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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2008

or

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

For the transition period from to

Commission File Number: 000-24180

Quality Distribution, Inc.

(Exact name of registrant as specified in its charter)

Florida	**59-3239073**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4041 Park Oaks Boulevard, Suite 200, Tampa, FL	**33610**
(Address of Principal Executive Offices)	**(Zip Code)**

813-630-5826

(Registrant s telephone number, including area code)

N/A

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

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

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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes ¨ No x

As of August 1, 2008, the registrant had 19,252,689 outstanding shares of Common Stock, no par value, outstanding.

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QUALITY DISTRIBUTION, INC.

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

PART I FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

Consolidated Statements of Operations

(Unaudited in 000 s, Except Per Share Amounts)

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
OPERATING REVENUES:				
Transportation	$ 151,765	$ 151,683	$ 301,024	$ 293,756
Other service revenue	26,677	19,143	53,422	36,111
Fuel surcharge	45,520	23,884	78,017	42,938
Total operating revenues	223,962	194,710	432,463	372,805
OPERATING EXPENSES:				
Purchased transportation	131,606	123,427	251,578	239,374
Compensation	27,395	20,587	55,999	40,256
Fuel, supplies and maintenance	33,035	19,275	63,168	35,399
Depreciation and amortization	5,332	4,317	10,228	8,492
Selling and administrative	8,568	7,406	17,816	13,872
Insurance claims	2,865	4,444	8,427	11,082
Taxes and licenses	1,242	843	2,459	1,624
Communication and utilities	3,389	2,497	7,005	5,129
(Gain) loss on disposal of property and equipment	(1,421)	(10)	(1,965)	199
Restructuring costs	2,375		2,375	
Total operating expenses	214,386	182,786	417,090	355,427
Operating income	9,576	11,924	15,373	17,378
Interest expense	(8,640)	(8,075)	(17,791)	(15,752)
Interest income	88	176	205	375
Other (expense) income	(146)	396	(156)	359
Income (loss) before income taxes	878	4,421	(2,369)	2,360
Provision for (benefit from) income taxes	526	2,135	(802)	247
Net income (loss)	$ 352	$ 2,286	$ (1,567)	$ 2,113
PER SHARE DATA:				
Net income (loss) per common share				
Basic	$ 0.02	$ 0.12	$ (0.08)	$ 0.11
Diluted	$ 0.02	$ 0.12	$ (0.08)	$ 0.11
Weighted average number of shares				
Basic	19,375	19,354	19,372	19,351

Diluted	19,519	19,480	19,372	19,478

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

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(In 000 s)

Unaudited

	June 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,718	$ 9,711
Accounts receivable, net	110,166	99,081
Prepaid expenses	11,946	8,150
Deferred tax asset, net	20,483	20,483
Other	8,065	6,258
Total current assets	153,378	143,683
Property and equipment, net	135,344	121,992
Goodwill	173,141	173,575
Intangibles, net	23,550	24,167
Non-current deferred tax asset, net	17,095	16,203
Other assets	12,554	14,356
Total assets	$ 515,062	$ 493,976
LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current maturities of indebtedness	$ 4,797	$ 413
Current maturities of capital lease obligations	2,619	1,451
Accounts payable	14,765	17,428
Affiliates and independent owner-operators payable	16,897	12,597
Accrued expenses	27,648	25,957
Environmental liabilities	3,210	4,751
Accrued loss and damage claims	8,612	13,438
Income tax payable		555
Total current liabilities	78,548	76,590
Long-term indebtedness, less current maturities	365,947	343,575
Capital lease obligations, less current maturities	8,266	3,832
Environmental liabilities	6,418	6,418
Accrued loss and damage claims	12,507	18,474
Other non-current liabilities	14,895	15,954
Total liabilities	486,581	464,843
Commitments and contingencies - Note 9 Minority interest in subsidiary	1,833	1,833
SHAREHOLDERS EQUITY		
Common stock, no par value; 29,000 shares authorized; 19,732 issued and 19,528 outstanding at June 30, 2008 and 19,334 issued and 19,176 outstanding at December 31, 2007	362,343	361,617

Treasury stock, 204 and 158 shares at June 30, 2008 and December 31, 2007	(1,580)	(1,564)
Accumulated deficit	(127,713)	(126,146)
Stock recapitalization	(189,589)	(189,589)
Accumulated other comprehensive loss	(16,559)	(16,748)
Stock subscriptions receivable	(254)	(270)
Total shareholders equity	26,648	27,300
Total liabilities, minority interest and shareholders equity	$ 515,062	$ 493,976

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

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders Equity

For the Six Months Ended June 30, 2008 and 2007

Unaudited (In 000 s)

	Shares of Common Stock	Shares of Treasury Stock	Common Stock	Treasury Stock	Accumulated Deficit	Stock Recapitalization	Accumulated Other Comprehensive Loss	Stock Purchase Warrants	Stock Subscription Receivables	Total Shareholders Equity
Balance, December 31, 2006	19,210	(172)	$ 359,995	$ (1,527)	$ (118,255)	$ (189,589)	$ (18,531)	$ 21	$ (340)	$ 31,774
Net income					2,113					2,113
Issuance of restricted stock	40	11	(25)	25						
Forfeiture of restricted stock		(2)	11	(11)						
Amortization of restricted stock			125							125
Amortization of stock units			14							14
Amortization of non-employee options			63							63
Amortization of stock options			606							606
Stock warrant exercise	79		21					(21)		
Stock option exercise	8	8	52	19						71
FIN 48 Adjustment					(328)					(328)
Amortization of prior service costs, net of a tax provision of nil							47			47
Translation adjustment, net of a deferred tax provision of nil							(215)			(215)
Balance, June 30, 2007	19,337	(155)	$ 360,862	$ (1,494)	$ (116,470)	$ (189,589)	$ (18,699)		$ (340)	$ 34,270
Balance, December 31, 2007	19,334	(158)	$ 361,617	$ (1,564)	$ (126,146)	$ (189,589)	$ (16,748)	$	$ (270)	$ 27,300
Net loss					(1,567)					(1,567)
Issuance of restricted stock	398									
Forfeiture of restricted stock		(45)								
Amortization of restricted stock			115							115
Amortization of non-employee options			62							62
			549							549

Amortization of stock options									
Acquisition of treasury stock		(1)		(16)				16	
Amortization of prior service costs and losses, net of tax							129		129
Translation adjustment, net of tax							60		60
Balance, June 30, 2008	19,732	(204)	$ 362,343	$ (1,580)	$ (127,713)	$ (189,589)	$ (16,559)	$ (254)	$ 26,648

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

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited In 000 s)

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (1,567)	$ 2,113
Adjustments to reconcile to net cash and cash equivalents (used in) provided by operating activities:		
Deferred income tax benefit	(892)	(193)
Depreciation and amortization	10,228	8,492
Bad debt expense	331	441
(Gain) Loss on disposal of property and equipment	(1,965)	199
Stock based compensation	726	807
Amortization of deferred financing costs	1,470	899
Amortization of bond discount	550	121
Minority dividends	72	72
Changes in assets and liabilities:		
Accounts and other receivables	(11,225)	(10,562)
Prepaid expenses	353	(1,650)
Other assets	1,344	1,043
Accounts payable	(2,002)	709
Accrued expenses	1,692	389
Environmental liabilities	(1,541)	(468)
Accrued loss and damage claims	(10,792)	(4,466)
Affiliates and independent owner-operators payable	4,300	3,902
Other liabilities	(1,366)	753
Current income taxes	(1,268)	(992)
Net cash (used in) provided by operating activities	(11,552)	1,609
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(12,884)	(4,749)
Acquisition of businesses and assets	(1,395)	(3,032)
Boasso purchase adjustment	1,318	
Proceeds from sales of property and equipment	3,332	4,243
Net cash used in investing activities	(9,629)	(3,538)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	1,731	
Principal payments on long-term debt	(2,153)	(700)
Principal payments on capital lease obligations	(948)	(603)
Proceeds from revolver	74,100	26,800
Payments on revolver	(56,830)	(26,300)
Payments on acquisition notes	(439)	
Deferred financing costs	(528)	
Change in book overdraft	(666)	(1,284)
Minority dividends	(72)	(72)
Other stock transactions		72

Net cash provided by (used in) financing activities	14,195	(2,087)
Effect of exchange rate changes on cash	(7)	53
Net decrease in cash and cash equivalents	(6,993)	(3,963)
Cash and cash equivalents, beginning of period	9,711	6,841
Cash and cash equivalents, end of period	$ 2,718	$ 2,878
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	$ 15,566	$ 14,608
Income Taxes	1,631	1,113

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

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

Quality Distribution, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Unaudited)

1. Summary of Significant Accounting Policies

Basis of Presentation

In this quarterly report, unless the context otherwise requires or indicates, (i) the terms the Company, our Company, Quality Distribution, QDI, we, us and our refer to Quality Distribution, Inc. and its consolidated subsidiaries and their predecessors, (ii) the terms Quality Distribution, LLC and QD LLC refer to our wholly owned subsidiary, Quality Distribution, LLC, a Delaware limited liability company, and its consolidated subsidiaries and their predecessors, (iii) the term QD Capital refers to our wholly owned subsidiary, QD Capital Corporation, a Delaware corporation and (iv) the term Boasso refers to our wholly owned subsidiary, Boasso America Corporation, a Louisiana corporation.

We are primarily engaged in truckload transportation of bulk chemicals and also engaged in ISO tank container transportation and depot services, tank wash facility services, logistics and other value-added services. We conduct a significant portion of our business through a network of company terminals, affiliates and independent owner-operators. Affiliates are independent companies, which enter into various term contracts with the Company. Affiliates are responsible for paying for their own power equipment (including debt service), fuel and other operating costs. Certain affiliates lease trailers from us. Owner-operators are independent contractors, who, through a contract with us, supply one or more tractors and drivers for our use. Contracts with owner-operators may be terminated by either party on short notice. We charge affiliates and third parties for the use of tractors and trailers as necessary. In exchange for the services rendered, affiliates and owner-operators are normally paid a percentage of the revenues generated for each load hauled.

Our accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and do not include all of the information and notes required by accounting principles generally accepted in the United States (U.S. GAAP) for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments and accruals) considered necessary for a fair statement of consolidated financial position, results of operations and cash flows have been included. The year ended consolidated balance sheet data was derived from audited financial statements, but does not include all the disclosures required by U.S. GAAP. For further information, refer to our Annual Report on Form 10-K for the year ended December 31, 2007, including the consolidated financial statements and accompanying notes. Certain prior-period amounts have been reclassified to conform to the current year s presentation.

Operating results for the three and six months ended June 30, 2008 are not necessarily indicative of the results that may be expected for the entire fiscal year.

New Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS 141R). This statement significantly changes the financial accounting and reporting of business combination transactions. The provisions of this statement are to be applied prospectively to business combination transactions in the first annual reporting period beginning on or after December 15, 2008. The impact of adopting SFAS 141R will depend on the nature, terms and size of business combinations completed after the effective date.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* (SFAS 160). SFAS 160 establishes accounting and reporting standards for noncontrolling interests in subsidiaries. This statement requires the reporting of all noncontrolling interests as a separate component of stockholders equity, the reporting of consolidated net income (loss) as the amount attributable to both the parent and the noncontrolling interests and the separate disclosure of net income (loss) attributable to the parent and to the noncontrolling interests. In addition, this statement provides accounting and reporting guidance related to changes in noncontrolling ownership interests. Other than the reporting requirements described above which require retrospective application, the provisions of SFAS 160 are to be applied prospectively in the first annual reporting period beginning on or after December 15, 2008. We are currently evaluating the impact of this standard on our consolidated financial statements.

QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

In April 2008 the FASB issued FASB Staff Position No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* (FSP FAS 142-3). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets.* More specifically, FSP FAS 142-3 removes the requirement under paragraph 11 of SFAS 142 to consider whether an intangible asset can be renewed without substantial cost or material modifications to the existing terms and conditions and instead, requires an entity to consider its own historical experience in renewing similar arrangements. FSP FAS 142-3 also requires expanded disclosure related to the determination of intangible asset useful lives. We are currently evaluating the potential impact the adoption of FSP FAS 142-3 will have on our consolidated financial statements.

In May 2008, the FASB issued SFAS No.162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162), which identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with U.S. GAAP. SFAS 162 is effective 60 days following the Securities and Exchange Commission s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles.* We do not expect the adoption of SFAS 162 to have a material effect on our financial statements or related disclosures.

In June 2008 the FASB Issued EITF No. 08-3, *Accounting by Lessees for Nonrefundable Maintenance Deposits* (EITF No. 08-3). EITF No. 08-3 requires that nonrefundable maintenance deposits paid by a lessee under an arrangement accounted for as a lease be accounted for as a deposit asset until the underlying maintenance is performed. When the underlying maintenance is performed, the deposit may be expensed or capitalized in accordance with the lessee s maintenance accounting policy. Upon adoption entities must recognize the effect of the change as a change in accounting principal. We are currently evaluating the potential impact the adoption of EITF No. 08-3 will have on our consolidated financial statements.

Adoption of Statement of Financial Accounting Standards No. 157 and No. 159

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Liabilities, (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. If the fair value option is elected, unrealized gains and losses will be recognized in earnings at each subsequent reporting date. On January 1, 2008, we adopted the provisions of SFAS 159, which did not have an impact on the consolidated financial statements.

On January 1, 2008, we adopted the provisions of Statement of Financial Accounting Standards No. 157, Fair Value Measurements, (SFAS 157). SFAS 157 defines fair value and provides guidance for measuring fair value and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. In February 2008, the FASB issued final Staff Position No. FAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements that Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13*, which amended SFAS 157 to exclude FASB Statement No. 13 and its related interpretive accounting pronouncements that address leasing transactions. In February 2008, the FASB also issued final Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157*, to allow a one-year deferral of adoption of SFAS 157 for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. We have elected this one-year deferral and thus will not apply the provisions of SFAS 157 to nonfinancial assets and nonfinancial liabilities that are recognized at fair value in the financial statements on a nonrecurring basis until our fiscal year beginning January 1, 2009.

SFAS 157 enables the reader of the financial statements to assess the inputs used to develop fair value measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. SFAS 157 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs that are not corroborated by market data.

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

We have no financial assets or financial liabilities that require application of SFAS 157.

We generally apply fair value techniques on a nonrecurring basis associated with (1) valuing potential impairment loss related to goodwill and indefinite-lived intangible assets accounted for pursuant to SFAS No. 142 and (2) valuing potential impairment loss related to long-lived assets accounted for pursuant to SFAS No. 144.

Acquisition of Business Assets

Acquisition of Boasso America Corporation

On December 18, 2007, we acquired 100% of the stock of Boasso. The results of Boasso have been included in our results since the date of acquisition.

The purchase price of Boasso was initially allocated to the assets acquired and liabilities assumed according to their estimated fair values at the time of the acquisition. In April 2008, pursuant to the stock purchase agreement, and based on an evaluation of the net working capital as of the date of acquisition, approximately $1.3 million was refunded to us. The allocation of the purchase price is as follows (in thousands):

Working capital, net of cash	$ 8,312
Property and equipment	7,209
Other long-term assets	81
Non-compete agreements	400
Customer related intangibles	11,900
Tradename	9,800
Long-term debt and capital lease obligations	(4,512)
Deferred tax liabilities	(9,435)
Goodwill	29,983
	$ 53,738

The customer-related intangible assets relate to acquired customer relationships, and are being amortized over a twelve-year weighted-average useful life on a straight-line basis. The tradename has an indefinite useful life. The allocation of the purchase price to the assets acquired and liabilities assumed may be subject to further adjustment. The goodwill acquired in this acquisition is not tax deductible, and has been allocated to the Container Services segment.

Other Acquisitions

During 2008, we purchased two transportation companies and an affiliate for $2.1 million, in the aggregate, of which $1.4 million was paid in cash at closing and the remaining $0.7 million is payable over future periods. Of the total $2.1 million, we allocated $1.0 million to property and equipment, $0.8 million to goodwill, and $0.3 million to other intangible assets such as non-compete agreements.

Goodwill and Intangible Assets

Goodwill

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

We perform our impairment test annually during the second quarter with a measurement date of June 30th. No impairment was determined to have occurred as of June 30, 2008, since the calculated fair value exceeded the carrying amount.

Our goodwill assets as of June 30, 2008 and December 31, 2007, were $173.1 million and $173.6 million, respectively. In 2008, goodwill increased $0.9 million due to the acquisition of three businesses offset by a decrease of

QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

$1.3 million related to a purchase price adjustment based upon net working capital as of the date of the acquisition of Boasso. In 2007, goodwill increased $30.0 million from the acquisition of Boasso and $3.3 million from the purchase of eight other businesses in 2007.

Intangible Assets

Intangible assets at June 30, 2008 were as follows:

	Gross value	Accumulated amortization	Net book value	Average lives (in years)
Tradename	$ 9,800	$	$ 9,800	Indefinite
Customer relationships	11,998	(519)	11,479	12
Non-compete agreements	3,053	(782)	2,271	3 5
	$ 24,851	$ (1,301)	$ 23,550	

Intangible assets at December 31, 2007 were as follows:

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

Amortization expense for the six months ended June 30, 2008 and 2007 was $0.8 million and $0.1 million, respectively. Remaining intangible assets will be amortized to expense as follows (in thousands):

2008 remaining	$ 859
2009	1,665
2010	1,615
2011	1,439
2012 and after	8,172
Total	$ 13,750

2. Comprehensive Income (Loss)

Comprehensive income (loss) is as follows (in thousands):

	Three months ended June 30,	Six months ended June 30,

	2008	2007	2008	2007
Net income (loss)	$ 352	$ 2,286	$ (1,567)	$ 2,113
Other comprehensive income (loss):				
Amortization of prior service costs	111	47	129	47
Foreign currency translation adjustments	(23)	(211)	60	(215)
Comprehensive income (loss)	$ 440	$ 2,122	$ (1,378)	$ 1,945

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

3. Income (Loss) Per Share

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

	Three months ended					
	June 30, 2008			June 30, 2007		
	Net income (numerator)	Shares (denominator)	Per-share amount	Net income (numerator)	Shares (denominator)	Per-share amount
Basic earnings available to common shareholders:						
Net income	$ 352	19,202	$ 0.02	$ 2,286	19,354	$ 0.12
Effect of dilutive securities:						
Stock options		2			85	
Unvested restricted stock		142			39	
Stock units					2	
Diluted earnings available to common shareholders:						
Net income	$ 352	19,346	$ 0.02	$ 2,286	19,480	$ 0.12

	Six months ended					
	June 30, 2008			June 30, 2007		
	Net loss (numerator)	Shares (denominator)	Per-share amount	Net income (numerator)	Shares (denominator)	Per-share amount
Basic (loss) earnings available to common shareholders:						
Net (loss) income	$ (1,567)	19,133	$ (0.08)	$ 2,113	19,351	$ 0.11
Effect of dilutive securities:						
Stock options					86	
Unvested restricted stock					39	
Stock units					2	
Diluted (loss) earnings available to common shareholders:						
Net (loss) income	$ (1,567)	19,133	$ (0.08)	$ 2,113	19,478	$ 0.11

There is no effect of our stock options and restricted stock in the computation of diluted earnings per share for the six months ended June 30, 2008 due to a net loss.

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

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

	Three months ended June 30,		Six months ended June 30,	
	2008	**2007**	**2008**	**2007**
Stock options	2,799	1,740	2,801	1,736
Unvested restricted stock		34	142	27
Stock units		3		3

4. Stock-Based Compensation

We maintain performance incentive plans under which stock options, restricted shares, and stock units may be granted to employees, non-employee directors, consultants and advisors. As of June 30, 2008, we have three stock-based compensation plans.

We recognize expense for stock-based compensation based upon estimated grant date fair value. We apply the Black-Scholes valuation model in determining the fair value of share-based payments to employees. The resulting compensation expense is recognized over the requisite service period, which is generally the awards vesting term. Compensation expense is recognized only for those awards expected to vest, with forfeitures estimated based on our historical experience and future expectations. All stock-based compensation expense is classified within Compensation on the Consolidated Statement of Operations. None of the stock-based compensation was capitalized during 2008.

The fair value of options granted during the first six months of 2008 and 2007 was based upon the Black-Scholes option-pricing model. The expected term of the options represents the estimated period of time until exercise giving consideration to the contractual terms, vesting schedules and expectations of future employee behavior. For 2008, expected stock price volatility is based on the historical volatility of our common stock, which began trading on November 13, 2003. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant with an equivalent remaining term. The Company has not paid dividends in the past and does not currently plan to pay any dividends in the foreseeable future. The Black-Scholes model was used with the following weighted average assumptions:

	2008	**2007**
Risk free rate	3.19%	4.65%
Expected life	5 years	5 years
Volatility	67.1%	68.5%
Expected dividend	nil	nil

We issued options for 227,000 shares to various employees with an exercise price of $4.50 on January 2, 2008. The exercise price of the options was based on the fair market value of our stock at the date of the grant. We also issued 73,326 shares of restricted stock on January 2, 2008 to certain directors as part of their annual compensation package. On April 23, 2008, we issued options with an exercise price of $3.17 for 105,000 shares, of which 80,000 shares were issued to our Chairman of the Board and 25,000 to an officer. On June 4, 2008, we issued a total of 17,910 restricted shares to certain members of our Board of Directors.

QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

The following table summarizes stock-based compensation expense (in thousands):

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Stock options	$ 268	$ 339	$ 549	$ 668
Restricted stock, net	37	60	177	125
Stock units		7		14
	$ 305	$ 406	$ 726	$ 807

The following table summarizes unrecognized stock-based compensation and the weighted average period over which such stock-based compensation is expected to be recognized as of June 30, 2008 (in thousands):

	In $	Remaining years
Stock options	$ 2,544	4
Restricted stock, net	775	4
	$ 3,319	

These amounts do not include the cost of any additional awards that may be granted in future periods nor any changes in our forfeiture rate. No options were exercised during the six months ended June 30, 2008.

5. Employee Benefit 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. Retirement benefits for employees covered by the salaried plan are based on years of service and compensation levels. The monthly benefit for employees under the collective bargaining agreement plan is based on years of service multiplied by a monthly benefit factor. Pension costs are funded in accordance with the provisions of the applicable law.

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

The components of estimated net periodic pension cost are as follows (in thousands):

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Service cost	$ 54	$ 64	$ 107	$ 128
Interest cost	682	670	1,365	1,340
Amortization of prior service cost	23	24	47	47
Amortization of loss	88	104	176	208
Expected return on plan assets	(800)	(822)	(1,601)	(1,642)
Net periodic pension cost	47	40	94	81

We have contributed $0.3 million to our pension plans during the six months ended June 30, 2008, and we expect to contribute $0.6 million during the remainder of 2008.

QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

6. Restructuring

During the quarter ended June 30, 2008, we committed to a plan of restructure resulting in the termination of approximately 75 employees and certain contracts. As a result, we recorded a restructuring charge in our second quarter of $2.4 million of which the majority relates to our trucking segment. As of June 30, 2008, approximately $1.3 million was accrued related to these termination payments which are expected to be paid through the remainder of fiscal 2008 and 2009.

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 SFAS No. 146 Accounting for Costs Associated with Exit or Disposal Activities .

In the three months ended June 30, 2008, we had the following activity in our restructuring accruals:

	Balance at March 31, 2008	Additions	Payments	Reductions	Balance at June 30, 2008
Restructuring costs	$	$ 2,375	$ (690)	$ (375)	$ 1,310

7. Segment Reporting

Reportable Segments

Prior to 2008, we reported our financial information as a single segment. Beginning January 1, 2008, we have two reportable business segments for financial reporting purposes that are distinguished primarily on the basis of services offered:

- Trucking, which consists of truckload transportation of bulk chemicals; and
- Container Services, specifically International Organization for Standardization, or ISO tank container transportation and depot services.

Due to the acquisition of Boasso in December 2007, we further enhanced our scope of services in the ISO tank container transportation and depot services market so that management now evaluates isolated revenues associated with these services and with trucking.

Segment revenues and operating income include the allocation of fuel surcharge. The operating income reported in our segments excludes amounts reported in Other operating income, such as corporate and other unallocated amounts. Corporate and unallocated amounts include depreciation and amortization and other gains and losses. Although these amounts are excluded from the business segment results, they are included in reported consolidated earnings. Included in Other revenue are revenues from our tank wash services and other value-added services. We have not provided specific asset information by segment, as it is not regularly provided to our chief operating decision maker for review.

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

Summarized segment data and a reconciliation to income (loss) before income taxes are as follows (in thousands):

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Operating revenues:				
Trucking	$ 182,295	$ 171,453	$ 349,923	$ 332,571
Container Services	22,387	2,403	44,270	4,504
Other revenue	19,280	20,854	38,270	35,730
Total	223,962	194,710	432,463	372,805
Operating income:				
Trucking	8,925	14,830	15,700	22,990
Container Services	2,070	(559)	4,077	(208)
Other operating income	2,492	1,960	3,859	3,287
Total segment operating income	13,487	16,231	23,636	26,069
Depreciation and amortization expense	5,332	4,317	10,228	8,492
Other (income) expense	(1,421)	(10)	(1,965)	199
Total	9,576	11,924	15,373	17,378
Interest expense	8,640	8,075	17,791	15,752
Interest income	(88)	(176)	(205)	(375)
Other expense (income)	146	(396)	156	(359)
Income (loss) before income taxes	$ 878	$ 4,421	$ (2,369)	$ 2,360

QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

Geographic Segments

Our operations are located primarily in the United States, Canada and Mexico. Inter-area sales are not significant to the total revenue of any geographic area. Information about our operations in different geographic areas for the three and six months ended June 30, 2008 and 2007 is as follows (in thousands):

	Three Months Ended June 30, 2008		
	U. S.	International	Consolidated
Total operating revenues	$ 208,947	$ 15,015	$ 223,962
Operating income	8,043	1,533	9,576

	Three Months Ended June 30, 2007		
	U. S.	International	Consolidated
Total operating revenues	$ 180,151	$ 14,559	$ 194,710
Operating income	10,100	1,824	11,924

	Six Months Ended June 30, 2008		
	U. S.	International	Consolidated
Total operating revenues	$ 403,869	$ 28,594	$ 432,463
Operating income	12,239	3,134	15,373
	As of June 30, 2008		
Identifiable assets (1)	$ 151,776	$ 7,118	$ 158,894

	Six Months Ended June 30, 2007		
	U. S.	International	Consolidated
Total operating revenues	$ 345,289	$ 27,516	$ 372,805
Operating income	13,686	3,692	17,378
	As of December 31, 2007		
Identifiable assets (1)	$ 138,827	$ 7,332	$ 146,159

(1) Includes property and equipment and intangible assets.

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

8. Income Taxes

We adopted FASB Interpretation 48, Accounting for Uncertain Income Tax Positions (FIN 48), at the beginning of fiscal year 2007. As a result of the implementation, we recognized an increase to reserves for uncertain tax positions of $0.3 million. The increase to the reserve was accounted for as an adjustment to the beginning balance of retained earnings on the balance sheet.

At December 31, 2007, we had approximately $3.2 million of total gross unrecognized tax benefits. Of this total, $2.2 million (net of federal benefit on state tax issues) represents the amount of unrecognized tax benefits that, if recognized would favorably affect the effective income tax rate in any future periods. Included in the balance of gross unrecognized tax benefits at December 31, 2007, is $0.8 million related to tax positions for which it is reasonably possible that the total amounts could significantly change during the next twelve months due to expiration of statue of limitations. For the three months ended June 30, 2008, the net change to our gross unrecognized tax benefits was $(0.6) million. Of this amount, $(0.1) million relates to amounts paid in state settlement and $(0.5) million relates to reversals as a result of the settlement. Our total gross unrecognized tax benefit at June 30, 2008 is $2.6 million.

Our continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. We had $1.3 million (net of federal tax benefit) accrued for interest and $0.5 million accrued for penalties at December 31, 2007. Total amount accrued for interest and penalties at June 30, 2008 is $1.9 million.

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

The effective tax rates for the three months ended June 30, 2008 and 2007 were approximately 60.0% and 48.3%, respectively. The effective tax rates for the six months ended June 30, 2008 and 2007 were approximately 33.9% and 52.8%, respectively (exclusive of a $1.0 million tax benefit in 2007). Income taxes for the six months ended June 30, 2007 includes the recognition of a previously unrecognized $1.0 million deferred tax asset related to prior periods. We believe this item was neither material to any of the prior periods affected nor material to our 2007 results. We expect our effective annual income tax rate for the year ended December 31, 2008 to range from approximately 32% to 39%.

9. Commitments and Contingencies

Environmental Matters

It is our policy to comply with all applicable environmental, safety, and health laws. We also are committed to the principles of Responsible Care®, an international chemical industry initiative to enhance the industry s responsible management of chemicals. We have obtained independent certification that our management system is in place and functions according to professional standards and we continue to evaluate and continuously improve our Responsible Care® Management System performance.

We are potentially subject to strict, joint and several liability for investigating and rectifying the consequences of spills and other releases of such substances under expansive federal, state and foreign environmental laws. Under certain of these laws, we could also be subject to allegations of liability for the activities of our affiliates or owner-operators.

From time to time, we have incurred remedial costs and regulatory penalties with respect to chemical or wastewater spills and releases at our facilities and on the road, and, notwithstanding the existence of our environmental management program, we cannot assure that such obligations will not be incurred in the future, predict with certainty the extent of future liabilities and costs under environmental, health, and safety laws, or assure that such liabilities will not result in a material adverse effect on our business, financial condition, operating results or cash flow.

Reserves

Our policy is to accrue remediation expenses when it is probable that such efforts will be required and the related expenses can be reasonably estimated. Estimates of costs for future environmental compliance and remediation may be adversely affected by such factors as changes in environmental laws and regulatory requirements, the availability and application of technology, the identification of currently unknown potential remediation sites and the allocation of costs among the potentially responsible parties under the applicable statutes. The recorded liabilities are adjusted periodically as remediation efforts progress or as additional technical or legal information becomes available. As of June 30, 2008 and December 31, 2007, we had reserves in the amount of $9.6 million and $11.2 million, respectively, for all environmental matters discussed below.

QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

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

Property Contamination Liabilities

We have been named as (or are alleged to be) a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA) and similar state laws at approximately 26 sites. At three of the 26 sites, we will be participating in the initial studies to determine site remediation objectives. Since our overall liability cannot be estimated at this time, we have set reserves for only the initial remedial investigation phase. At 17 of the 26 sites, we are one of many parties with alleged liability and are negotiating with Federal, State or private parties on the scope of our obligations, if any. At three of the 17 sites, we have explicitly denied any liability and since there has been no subsequent demand for payment we have not established a reserve for these matters. We have estimated future expenditures for these off-site multi-party environmental matters, to be in the range of $2.3 million to $3.8 million.

At six sites, we are the only responsible party and are in the process of conducting investigations and/or remediation projects. Four of these projects relate to operations conducted by Chemical Leaman Corporation and its subsidiaries (CLC) prior to our acquisition of and merger with CLC in 1998. These four sites are: (1) Bridgeport, New Jersey; (2) William Dick, Pennsylvania; (3) Tonawanda, New York; and (4) Scary Creek, West Virginia. The remaining two investigations and potential remediation were triggered by the New Jersey Industrial Site Remediation Act (ISRA), which requires such investigations and remediation following the sale of industrial facilities. Each of these sites is discussed in more detail below. We have estimated future expenditures for these four properties to be in the range of $7.3 million to $16.7 million.

Bridgeport, New Jersey

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

The groundwater treatment remedy negotiated with USEPA calls for a treatment facility for in place treatment of groundwater contamination via in-situ treatment and a local discharge. Treatment facility construction was completed in early 2007. Wetlands contamination has been remediated with localized restoration expected to be completed shortly. In regard to contaminated soils, we believe that USEPA is now in the process of finalizing a feasibility study for the limited areas that show contamination and warrant additional investigation or work. We have estimated expenditures to be in the range of $4.1 million to $8.5 million.

William Dick, Pennsylvania

CLC entered into a consent order with the Pennsylvania DEP (PADEP) and USEPA in October 1995 obligating it to provide a replacement water supply to area residents, treat contaminated groundwater, and perform remediation of contaminated soils at this former wastewater disposal site. The replacement water supply is complete. We completed construction of a treatment facility with local discharge for groundwater treatment in the fourth quarter of 2007. Plant start-up issues are on-going. The agencies have approved a contaminated soils remedy, which requires both thermal treatment of contaminated soils and treatment of residuals via soil vapor extraction (SVE). The remedy expanded to include off-site shipment of contaminated soils. Soil treatment was completed in September 2007. Site sampling has been conducted and the results indicate that the soil clean-up objectives have not been fully achieved. Negotiations are on-going with USEPA over further remedial actions that may be needed at the site. We have estimated expenditures to be in the range of $0.6 million to $3.4 million.

QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

Other Properties

Scary Creek, West Virginia: CLC received a clean up notice from the State environmental authority in August 1994. The State and we have agreed that remediation can be conducted under the State s voluntary clean-up program (instead of the state superfund enforcement program). We are currently completing the originally planned remedial investigation and the additional site investigation work.

Tonawanda, New York: CLC entered into a consent order with the New York Department of Environmental Conservation on June 22, 1999 obligating it to perform soil and groundwater remediation at this former truck terminal and tank wash site. We have completed a remedial investigation and a feasibility study. The State issued a record of decision in May 2006. The site is currently in Remedial Design phase.

ISRA New Jersey Facilities: We are obliged to conduct investigations and remediation at two current or former New Jersey tank wash and terminal sites pursuant to the state s Industrial Sites Remediation Act, which requires such remediation following the sale of facilities after 1983. These sites are in the process of remedial investigation with projections set in contemplation of limited soil remediation expense for contaminated areas. The former owner of a third site has agreed to take responsibility for it so we are not currently taking action under ISRA for the site.

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

Other Legal Matters

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

10. Guarantor Subsidiaries

The 9% Senior Subordinated Notes due 2010 and the Senior Floating Rate Notes due 2012 issued by QD LLC and QD Capital are unconditionally guaranteed on a senior subordinated basis pursuant to guarantees by all of our direct and indirect domestic subsidiaries, and by QDI. Each of our direct and indirect subsidiaries, including QD LLC, is 100% owned. All non-domestic subsidiaries including Levy Transport, Ltd. are non-guarantor subsidiaries. QD Capital has no material assets or operations.

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

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

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

Condensed consolidating balance sheets at June 30, 2008 and December 31, 2007 and condensed consolidating statements of operations for the three and six-month periods ended June 30, 2008 and June 30, 2007 and the condensed consolidating statements of cash flows for each of the six-month periods ended June 30, 2008 and June 30, 2007.

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

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

Consolidating Statements of Operations

For the Three Months Ended June 30, 2008

Unaudited - (In 000 s)

	QDI	QD LLC and QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenues:						
Transportation			151,765			151,765
Other service revenue			26,578	99		26,677
Fuel surcharge			45,520			45,520
Total operating revenues			223,863	99		223,962
Operating expenses:						
Purchased transportation			131,606			131,606
Compensation			27,395			27,395
Fuel, supplies and maintenance			33,035			33,035
Depreciation and amortization			5,310	22		5,332
Selling and administrative		112	8,442	14		8,568
Insurance claims			2,855	10		2,865
Taxes and Licenses			1,243	(1)		1,242
Communication and utilities			3,389			3,389
(Gain)/loss on disposal of property and equipment			(1,421)			(1,421)
Restructuring costs			2,375			2,375
Operating (loss) income		(112)	9,634	54		9,576
Interest (expense) income, non-related party, net	(2)	(8,046)	(530)	26		(8,552)
Interest income (expense), related party, net		1,543	(1,672)	129		
Other expense			(129)	(17)		(146)
(Loss) income before taxes	(2)	(6,615)	7,303	192		878
Income tax provision			394	132		526
Equity in earnings of subsidiaries	354	6,969			(7,323)	
Net income	352	354	6,909	60	(7,323)	352

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidating Statement of Operations

For the Three Month Ended June 30, 2007

	QDI	QD LLC and QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenues:						
Transportation	$	$	$ 151,683	$	$	$ 151,683
Other service revenue			18,932	211		19,143
Fuel surcharge			23,884			23,884
Total operating revenues			194,499	211		194,710
Operating expenses:						
Purchased transportation			123,427			123,427
Compensation			20,606	(19)		20,587
Fuel, supplies and maintenance			19,275			19,275
Depreciation and amortization			4,147	170		4,317
Selling and administrative			7,372	34		7,406
Insurance claims			4,467	(23)		4,444
Taxes and Licenses			843			843
Communication and utilities			2,497			2,497
(Gain)/loss on disposal of property and equipment			(33)	23		(10)
Operating income			11,898	26		11,924
Interest income (expense), non-related party, net	(9)	(7,480)	(428)	18		(7,899)
Interest income (expense), related party, net			(119)	119		
Other (expense) income	(7)		175	228		396
Income (loss) before taxes	(16)	(7,480)	11,526	391		4,421
Income tax provision			2,078	57		2,135
Equity in earnings of subsidiaries	2,302	9,782			(11,928)	
Net income	$ 2,286	$ 2,302	$ 9,448	$ 334	$ (11,928)	$ 2,286

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

Consolidating Statements of Operations

For the Six Months Ended June 30, 2008

Unaudited - (In 000 s)

	QDI	QD LLC and QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenues:						
Transportation	$	$	$ 301,024	$	$	$ 301,024
Other service revenue			53,160	262		53,422
Fuel surcharge			78,017			78,017
Total operating revenues			432,201	262		432,463
Operating expenses:						
Purchased transportation			251,578			251,578
Compensation			55,999			55,999
Fuel, supplies and maintenance			63,168			63,168
Depreciation and amortization			10,228			10,228
Selling and administrative		112	17,671	33		17,816
Insurance claims			8,406	21		8,427
Taxes and Licenses			2,459			2,459
Communication and utilities			7,005			7,005
(Gain)/loss on disposal of property and equipment			(1,965)			(1,965)
Restructuring costs			2,375			2,375
Operating (loss) income		(112)	15,277	208		15,373
Interest income (expense), non-related party, net	21	(16,674)	(982)	49		(17,586)
Interest income (expense), related party, net		3,108	(3,367)	259		
Other (expense) income			(191)	35		(156)
Income (loss) before taxes	21	(13,678)	10,737	551		(2,369)
Income tax (benefit) provision			(1,010)	208		(802)
Equity in (loss) earnings of subsidiaries	(1,588)	12,090			(10,502)	
Net (loss) income	$ (1,567)	$ (1,588)	$ 11,747	$ 343	$ (10,502)	$ (1,567)

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidating Statement of Operations

For the Six Month Ended June 30, 2007

	QDI	QD LLC and QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenues:						
Transportation	$	$	$ 293,756	$	$	$ 293,756
Other service revenue			35,668	443		36,111
Fuel surcharge			42,938			42,938
Total operating revenues			372,362	443		372,805
Operating expenses:						
Purchased transportation			239,374			239,374
Compensation			40,275	(19)		40,256
Fuel, supplies and maintenance			35,399			35,399
Depreciation and amortization			8,149	343		8,492
Selling and administrative			13,801	71		13,872
Insurance claims			11,094	(12)		11,082
Taxes and Licenses			1,624			1,624
Communication and utilities			5,129			5,129
Loss on disposal of property and equipment			176	23		199
Operating income			17,341	37		17,378
Interest (expense) income, non-related party, net	(4)	(14,835)	(572)	34		(15,377)
Interest (expense) income, related party, net			(238)	238		
Other (expense) income	(7)		146	220		359
(Loss) income before taxes	(11)	(14,835)	16,677	529		2,360
Income tax (benefit) provision	(1,007)		1,137	117		247
Equity in earnings of subsidiaries	1,117	15,952			(17,069)	
Net income	$ 2,113	$ 1,117	$ 15,540	$ 412	$ (17,069)	$ 2,113

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

Consolidating Balance Sheet

June 30, 2008

Unaudited - (In 000 s)

	QDI	QD LLC and QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Current Assets:						
Cash and cash equivalents	$	$	$ 268	$ 2,450		$ 2,718
Accounts receivable, net	85		110,023	58		110,166
Prepaid expenses		46	11,891	9		11,946
Deferred tax assets, net			20,483			20,483
Other	6		8,166	(107)		8,065
Total current assets	91	46	150,831	2,410		153,378
Property and equipment, net			135,367	(23)		135,344
Goodwill			173,141			173,141
Intangibles, net			23,550			23,550
Investment in Subsidiaries	13,335	661,462	21,234		(696,031)	
Non-current deferred tax assets, net	1,007		16,088			17,095
Other assets		10,981	1,573			12,554
Total assets	$ 14,433	$ 672,489	$ 521,784	$ 2,387	$ (696,031)	$ 515,062
LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS EQUITY						
Current Liabilities:						
Current maturities of indebtedness			4,797			4,797
Current maturities of capital lease obligations			2,619			2,619
Accounts payable			14,720	45		14,765
Intercompany	(12,215)	295,302	(256,895)	(4,958)	(21,234)	
Affiliates and independent owner-operators payable			16,897			16,897
Accrued expenses		3,848	23,811	(11)		27,648
Environmental liabilities			3,210			3,210
Accrued loss and damage claims			8,612			8,612
Total current liabilities	(12,215)	299,150	(182,229)	(4,924)	(21,234)	78,548
Long-term indebtedness, less current maturities		360,004	5,943			365,947
Long-term capital leases, less current maturities			8,266			8,266
Environmental liabilities			6,418			6,418
Accrued loss and damage claims			12,507			12,507
Other non-current liabilities			14,236	659		14,895
Total liabilities	(12,215)	659,154	(134,859)	(4,265)	(21,234)	486,581

Minority interest in subsidiary			1,833			1,833
Shareholders equity						
Common Stock	362,343	354,963	493,866	7,629	(856,458)	362,343
Treasury stock	(1,580)					(1,580)
(Accumulated deficit) retained earnings	(127,713)	(136,155)	176,298	(392)	(39,751)	(127,713)
Stock recapitalization	(189,589)	(189,589)		(55)	189,644	(189,589)
Accumulated other comprehensive loss	(16,559)	(15,884)	(15,354)	(530)	31,768	(16,559)
Stock subscriptions receivable	(254)					(254)
Total shareholders equity	26,648	13,335	654,810	6,652	(674,797)	26,648
Total liabilities, minority interest and shareholders equity	$ 14,433	$ 672,489	$ 521,784	$ 2,387	$ (696,031)	$ 515,062

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

Consolidating Balance Sheet

December 31, 2007

Unaudited - (In 000 s)

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

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

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Cash Flows

For the Six Months Ended June 30, 2008

	QDI	QD LLC and QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Net (loss) income	$ (1,567)	$ (1,588)	$ 11,747	$ 343	$ (10,502)	$ (1,567)
Adjustments for non-cash charges	1,567	4,145	(5,953)	259	10,502	10,520
Net changes in assets and liabilities	(21)	974	(21,507)	49		(20,505)
Intercompany activity	21	(3,531)	4,084	(574)		
Net cash (used in) provided by operating activities			(11,629)	77		(11,552)
Cash flows from investing activities:						
Capital expenditures			(12,884)			(12,884)
Acquisition of Boasso and business assets						
Acquisition of businesses and assets			(1,395)			(1,395)
Boasso purchase adjustment			1,318			1,318
Proceeds from sales of property and equipment			3,331	1		3,332
Other						
Net cash (used in) provided by investing activities			(9,630)	1		(9,629)
Cash flows from financing activities:						
Proceeds from the issuance of debt			1,731			1,731
Principal payments of long-term debt			(2,592)			(2,592)
Principal payments of capital lease obligations			(948)			(948)
Proceeds from revolver		74,100				74,100
Payments on revolver		(56,830)				(56,830)
Deferred financing fees		(528)				(528)
Other		(72)	(666)			(738)
Intercompany activity		(16,670)	16,670			
Net cash provided by financing activities			14,195			14,195
Effect of exchange rate changes on cash			(7)			(7)
Net (decrease) increase in cash and cash equivalents			(7,071)	78		(6,993)
Cash and cash equivalents, beginning of period			7,339	2,372		9,711
Cash and cash equivalents, end of period	$	$	$ 268	$ 2,450	$	$ 2,718

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

Condensed Consolidating Statements of Cash Flows

Six Months Ended June 30, 2007

Unaudited - (In 000 s)

	QDI	QD LLC and QD Capital	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Net income (loss)	$ 2,113	$ 1,117	$ 15,540	$ 412	$ (17,069)	$ 2,113
Adjustments for non-cash charges	(2,113)	(14,882)	10,136	628	17,069	10,838
Net changes in assets and liabilities		(14)	(11,308)	(20)		(11,342)
Intercompany activity	(72)	13,779	(13,405)	(302)		
Net cash (used in) provided by operating activities	(72)		963	718		1,609
Cash flows from investing activities:						
Capital expenditures			(4,729)	(20)		(4,749)
Acquisition of businesses and assets			(3,032)			(3,032)
Proceeds from sales of property and equipment			4,141	102		