient time to assure delivery to the exchange agent before the expiration date. Holders should not send us the letter of transmittal or Existing Notes. Holders may request their respective brokers, dealers, commercial banks, trust companies or other nominees to effect the above transactions for them.

Any beneficial owner whose Existing Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact the registered holder promptly and instruct it to tender on the owner's behalf. If such beneficial owner wishes to tender on its own behalf, it must, prior to completing and executing the letter of transmittal and delivering its Existing Notes, either:

make appropriate arrangements to register ownership of the Existing Notes in such owner's name; or

obtain a properly completed bond power from the registered holder of Existing Notes.

The transfer of registered ownership may take considerable time and may not be completed prior to the expiration date.

Signatures on a letter of transmittal or a notice of withdrawal described below must be guaranteed by a member firm of a registered national securities exchange or of the Financial Industry Regulatory Authority, Inc., a commercial bank or trust company having an office or correspondent in the United States or another eligible guarantor institution within the meaning of Rule 17Ad-15 under the Exchange Act, unless the Existing Notes tendered pursuant thereto are tendered:

by a registered holder who has not completed the box entitled Special Issuance Instructions or Special Delivery Instructions on the letter of transmittal; or

for the account of an eligible guarantor institution.

If the letter of transmittal is signed by a person other than the registered holder of any Existing Notes, such Existing Notes must be endorsed or accompanied by a properly completed bond power. The bond power must be signed by the registered holder as the registered holder's name appears on the Existing Notes and an eligible guarantor institution must guarantee the signature on the bond power.

If the letter of transmittal or any Existing Notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing. Unless waived by us, they should also submit evidence satisfactory to us of their authority to deliver the letter of transmittal.

The exchange agent and DTC have confirmed that any financial institution that is a participant in DTC's system may use DTC's Automated Tender Offer Program to tender. Participants in the program may, instead of physically completing and signing the letter of transmittal and delivering it to the exchange agent, transmit their acceptance of the exchange offer electronically. They may do so by causing DTC to transfer the Existing Notes to the exchange agent in accordance with its procedures for transfer. DTC will then send an agent's message to the exchange agent. The term agent's message means a message transmitted by DTC, received by the exchange agent and forming part of the book-entry confirmation, to the effect that:

DTC has received an express acknowledgment from a participant in its Automated Tender Offer Program that is tendering Existing Notes that are the subject of such book-entry confirmation;

such participant has received and agrees to be bound by the terms of the letter of transmittal (or, in the case of an agent's message relating to guaranteed delivery, that such participant has received and agrees to be bound by the applicable notice of guaranteed delivery); and

## Edgar Filing: QD CAPITAL CORP - Form S-4/A

the agreement may be enforced against such participant.

We will determine in our sole discretion all questions as to the validity, form, eligibility (including time of receipt), acceptance of tendered Existing Notes and withdrawal of tendered Existing Notes. Our determination will be final and binding. We reserve the absolute right to reject any Existing Notes not properly tendered or any Existing Notes the acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tender as to particular Existing Notes. Our interpretation of the terms and conditions of the exchange offer (including the instructions in the letter of transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Existing Notes must be cured within such time as we shall determine. Although we intend to notify holders of defects or irregularities with respect to tenders of Existing Notes, neither we, the exchange agent nor any other person will incur any liability for failure to give such notification. Tendere of Existing Notes will not be deemed made until such defects or irregularities have been cured or waived. Any Existing Notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned to the exchange agent without cost to the tendering holder, unless otherwise provided in the letter of transmittal, promptly following the expiration date.

## **Table of Contents**

In all cases, we will issue Exchange Notes for Existing Notes that we have accepted for exchange under the exchange offer only after the exchange agent timely receives:

Existing Notes or a timely book-entry confirmation of such Existing Notes into the exchange agent's account at DTC; and

a properly completed and duly executed letter of transmittal and all other required documents or a properly transmitted agent's message.

By signing the letter of transmittal, each tendering holder of Existing Notes will represent that, among other things:

any Exchange Notes that the holder receives will be acquired in the ordinary course of its business;

the holder has no arrangement or understanding with any person or entity to participate in the distribution of the Exchange Notes;

if the holder is not a broker-dealer, that it is not engaged in and does not intend to engage in the distribution of the Exchange Notes;

if the holder is a broker-dealer that will receive Exchange Notes for its own account in exchange for Existing Notes that were acquired as a result of market-making or other trading activities, that it will deliver a prospectus, as required by law, in connection with any resale of such Exchange Notes; and

the holder is not our affiliate, as defined in Rule 405 of the Securities Act.

### **Book-Entry Transfer**

The exchange agent will make a request to establish account(s) with respect to Existing Notes at DTC for purposes of the exchange offer promptly after the date of this prospectus, and any participant in DTC's system may make book-entry delivery of Existing Notes by causing DTC to transfer such Existing Notes into the exchange agent's account at DTC in accordance with DTC's procedures for transfer. Holders of Existing Notes who are unable to deliver confirmation of the book-entry tender of their Existing Notes into the exchange agent's account at DTC or all other documents of transmittal to the exchange agent on or prior to the expiration date must tender their Existing Notes according to the guaranteed delivery procedures described below.

### **Guaranteed Delivery Procedures**

Holders wishing to tender their Existing Notes but whose Existing Notes are not immediately available or who cannot deliver their Existing Notes, the letter of transmittal or any other required documents to the exchange agent or comply with the applicable procedures under DTC's Automated Tender Offer Program prior to the expiration date of the exchange offer may tender if:

the tender is made through an eligible guarantor institution;

on or prior to the expiration date, the exchange agent receives from such eligible guarantor institution either a properly completed and duly executed notice of guaranteed delivery by facsimile transmission with receipt confirmed by telephone and an original delivered by guaranteed overnight carrier, mail or hand delivery or a properly transmitted agent's message and notice of guaranteed delivery;

## Edgar Filing: QD CAPITAL CORP - Form S-4/A

setting forth the name and address of the holder, the registered number(s) of such Existing Notes (if applicable) and the principal amount of Existing Notes tendered;

stating that the tender is being made thereby; and

guaranteeing that, within three New York Stock Exchange trading days after the expiration date, the letter of transmittal or facsimile thereof together with the Existing Notes or a book-entry confirmation, and any other documents required by the letter of transmittal will be deposited by the eligible guarantor institution with the exchange agent; and

the exchange agent receives such properly completed and executed letter of transmittal or facsimile thereof, as well as all tendered Existing Notes in proper form for transfer or a book-entry confirmation, and all other documents required by the letter of transmittal, within three New York Stock Exchange trading days after the expiration date.

Upon request to the exchange agent, a notice of guaranteed delivery will be sent to holders who wish to tender their Existing Notes according to the guaranteed delivery procedures set forth above.

## **Table of Contents**

### **Withdrawal of Tenders**

Except as otherwise provided in this prospectus, holders of Existing Notes may withdraw their tenders at any time prior to the expiration date.

For a withdrawal to be effective:

the exchange agent must receive a written notice, which notice may be by facsimile transmission or letter of withdrawal at one of the addresses set forth below under Exchange Agent, or

holders must comply with the appropriate procedures of DTC's Automated Tender Offer Program system. Any such notice of withdrawal must:

specify the name of the person who tendered the Existing Notes to be withdrawn;

identify the Existing Notes to be withdrawn, including the class and principal amount of such Existing Notes and the registered number(s) of such Existing Notes (if applicable); and

where certificates for Existing Notes have been transmitted, specify the name in which such Existing Notes were registered, if different from that of the withdrawing holder.

If certificates for Existing Notes have been delivered or otherwise identified to the exchange agent, then, prior to the release of such certificates, the withdrawing holder must also submit:

the serial numbers of the particular certificates to be withdrawn; and

a signed notice of withdrawal with signatures guaranteed by an eligible guarantor institution unless such holder is an eligible institution.

If Existing Notes have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn Existing Notes and otherwise comply with the procedures of such facility. We will determine all questions as to the validity, form and eligibility, including time of receipt, of such notices, and our determination shall be final and binding on all parties. We will deem any Existing Notes so withdrawn not to have validity tendered for exchange for purposes of the exchange offer. Any Existing Notes that have been tendered for exchange but that are not exchanged for any reason will be returned to their holder without cost to the holder (or, in the case of Existing Notes tendered by book-entry transfer into the exchange agent's account at DTC according to the procedures described above, such Existing Notes will be credited to an account(s) maintained with DTC for the Existing Notes) as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer.

Properly withdrawn Existing Notes may be retendered by following one of the procedures described under Procedures for Tendering above at any time on or prior to the expiration date.

### **Exchange Agent**

The Bank of New York Mellon Trust Company, N.A. has been appointed as exchange agent for the exchange offer. You should direct questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for the notice of guaranteed delivery to the exchange agent addressed as follows:

Edgar Filing: QD CAPITAL CORP - Form S-4/A

**For Delivery by Hand, Overnight Delivery,**

**Registered or Certified Mail:**

The Bank of New York Mellon Trust Company, N.A.

Corporate Trust Operations

Reorganization Unit

101 Barclay Street 7E

New York, New York 10286

**By Facsimile Transmission**

(for eligible institutions only):

(212) 298-1915

Corporate Trust Operations

Reorganization Unit

**To Confirm by Telephone**

**or for Information Call:**

(212) 815-5920

Corporate Trust Operations

Reorganization Unit

Delivery of the letter of transmittal to an address other than as set forth above or transmission via facsimile other than as set forth above does not constitute a valid delivery of such letter of transmittal.



## **Table of Contents**

### **Fees and Expenses**

We will bear the expense of soliciting tenders. The principal solicitation is being made by mail; however, we may make additional solicitations by telephone or in person or otherwise by our officers and regular employees and those of our affiliates.

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to broker-dealers or others soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and reimburse it for its related reasonable out-of-pocket expenses.

Our expenses in connection with the exchange offer include:

SEC registration fees;

fees and expenses of the exchange agent and trustee;

accounting and legal fees and printing costs; and

related fees and expenses.

### **Transfer Taxes**

We will pay all transfer taxes, if any, applicable to the exchange of Existing Notes under the exchange offer. The tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if:

certificates representing Existing Notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of Existing Notes tendered;

tendered Existing Notes are registered in the name of any person other than the person signing the letter of transmittal; or

a transfer tax is imposed for any reason other than the exchange of the Existing Notes under the exchange offer.

If satisfactory evidence of payment of such taxes is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed to that tendering holder.

Holders who instruct us to register Exchange Notes in the name of, or request that Existing Notes not tendered or not accepted in the exchange offer be returned to, a person other than the registered tendering holder will be required to pay any applicable transfer tax.

### **Consequences of Failure to Exchange**

Holders of Existing Notes who do not exchange their Existing Notes for Exchange Notes under the exchange offer will remain subject to the restrictions on transfer of such Existing Notes:

as set forth in the legend printed on the Existing Notes as a consequence of the issuances of the Existing Notes pursuant to the exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities

laws; and

otherwise as set forth in the offering memorandum and consent solicitation statement distributed in connection with the offering of the Existing Notes.

In general, you may not offer or sell the Existing Notes unless they are registered under the Securities Act, or if the offer or sale is exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreements, we do not intend to register resales of the Existing Notes under the Securities Act. Based on interpretations of the SEC staff, Exchange Notes issued pursuant to the exchange offer may be offered for resale, resold or otherwise transferred by their holders, other than any such holder that is our affiliate within the meaning of Rule 405 under the Securities Act, without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that the holders acquired the Exchange Notes in the ordinary course of the holders' business and the holders have no arrangement or understanding with respect to the distribution of the Exchange Notes to be acquired in the exchange offer. Any holder who tenders in the exchange offer for the purpose of participating in a distribution of the Exchange Notes:

could not rely on the applicable interpretations of the SEC; and

must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction.

**Table of Contents****Accounting Treatment**

We will record the Exchange Notes in our accounting records at the same carrying value as the Existing Notes, as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes in connection with the exchange offer. We will capitalize certain expenses of the exchange offer as deferred financing costs and amortize those costs over the life of the Exchange Notes ratably based on the total principal amount of 10% Senior Notes and 11.75% Senior Subordinated PIK Notes outstanding.

**Other**

Participation in the exchange offer is voluntary, and you should carefully consider whether to accept. You are urged to consult your financial and tax advisors in making your own decision on what action to take.

We may in the future seek to acquire untendered Existing Notes in the open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plans to acquire any Existing Notes that are not tendered in the exchange offer or to file a registration statement to permit resales of any untendered Existing Notes.

**USE OF PROCEEDS**

The exchange offer is intended to satisfy our obligations under the registration rights agreements we entered into in connection with the offering of the Existing Notes. We will not receive any cash proceeds from the issuance of the Exchange Notes. In consideration for issuing the Exchange Notes as contemplated in this prospectus, we will receive in exchange Existing Notes in like principal amount, which will be canceled and as such will not result in any increase in our indebtedness. We did not receive any cash proceeds from the issuances of the Existing Notes, which were issued in exchange for a portion of our 9% Notes and our 2012 Notes that were outstanding on the date of the issuances of the Existing Notes.

**CAPITALIZATION**

The following table sets forth our cash and cash equivalents and our capitalization as of September 30, 2009 on (1) a historical basis, and (2) a pro forma basis after giving effect to the completion of the exchange and tender offers on October 15, 2009. The completion of the exchange offer contemplated by this prospectus will not change the amount of debt outstanding or otherwise affect capitalization and is therefore not reflected in the table below. You should read this table in conjunction with Selected Historical Financial Information and Use of Proceeds included elsewhere in this prospectus as well as the historical consolidated financial statements and related notes included in this prospectus.

**Quality Distribution, Inc. and Subsidiaries (unaudited, in thousands):**

	As of September 30, 2009	
	Historical	Pro Forma
Cash and cash equivalents	\$ 2,831	\$ 2,831
Debt:		
Borrowings under ABL Facility	\$ 75,000	\$ 75,000
Senior Floating Rate Notes due 2012 (1)	135,000	501
10% Senior Notes due 2013 (1)		134,499
9% Senior Subordinated Notes due 2010	99,761	16,031
11.75% Senior Subordinated PIK Notes due 2013 (2)		80,742
Capital Lease obligations	18,925	18,925
Other	12,844	12,844
Total debt, including current maturities	341,530	338,542
Total shareholders' (deficit)	(152,825)	(151,630)
Total capitalization	\$ 188,705	\$ 186,912

## Edgar Filing: QD CAPITAL CORP - Form S-4/A

- (1) Excludes discount of \$2.5 million related to the remaining unamortized original issue discount of the 2012 Notes.
- (2) Excludes discount of \$6.7 million related to warrants issued with the 11.75% Senior Subordinated PIK Notes and amortized over the life of the Notes.

**Table of Contents**

**SELECTED HISTORICAL FINANCIAL INFORMATION**

The summary historical consolidated financial information set forth below is qualified in its entirety by reference to, and should be read in conjunction with, our consolidated financial statements and notes thereto included elsewhere in this prospectus and the section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations. The historical results do not necessarily indicate results expected for any future period, and results for any interim period do not necessarily indicate results expected for a full fiscal year.

The consolidated statements of operations data set forth below for the years ended December 31, 2008, 2007 and 2006 and the historical balance sheet data as of December 31, 2008 and 2007 are derived from our audited financial statements included in this prospectus. The historical statements of operations data for the years ended December 31, 2005 and 2004 and the historical balance sheet data as of December 31, 2006, 2005 and 2004 are derived from our audited financial statements that are not included in this prospectus. The consolidated statements of operations data set forth below for the nine months ended September 30, 2009 and 2008 and the historical balance sheet data as of September 30, 2009 and 2008 are derived from our unaudited financial statements included in this prospectus.

**Table of Contents**

	(UNAUDITED) NINE MONTHS ENDED SEPTEMBER 30		YEAR ENDED DECEMBER 31				2004
	2009	2008	2008	2007	2006	2005	
<b>(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)</b>							
<b>Statements of Operations Data (1)</b>							
Operating revenues	\$ 462,323	\$ 647,204	\$ 815,290	\$ 751,558	\$ 730,159	\$ 678,076	\$ 622,015
Operating expenses:							
Purchased transportation	273,269	376,378	466,823	471,531	493,686	471,238	420,565
Depreciation and amortization	15,694	15,435	21,002	17,544	16,353	17,278	23,266
Impairment charge (2)	148,630						
Other operating expenses	154,072	230,255	294,487	238,630	171,842	149,741	162,936
Operating (loss) income	(129,342)	25,136	32,978	23,853	48,278	39,819	15,248
Interest expense, net	19,769	25,913	35,120	30,524	29,388	26,712	22,343
Write-off of debt issuance costs			283	2,031		1,110	
Gain on extinguishment of debt	(675)		(16,532)				
Other (income) expense	(284)	171	(2,945)	940	888	(222)	857
(Loss) income before taxes	(148,152)	(948)	17,052	(9,642)	18,002	12,219	(7,952)
Provision for (benefit from) income taxes	36,951	(98)	4,940	(2,079)	(38,168)	352	2,421
Net (loss) income	(185,103)	(850)	12,112	(7,563)	56,170	11,867	(10,373)
Preferred stock dividends							(145)
Net (loss) income attributable to common shareholders	\$ (185,103)	\$ (850)	\$ 12,112	\$ (7,563)	\$ 56,170	\$ 11,867	\$ (10,518)
Net (loss) income per common share:							
Basic	\$ (9.55)	\$ (0.04)	\$ 0.63	\$ (0.39)	\$ 2.97	\$ 0.63	\$ (0.56)
Diluted	\$ (9.55)	\$ (0.04)	\$ 0.62	\$ (0.39)	\$ 2.87	\$ 0.61	\$ (0.56)
Weighted average common shares outstanding:							
Basic	19,373	19,377	19,379	19,336	18,920	18,934	18,910
Diluted	19,373	19,377	19,539	19,336	19,571	19,301	18,910



---

**Table of Contents**

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

QDI guarantees the 10% Senior Notes, the 11.75% Senior Subordinated PIK Notes, the 9% Notes and the 2012 Notes and borrowings under the ABL Facility and has no material assets or operations other than its ownership of all of our membership interests. As a result, the discussion below of the historical results of operations and liquidity of QDI is substantially the same as ours. The following discussion of our results of operations and financial condition should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus. The following discussion includes forward-looking statements. For a discussion of important factors that could cause actual results to differ from results discussed in the forward-looking statements, see Cautionary Note Regarding Forward-Looking Statements beginning on page [ ] of this prospectus.

**Overview**

We operate the largest for-hire chemical bulk tank truck network in North America based on bulk service revenues. The bulk tank truck market in North America includes all products shipped by bulk tank truck carriers and consists primarily of liquid and dry bulk chemicals (including plastics) and bulk dry and liquid food-grade products. We primarily transport a broad range of chemical products and provide our customers with logistics and other value-added services. We are a core carrier for many of the Fortune 500 companies engaged in chemical processing including BASF, Dow, DuPont, ExxonMobil, Georgia-Pacific, Honeywell, Proctor & Gamble, Sunoco and Unilever, and we provide services to most of the top 100 chemical producers with U.S. operations.

Our revenue is principally a function of the volume of shipments by the bulk chemical industry, the number of miles driven per load, our market share, and the allocation of shipments between tank truck transportation and other modes of transportation such as rail. The volume of shipments of chemical products is, in turn, affected by many other industries and end use markets, including consumer and industrial products, paints and coatings, paper and packaging, agriculture and food products, and tends to vary with changing economic conditions. Economic conditions and differences among the laws and currencies of nations may impact the volume of shipments imported into the United States. Additionally, we provide leasing, logistics and transloading services.

Our bulk service network consists primarily of independently owned third-party affiliate terminals, company-operated terminals and independent owner-operator drivers. Affiliates are independent companies we contract with to operate trucking terminals exclusively on our behalf in defined markets. The affiliates provide the capital necessary to service their contracted business and are also responsible for most of the operating costs associated with servicing the contracted business. Owner-operators are generally individual drivers who own or lease their tractors and agree to drive exclusively for us and our affiliate partners. We believe the use of affiliates and independent owner-operators provides the following key competitive advantages to us in the marketplace:

Locally owned and operated affiliate terminals can provide superior, tailored customer service.

Affiliates and independent owner-operators are paid a fixed, contractual percentage of revenue for each load they transport creating a variable cost structure that mitigates against cyclical downturns.

Reliance on affiliates and independent owner-operators creates an asset-light business model that generally reduces our capital investment.

In the first quarter of 2009, we began consolidating certain company-operated terminals and transitioning other company-operated terminals to affiliates. These actions have progressed throughout 2009 and have resulted in a larger portion of our revenue being generated by affiliates. We believe these actions will reduce certain fixed costs, provide a more variable cost structure and position us with a financially flexible business platform.

We believe the most significant factors relevant to our future business growth are the ability to (i) obtain additional business from existing customers, (ii) add new customers and (iii) recruit and retain drivers. While many of our customers source some of their logistics needs with rail, we expect our customers to continue to outsource a greater proportion of their logistics needs to full service tank truck carriers. As a result of our leading market position, strong customer relationships and flexible business model, we believe we are well-positioned to benefit from customers seeking consolidation of their shipping relationships and those opting to outsource a greater portion of their logistics needs to third-party tank truck carriers.



## Edgar Filing: QD CAPITAL CORP - Form S-4/A

Acquired in December 2007, our wholly owned subsidiary, Boasso, is the leading North America provider of ISO (International Organization for Standardization) tank container transportation and depot services with eight terminals located in the eastern half of the United States. The increase in global sourcing of bulk chemicals has shifted significant chemical manufacturing activity away from the United States, resulting in increased demand for ISO tank containers. As a result, ISO tank container services remain a critical component in the overall chemical supply chain.

On August 28, 2009, we commenced exchange and tender offers to exchange new notes and cash consideration for any and all of our 2012 Notes and our 9% Notes. These offers were completed on October 15, 2009. We received approximately \$134.5 million

**Table of Contents**

of our 2012 Notes in exchange for Existing 10% Senior Notes. We received approximately \$83.6 million of our 9% Notes for approximately \$80.7 million aggregate principal amount of Existing 11.75% Senior Subordinated PIK Notes, issued approximately 1.75 million warrants and retired approximately \$2.9 million of our 9% Notes. The warrants are exercisable to purchase shares of QDI's common stock at an exercise price of \$0.01 per share, during the period beginning on the six-month anniversary of the closing date and ending on November 1, 2013.

On October 10, 2009, we sold substantially all of the operating assets of our Quala Systems, Inc. ( QSI ) tank wash subsidiary for \$13.0 million, of which \$10.0 million was paid in cash and the remaining \$3.0 million in a subordinated note. The subordinated note is a five year non-amortizing note which matures on December 31, 2014. The principal is payable in a lump sum at maturity. Interest is payable quarterly at 7% per annum commencing December 31, 2009. In connection with the sale, QSI entered into various agreements with the purchaser, which is not affiliated with us, including long-term leases of real estate used in the tank wash business and various operating agreements. The assets held-for-sale of \$4.9 million includes \$4.3 million of equipment, \$0.4 million of inventory, and \$0.2 million of intangibles. The QSI business that was sold generated approximately \$21.0 million of revenue for the nine months ended September 30, 2009 from tank wash and related operations. We expect to record a pre-tax gain on the sale in the fourth quarter between \$7.5 million and \$8.0 million.

**Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. We believe the following are the more critical accounting policies that impact the financial statements, some of which are based on management's best estimates available at the time of preparation. Actual future experience may differ from these estimates.

*Property and equipment* Property and equipment expenditures, including tractor and trailer rebuilds that extend the useful lives of such equipment, are capitalized and recorded at cost. For financial statement purposes, these assets are depreciated using the straight-line method over the estimated useful lives of the assets to an estimated salvage value.

The asset lives used are presented in the following table:

	Average Lives (in years)
Buildings and improvements	10 - 25
Tractors and terminal equipment	5 - 7
Trailers	15 - 20
Furniture and fixtures	3 - 5
Other equipment	3 - 10

Tractor and trailer rebuilds, which are recurring in nature and extend the lives of the related assets, are capitalized and depreciated over the period of extension, generally 3 to 10 years, based on the type and extent of these rebuilds. Maintenance and repairs are charged directly to expense as incurred. Management estimates the useful lives of these assets based on historical trends and the age of the assets when placed in service. Any changes in the actual lives could result in material changes in the net book value of these assets. Additionally, we estimate the salvage values of these assets based on historical sales or disposals, and any changes in the actual salvage values could also affect the net book value of these assets.

Furthermore, we evaluate the recoverability of our long-lived assets whenever adverse events or changes in the business climate indicate that the expected undiscounted future cash flows from the related assets may be less than previously anticipated. If the net book value of the related asset exceeds the undiscounted future cash flows of the asset, the carrying amount would be reduced to the present value of its expected future cash flows and an impairment loss would be recognized. This analysis requires us to make significant estimates and assumptions in projecting future cash flows, and changes in facts and circumstances could result in material changes in the amount of any write-offs for impairment.

*Assets held-for-sale* We determined that there were a group of assets that we intended to sell related to our tank wash business. These assets had a net book value of \$4.9 million as of September 30, 2009. We completed the sale of these assets on October 10, 2009.

*Goodwill and Intangible Assets* We evaluate goodwill and indefinite-lived intangible assets for impairment at least annually during the second quarter with a measurement date of June 30, and more frequently if indicators of impairment arise, in accordance with FASB's guidance on goodwill and other intangible assets. At June 30, 2009, we evaluated goodwill for impairment by determining the fair value for each reporting unit: our trucking segment and our container services segment. These reporting units contain goodwill and other identifiable intangible assets as

## Edgar Filing: QD CAPITAL CORP - Form S-4/A

a result of previous business acquisitions. As a result of our analysis, we concluded a total impairment charge to goodwill of \$146.2 million was necessary at June 30, 2009, of which \$144.3 million was

---

## **Table of Contents**

related to our trucking segment, eliminating 100% of the carrying amount of goodwill, and \$1.9 million was related to our container services segment. As of September 30, 2009, our goodwill assets were \$27.3 million.

### **Goodwill**

We evaluate at least quarterly whether indicators of impairment exist by reviewing our market capitalization. The result of our quarterly evaluation at September 30, 2009 demonstrated that no new or additional indicators of impairment existed. Under the FASB guidance, evaluating the potential impairment of goodwill is a two-step process that requires significant judgment at many points during the analysis. In the first step, we determine whether there is an indication of impairment by comparing the fair value of a reporting unit to its carrying amount, including goodwill. If, based on the first step, we determine that there is an indication of goodwill impairment, we assess the impairment in step two in accordance with the guidance.

In the first step, we determine the fair value for our reporting units using a combination of two valuation approaches: the market approach and the income approach. The market approach uses a guideline company methodology which is based upon a comparison of us to similar publicly-traded companies within our industry. We derive a market value of invested capital or business enterprise value for each comparable company by multiplying the price per share of common stock of the publicly traded companies by their total common shares outstanding and adding each company's current level of debt. We calculate a business enterprise multiple based on revenue and earnings from each company and then apply those multiples to each reporting unit's revenue and earnings to conclude a reporting unit business enterprise value. Assumptions regarding the selection of comparable companies are made based on, among other factors, capital structure, operating environment and industry. As the comparable companies were typically larger and more diversified than our reporting units, multiples were adjusted prior to application to our reporting units' revenues and earnings to reflect differences in margins, long-term growth prospects and market capitalization.

The income approach uses a discounted debt-free cash flow analysis to measure fair value by estimating the present value of future economic benefits. To perform the discounted debt-free cash flow analysis, we develop a pro forma analysis of each reporting unit to estimate future available debt-free cash flow, discounting estimated debt-free cash flow by using an estimated industry weighted average cost of capital based on the same comparable companies used in the market approach. Per the FASB's guidance, the weighted average cost of capital is based on inputs (e.g., capital structure, risk, etc.) from a market participant's perspective and not necessarily from the reporting unit or QDI's perspective. Future cash flow is projected based on assumptions for our economic growth, industry expansion, future operations and the discount rate, all of which require significant judgments by management.

After computing a separate business enterprise value under the income approach and market approach, we apply a weighting to them to derive the business enterprise value of the reporting unit. The income approach and market approach were both weighted 50% in the analysis performed at June 30, 2009. The weightings are evaluated each time a goodwill impairment assessment is performed and give consideration to the relative reliability of each approach at that time. Given that the business enterprise value derived from the market approach supported what was calculated in the income approach, we believed that both approaches should be equally weighted. Based on these weightings, we conclude a business enterprise value for each reporting unit. We then add debt-free liabilities of the reporting unit to the concluded business enterprise value to derive an implied fair value of the reporting unit. The implied fair value is compared to the reporting unit's carrying value of total assets. Upon completion of the June 30, 2009 analysis in step one, we determined that the carrying amount of our trucking reporting unit exceeded its fair value and the carrying amount of our container services reporting unit was nearly breakeven with its fair value, requiring a step two analysis to be performed for both reporting units.

In step two of the goodwill impairment test, the amount of impairment loss is determined by comparing the implied fair value of each reporting unit's goodwill with the carrying value of the reporting unit's goodwill. This involves testing the definite-lived assets in accordance with FASB guidance on accounting for the impairment or disposal of long-lived assets, using undiscounted cash flows. Then a fair value allocation is performed for each reporting unit based on the business enterprise value obtained in step one. From that we determine the actual goodwill impairment for each reporting unit based on the goodwill residual amount. If the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss must be recognized in an amount equal to the excess. The loss recognized cannot exceed the carrying amount of goodwill. After a goodwill impairment loss is recognized, the adjusted carrying amount of goodwill will be its new accounting basis. Upon completion of step two of the analysis as of June 30, 2009, an impairment charge was determined.

### **Intangible assets**

In order to determine the implied fair value of our indefinite-lived intangible assets, we utilize the relief from royalty method, pursuant to which those assets are valued by reference to the amount of royalty income they would generate if licensed in an arm's length transaction. Under the relief from royalty method, similar to the discounted cash flow method, estimated net revenues expected to be generated by the asset during its life are multiplied by a benchmark royalty rate and then discounted by the estimated weighted average cost of capital associated with the asset. The resulting capitalized royalty stream is an indication of the value of owning the asset. Based upon management's review of the value of the

indefinite-lived intangible assets in our container services segment during

**Table of Contents**

the June 30 analysis, we determined that the carrying value of the Boasso trade name exceeded its implied fair value by \$2.4 million at June 30, 2009.

We evaluate at least quarterly whether indicators of impairment exist by reviewing our market capitalization. The result of our quarterly evaluation at September 30, 2009 demonstrated that no new or additional indicators of impairment existed. If there are changes to the methods used to allocate carrying values, if management's estimates of future operating results change, if there are changes in the identified reporting units or if there are changes to other significant assumptions, the estimated carrying values for each reporting unit and the estimated fair value of our goodwill could change significantly and could result in future impairment charges which could materially impact our results of operations and financial condition.

*Deferred Tax Asset* In accordance with FASB guidance, we use the liability method of accounting for income taxes. Significant management judgment is required in determining the provision for income taxes and, in particular, any valuation allowance that is recorded or released against our deferred tax assets.

We continue to evaluate quarterly the positive and negative evidence regarding the realization of net deferred tax assets. The carrying value of our net deferred tax assets is based on our belief that it is more likely than not that we will generate sufficient future taxable income to realize these deferred tax assets. A valuation allowance has been established for 100% of our net deferred tax asset as we no longer believe it meets the more likely than not criteria. Our judgments regarding future taxable income may change due to changes in market conditions, changes in tax laws or other factors. If any of the assumptions and related estimates change in the future, it may increase or decrease the valuation allowance and related income tax expense in the same period.

At December 31, 2008 we had an estimated \$98.0 million in federal net operating loss carryforwards, \$2.3 million in alternative minimum tax credit carryforwards and \$2.9 million in foreign tax credit carryforwards. 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 10 years.

*Uncertain Income Tax Positions* In accordance with FASB guidance, we account for uncertainty in income taxes, using a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as we have to determine the probability of various possible outcomes. We re-evaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition and measurement would result in recognition of a tax benefit and/or an additional charge to the tax provision.

*Environmental liabilities* We have reserved for potential environmental liabilities based on the best estimates of potential clean-up and remediation for known environmental sites. We employ a staff of environmental professionals to administer all phases of our environmental programs and use outside experts where needed. These professionals develop estimates of potential liabilities at these sites based on projected and known remediation costs. These cost projections are determined through previous experiences with other sites and through bids from third-party contractors. Management believes current reserves are reasonable based on current information.

*Accident claims reserves* We currently maintain liability insurance for bodily injury and property damage claims, covering all employees, owner-operators and affiliates, and workers' compensation insurance coverage on our employees and company drivers. This insurance includes deductibles of \$2.0 million per incident for bodily injury and property damage and \$1.0 million for workers' compensation for periods after March 31, 2008. From September 15, 2002 to March 30, 2008, our insurance deductible was \$5.0 million per incident for bodily injury and property damage. As such, we are subject to liability as a self-insurer to the extent of these deductibles under the policy. We are self-insured for damage to the equipment we own or lease, for cargo losses and for non-trucking pollution legal liability. As of September 30, 2009, we have \$33.6 million in an outstanding letter of credit to our insurance administrator to guarantee the self-insurance portion of our liability. If we fail to meet certain terms of our agreement, the insurance administrator may draw down the letter of credit. In developing liability reserves, we rely on professional third party claims administrators, insurance company estimates and the judgment of our own safety department personnel, and independent professional actuaries and attorneys. The most significant assumptions used in the estimation process include determining the trends in loss costs, the expected consistency in the frequency and severity of claims incurred but not yet reported to prior-year claims, and expected costs to settle unpaid claims. Management believes reserves are reasonable given known information, but as each case develops, estimates may change to reflect the effect of new information.

*Revenue recognition* Transportation revenues, including fuel surcharges and related costs, are recognized on the date the freight is delivered. Other service revenues, consisting primarily of lease revenues from affiliates, owner-operators and third parties, are recognized ratably over the

lease period. Tank wash revenues are recognized when the wash is completed. Service revenues on

## **Table of Contents**

insurance policies are recorded as a contractual percentage of premiums received ratably over the period that the insurance covers. We have recognized all revenues on a gross basis as the principal and primary obligor with risk of loss in relation to our responsibility for completion of services as contracted by our customers.

*Allowance for uncollectible receivables* The allowance for all potentially uncollectible receivables is based on a combination of historical data, cash payment trends, specific customer issues, write-off trends, general economic conditions and other factors. These factors are continuously monitored by our management to arrive at the estimate for the amount of accounts receivable that may be ultimately uncollectible. The receivables analyzed include trade receivables, as well as loans and advances made to owner-operators and affiliates. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, an additional allowance could be required.

*Stock compensation plans* Stock compensation is determined by the assumptions required under FASB guidance on *share-based payment*. The fair values of stock option grants are based upon the Black-Scholes option-pricing model and amortized as compensation expense on a straight-line basis over the vesting period of the grants. Restricted stock awards are issued and measured at market value on the date of grant, and related compensation expense is recognized on a straight-line basis over the vesting period of the grants. Stock-based compensation expense related to stock options and restricted stock was \$0.4 million for the nine months ended September 30, 2009 and was \$1.1 million for the nine months ended September 30, 2008. As of September 30, 2009, there was approximately \$2.2 million of total unrecognized compensation cost related to the unvested portion of our stock-based awards. The recognition period for the remaining unrecognized stock-based compensation cost is approximately four years. For further discussion on stock-based compensation, see Note 17 of Notes to Consolidated Financial Statements for the year ended December 31, 2008 included elsewhere in this prospectus.

*Pension plans* We maintain two noncontributory defined-benefit plans resulting from a prior acquisition that cover certain full-time salaried employees and certain other employees under a collective bargaining agreement. Both plans are frozen and, as such, no future benefits accrue. We record annual amounts relating to these plans based on calculations specified by GAAP, which include various actuarial assumptions such as discount rates (6.00% to 6.25%) and assumed rates of return (7.50% to 8.00%), depending on the pension plan. Material changes in pension costs may occur in the future due to changes in these assumptions. Future annual amounts could be impacted by changes in the discount rate, changes in the expected long-term rate of return, changes in the level of contributions to the plans and other factors.

The discount rate is based on a model portfolio of AA-rated bonds with a maturity matched to the estimated payouts of future pension benefits. The expected return on plan assets is based on our expectation of the long-term rates of return on each asset class based on the current asset mix of the funds, considering the historical returns earned on the types of assets in the funds, plus an assumption of future inflation. The current investment policy target asset allocation differs between our two plans, but it is between 50% to 67% for equities and 33% to 50% for bonds. The current inflation assumption is 3.00%. We review our actuarial assumptions on an annual basis and make modifications to the assumptions based on current rates and trends when appropriate. The effects of the modifications are amortized over future periods.

Assumed discount rates and expected return on plan assets have a significant effect on the amounts reported for the pension plans. At December 31, 2008, our projected benefit obligation ( PBO ) was \$45.6 million. Our projected 2009 net periodic pension expense is \$2.2 million. A 1.0% decrease in our assumed discount rate would increase our PBO to \$50.3 million and increase our 2009 net periodic pension expense less than \$0.1 million. A 1.0% increase in our assumed discount rate would decrease our PBO to \$41.8 million and decrease our 2009 net periodic pension expense to \$2.1 million. A 1.0% decrease in our assumed rate of return would not change our PBO but would increase our 2009 net periodic pension expense to \$2.4 million. A 1.0% increase in our assumed rate of return would not change our PBO but would decrease our 2009 net periodic pension expense to \$1.9 million.

*Restructuring* We account for restructuring costs associated with one-time termination benefits, costs associated with lease and contract terminations and other related exit activities in accordance with the FASB guidance on accounting for costs associated with exit or disposal activities. We have made estimates of the costs to be incurred as part of our restructuring plan. During the quarter ended June 30, 2008, we committed to a plan of restructure resulting in the termination of non-driver positions and the consolidation or closure of underperforming company terminals. We continued our plan of restructure throughout 2008, which resulted in a restructuring charge of \$5.3 million, of which the majority related to our trucking segment. The total restructuring charge for 2008 represents \$2.0 million of severance costs, \$0.6 million in contract termination costs and \$2.7 million related to other exit costs. Our restructuring plan is continuing in 2009 and expected to conclude in 2010. During the nine months ended September 30, 2009, we recorded a charge of \$2.1 million related to employee termination benefits and other related exit activities. As of September 30, 2009, approximately \$0.4 million was accrued related to the restructuring charges, which are expected to be paid through 2010.

### **New Accounting Pronouncements**

Refer to Note 1, Summary of Significant Accounting Policies New Accounting Pronouncements and Fair Value Measurements in the Notes to Consolidated Financial Statements for the nine-month period ended September 30, 2009, and Note 2,





**Table of Contents**

Significant Accounting Policies New Accounting Pronouncements in the Notes to Consolidated Financial Statements for the year ended December 31, 2008, for discussions of recent accounting pronouncements and for additional discussion surrounding the adoption of accounting standards.

**Results of Operations**

The following table presents certain condensed consolidated financial information, as a percentage of revenue, for the three and nine months ended September 30, 2009 and 2008, and for the years ended December 31, 2008, 2007 and 2006:

	(Unaudited) Three months ended September 30,		(Unaudited) Nine months ended September 30,		Year ended December 31,		
	2009	2008	2009	2008	2008	2007	2006
<b>OPERATING REVENUE:</b>							
Transportation	74.0%	67.4%	74.3%	68.9%	69.4%	77.3%	79.1%
Other service revenue	16.4	11.9	17.4	12.2	12.8	10.1	9.1
Fuel surcharge	9.6	20.7	8.3	18.9	17.8	12.6	11.8
Total operating revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>OPERATING EXPENSES:</b>							
Purchased transportation	62.9	58.1	59.1	58.2	57.3	62.7	67.6
Compensation	11.7	12.8	13.4	13.0	13.4	11.4	10.0
Fuel, supplies and maintenance	9.9	13.9	10.7	14.4	14.0	10.8	7.3
Depreciation and amortization	3.1	2.4	3.4	2.4	2.6	2.3	2.2
Selling and administrative	3.4	4.1	4.2	4.1	4.4	4.2	3.3
Insurance costs	1.9	1.4	2.4	1.8	1.8	3.2	1.8
Taxes and licenses	0.6	0.7	0.6	0.6	0.6	0.5	0.5
Communication and utilities	1.3	1.4	1.4	1.6	1.6	1.5	1.2
Loss (gain) on disposal of property and equipment	0.2	(0.4)		(0.4)	(0.4)	0.1	(0.7)
Impairment of goodwill and intangibles			32.1				
Restructuring costs	0.2	0.8	0.5	0.6	0.7		
Total operating expenses	95.2	95.2	127.8	96.3	96.0	96.7	93.2
Operating income (loss)	4.8	4.8	(27.8)	3.7	4.0	3.3	6.8
Interest expense, net	4.0	3.8	4.3	4.0	4.3	4.1	4.0
Write-off of debt issuance costs						0.3	
Gain on extinguishment of debt			(0.1)		(2.0)		
Other (income) expense					(0.4)	0.1	0.2
Income (loss) before income taxes	0.8	1.0	(32.0)	(0.3)	2.1	(1.2)	2.6
Provision for (benefit from) income taxes		0.2	8.0		0.6	(0.3)	(5.2)
Net income (loss)	0.8	0.8	(40.0)	(0.3)	1.5	(0.9)	7.8

**Table of Contents**

The following table shows the approximate number of terminals, drivers, tractors and trailers that we managed (including affiliates and owner-operators) as of September 30, 2009 and 2008, and as of December 31, 2008, 2007 and 2006:

	(Unaudited)		Year ended		
	Nine months ended September 30,		December 31,		
	2009	2008	2008	2007	2006
Terminals <sup>(1)</sup>	139	157	149	169	165
Drivers	2,735	3,244	3,053	3,486	3,396
Tractors	2,975	3,485	&n		