CD&L INC
Form 10-K
April 15, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM .... TO ....

COMMISSION FILE NUMBER 0-26954

CD&L, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	22-3350958
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
80 WESLEY STREET SOUTH HACKENSACK, NEW JERSEY	07606
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (201) 487-7740

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
COMMON STOCK, PAR VALUE $.001 PER SHARE	AMERICAN STOCK EXCHANGE

Securities registered pursuant to section 12(g) of the Act: NONE

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. |_|

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934) Yes |_| No |X|

The aggregate market value of voting common equity of the registrant held by non-affiliates (for this purpose, persons and entities other than executive officers, directors, and 5% or more stockholders) of the registrant computed by reference to the price at which the registrant's common equity was last sold, as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2004), was $14,055,281.

The number of shares of the registrant's Common Stock, $.001 par value, outstanding was 9,356,311 and the aggregate market value of voting common equity of the registrant held by non-affiliates of the registrant was $16,588,948 as of March 16, 2005.

DOCUMENTS INCORPORATED BY REFERENCE: The registrant intends to file a definitive proxy statement pursuant to Regulation 14A within 120 days of the end of the fiscal year ended December 31, 2004. Portions of such proxy statement are incorporated by reference into Part III of this Form 10-K.

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CD&L, INC.

FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2004

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PART I

Statements and information presented within this Annual Report on Form 10-K for CD&L, Inc. (the "Company", "CD&L", or "we") include certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements contained in this report that are not historical facts. When used in this report, the words "expects," "anticipates," "intends," "plans," "believes," "seeks" and "estimates" and similar expressions are generally intended to identify forward-looking statements. These statements are based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, including the risk factors (Item 1. Business Description - Risk Factors) discussed below, general economic and business conditions, the business opportunities (or lack thereof) that may be presented to and pursued by us, changes in laws or regulations and other factors, many of which are beyond our control. Readers are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements. All subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified by these factors.

ITEM 1. BUSINESS

OVERVIEW

We are one of the leading national full-service providers of customized, same-day, time-critical, delivery services to a wide range of commercial, industrial and retail customers. Our services are provided throughout the United States.

We offer the following delivery services:

- rush delivery service, typically consisting of delivering time-sensitive packages, such as critical parts, emergency medical devices and legal and financial documents from point-to-point on an as-needed basis;

- distribution services, providing same-day delivery for many pharmaceutical and office supply wholesalers, for manufacturers to retailers and inter-branch distribution of financial documents in a commingled system;

- facilities management, including providing and supervising mailroom personnel, mail and package sorting, internal delivery and outside local messenger services; and

- dedicated contract logistics, providing a comprehensive solution to major corporations that want the control, flexibility and image of an in-house fleet with the economic benefits of outsourcing.

OUR INDUSTRY

The same-day delivery industry is serviced by a fragmented system of thousands of companies that include only a small number of large regional or national operators. The industry has been impacted by the following:

- Outsourcing and Vendor Consolidation. Commercial and industrial businesses more and more seem to be choosing to outsource their same-day delivery requirements as a result of their evaluation of outsource solutions versus in-house fleets.

- Competition. This highly fragmented industry remains fiercely competitive regarding price points.

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OUR SERVICES

We provide our customers with a broad range of customized, same-day, time-critical, delivery service options.

Rush. In providing rush delivery services, or services on demand, our messengers and drivers respond to customer requests for the immediate pick-up and delivery of time-sensitive packages. We generally offer one- two- and four-hour service, on a 7-days-a-week, 24-hours-a-day basis. Our typical customers for rush service include commercial and industrial companies, health care providers and service providers such as accountants, lawyers, advertising and travel agencies and public relations firms.

Routed and Scheduled. Our distribution services are provided on a same-day basis. We typically pick up or receive large shipments of products, which are then scanned, sorted, routed and delivered. These deliveries are made in accordance with a customer's predetermined schedule that generally provides for deliveries to be made at specific times. Typical routes may include deliveries from pharmaceutical suppliers to pharmacies, from manufacturers to retailers, the inter-branch distribution of financial documents, payroll data and other time-critical documents for banks, financial institutions and insurance companies. We also provide these services to large retailers for home delivery, including large cosmetic companies, door-to-door retailers, catalog retailers, home health care distributors and other direct sales companies.

Facilities Management. We provide complete mailroom management services, by offering customized solutions that include performing the entire mailroom function. This includes mail meter management, messenger delivery services, main entrance personnel and management personnel.

Dedicated Contract Logistics. We offer efficient and cost-effective dedicated delivery solutions, such as fleet replacement solutions, dedicated delivery systems and transportation systems management services. These services provide major health care providers, office product companies, retailers and financial institutions with the control, flexibility and image of an in-house fleet and with all of the economic benefits of outsourcing.

OUR INTERNAL OPERATIONS

We operate from 66 leased facilities and 27 customer-owned facilities in 19 states and with various managed agents in most other states. The size of each facility varies, but typically includes dedicated dispatch and order entry functions as well as delivery personnel. We accomplish coordination and deployment of our delivery personnel either through communications systems linked to our computers, through pagers, mobile data units or by radio or telephone. We route a shipment according to its type and weight, the geographic distance between its origin and destination and the time allotted for its delivery. In the case of scheduled deliveries, we design routes to minimize the unit costs of the deliveries and to enhance route density. We continue to deploy new hardware and software systems designed to enhance the capture, routing, tracking and reporting of deliveries throughout our network. To further improve customer service, we offer customers the opportunity to access this information via the Internet.

SALES AND MARKETING

We believe that a direct sales force most effectively reaches customers for same-day, time-critical delivery services and, accordingly, we do not currently engage in mass media advertising. We market directly to individual customers by designing and offering customized service packages after determining their specific delivery and distribution requirements. We have implemented a coordinated major account strategy by building on established relationships with regional and national customers.

Many of the services we provide, such as facilities management, dedicated contract logistics and routed delivery services are determined on the basis of competitive bids. However, we believe that quality and service capabilities are also important competitive factors. We derive a substantial portion of our revenues from customers with whom we have entered into contracts.

COMPETITION

The market for our delivery services is highly competitive. We believe that the principal competitive factors in the markets in which we compete are service performance, dedicated resources, technology and price. We compete on all of those factors. Most of our competitors in the time-critical, same-day, delivery market are privately held companies that operate in only one location or within a limited service area. Our services are available 24-hours-a-day, 7-days-a-week.

ACQUISITIONS AND SALES OF BUSINESSES

We were formed as a Delaware corporation in June 1994. As of December 31, 2004, we had acquired 27 same-day time-critical delivery businesses, including the 11 companies that we acquired simultaneously with the commencement of our operations in November 1995. We paid approximately $67,800,000 ($29,600,000 in cash and 2,935,702 shares of our common stock) to acquire the 11 founding companies. In addition to the acquisition of those companies, we acquired certain additional assets from two companies in transactions that we accounted for as purchases. Those acquired assets were not material.

In 1996, we acquired five additional businesses that had approximately $15,600,000 in aggregate annual revenues. We paid approximately $3,300,000 to acquire those companies using a combination of cash, seller-financed debt and shares of our common stock. Subsequently, the aggregate purchase price paid for those companies was reduced by approximately $616,000 because the actual revenues of some of the acquired companies did not reach the revenues projected by the sellers. We accounted for each of the 1996 acquisitions as purchases.

In 1997, we did not make any acquisitions and instead focused on internal growth. Consistent with our change of strategic focus, in January 1997, we sold our contract logistics subsidiary back to its founder in exchange for 137,239 shares of our common stock. In connection with that sale, we recorded a gain of approximately $816,000 before the effect of Federal and state income taxes.

In December 1997, we sold our direct mail business for $850,000 in cash and notes. In connection with that sale, we recorded a gain of approximately $23,000 net of Federal and state income taxes of approximately $15,000. Subsequently, in 1999, the company to which we sold our direct mail business went out of business and defaulted on their note and we wrote off the remaining balance of the note of $662,000.

In 1998, we acquired four same-day, time-critical delivery businesses that had aggregate annual revenues of approximately $25,100,000. We paid approximately $14,500,000 for the businesses consisting of a combination of cash, shares of our common stock and seller-financed debt. We accounted for each of the 1998 acquisitions as purchases.

In 1999, we acquired four same-day, time-critical delivery businesses that had aggregate annual revenues of approximately $24,800,000. We paid approximately $12,700,000 for the businesses consisting of a combination of cash, shares of our common stock and seller-financed debt. The acquisitions were accounted for as purchase transactions. Under the terms of the purchase agreements, additional payments of approximately $600,000 were made in 2000 and 2001 upon the accomplishment of certain financial objectives.

On December 1, 2000, we made a strategic decision to dispose of our air delivery business. On March 30, 2001, we consummated a transaction providing for the sale of certain assets and liabilities of Sureway Air Traffic Corporation, Inc. ("Sureway"), our air delivery business. The selling price for the net assets was approximately $14,150,000 and was comprised of $11,650,000 in cash, a subordinated promissory note (the "Note Receivable") for $2,500,000 and contingent cash payments based upon the ultimate development of certain liabilities retained by us. This sale was classified as discontinued operations in the consolidated statement of operations for the year ended December 31, 2001.

In February 1999, we became obligated to repay seller-financed acquisition debt of $1,650,000 related to our acquisition of Gold Wings (See Note 3 of Notes to Consolidated Financial Statements). As of February 28, 2003, the note had a remaining principal balance of $1,034,000 (the "CDL/Gold Note"). On February 28, 2003, we completed a series of related transactions with GMV Express, Inc. ("GMV"), Richard Gold (a principal of GMV) ("Gold") and his affiliates, and Global Delivery Systems LLC ("Global") and its subsidiary, Sureway Worldwide LLC ("Sureway Worldwide"). The net effect of the transactions with Global, Sureway Worldwide, GMV and Gold was that we assigned the Note Receivable to GMV in exchange for a release on the CDL/Gold Note payable, so that we were relieved of our $1,034,000 liability for the CDL/Gold Note and we had no further rights to the Note Receivable. In addition, we received payments from Sureway Worldwide and Global of approximately $117,000 ($72,000 in settlement of disputed claims and $45,000 for other amounts due) and provided Gold with a release covering claims of breach of certain non-competition agreements. As a result of this transaction, we recorded a gain of $1,034,000 during the year ended December 31, 2003, included as a component of other (income) expense, net, on the consolidated statement of operations.

On June 14, 2001, we consummated a transaction providing for the sale of all the outstanding stock of National Express, Inc., our ground courier operations in the Mid-West, to First Choice Courier and Distribution, Inc. ("First Choice"). The selling price was approximately $2,530,000 and was comprised of $880,000 in cash and a subordinated promissory note (the "Promissory Note") for $1,650,000.

As of March 14, 2003, the Promissory Note was amended to defer the interest and principal payments due on December 14, 2002 and March 14, 2003. The new quarterly payment schedule commenced on June 14, 2003 with interest only payments at a new interest rate at 9.0% per annum. Upon the earlier of June 14, 2004 or the maker of the Promissory Note meeting certain financial benchmarks, principal payments were to resume and the interest rate would prospectively revert back to 7.0% per annum. The final balloon payment of approximately $1,100,000 plus any remaining principal or unpaid interest remained due on June 14, 2006.

On March 1, 2004, we consummated a transaction providing for the repurchase of certain Indiana-based assets and liabilities sold to First Choice in June 2001. The acquisition included the release of certain noncompete agreements. Consideration for the repurchase included cancellation of the Promissory Note receivable owed by First Choice of approximately $1,600,000 plus a three-year contingent earn-out based on future net revenue generated by the accounts repurchased. The majority of the purchase price of the Indiana acquisition is related to the value of the customer list. An intangible asset of $1,335,000 (net of $267,000 accumulated amortization) was included in the December 31, 2004 consolidated balance sheet. This asset is being amortized over 5 years.

REGULATION

Our delivery operations are subject to various state and local regulations and, in many instances, require permits and licenses from state authorities. To a limited degree, state and local authorities have the power to regulate the delivery of certain types of shipments and operations within certain geographic areas. Interstate and intrastate motor carrier operations are also subject to safety requirements prescribed by the U.S. Department of Transportation ("DOT") and by state departments of transportation. If we fail to comply with applicable regulations, we could face substantial fines or possible revocation of one or more of our operating permits.

SAFETY

We seek to ensure that contracted drivers meet safety standards established by our customers and our insurance carriers as well as the DOT.

EMPLOYEES AND INDEPENDENT CONTRACTORS

As of December 31, 2004, we employed approximately 1,495 full-time and part-time people, 137 as drivers, 565 as messengers, 597 in operations, 145 in clerical and administrative positions, 23 in sales, 22 in information technology and 6 in executive management. We are not a party to any collective bargaining agreements. We also had agreements with approximately 2,817 independent contractors as of December 31, 2004. We have not experienced any work stoppages and believe that our relationship with our employees and independent contractors is good.

SIGNIFICANT CUSTOMER

For the year ended December 31, 2004, Cardinal Health accounted for

10.5% of the Company's revenue.

2004 RIGHTS OFFERING

In September 2004, we commenced a rights offering to holders, as of August 31, 2004, of our common stock, options to purchase common stock and certain notes convertible into common stock whereby these security holders had the right to acquire up to 2,784,578 shares of our common stock in the aggregate at a price equal to $1.016 per share, the conversion price of the Series A Convertible Notes. The rights offering expired on October 15, 2004 and resulted in the issuance of 1,697,651 shares of common stock, with gross proceeds to us of approximately $1,724,000, excluding fees and costs that we incurred in the rights offering.

RISK FACTORS

You should carefully consider the following factors as well as the other information in this report before deciding to invest in shares of our common stock.

WE MAY NOT BE ABLE TO FINANCE FUTURE NEEDS OR ADAPT OUR BUSINESS PLAN TO CHANGES BECAUSE OF RESTRICTIONS PLACED ON US BY OUR CREDIT FACILITY, OUR OTHER SENIOR DEBT AND THE INSTRUMENTS GOVERNING OUR OTHER DEBT.

We had an accumulated deficit of ($5,563,000) as of December 31, 2004. On numerous occasions, we have had to amend and obtain waivers of the terms of our credit facilities and senior debt as a result of covenant violations or projected covenant violations or for other reasons. On April 14, 2004, we restructured our senior debt. The restructuring included an agreement among us, our lenders, members of CD&L management and others which improved our short-term liquidity and reduced our interest expense. The restructuring eased the financial covenants to which we are subject. However, if we were to fail to meet such covenants in the future, there can be no assurances that our lenders will agree to waive any future covenant violations, renegotiate and modify the terms of our loans or further extend the maturity date should it become necessary to do so. Further, there can be no assurances that we will be able to meet our revenue, cost and income projections upon which the debt covenants are based.

PRICE COMPETITION COULD REDUCE THE DEMAND FOR OUR SERVICE.

The market for our services has been extremely competitive and is expected to be so for the foreseeable future. Price competition is often intense, particularly in the market for basic delivery services where barriers to entry are low.

CLAIMS ABOVE OUR INSURANCE LIMITS, OR SIGNIFICANT INCREASES IN OUR INSURANCE PREMIUMS, MAY REDUCE OUR PROFITABILITY.

We currently employ 118 full-time and 19 part-time employee drivers. From time to time some of these drivers are involved in automobile accidents. We currently carry liability insurance of $1,000,000 for each employee driver subject to applicable deductibles and carry umbrella coverage up to $5,000,000. However, claims against us may exceed the amounts of available insurance coverage. We also contract with approximately 2,817 independent contractor drivers. In accordance with our policy, all independent contractor drivers are required to maintain liability coverage as well as workers' compensation or occupational accident insurance. If we were to experience a material increase in the frequency or severity of accidents, liability claims or workers' compensation claims or unfavorable resolutions of claims, our operating results could be materially affected. With regards to independent contractors, we carry umbrella coverage of $5,000,000 ($2,000,000 before March 1, 2004).

AS A SAME-DAY DELIVERY COMPANY, OUR ABILITY TO SERVICE OUR CLIENTS EFFECTIVELY IS OFTEN DEPENDENT UPON FACTORS BEYOND OUR CONTROL.

Our revenues and earnings are especially sensitive to events that are beyond our control that affect the same-day delivery services industry, including:

- extreme weather conditions;
- economic factors affecting our significant customers;
- mergers and consolidations of existing customers;
- ability to purchase insurance coverage at reasonable prices;
- U.S. business activity; and
- the levels of unemployment.

OUR REPUTATION WILL BE HARMED, AND WE COULD LOSE CUSTOMERS, IF THE INFORMATION AND TELECOMMUNICATIONS TECHNOLOGIES ON WHICH WE RELY FAIL TO ADEQUATELY PERFORM.

Our business depends upon a number of different information and telecommunication technologies as well as the ability to develop and implement new technology enabling us to manage and process a high volume of transactions accurately and timely. Any impairment of our ability to process transactions in this way could result in the loss of customers and diminish our reputation.

GOVERNMENTAL REGULATION OF THE TRANSPORTATION INDUSTRY, PARTICULARLY WITH RESPECT TO OUR INDEPENDENT CONTRACTORS, MAY SUBSTANTIALLY INCREASE OUR OPERATING EXPENSES.

From time to time, federal and state authorities have sought to assert that independent contractors in the transportation industry, including those utilized by us, are employees rather than independent contractors. We believe that the independent contractors that we utilize are not employees under existing interpretations of federal and state laws. However, federal and state authorities have and may continue to challenge this position. Further, laws and regulations, including tax laws, and the interpretations of those laws and regulations, may change. If, as a result of changes in laws, regulations, interpretations or enforcement by federal or state authorities, we become required to pay for and administer added benefits to independent contractors, our operating costs could substantially increase.

STOCKHOLDERS WILL EXPERIENCE DILUTION WHEN WE ISSUE THE ADDITIONAL SHARES OF COMMON STOCK THAT WE ARE PERMITTED OR REQUIRED TO ISSUE UNDER CONVERTIBLE NOTES, OPTIONS AND WARRANTS.

We are permitted, and in some cases obligated, to issue shares of common stock in addition to the common stock that is currently outstanding. If and when we issue these shares, the percentage of the common stock currently issued and outstanding will be diluted. The following is a summary of additional shares of common stock that we have currently reserved for issuance as of December 31, 2004:

- 506,250 shares are issuable upon the exercise of outstanding warrants at an exercise price of $.001 per share.

- 4,000,000 shares are issuable upon the exercise of options or other benefits under our employee stock option plan, consisting of:
  - outstanding options to purchase 2,858,897 shares at a weighted average exercise price of $2.29 per share, of which options covering 1,988,900 shares were exercisable as of December 31, 2004; and
  - 1,141,103 shares available for future awards after December 31, 2004.
- 200,000 shares are issuable upon the exercise of options or other benefits under our independent director stock option plan, consisting of:
  - outstanding options to purchase 200,000 shares at a weighted average exercise price of $1.64 per share, of which options covering 157,500 shares were exercisable as of December 31, 2004; and
  - 100,000 shares available for future awards after December 31, 2004, subject to ratification at the June 2005 annual stockholder meeting.
- 195,084 shares are issuable upon the exercise of outstanding convertible notes at a weighted average exercise price of $6.16 per share.
- 3,937,008 shares are issuable upon the conversion of the convertible notes issued to investors as part of our April 2004 restructuring at a weighted average exercise price of $1.016 per share.
- 1,968,504 shares are issuable upon the conversion of the Amended Convertible Subordinated Notes issued to holders of our senior subordinated notes as part of our April 2004 restructuring at a weighted average exercise price of $2.032 per share.
- 3,937,010 shares are issuable upon the conversion of the outstanding shares of our Series A Preferred Stock at a weighted average exercise price of $1.016 per share.

OUR SUCCESS IS DEPENDENT ON THE CONTINUED SERVICE OF OUR KEY MANAGEMENT PERSONNEL.

Our future success depends, in part, on the continued service of our key management personnel. If certain employees were unable or unwilling to continue in their present positions, our business, financial condition, operating results and future prospects could be materially adversely affected.

IF WE FAIL TO MAINTAIN OUR GOVERNMENTAL PERMITS AND LICENSES, WE MAY BE SUBJECT TO SUBSTANTIAL FINES AND POSSIBLE REVOCATION OF OUR AUTHORITY TO OPERATE OUR BUSINESS IN CERTAIN JURISDICTIONS.

Our delivery operations are subject to various state, local and federal regulations that, in many instances, require permits and licenses. If we fail to maintain required permits or licenses, or to comply with applicable regulations, we could be subject to substantial fines or our authority to operate our business in certain jurisdictions could be revoked.

OUR CERTIFICATE OF INCORPORATION, BYLAWS, STOCKHOLDER RIGHTS PLAN AND DELAWARE LAW CONTAIN PROVISIONS THAT COULD DISCOURAGE A TAKEOVER THAT CURRENT STOCKHOLDERS MAY CONSIDER FAVORABLE.

Provisions of our certificate of incorporation, bylaws and our stockholder rights plan, as well as Delaware law, may discourage, delay or prevent a merger or acquisition that you may consider favorable. These provisions of our certificate of incorporation and bylaws:

- establish a classified board of directors in which only a portion of the total number of directors will be elected at each annual meeting;
- authorize the Board of Directors to issue preferred stock;
- prohibit cumulative voting in the election of directors;
- limit the persons who may call special meetings of stockholders;

- prohibit stockholder action by written consent; and
- establish advance notice requirements for nominations for the election of the board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

In addition, we have adopted a Stockholder Protection Rights Plan (the "Plan") in order to protect against offers to acquire us that our Board of Directors believes inadequate or otherwise not to be in our best interests. There are, however, certain possible disadvantages to having the Plan in place, which might adversely impact us. The existence of the Plan may limit our flexibility in dealing with potential acquirers in certain circumstances and may deter potential acquirers from approaching us. On April 14, 2004, an agreement was reached among the Company, BNP Paribas ("Paribas"), Exeter Venture Lenders, L.P. ("Exeter Venture") and Exeter Capital Partners IV, L.P. ("Exeter Capital") and together with Exeter Venture and Paribas (the "Original Noteholders") and certain members of CD&L management and others ("Investors") as to the financial restructuring of the Senior Notes. As a result of this restructuring, on a fully diluted basis, our executive officers and directors own 40.1% of our common stock on a fully diluted basis (excluding out-of-the-money stock options) and the Original Noteholders collectively own 40.7% of our common stock on a fully diluted basis (excluding out-of-the-money stock options). (Note: The sum of individual beneficial ownership percentages can exceed 100% due to the nature of the calculation which assumes total outstanding shares and the exercise of all convertible instruments for any individual stockholder without regard to exercise of similar instruments by any other stockholder.) Such concentration of ownership may also deter potential acquirers from approaching us.

AVAILABLE INFORMATION

The Company's Internet website address is www.cdl.net. The Company will make available, free of charge at the "Investor Relations" portion of its website, its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). Such information is available in print to any stockholder who requests it from the Company.

ITEM 1A. OFFICERS OF THE REGISTRANT

Albert W. Van Ness, Jr., 62, has served as the Chairman of the Board, Chief Executive Officer and Director of CD&L since January 1997. He was formerly the President and Chief Operating Officer of Club Quarters, LLC, a privately held hotel management company and remains a member partner. In the early nineties, Mr. Van Ness served as Director of Managing People & Productivity, a senior management consulting firm. During most of the eighties, Mr. Van Ness held various executive positions with Cunard Line Limited, a passenger ship and luxury hotel company, including Executive Vice President and Chief Operating Officer of the Cunard Leisure Division and Managing Director and President of the Hotels and Resorts Division. Earlier in his career, Mr. Van Ness served as the President of Seatrain Intermodal Services, Inc., a cargo shipping company. Mr. Van Ness held various management positions at the start of his professional life with Ford Motor Company, Citibank and Hertz. Mr. Van Ness majored in Sociology and Economics and received a B.A. and M.A. degree and completed his coursework towards his doctorate in Economics. He attended Duke University, Northern State University, South Dakota State University and Syracuse University.

William T. Brannan, 56, has served as President, Chief Operating Officer and Director of CD&L since November 1994. From January 1991 until October 1994, Mr. Brannan served as President, Americas Region - US Operations, for TNT Express Worldwide, a major European-based overnight express delivery company. Prior to that, Mr. Brannan spent 10 years with United Parcel Service where he served as Vice President and General Manager of UPS Truck Leasing, a wholly-owned UPS subsidiary which was formed by Mr. Brannan in 1981. Mr. Brannan has more than 25 years of experience in the transportation and logistics industry.

Michael Brooks, 51, has served as Director of CD&L since December 1995 and as Group Operations President since December 2000. Mr. Brooks previously had been the President of Silver Star Express, Inc., a subsidiary of CD&L, since November 1995. Prior to the merger of Silver Star Express, Inc. into CD&L, Mr. Brooks was President of Silver Star Express, Inc. since 1988. Mr. Brooks has more than 25 years of experience in the same-day delivery and distribution industries. In addition, Mr. Brooks is currently a Member of the Express Carriers Association and various other transportation associations.

Russell J. Reardon, 55, has served as Vice President - Chief Financial Officer of CD&L since November 1999. Mr. Reardon previously had been Vice President - Treasurer of CD&L since January 1999. Prior thereto, from September 1998 until January 1999, Mr. Reardon was Chief Financial Officer and Secretary of Able Energy, Inc., a regional energy retailer. From April 1996 until June 1998, Mr. Reardon was Chief Financial Officer and Secretary of Logimetrics, Inc., a manufacturer of broad-band wireless communication devices. He earned an accounting degree and an MBA in Finance from Fairleigh Dickinson University.

Mark T. Carlesimo, 51, has served as Vice President - General Counsel and Secretary of CD&L since September 1997. From July 1983 until September 1997, Mr. Carlesimo served as Vice President of Legal Affairs of Cunard Line Limited. Earlier in his career, Mr. Carlesimo served as Staff Counsel to Seatrain Lines, Inc., a cargo shipping company and was engaged in the private practice of law. Mr. Carlesimo received a B.A. in Economics from Fordham University in 1975 and received his law degree from Fordham University School of Law in 1979. Mr. Carlesimo is a Member of the Bar of the states of New York and New Jersey.

James J. Cosentino, 50, was appointed Vice President - Corporate Controller of CD&L in May 2003. Prior to his appointment, Mr. Cosentino held several financial management positions with both publicly and privately owned companies. From 1980 through 1992, he was with the Macmillan Publishing Company and more recently, from 1996 to 2002, he was the Controller of Prestige Window Fashions. Mr. Cosentino earned his undergraduate degree from Westminster College and an MBA in Finance from Fairleigh Dickinson University. Mr. Cosentino is a member of the New Jersey State Society of CPAs and the Financial Executive Institute (FEI).

ITEM 2. PROPERTIES

As of December 31, 2004, we operated from 66 leased facilities (not including 27 customer-owned facilities). These facilities are principally used for operations, general and administrative functions and training. In addition, several facilities also contain storage and warehouse space. The table below summarizes the location of our current leased facilities.

STATE	NUMBER OF LEASED FACILITIES
New York........................	16
California......................	11
Florida.........................	10
New Jersey......................	5
North Carolina..................	4
Maine...........................	3
Louisiana.......................	2
Ohio............................	2
Pennsylvania...................	2
Oklahoma........................	1
Tennessee.......................	1
Indiana.........................	1
Massachusetts...................	1
South Carolina..................	1
Washington......................	1
Connecticut.....................	1
Georgia.........................	2
Texas...........................	1
Vermont.........................	1
Total	66

Our corporate headquarters is located at 80 Wesley Street, South Hackensack, New Jersey. We believe that our properties are generally well maintained, in good condition and adequate for our present needs. Furthermore, we believe that suitable additional or replacement space will be available when required.

As of December 31, 2004, we owned or leased approximately 113 vehicles of various types, which are operated by drivers employed by us. We also utilize independent contractors who provide their own vehicles and are required to carry at least the minimum amount of insurance required by law.

Our aggregate rental expense, primarily for facilities, was approximately $7,369,000, for the year ended December 31, 2004. See Note 11 to our Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we become a party to litigation arising in the normal course of our business, most of which involves claims for uninsured personal injury and property damage incurred in connection with our same-day delivery operations. In connection therewith, we had recorded reserves of $774,000 and $885,000 as of December 31, 2004 and 2003, respectively.

Also from time to time, federal and state authorities have sought to assert that independent contractors in the transportation industry, including those utilized by us, are employees rather than independent contractors. We believe that the independent contractors that we utilize are not employees under existing interpretations of federal and state laws. However, federal and state authorities have and may continue to challenge this position. Further, laws and regulations, including tax laws, and the interpretations of those laws and regulations, may change.

Management is not aware of any actions, including the actions described above, that would have a material adverse effect on our consolidated financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's Common Stock has been trading on the American Stock Exchange under the symbol "CDV" since February 23, 1999. The following table sets forth the high and low closing sales prices for the Common Stock for 2003 and 2004.

2003	LOW	HIGH
First Quarter	$0.48	$0.59
Second Quarter	$0.34	$0.55
Third Quarter	$0.44	$0.94
Fourth Quarter	$0.65	$1.06

2004	LOW	HIGH
First Quarter	$0.78	$1.61
Second Quarter	$0.93	$2.15
Third Quarter	$1.15	$2.17
Fourth Quarter	$1.31	$1.96

On March 16, 2005, the last reported sale price of the Common Stock was $2.00 per share. As of March 16, 2005, there were approximately 241 stockholders of record of Common Stock.

DIVIDENDS

The Company has not declared or paid any dividends on its Common Stock. The Company currently intends to retain earnings to support its growth strategy and does not anticipate paying dividends in the foreseeable future. Payment of future dividends, if any, will be at the discretion of the Company's Board of Directors after taking into account various factors, including the Company's financial condition, results of operations, current and anticipated cash needs and plans for expansion. The Company's ability to pay cash dividends on the Common Stock is also limited by the terms of its revolving credit facility and the Convertible Notes issued in the April 2004 restructuring of its Senior Notes. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources.

EQUITY COMPENSATION PLAN INFORMATION

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	NU REM FUTURE C (E REFL
	(A)	(B)	
EQUITY COMPENSATION PLANS APPROVED BY SECURITY HOLDERS	3,565,147	$1.93	
EQUITY COMPENSATION PLANS NOT APPROVED BY SECURITY HOLDERS	-	-	
TOTAL	3,565,147	$1.93	

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ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data set forth below as of December 31, 2004 and 2003 and for the years ended December 31, 2004, 2003 and 2002 is derived from the Company's audited consolidated financial statements, which are included elsewhere herein. The selected consolidated financial data set forth below as of December 31, 2002 is derived from the Company's consolidated financial statements audited by Deloitte & Touche LLP and as of and for the years ended December 31, 2001 and 2000 is derived from the Company's consolidated financial statements audited by Arthur Andersen LLP, independent public accountants who have ceased operations. The selected consolidated financial data set forth below should be read in conjunction with the consolidated financial statements and related notes thereto and with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this report.

SELECTED FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

STATEMENT OF OPERATIONS DATA:

	CD&L, Inc. and Subsidiaries (1)			
	For The Year Ended December 31			
	2004	2003	2002	
Revenue	$197,724	$166,083	$157,232	$16
Gross profit	37,454	32,735	30,080	3
Selling, general and administrative expenses	31,105	28,136	25,492	2
Goodwill impairment	-	-	-	
Depreciation and amortization	1,051	756	1,173	
Other expense (income), net	601	(1,496)	206	
Interest expense	1,859	2,534	2,734	
Income (loss) from continuing operations	1,583	1,683	285	(
Discontinued operations:				
Income from discontinued operations, net of income taxes	-	-	-	
Provision for loss on disposal of assets, net of income taxes	-	-	-	
Net income (loss)	$1,583	$1,683	$285	($
Basic income (loss) per share:				
-Continuing operations	$.20	$.22	$.04	
-Discontinued operations	-	-	-	
-Net income (loss)	$.20	$.22	$.04	
Diluted income (loss) per share:				
-Continuing operations	$.11	$.21	$.03	
-Discontinued operations	-	-	-	
-Net income (loss)	$.11	$.21	$.03	
Basic weighted average shares outstanding	7,737	7,659	7,659	
Diluted weighted average shares outstanding	14,513	8,174	8,167	

BALANCE SHEET DATA:

	CD&L, Inc. and Subsidiaries (1)			
	December 31,			
	2004	2003	2002	
Working (deficit) capital	$8,063	$1,807	$2,869	
Equipment and leasehold improvements, net	1,627	1,446	1,233	
Goodwill and other intangible assets, net	13,268	11,968	12,192	

Total assets	42,742	40,352	33,821
Total debt	15,108	20,137	17,483
Stockholders' equity	$12,604	$5,583	$3,900

(1) During 2000, the Company discontinued its air operations and subsequently disposed of them in 2001. Accordingly, the operating results and loss on disposition of the air delivery business have been classified as discontinued operations for the periods presented.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS.

The Company is provided a "safe harbor" for forward-looking statements contained in this report by the Private Securities Litigation Reform Act of 1995. The Company may discuss forward-looking information in this Report such as its expectations for future performance, growth and acquisition strategies, liquidity and capital needs and its future prospects. Actual results may not necessarily develop as the Company anticipates due to many factors including, but not limited to, the timing of certain transactions, unexpected expenses encountered, the effect of economic and market conditions, the impact of competition and the factors listed in Item 1. Business Description - Risk Factors. Because of these and other reasons, the Company's actual results may vary materially from management's current expectations.

OVERVIEW

The consolidated financial statements of the Company, including all related notes, which appear elsewhere in this report, should be read in conjunction with this discussion of the Company's results of operations and its liquidity and capital resources.

2004 RESTRUCTURING OF SENIOR NOTES DEBT:

On January 29, 1999, the Company completed a $15,000,000 private placement of senior subordinated notes (the "Senior Notes") and warrants with three financial institutions. The Senior Notes originally bore interest at 12.0% per annum and are subordinate to all senior debt including the Company's Fleet Facility. For a description of the Fleet Facility, see "Liquidity and Capital Resources". Under the terms of the Senior Notes, as amended, the Company was required to maintain certain financial ratios and comply with other financial conditions contained in the Senior Notes agreement.

At March 31, 2004, the Company owed $11,000,000 on the Senior Notes. On April 14, 2004, an agreement was reached among the Company, the Original Noteholders and the Investors as to the financial restructuring of the Senior Notes. The Original Noteholders agreed to convert a portion of the existing debt due from CD&L into equity and to modify the terms of the Senior Notes if the Investors purchased a portion of the notes and accepted similar modifications. The nature of the restructuring is as follows:

(a) The Original Noteholders exchanged Senior Notes in the aggregate principal amount of $4,000,000 for shares of the Series A Convertible Redeemable Preferred Stock of the Company, par value $.001 per share ("Preferred Stock"), with a liquidation preference of $4,000,000. The Preferred Stock is convertible into 3,937,008 shares of Common Stock, does not pay dividends (unless dividends are declared and paid on the Common Stock) and is redeemable by the Company for the liquidation value. The conversion price is $1.016 per share which was equal to the average closing price for the Company's common stock for the 5 days prior to the closing. Holders of the Preferred Stock have the right to elect two directors.

(b) The Original Noteholders and the Company amended the terms of the $7,000,000 balance of the Senior Notes, and then exchanged the amended notes for the new notes, which consist of two series of convertible notes, the Series A Convertible Subordinated Notes (the "Series A Convertible Notes") in the principal amount of $3,000,000 and the Series B Convertible Subordinated Notes ("Series B Convertible Notes") in the principal amount of $4,000,000 (collectively, the "Convertible Notes"). The loan agreement that governed the Senior Notes was amended and restated to reflect the terms of the substituted Series A Convertible Notes and the Series B Convertible Notes, including the elimination of most financial covenants. The principal amount of the Convertible Notes is due in a balloon payment at the maturity date of April 14, 2011. The Convertible Notes bear interest at a rate of 9% for the first two years of the term, 10.5% for the next two years and 12% for the final three years of the term and will be paid quarterly. The terms of the two series of Convertible Notes are identical except for the conversion price ($1.016 for the Series A

Convertible Notes, the average closing price for the Company's common stock for the 5 days prior to the closing and $2.032 for the Series B Convertible Notes).

(c) The Investors purchased the Series A Convertible Notes from the Original Noteholders for a price of $3,000,000.

(d) The Company issued an additional $1,000,000 of Series A Convertible Notes to the Investors for an additional payment of $1,000,000, the proceeds of which were used to reduce short-term debt.

(e) The Investors, the Original Noteholders and the Company entered into a Registration Rights Agreement pursuant to which the shares of the Company's common stock issuable upon conversion of the Preferred Stock and the Convertible Notes may be registered for resale with the Securities and Exchange Commission ("SEC").

The Company cannot be compelled to redeem the Preferred Stock for cash at any time. As the interest on the Convertible Notes increases over the term of the Convertible Notes, the Company records the associated interest expense on a straight-line basis, giving rise to accrued interest over the early term of the Convertible Notes.

As a result of the debt restructuring described above, the Company has taken a charge of $628,000 recorded in other expense in the second quarter of 2004, representing the unamortized balance of the original issue discount and deferred financing costs related to the original private placement of the Senior Notes.

Costs incurred relative to the aforementioned transactions amounted to approximately $592,000. Of this amount, $420,000 has been accounted for as deferred financing costs and is being amortized over the term of the new financing agreements. The remaining $172,000 has been accounted for as a reduction in paid-in capital. These amounts have been allocated based on the proportion of debt to equity raised in the aforementioned transactions.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's discussion and analysis of financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to accounts receivable, intangible assets, insurance reserves, income taxes and contingencies. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies reflect more significant judgments and estimates used in the preparation of its consolidated financial statements.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make payments when due or within a reasonable period of time thereafter. The Company estimates allowances for doubtful accounts by evaluating past due aging trends, analyzing customer payment histories and assessing market conditions relating to its customers operations and financial condition. Such allowances are developed principally for specific customers. As of December 31, 2004, the Company has estimated that an allowance for doubtful accounts of $1,330,000 is needed to cover the current receivable base. As a result of this estimate, the Company recorded $867,000 of expense in 2004 related to the allowance for doubtful accounts. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make required payments, additional allowances may be required.

REVENUE RECOGNITION

Revenue is recognized when pervasive evidence of an arrangement exists, the price to the customer is fixed or determinable and collection is reasonably assured. The Company interprets the timing of revenue recognition to be when services are rendered to customers, and expenses are recognized as incurred. This policy applies to all of the Company's same-day, time-critical delivery service options, including Rush, Scheduled, Facilities Management and Dedicated Contract Logistics. Certain customers pay in advance, giving rise to deferred revenue. This policy is consistent with prior years and as such, the increase in revenue from 2003 relates solely to additional sales volume.

GOODWILL

The value of the Company's goodwill is significant relative to total assets and stockholders' equity. The Company reviews goodwill for impairment on, at least, an annual basis using several fair-value based tests, which include, among others, a discounted cash flow and terminal value computation as well as comparing the Company's market capitalization to the book value of the Company. The discounted cash flow and terminal value computation is based on management's estimates of future operations. During 2004, an annual impairment test was performed and the Company determined that there was no impairment of goodwill. As such, there was no impact on the 2004 statement of operations related to goodwill. Changes in business conditions or interest rates could materially impact management's estimates of future operations and consequently the Company's evaluation of fair value, and this could result in an impairment of goodwill. Such impairment, if any, could have a significant impact on the Company's reported results from future operations and financial condition. Examples of changes in business conditions include, but are not limited to, bankruptcy or loss of a significant customer, a significant adverse change in regulatory factors, a loss of key personnel, increased levels of competition from companies with greater financial resources than the Company and margin erosion caused by the Company's inability to increase prices to its customers at the same rate as that of the associated cost increases.

INSURANCE RESERVES

The Company insures certain of its risks through insurance policies, but retains risk as a result of its deductibles related to such insurance policies. The Company's deductible for workers' compensation is $500,000 per loss. The deductible for employee health medical costs is $150,000 per loss. Effective July 1, 2003, automobile liability coverage is maintained for covered vehicles through a fully-insured indemnity program with no deductible. The Company reserves the estimated amounts of uninsured claims and deductibles related to such insurance retentions for claims that have occurred in the normal course of business. These reserves are established by management based upon the recommendations of third-party administrators who perform a specific review of open claims, which include fully developed estimates of both reported claims and incurred but not reported claims, as of the balance sheet date. Actual claim settlements may differ materially from these estimated reserve amounts. As of December 31, 2004, the Company has accrued approximately $2,229,000 for estimated losses incurred but not reported. The Company has also accrued $195,000 for incurred but unpaid employee health medical costs as of December 31, 2004.

INCOME TAXES

The Company files income tax returns in every jurisdiction in which it has reason to believe it is subject to tax. Historically, the Company has been subject to examination by various taxing jurisdictions. To date, none of these examinations has resulted in any material additional tax. Nonetheless, any tax jurisdiction may contend that a filing position claimed by the Company regarding one or more of its transactions is contrary to that jurisdiction's laws or regulations.

RESULTS OF OPERATIONS 2004 COMPARED WITH 2003

The following discussion compares the Company's results of operations for the year ended December 31, 2004 and the year ended December 31, 2003.

INCOME AND EXPENSE AS A PERCENTAGE OF REVENUE

For the Years Ended
December 31,

	2004	2003
Revenue	100.0%	100.0%
Gross profit	18.9%	19.7%
Selling, general and administrative expenses	15.7%	16.9%
Depreciation and amortization	0.5%	0.5%
Other expense (income), net	0.3%	(0.9%)
Interest expense	0.9%	1.5%
Net income	0.8%	1.0%

REVENUE

Revenue for the year ended December 31, 2004 increased by $31,641,000, or 19.1%, to $197,724,000 from $166,083,000 for the year ended December 31, 2003. The increase was due to new customers as well as a higher volume of business from existing customers. The revenue growth reflected the launch of the Company's nationwide business development program and its ability to expand into new markets with its existing customer base, partially offset by the business interruptions during the year related to hurricanes in the southeast and the presidential conventions in New York City and Boston.

COST OF REVENUE

Cost of revenue consisted primarily of independent contractor delivery costs, other direct pick-up and delivery costs and the costs of dispatching rush demand messengers. These costs increased by $26,922,000, or 20.2%, from $133,348,000 for 2003 to $160,270,000 in 2004. Stated as a percentage of revenue, these costs increased to 81.1% for 2004 compared to 80.3% for 2003. The increase in cost of revenue stated as a percentage of revenue was due primarily to increased cost of utilizing independent contractors (direct delivery costs increased by 3.3% as a percentage of revenue). This increase in cost of sales as a percentage of revenue was partially offset by:

- A $350,000 reversal of the direct labor vacation accrual due to a change in the vacation policy effective December 31, 2004.
- A decrease in Company delivery vehicle expenses of $235,000.
- A reduction in cargo claims of $148,000.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE ("SG&A")

SG&A included costs to support the Company's sales effort and the expense of maintaining facilities, information systems, financial, legal and other administrative functions. SG&A increased by $2,969,000, or 10.6%, from $28,136,000 in 2003 to $31,105,000 in 2004. As a percentage of revenue, SG&A decreased to 15.7% in 2004 compared to 16.9% of revenue in 2003. The overall increase in SG&A was due primarily to the following factors:

- A $2,146,000 increase in compensation expense which included the addition of approximately 20 new employees in our administrative, sales and information technology departments and higher incentive compensation as compared to 2003.

- A $459,000 increase in premises rent.
- A $437,000 increase in the provision for doubtful accounts, primarily due to increased sales volume in 2004.
- Other increases in SG&A primarily related to computer costs, utilities, travel expenses and office supplies.

The above factors were partially offset by the following:

- A $541,000 decrease in professional fees, primarily due to a reduction in legal fees.
- A $535,000 reversal of the SG&A vacation accrual due to a change in the vacation policy effective December 31, 2004.
- A $317,000 reduction in medical claims.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by $295,000, or 39.0%, from $756,000 for 2003 to $1,051,000 for 2004. Factors driving such increase included the amortization of the First Choice customer list and the depreciation of the Company's new People Soft financial system.

OTHER EXPENSE (INCOME), NET

Other expense (income), net, had a net change of $2,097,000, to $601,000 of expense in 2004 from $1,496,000 of income in 2003. The 2004 other expense was mainly due to the write-off of deferred financing costs and original issue discount related to the original Senior Notes which were restructured on April 14, 2004. The Company recorded a gain included in other expense (income), net, of $1,034,000 during the year ended December 31, 2003 as a result of the exchange of the Sureway Note Receivable discussed elsewhere herein. Also included in other income for 2003 was a $220,000 World Trade Center Recovery Grant received by one of the Company's New York City facilities and $149,000 of interest income on the Mid-West note receivable discussed in Note 3 to the Company's audited consolidated financial statement contained herein.

INTEREST EXPENSE

Interest expense decreased by $675,000 from $2,534,000 in 2003 to $1,859,000 in 2004. This decrease was primarily due to the restructuring of the Senior Notes. See Liquidity and Capital Resources - Long-term Debt included elsewhere herein.

PROVISION FOR INCOME TAXES

The provision for income taxes was 44% of pre-tax income in 2004 compared to 40% of pre-tax income in 2003. The increase in the provision for 2004 was primarily due to an increase in state income taxes.

RESULTS OF OPERATIONS 2003 COMPARED WITH 2002

The following discussion compares the Company's results of operations for the year ended December 31, 2003 and the year ended December 31, 2002.

INCOME AND EXPENSE AS A PERCENTAGE OF REVENUE

	For the Years Ended December 31,	
	2003	2002
Revenue	100.0%	100.0%

Gross profit	19.7%	19.1%
Selling, general and administrative expenses	16.9%	16.2%
Depreciation and amortization	0.5%	0.7%
Other (income) expense, net	(0.9%)	0.1%

Interest expense	1.5%	1.7%
Net income	1.0%	0.2%

REVENUE

Revenue for the year ended December 31, 2003 increased by $8,851,000, or 5.6%, to $166,083,000 from $157,232,000 for the year ended December 31, 2002. An increase in volume from new and existing customers contributed to such revenue increase, partially offset by certain price reductions granted to extend customer contracts. The revenue growth reflected the launch of our nationwide business development program and our ability to expand into new markets with our existing customer base.

COST OF REVENUE

Cost of revenue consisted primarily of independent contractor delivery costs, other direct pick-up and delivery costs and the costs of dispatching rush demand messengers. These costs increased by $6,196,000, or 4.9%, from $127,152,000 for 2002 to $133,348,000 in 2003. Stated as a percentage of revenue, these costs decreased to 80.3% for 2003 compared to 80.9% for 2002. The decrease in cost of revenue stated as a percentage of revenue was due primarily to increased cost of independent contractors. While the cost of this labor was more expensive (delivery costs increased by 2.6% as a percentage of revenue), workers compensation insurance costs and company delivery vehicle expenses have decreased by 2.3% and 1.1% as a percentage of revenue, respectively. The decrease in insurance costs was partially attributable to the change in auto liability coverage to a fully-insured indemnity program in July 2003 and significantly fewer Company-owned vehicles in service. This net reduction in cost of sales as a percentage of revenue was partially offset by additional cargo claims of approximately $800,000.

SG&A

SG&A included costs to support the Company's sales effort and the expense of maintaining facilities, information systems, financial, legal and other administrative functions. SG&A increased by $2,644,000, or 10.4%, from $25,492,000 in 2002 to $28,136,000 in 2003. As a percentage of revenue, SG&A increased to 16.9% in 2003 compared to 16.2% of revenue in 2002. The increase in SG&A was due primarily to the following factors:

- A $794,000 increase in the provision for doubtful accounts. Refer to the "Liquidity and Capital Resources" section of Item 7 of this Annual Report for discussion of the increased accounts receivable balance at December 31, 2003.
- A $672,000 increase in professional fees, primarily related to an increase in the legal accrual related to certain unresolved claims.
- A $516,000 increase in premises rent due to the addition of 13

leased facilities during 2003.

- o Additional increases in SG&A were primarily attributable to an increase in property and corporate umbrella insurance costs, office maintenance and expenses, data communications, computer costs and other indirect expenses.
- o The above factors were partially offset by a $861,000 reduction in compensation expense which includes reduced staffing, lower incentive compensation and the reversal of previously recorded severance benefits.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization decreased by $417,000, or 35.5%, from $1,173,000 for 2002 to $756,000 for 2003. Factors driving such reduction included the full depreciation of certain computer equipment and vehicles, coupled with reduced capital expenditures in 2001 and 2002.

OTHER (INCOME) EXPENSE, NET

Other (income) expense, net, had a net change of $1,702,000, to $1,496,000 of income in 2003 from $206,000 of expense in 2002. In February 1999, the Company became obligated for seller-financed acquisition debt of $1,650,000 related to the acquisition of Gold Wings. As of February 28, 2003, the note had

a remaining principal balance of $1,034,000 (the "CDL/Gold Note"). On February 28, 2003, the Company completed a series of related transactions with GMV Express, Inc. ("GMV"), Richard Gold (a principal of GMV) ("Gold") and his affiliates, and Global Delivery Systems LLC ("Global") and its subsidiary, Sureway Worldwide LLC ("Sureway Worldwide"). The net effect of the transactions with Global, Sureway Worldwide, GMV and Gold is that the Company assigned the Note Receivable to GMV in exchange for a release on the CDL/Gold Note payable, so that the Company is now relieved of its $1,034,000 liability for the CDL/Gold Note and the Company has no further rights to the Note Receivable. In addition, the Company received payments from Sureway Worldwide and Global of approximately $117,000 ($72,000 in settlement of disputed claims and $45,000 for other amounts due) and provided Gold with a release covering claims of breach of certain non-competition agreements. As a result of this transaction, the Company recorded a gain of $1,034,000 during the year ended December 31, 2003, included within Other (Income) Expense, net.

Also included in other income for 2003 was a $220,000 World Trade Center Recovery Grant received by one of the Company's New York City facilities and $149,000 of interest income on the Mid-West note receivable discussed in Note 3 to the Company's audited consolidated financial statements included elsewhere in this Annual Report. The expense in 2002 related to a $300,000 increase in the allowance for the stockholder note receivable.

INTEREST EXPENSE

Interest expense decreased by $200,000 from $2,734,000 in 2002 to $2,534,000 in 2003. This decrease was primarily due to the extinguishment of the CDL/Gold Note in the first quarter of 2003 and the reduction of interest rates on certain seller-financed debt which was renegotiated in April 2002.

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital increased by $6,256,000 from $1,807,000 as of December 31, 2003 to $8,063,000 as of December 31, 2004. The increase was primarily the result of an increase in the net accounts receivable balance of

$2,762,000 due to revenue growth and the impact of the April 14, 2004 debt restructuring which resulted in a $2,098,000 decrease in the current portion of long-term debt. Other factors include a $2,283,000 reduction in accrued expenses, partially offset by a $1,551,000 increase in accounts payable and a decrease in cash and cash equivalents of $1,080,000 at December 31, 2004.

Cash and cash equivalents decreased by $1,080,000 during 2004. Cash of $221,000 was provided by operating activities, primarily due to lower prepaid insurance through the insurance financing arrangement at December 31, 2004. Cash of $915,000 was used in investing activities, the majority of which relates to the purchase of additional hardware, scanners and customizations to the Company's new PeopleSoft financial system. Cash of $386,000 was used in financing activities primarily for $2,996,000 of debt repayments and restructuring costs, partially offset by $1,000,000 of proceeds from the April 14, 2004 debt restructuring and $1,610,000 of proceeds from the rights offering.

Capital expenditures amounted to $935,000, $968,000 and $522,000 for the years ended December 31, 2004, 2003 and 2002, respectively. These expenditures related primarily to enhanced and expanded information systems capability and upgraded Company facilities in the ordinary course of business. Increased expenditures in 2003 and 2004 related to the purchase, implementation and customization of the PeopleSoft financial system. Capital expenditures of approximately $1,000,000 are anticipated for the year ending December 31, 2005.

Short-term borrowings -

At December 31, 2004, short-term borrowings totaled $4,809,000 consisting of a line of credit balance of $4,190,000 and $619,000 of outstanding borrowings related to the insurance financing arrangements discussed below. At December 31, 2003, short-term borrowings totaled $5,767,000 consisting of a line of credit balance of $4,536,000 and $1,231,000 of outstanding borrowings related to the insurance financing arrangements entered into in 2003.

As of June 27, 2002, CD&L and Summit Business Capital Corporation, doing business as Fleet Capital - Business Finance Division ("Summit"), entered into an agreement establishing a revolving credit facility (the "Fleet Facility") of $15,000,000. The Fleet Facility expires on June 27, 2005 and provides CD&L with standby letters of credit, prime rate based loans at the bank's prime rate, as defined, plus 25 basis points

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(5.50% at December 31, 2004) and LIBOR based loans at the bank's LIBOR, as defined, plus 225 basis points (4.56% at December 31, 2004). The Company expects that it will negotiate an extension or replacement of the Fleet Facility on terms at least as favorable as the current terms, before the June 2005 expiration date. Credit availability is based on eligible amounts of accounts receivable, as defined, up to a maximum amount of $15,000,000 and is collateralized by substantially all of the assets, including certain cash balances, accounts receivable, equipment, leasehold improvements and general intangibles of the Company and its subsidiaries. As of December 31, 2004, outstanding borrowings were $4,190,000 and the maximum borrowings outstanding under the Fleet Facility during the year were $7,909,000. As of December 31, 2004, the Company had total cash on hand and borrowing availability of $5,466,000 under the Fleet Facility, after adjusting for restrictions related to outstanding standby letters of credit of $5,748,000 and minimum availability requirements.

Under the terms of the Fleet Facility, the Company is required to maintain certain financial ratios and comply with other financial conditions. The Fleet Facility also prohibits the Company from incurring certain additional indebtedness, limits certain investments, advances or loans and restricts substantial asset sales, capital expenditures and cash dividends. The Company was in compliance with its debt covenants, as amended, as of December 31, 2004.

Insurance Financing Agreements -

In connection with the renewal of certain of the Company's insurance policies, CD&L entered into an agreement to finance annual insurance premiums. A total of $1,382,000 was financed through this arrangement as of December 31, 2004. Monthly payments, including interest, amount to $156,000. The interest rate is 3.2% and the note matures in April 2005. The related annual insurance premiums were paid to the various insurance companies at the beginning of each policy year. The outstanding debt amount of $619,000 at December 31, 2004 (and $1,231,000 at December 31, 2003) is included in short-term borrowings. The corresponding prepaid insurance has been recorded in prepaid expenses and other current assets.

The following tables summarize our contractual and commercial obligations as of December 31, 2004:

	PAYMENTS DUE BY PERIOD				
CONTRACTUAL OBLIGATIONS (IN THOUSANDS)	2005	2006	2007	2008	T
Long-term debt	$485	$520	$528	$533	
Capital leases	$2	$2	$1	$-	
Total long-term debt	$487	$522	$529	$533	
Operating leases (Primarily for facilities)	$3,928	$3,179	$1,907	$956	

Other Contractual Obligations:

The Company has entered into employment agreements with its key executives which under certain change in control circumstances could result in total cash payments of as much as approximately $4 million. See Item 11.

	AMOUNT OF COMMITMENT EXPIRATION				
OTHER COMMERCIAL COMMITMENTS (IN THOUSANDS)	2005	2006	2007	2008	2 TH
Working Capital Facility	$15,000	$-	$-	$-	

(Including Standby Letters of Credit)				
Standby Letter of Credit	$5,748	(A)	(A)	(A)

(A) The Company is required to provide a standby letter of credit per the terms of its current captive insurance program. The values of future standby letters of credit will vary depending on future insurance premiums.

LONG-TERM DEBT:

On January 29, 1999, the Company completed a $15,000,000 private placement of senior subordinated notes (the "Senior Notes") and warrants with three financial institutions. The Senior Notes originally bore interest at 12.0% per annum and were subordinate to all senior debt including the Company's Fleet Facility. For description of the Fleet Facility, see "Liquidity and Capital Resources". Under the terms of the Senior Notes, as amended, the Company was required to maintain certain financial ratios and comply with other financial conditions contained in the Senior Notes agreement.

At March 31, 2004, the Company owed principal of $11,000,000 on the Senior Notes. On April 14, 2004, an agreement was reached among the Company, the Original Noteholders and the Investors as to the financial restructuring of the Senior Notes. The Original Noteholders agreed to convert a portion of the existing debt due from CD&L into equity and to modify the terms of the Senior Notes if the Investors purchased a portion of the note and accepted similar modifications. The nature of the restructuring is as follows:

(a) The Original Noteholders exchanged Senior Notes in the aggregate principal amount of $4,000,000 for shares of the Preferred Stock, with a liquidation preference of $4,000,000. The Preferred Stock is convertible into 3,937,008 shares of Common Stock, does not pay dividends (unless dividends are declared and paid on the Common Stock) and is redeemable by the Company for the liquidation value. The conversion price is $1.016 per share which was equal to the average closing price for the Company's common stock for the 5 days prior to the closing. Holders of the Preferred Stock have the right to elect two directors.

(b) The Original Noteholders and the Company amended the terms of the $7,000,000 balance of the Senior Notes, and then exchanged the amended notes for the new notes, which consist of two series of convertible notes, the Series A Convertible Notes in the principal amount of $3,000,000 and the Series B Convertible Notes in the principal amount of $4,000,000. The loan agreement that governed the Senior Notes was amended and restated to reflect the terms of the substituted Series A Convertible Notes and the Series B Convertible Notes, including the elimination of most financial covenants. The principal amount of the Convertible Notes is due in a balloon payment at the maturity date of April 14, 2011. The Convertible Notes bear interest at a rate of 9% for the first two years of the term, 10.5% for the next two years and 12% for the final three years of the term and will be paid quarterly. The terms of the two series of Convertible Notes are identical except for the conversion price ($1.016 for the Series A Convertible Notes, the average closing price for the Company's common stock for the 5 days prior to the closing and $2.032 for the Series B Convertible Notes).

(c) The Investors purchased the Series A Convertible Notes from the Original Noteholders for a price of $3,000,000.

(d) The Company issued an additional $1,000,000 of Series A Convertible Notes to the Investors for an additional payment of $1,000,000, the proceeds of which were used to reduce short-term debt.

(e) The Investors, the Original Noteholders and the Company entered into a Registration Rights Agreement pursuant to which the shares of the Company's common stock issuable upon conversion of the Preferred Stock and the Convertible Notes may be registered for resale with the SEC.

The Company cannot be compelled to redeem the Preferred Stock for cash at any time. As the interest on the Convertible Notes increases over the term of the Convertible Notes, the Company records the associated interest expense on a straight-line basis, giving rise to accrued interest over the early term of the Convertible Notes.

As a result of the debt restructuring described above, the Company has taken a charge of $628,000 recorded in other expense in the second quarter of 2004, representing the unamortized balance of the original issue discount and deferred financing costs related to the original private placement of the Senior Notes.

Costs incurred relative to the aforementioned transactions amounted to approximately $592,000. Of this amount, $420,000 has been accounted for as deferred financing costs and is being amortized over the term of the new financing agreements. The remaining $172,000 has been accounted for as a reduction in paid-in capital. These amounts have been allocated based on the proportion of debt to equity raised in the aforementioned transactions.

Long-term debt consisted of the following (in thousands) -

	DEC
	2004
Senior Subordinated Notes, net of unamortized discount of $0 and $377, respectively.	
Series A Convertible Subordinated Notes	4
Series B Convertible Subordinated Notes	4
Capital lease obligations due through July 2007 with interest at rates ranging from 8.0% to 11.5% and collateralized by the related property.	
Seller-financed debt for acquisitions, payable in monthly installments through May 2009. Interest is payable at rates ranging between 7.0% and 9.0%.	2
	10
Less - Current maturities	
	$9

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The aggregate annual principal maturities of debt (excluding capital lease obligations) as of December 31, 2004 are as follows (in thousands) -

2005	485
2006	520
2007	528
2008	533
2009 and thereafter	8,228
Total	$10,294

The Company leases certain transportation and warehouse equipment under capital lease agreements that expire at various dates. At December 31, 2004, minimum annual payments under capital leases, including interest, are as follows (in thousands) -

2005	$2
2006	2
2007	1
2008	-
2009	-
Total minimum payments	5
Less - Amounts representing interest	-
Net minimum payments	5
Less - Current portion of obligations under capital leases	(2)
Long-term portion of obligations under capital leases	$3

The Company had an accumulated deficit of ($5,563,000) as of December 31, 2004. On numerous occasions, The Company has had to amend and obtain waivers of the terms of its credit facilities and senior debt as a result of covenant violations or projected covenant violations or for other reasons. On April 14, 2004, the Company restructured its senior debt. The restructuring included an agreement among the Company, its lenders, members of CD&L management and others which improved the Company's short-term liquidity and reduced interest expense. The restructuring eased the financial covenants to which we are subject. However, if we were to fail to meet such covenants in the future, there can be no assurances that the Company's lenders will agree to waive any future covenant violations, renegotiate and modify the terms of their loans, or further extend the maturity date, should it become necessary to do so. Further, there can be no assurances that the Company will be able to meet its revenue, cost or income projections, upon which the debt covenants are based.

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Management believes that cash flows from operations and its borrowing capacity are sufficient to support the Company's operations and general business and capital requirements for at least the next twelve months. Such conclusions are predicated upon sufficient cash flows from operations and the continued availability of a revolving credit facility. The risks associated with cash flows from operations are mitigated by the Company's low gross profit margin.

Unless extraordinary, decreases in revenue should be accompanied by corresponding decreases in costs, resulting in minimal impact to liquidity. The risks associated with the revolving credit facility are as discussed above.

NEW ACCOUNTING STANDARDS AND PRONOUNCEMENTS

In January 2003, Interpretation No. 46 of the FASB, "Consolidation of Variable Interest Entities" ("FIN 46") was issued. The Company does not believe that it has any relationships with variable interest entities that are subject to the requirements of FIN 46.

In April 2003, SFAS No, 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149") was issued. This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities". The Company does not have any derivative instruments or hedging activities that are subject to the requirements of SFAS 149.

In May 2003, SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" ("SFAS 150") was issued. This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). During 2004, the provisions of SFAS 150 were followed in determining the equity classification of preferred shares issued in relation to the April 14, 2004 debt restructuring.

In December 2003, FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("Revised FIN 46") was issued. The Company does not believe that it has any relationships with variable interest entities that will be subject to the requirements of the Revised FIN 46.

In December 2003, SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits" ("Revised SFAS 132") was issued. This Statement revises employers' disclosures about pension plans and other post-retirement benefit plans. The provisions of the Revised SFAS 132 is effective for financial statements with fiscal years ending after December 15, 2003. The adoption of the Revised SFAS 132 did not have a material impact on the financial position or results of operations of the Company.

In December 2004, SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)") was issued. SFAS 123(R) replaces FASB Statement No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("Opinion 25"). Statement 123, as originally issued in 1995, established as preferable a fair-value based method of accounting for share-based payment transactions with employees. However, that Statement permitted entities the option of continuing to apply the guidance in Opinion 25, as long as the footnotes to the financial statements disclosed what net income would have been had the preferable fair-value based method been used. SFAS 123(R) requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements. That cost will be measured based on the fair value of the equity or liability instrument issued. Public entities (other than those filings as small business issuers) will be required to apply SFAS 123(R) as of the first annual reporting period that begins after June 15, 2005. As the Company currently applies the guidance in Opinion 25, this SFAS 123(R) will be adopted in the first quarter of 2006 and will result in additional compensation expense in the Consolidated Statement of Operations.

In December 2004, SFAS No. 153, "Exchanges of Nonmonetary Assets" ("SFAS 153") was issued. SFAS 153 amends APB Opinion No. 29, "Accounting for Nonmonetary Transactions" to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. As of December 31, 2004, the Company is not involved in any exchanges of nonmonetary assets.

INFLATION

While inflation has not had a material impact on the Company's results of operations for the last three years, recent fluctuations in fuel prices can and do affect the Company's operating costs.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to the effect of changing interest rates. At December 31, 2004, the Company's debt consisted of approximately $10,918,000 of fixed rate debt with a weighted average interest rate of 8.25% and $4,190,000 of variable rate debt with a weighted average interest rate of 4.59%. The variable rate debt consists of borrowings of revolving line of credit debt at the bank's prime rate plus 25 basis points (5.50% at December 31, 2004). If interest rates on variable rate debt were to increase by 46 basis points (one-tenth of the weighted average interest rate at December 31, 2004), the net impact to the Company's results of operations and cash flows for the year ended December 31, 2004 would be a decrease of income before provision for income taxes and cash flows from operating activities of approximately $19,000. Maximum borrowings of revolving line of credit debt during the year ended December 31, 2004 were $7,909,000.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of CD&L, Inc.:

We have audited the accompanying consolidated balance sheet of CD&L, Inc. and Subsidiaries as of December 31, 2004, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the year then ended. Our audit also included the financial statement schedule for the year ended December 31, 2004 listed in the Index at Item 15. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CD&L, Inc. and Subsidiaries as of December 31, 2004, and their results of operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, such financial statement schedule for the year ended December 31, 2004, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ J.H.Cohn LLP

Roseland, New Jersey
April 14, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of CD&L, Inc.:

We have audited the accompanying consolidated balance sheets of CD&L, Inc. and subsidiaries (the "Company") as of December 31, 2003 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years ended December 31, 2003 and 2002. Our audit also included the financial statement schedule for the years ended December 31, 2003 and 2002, listed in the Index at Item 15. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of CD&L, Inc. and subsidiaries as of December 31, 2003, and the results of their operations and their cash flows for the years ended December 31, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, such financial statement schedule for the years ended December 31, 2003 and 2002, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

DELOITTE & TOUCHE LLP

New York, New York
March 26, 2004 (except with respect to the matters discussed in Notes 8 and 14, as to which the date is April 14, 2004)

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CD&L, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

ASSETS

	DE
	2004
CURRENT ASSETS:	
Cash and cash equivalents (Note 2)	$617
Accounts receivable, less allowance for doubtful accounts of $1,330 and $872 in 2004 and 2003, respectively (Note 8)	21,548
Deferred income taxes (Notes 2 and 10)	1,248
Prepaid expenses and other current assets (Note 4)	3,606
Total current assets	27,019
EQUIPMENT AND LEASEHOLD IMPROVEMENTS, net (Notes 2 and 5)	1,627
GOODWILL, net (Notes 2, 3 and 6)	11,531
OTHER INTANGIBLE ASSETS AND DEFERRED FINANCING COSTS, net (Notes 2, 3 and 6)	1,737

NOTE RECEIVABLE AND SECURITY DEPOSITS (Note 3)	828
DEFERRED INCOME TAXES (Notes 2 and 10)	-
Total assets	$42,742

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:	
Short-term borrowings (Note 8)	$4,80
Current maturities of long-term debt (Notes 2 and 8)	48
Accounts payable	4,20
Accrued expenses and other current liabilities (Note 7)	9,46
Total current liabilities	18,95
LONG-TERM DEBT, net of current maturities (Notes 2 and 8)	9,81
DEFERRED INCOME TAXES (Notes 2 and 10)	1,10
OTHER LONG-TERM LIABILITIES	27
Total liabilities	30,13
COMMITMENTS AND CONTINGENCIES (Notes 11 and 12)	
STOCKHOLDERS' EQUITY (Notes 12, 13 and 14):	
Preferred stock, $.001 par value; 2,000,000 shares authorized; 393,701 shares issued and outstanding at December 31, 2004	4,00
Common stock, $.001 par value; 30,000,000 shares authorized, 9,385,678 and 7,688,027 shares issued in 2004 and 2003, respectively	
Additional paid-in capital	14,32
Treasury stock, 29,367 shares at cost	(16
Accumulated deficit	(5,56
Total stockholders' equity	12,60
Total liabilities and stockholders' equity	$42,74

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

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CD&L, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	FOR THE YEARS ENDED	
	2004	2003
Revenue (Note 2)	$197,724	$16
Cost of revenue (exclusive of depreciation and amortization)	160,270	13

Gross profit	37,454	3
Selling, general and administrative expenses	31,105	2
Depreciation and amortization	1,051	
Other expense (income), net (Notes 3 and 15)	601	(
Interest expense	1,859	
	34,616	2
Income before provision for income taxes	2,838	
Provision for income taxes (Notes 2 and 10)	1,255	
Net income	$1,583	$
Net income per share (Note 2):		
Basic	$.20	$
Diluted	.11	
Basic weighted average common shares outstanding	7,737	
Diluted weighted average common shares outstanding	14,513	

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

CD&L, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002
(IN THOUSANDS, EXCEPT SHARE DATA)

	Preferred Stock		Common Stock		Additional Paid-in	Treasu
	Shares	Amount	Shares	Amount	Capital	Stoc
BALANCE AT DECEMBER 31, 2001	-	$-	7,658,660	$8	$12,883	($
Net income	-	-	-	-	-	
BALANCE AT DECEMBER 31, 2002	-	-	7,658,660	8	12,883	(
Net income	-	-	-	-	-	

BALANCE AT DECEMBER 31, 2003	-	-	7,658,660	8	12,883	(
Senior Debt restructuring	393,701	4,000	-	-	(172)	
Rights offering	-	-	1,697,651	1	1,609	
Net income	-	-	-	-	-	
BALANCE AT DECEMBER 31, 2004	393,701	$4,000	9,356,311	$9	$14,320	($

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

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CD&L, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	FOR THE Y
	2004
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$1,583
Adjustments to reconcile net income to net cash provided by (used in) operating activities -	
Non-cash extinguishment of debt	-
Gain on disposal of equipment and leasehold improvements	(16)
Depreciation, amortization and deferred financing amortization	1,244
Deferred financing charge/original issue discount (OID) write-off	628
Allowance for doubtful note receivable	-
Allowance for doubtful accounts	458
Deferred income tax expense (benefit)	1,546
Changes in operating assets and liabilities	
(Increase) decrease in -	
Accounts receivable	(3,220)
Prepaid expenses and other current assets	(1,080)
Note receivable from stockholder, security deposits and other assets	(220)
Increase (decrease) in -	
Accounts payable and accrued liabilities	(732)
Other long-term liabilities	30
Net cash provided by (used in) operating activities	221
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of equipment and leasehold improvements	(935)
Proceeds from sale of equipment and leasehold improvements	20
Net cash used in investing activities	(915)
CASH FLOWS FROM FINANCING ACTIVITIES:	

(Repayments of) proceeds from short-term borrowings	(958)
Repayments of long-term debt	(1,447)
Proceeds from long-term debt	1,000
Proceeds from rights offering	1,610
Deferred financing costs	(591)
Net cash (used in) provided by financing activities	(386)
Net (decrease) increase in cash and cash equivalents	(1,080)
CASH AND CASH EQUIVALENTS, beginning of year	1,697
CASH AND CASH EQUIVALENTS, end of year	$617

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

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CD&L, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) ORGANIZATION, BASIS OF PRESENTATION AND BUSINESS:

CD&L, Inc. (the "Company" or "CD&L") was founded in June 1994.

The Company provides an extensive network of same-day delivery services to a wide range of commercial, industrial and retail customers. The Company's operations are currently concentrated on the East Coast, with a strategic presence on the West Coast.

The Company has an accumulated deficit of ($5,563,000) as of December 31, 2004. As discussed in Note 8, on numerous occasions, the Company has had to amend and obtain waivers of the terms of its credit facilities and senior debt as a result of covenant violations or projected covenant violations or for other reasons. On April 14, 2004, the Company restructured its senior debt. The restructuring included an agreement among the Company, its lenders, members of CD&L management and others which improved the Company's short-term liquidity and reduced interest expense.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation -

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Use of Estimates in Preparation of the Financial Statements -

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents -

CD&L considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents. Cash equivalents are carried at cost, which approximates market value.

Equipment and Leasehold Improvements -

Equipment and leasehold improvements are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements and assets subject to capital leases are amortized over the shorter of the terms of the leases or the estimated useful lives of the assets.

Vehicle Maintenance and Repair-

Vehicle maintenance and repair costs are expensed as incurred. Vehicle maintenance and repair expense was $291,000, $331,000 and $528,000 for the years ended 2004, 2003 and 2002, respectively. This expense is included as a component of Cost of Revenue on the Consolidated Statements of Operations. Due to the nature of the Company's operations, the bulk of its vehicles are vans, pick-ups and passenger cars. As such, the Company does not incur significant overhaul expenses that require capitalization.

Goodwill-

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). This Statement required that goodwill no longer be amortized over an estimated useful life but be considered as having an indefinite life and tested for impairment on an annual basis. As required by SFAS 142, annual impairment tests were completed at the end of fiscal 2004 and 2003 and the Company determined that there was no impairment.

The carrying amount of the Company's goodwill is significant relative to total assets and stockholders' equity. The Company reviews goodwill for impairment on at least an annual basis using several fair-value based tests, which include, among others, a discounted cash flow and terminal value computation as well as comparing the Company's market capitalization to the book value of the Company. The discounted cash flow and terminal value computation is based on management's estimates of future operations. Changes in business conditions or interest rates could materially impact management's estimates of future operations and consequently the Company's evaluation of fair value, and this could result in an impairment of goodwill. Such impairment, if any, could have a significant impact on the Company's reported results from future operations and financial condition.

Deferred Financing Costs -

The costs incurred to obtain financing, including all related fees, are included in other intangible assets and deferred financing costs in the accompanying consolidated balance sheets and are amortized as interest expense over the term of the related financing, from 3 - 7 years. Such costs are amortized over the term of the related debt agreements using the straight line method, which approximates that of the effective interest method.

Insurance-

The Company insures certain of its risks through insurance policies, but retains risk as a result of its deductibles related to such insurance policies. The Company's deductible for workers' compensation is $500,000 per loss. The deductible for employee health medical costs is $150,000 per loss. Effective July 1, 2003, automobile liability coverage is maintained for covered vehicles through a fully-insured indemnity program with no deductible. The Company reserves the estimated amounts of uninsured claims and deductibles related to such insurance retentions for claims that have occurred in the normal course of business. These reserves are established by management based upon the recommendations of third-party administrators who perform a specific review of open claims, which include fully developed estimates of both reported claims and incurred but not reported claims, as of the balance sheet date. Actual claim settlements may differ materially from these estimated reserve amounts. As of December 31, 2004, the Company has accrued approximately $2,229,000 for estimated losses incurred but not reported. The Company has also accrued $195,000 for incurred but unpaid employee health medical costs as of December 31, 2004.

A portion of the premium payments made by CD&L to its shared captive insurance company (the "Captive") includes allocated amounts to fund the losses that are in a risk-sharing layer of the Captive. If losses for a member of the Captive exhaust the funds that the member is required to pay to the Captive for a given policy year, the excess losses are shared between all other members of the Captive on a proportional basis based on member premiums.

In connection with the renewal of certain of the Company's insurance policies, CD&L entered into an agreement to finance annual insurance premiums. A total of $1,382,000 was financed through this arrangement. Monthly payments, including interest, amount to $156,000. The interest rate is 3.2% and the note matures in April 2005. The related annual insurance premiums were paid to the various insurance companies at the beginning of each policy year. The outstanding debt amount of $619,000 at December 31, 2004 (and $1,231,000 at December 31, 2003) is included in short-term borrowings. The corresponding prepaid insurance has been recorded in prepaid expenses and other current assets.

The Company also requires its independent contractors to maintain auto insurance coverage as well as workers' compensation or occupational accident insurance.

Significant Customers -

For the year ended December 31, 2004, four customers accounted for 31.0% of revenue. As of December 31, 2004, these customers accounted for 19.9% of gross accounts receivable. For the years ended December 31, 2003 and 2002, two customers accounted for 14.7% and 14.7%, respectively, of revenue and 11.4% of gross accounts receivable as of December 31, 2003.

Revenue Recognition -

Revenue is recognized when pervasive evidence of an arrangement exists, the price to the customer is fixed or determinable and collection is reasonably assured. The Company interprets the timing of revenue recognition to be when services are rendered to customers, and expenses are recognized as incurred. This policy applies to all of the Company's same-day, time-critical delivery service options, including Rush, Scheduled, Facilities Management and Dedicated Contract Logistics. Certain customers pay in advance, giving rise to deferred revenue.

Income Taxes -

CD&L accounts for income taxes utilizing the asset and liability approach. Deferred income taxes are provided for differences in the recognition of assets and liabilities for tax and financial reporting purposes. Temporary differences result primarily from accelerated depreciation and amortization for tax purposes and various accruals and reserves being deductible for tax purposes in future periods.

Long-Lived Assets -

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), which became effective for the Company in 2002, addresses financial accounting and reporting for the impairment or disposal of long-lived assets with definite lives. This Statement extends the reporting requirements to include reporting separately as discontinued operations, components of an entity that have either been disposed of or classified as held-for-sale. The Company shall recognize an impairment loss only if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. That assessment shall be based on the carrying amount of the asset at the date it is tested for recoverability, whether in use or under development. An impairment loss shall be measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. The adoption of SFAS No. 144 did not have a material impact on the financial position or results of operations of the Company.

Fair Value of Financial Instruments -

Due to the short maturities of the Company's cash, receivables and payables, the carrying value of these financial instruments approximates their fair values. The fair value of the Company's debt is estimated based on the current rates offered to the Company for debt with similar remaining maturities. The Company believes that the carrying value of its debt estimates the fair value of such debt instruments.

Stock Based Compensation -

In December 2002, SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" ("SFAS 148") was issued and became effective in 2002. This Statement amends SFAS No. 123 "Accounting for Stock-Based Compensation," ("SFAS 123") to provide alternative methods of transition for an entity that voluntarily changes to the fair value method of accounting for stock-based compensation and requires additional disclosures. The Company has elected to continue to recognize stock-based compensation using the intrinsic value method and has incorporated the additional disclosure requirements of SFAS 148.

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its stock option plans. The Company's stock options have all been issued with their exercise price at market value at the date of grant. Accordingly, no compensation expense has been recognized for its stock-based compensation plans. Pro forma information regarding net income and earnings per share is required under the provisions of SFAS 123, and has been determined as if the Company had accounted for its stock options under the fair value method. The Company will be adopting SFAS 123(R) during the first quarter of 2006. At that time, compensation expense related to

the Company's stock-based compensation plans will be recorded over the service period in the financial statements, as required by SFAS 123(R).

The fair value for these options was estimated at the date of grant using the

Black-Scholes option-pricing model with the following assumptions for 2004, 2003 and 2002- .

	2004	2003	2002
Risk-free interest rate	3.10%	4.15%	4.30%
Volatility factor	98%	97%	101%
Expected life	7 years	7 years	7 years
Dividend yield	None	None	None

The pro forma information regarding net income and income per share is as follows (in thousands, except per share data)-

	2004	2003
Net income - as reported	$1,583	$1,683
Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(482)	(5)
Net income - pro forma	$1,101	$1,678
Basic income per share:		
Net income per share - as reported	$.20	$.22
Net income per share - pro forma	$.14	$.22
Diluted income per share:		
Net income per share - as reported	$.11	$.21
Net income per share - pro forma	$.09	$.21

Income Per Share -

Basic net income per share represents net income divided by the weighted average shares outstanding. Diluted net income per share represents net income divided by the weighted average shares outstanding adjusted for the incremental dilution of potentially dilutive common shares.

A reconciliation of weighted average common shares outstanding to weighted average common shares outstanding assuming dilution follows:

	2004	2003
Basic weighted average common shares outstanding	7,737,084	7,658,660
Effect of dilutive securities:		
Stock options and warrants	829,152	515,419

Convertible preferred stock	2,952,758	-	
Subordinated convertible debentures	2,952,756	-	
Seller-financed convertible notes	41,148	-	
Diluted weighted average common shares outstanding	14,512,898	8,174,079	

The following potentially dilutive common shares were excluded from the computation of diluted net income per share because the exercise or conversion price was greater than the average market price of common shares -

	2004	2003	2002
Stock options and warrants	1,774,572	1,863,668	1,889,434
Subordinated convertible debentures	1,476,378	-	-
Seller-financed convertible notes	169,244	352,905	458,083

NEW ACCOUNTING STANDARDS AND PRONOUNCEMENTS

In January 2003, Interpretation No. 46 of the FASB, "Consolidation of Variable Interest Entities" ("FIN 46") was issued. The Company does not believe that it has any relationships with variable interest entities that are subject to the requirements of FIN 46.

In April 2003, SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149") was issued. This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities". The Company does not have any derivative instruments or hedging activities that are subject to the requirements of SFAS 149.

In May 2003, SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" ("SFAS 150") was issued. This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). During 2004, the provisions of SFAS 150 were followed in determining the equity classification of preferred shares issued in relation to the April 14, 2004 debt restructuring.

In December 2003, FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("Revised FIN 46") was issued. The Company does not believe that it has any relationships with variable interest entities that will be subject to the requirements of the Revised FIN 46.

In December 2003, SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits" ("Revised SFAS 132") was issued. This Statement revises employers' disclosures about pension plans and other post-retirement benefit plans. The provisions of the Revised SFAS 132 is effective for financial statements with fiscal years ending after December 15, 2003. The Company does not provide pensions or post-retirement benefits and, as such, is not subject to the requirements of SFAS 132.

In December 2004, SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)") was issued. SFAS 123(R) replaces FASB Statement No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("Opinion 25"). Statement 123, as originally issued in 1995, established as preferable a fair-value based method of accounting for share-based payment transactions with employees. However, that Statement permitted entities the option of continuing to apply the guidance in Opinion 25 and use the intrinsic value method, as long as the notes to the financial statements disclosed what net income would have been had the preferable fair-value based method been used. SFAS 123(R) requires that the compensation cost relating to all share-based payment transactions, including employee stock options be recognized in the financial statements. That cost will be measured based on the fair value of the equity or liability instrument issued. Public entities (other than those filings as small business issuers) will be required to apply SFAS 123(R) as of the first annual reporting period that begins after June 15, 2005. As the Company currently applies the guidance in Opinion 25, this SFAS 123(R) will be adopted in the first quarter of 2006 and will result in additional compensation expense in the Consolidated Statement of Operations.

In December 2004, SFAS No. 153, "Exchanges of Nonmonetary Assets" ("SFAS 153") was issued. SFAS 153 amends APB Opinion No. 29, "Accounting for Nonmonetary Transactions" to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of

nonmonetary assets that do not have commercial substance. As of December 31, 2004, the Company is not involved in any exchanges of nonmonetary assets.

(3) 2004 ACQUISITION:

On March 1, 2004, the Company consummated a transaction providing for the repurchase of certain Indiana-based assets and liabilities sold to First Choice in June 2001. The acquisition included the release of certain noncompete agreements. Consideration for the repurchase included cancellation of a certain note receivable owed by First Choice of approximately $1,600,000 plus a three-year contingent earn-out based on future net revenue generated by the customer accounts repurchased. The majority of the purchase price of the Indiana acquisition on March 1, 2004 related to the value of the customer list. An intangible asset of $1,335,000 (net of $267,000 accumulated amortization) is included in the December 31, 2004 consolidated balance sheet. This asset is being amortized over 5 years.

(4) PREPAID EXPENSES AND OTHER CURRENT ASSETS:

Prepaid expenses and other current assets consist of the following (in thousands) -

	DECEMBER
	2004
Prepaid insurance	$2,277
Other receivables	219
Prepaid income taxes	779

Other	331
	$3,606

(5) EQUIPMENT AND LEASEHOLD IMPROVEMENTS:

Equipment and leasehold improvements consist of the following (in thousands) -

		DEC
	USEFUL LIVES	2004
Transportation and warehouse equipment	3-7 years	$1,019
Office equipment	3-7 years	1,977
Furniture and fixtures	5-7 years	103
Leasehold improvements	Lease period	748
		3,847
Less - accumulated depreciation and amortization		(2,220)
		$1,627

Depreciation and amortization expense for equipment and leasehold improvements for the years ended December 31, 2004, 2003 and 2002 was approximately $784,000, $756,000 and $1,148,000, respectively.

Leased equipment under capitalized leases (included above) consists of the following (in thousands) -

	D
	2004
Equipment	
Less - accumulated depreciation	

The Company did not incur any capital lease obligations in 2004 or 2003.

(6) GOODWILL, OTHER INTANGIBLE ASSETS AND DEFERRED FINANCING COSTS:

Goodwill consists of the following (in thousands) -

	USEFUL LIVES	D
		2004
Goodwill	Indefinite	$17,1
Less - accumulated amortization and impairment		(5,6
		$11,5

Other intangible assets and deferred financing costs consist of the following (in thousands) -

	USEFUL LIVES	D
		2004
Customer list	5 years	$1,6
Deferred financing costs and other	3 - 7 years	5
		2,1
Less - accumulated amortization		(4
		$1,7

Deferred financing costs totaled $403,000 as of December 31, 2004 (net of accumulated amortization of $168,000). Amortization of deferred financing costs for the years ended December 31, 2004, 2003 and 2002 was approximately $149,000, $224,000 and $210,000, respectively. Amortization of deferred financing costs has been recorded as interest expense.

Estimated amortization of the customer list and deferred financing costs for the five years subsequent to December 31, 2004 (in thousands)-

2005	$405
2006	380
2007	380
2008	380
2009	113

(7) ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES:

Accrued expenses and other current liabilities consist of the following (in thousands) -

DE

	2004
Payroll and related expenses	$1,9
Third party delivery costs	2,7
Insurance	2,1
Professional fees	2
Interest	2
Uninsured personal injury and property damage claims (Note 11)	7
Other	1,3
	$9,4

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(8) SHORT-TERM BORROWINGS AND LONG-TERM DEBT:

Short-term borrowings -

At December 31, 2004, short-term borrowings totaled $4,809,000 consisting of a line of credit balance of $4,190,000 and $619,000 of outstanding borrowings related to the insurance financing arrangements discussed below. At December 31, 2003, short-term borrowings totaled $5,767,000 consisting of a line of credit balance of $4,536,000 and $1,231,000 of outstanding borrowings related to the insurance financing arrangements entered into in 2003.

As of June 27, 2002, CD&L and Summit Business Capital Corporation, doing business as Fleet Capital - Business Finance Division ("Summit"), entered into an agreement establishing a revolving credit facility (the "Fleet Facility") of $15,000,000. The Fleet Facility expires on June 27, 2005 and provides CD&L with standby letters of credit, prime rate based loans at the bank's prime rate, as defined, plus 25 basis points (5.50% at December 31, 2004) and LIBOR based loans at the bank's LIBOR, as defined, plus 225 basis points (4.56% at December 31, 2004). The Company expects that it will negotiate an extension or replacement of the Fleet Facility on terms at least as favorable as the current terms, before the June 2005 expiration date. Credit availability is based on eligible amounts of accounts receivable, as defined, up to a maximum amount of $15,000,000 and is collateralized by substantially all of the assets, including certain cash balances, accounts receivable, equipment, leasehold improvements and general intangibles of the Company and its subsidiaries. As of December 31, 2004, outstanding borrowings were $4,190,000 and the maximum borrowings outstanding under the Fleet Facility during the year were $7,909,000. As of December 31, 2004, the Company had total cash on hand and borrowing availability of $5,466,000 under the Fleet Facility, after adjusting for restrictions related to outstanding standby letters of credit of $5,748,000 and minimum availability requirements.

Under the terms of the Fleet Facility, the Company is required to maintain certain financial ratios and comply with other financial conditions. The Fleet Facility also prohibits the Company from incurring certain additional indebtedness, limits certain investments, advances or loans and restricts substantial asset sales, capital expenditures and cash dividends. The Company was in compliance with its debt covenants, as amended, as of December 31, 2004.

Insurance Financing Agreements -

In connection with the renewal of certain of the Company's insurance policies, CD&L entered into an agreement to finance annual insurance premiums. A total of $1,382,000 was financed through this arrangement as of December 31, 2004. Monthly payments, including interest, amount to $156,000. The interest rate is 3.2% and the note matures in April 2005. The related annual insurance premiums were paid to the various insurance companies at the beginning of each policy year. The outstanding debt amount of $619,000 at December 31, 2004 (and $1,231,000 at December 31, 2003) is included in short-term borrowings. The corresponding prepaid insurance has been recorded in prepaid expenses and other current assets.

Long-Term Debt -

On January 29, 1999, the Company completed a $15,000,000 private placement of senior subordinated notes (the "Senior Notes") and warrants with three financial institutions. The Senior Notes originally bore interest at 12.0% per annum and are subordinate to all senior debt including the Company's Fleet Facility. Under the terms of the Senior Notes, as amended, the Company was required to maintain certain financial ratios and comply with other financial conditions contained in the Senior Notes agreement.

At March 31, 2004, the Company owed $11,000,000 on the Senior Notes. On April 14, 2004, an agreement was reached among the Company, BNP Paribas ("Paribas"), Exeter Venture Lenders, L.P. ("Exeter Venture") and Exeter Capital Partners IV, L.P. ("Exeter Capital") and together with Exeter Venture and Paribas (the "Original Noteholders") and certain members of CD&L management and others ("Investors") as to the financial restructuring of the Senior Notes. The Original Noteholders agreed to convert a portion of the existing debt due from CD&L into equity and to modify the terms of the Senior Notes if the Investors purchased a portion of the notes and accepted similar modifications. The nature of the restructuring is as follows:

(a) The Original Noteholders exchanged Senior Notes in the aggregate principal amount of $4,000,000 for shares of the Series A Convertible Redeemable Preferred Stock of the

Company, par value $.001 per share ("Preferred Stock"), with a liquidation preference of $4,000,000. The Preferred Stock is convertible into 3,937,008 shares of Common Stock, does not pay dividends (unless dividends are declared and paid on the Common Stock) and is redeemable by the Company for the liquidation value. The conversion price is $1.016 per share which was equal to the average closing price for the Company's common stock for the 5 days prior to the closing. Holders of the Preferred Stock have the right to elect two directors.

(b) The Original Noteholders and the Company amended the terms of the $7,000,000 balance of the Senior Notes, and then exchanged the amended notes for the new notes, which consist of two series of convertible notes, the Series A Convertible Subordinated Notes (the "Series A Convertible Notes") in the principal amount of $3,000,000 and the Series B Convertible Subordinated Notes ("Series B Convertible Notes") in the principal amount of $4,000,000 (collectively, the "Convertible Notes"). The loan agreement that governed the Senior Notes was amended and restated to reflect the terms of the substituted Series A Convertible Notes and the Series B Convertible Notes, including the elimination of most financial covenants. The principal amount of the Convertible Notes is due in a balloon payment at the maturity date of April 14, 2011. The

Convertible Notes bear interest at a rate of 9% for the first two years of the term, 10.5% for the next two years and 12% for the final three years of the term and will be paid quarterly. The terms of the two series of Convertible Notes are identical except for the conversion price ($1.016 for the Series A Convertible Notes, the average closing price for the Company's common stock for the 5 days prior to the closing and $2.032 for the Series B Convertible Notes).

(c) The Investors purchased the Series A Convertible Notes from the Original Noteholders for a price of $3,000,000.

(d) The Company issued an additional $1,000,000 of Series A Convertible Notes to the Investors for an additional payment of $1,000,000, the proceeds of which were used to reduce short-term debt.

(e) The Investors, the Original Noteholders and the Company entered into a Registration Rights Agreement pursuant to which the shares of the Company's common stock issuable upon conversion of the Preferred Stock and the Convertible Notes may be registered for resale with the Securities and Exchange Commission ("SEC").

The Company cannot be compelled to redeem the Preferred Stock for cash at any time. As the interest on the Convertible Notes increases over the term of the Convertible Notes, the Company records the associated interest expense on a straight-line basis, giving rise to accrued interest over the early term of the Convertible Notes.

As a result of the debt restructuring described above, the Company has taken a charge of $628,000 recorded in other expense in the second quarter of 2004, representing the unamortized balance of the original issue discount and deferred financing costs related to the original private placement of the Senior Notes.

Costs incurred relative to the aforementioned transactions amounted to approximately $592,000. Of this amount, $420,000 has been accounted for as deferred financing costs and is being amortized over the term of the new financing agreements. The remaining $172,000 has been accounted for as a reduction in paid-in capital. These amounts have been allocated based on the proportion of debt to equity raised in the aforementioned transactions.

Long-term debt consists of the following (in thousands) -

	D
	2004
Senior Subordinated Notes, net of unamortized discount of $0 and $377, respectively.	
Series A Convertible Subordinated Notes	4,
Series B Convertible Subordinated Notes	4,
Capital lease obligations due through July 2007 with interest at rates ranging from 8.0% to 11.5% and collateralized by the related property.	
Seller-financed debt on acquisitions, payable in monthly installments through May 2009. Interest is payable at rates ranging between 7.0% and 9.0%.	2,

	10,
Less - Current maturities	(
	$9,

The aggregate annual principal maturities of debt (excluding capital lease obligations) as of December 31, 2004 are as follows (in thousands) -

2005	$485
2006	520
2007	528
2008	533
2009 and thereafter	8,228
Total	$10,294

The Company leases certain transportation and warehouse equipment under capital lease agreements that expire at various dates. At December 31, 2004, minimum annual payments under capital leases, including interest, are as follows (in thousands) -

2005	$2
2006	2
2007	1
2008	-
2009	-
Total minimum payments	5
Less - Amounts representing interest	-
Net minimum payments	5
Less - Current portion of obligations under capital leases	(2)
Long-term portion of obligations under capital leases	$3

(9) EMPLOYEE BENEFIT PLANS:

The Company adopted a 401(k) retirement plan during 1996. Substantially all employees are eligible to participate in the plan and are permitted to contribute an unlimited percentage of their annual salary, subject to Internal Revenue Service discrimination testing limitations. The Company has the right to make discretionary contributions that will be allocated to each eligible participant. The Company did not make discretionary contributions for the years ended December 31, 2004, 2003 and 2002.

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(10) INCOME TAXES:

Federal and state income tax provision (benefit) for the years ended December

31, 2004, 2003 and 2002 are as follows (in thousands) -

	2004	2003	2002
Federal-			
Current	($218)	$903	$673
Deferred	1,170	43	(513)
State	303	176	30
	$1,255	$1,122	$190

The components of deferred income tax assets and liabilities are as follows (in thousands) -

	DECEMBER 3
	2004
Deferred income tax assets -	
Current -	
Allowance for doubtful accounts	$532
Insurance reserves	892
Net operating loss carry forward	15
Reserves and other, net	(212)
Tax credits	21
Total current deferred income tax assets	1,248
Non-current -	
Accumulated depreciation and amortization and other	-
Capital loss carry forward	776
Total non-current deferred income tax assets	776
Valuation allowance	(776)
Net deferred income tax assets	1,248
Deferred income tax liabilities -	
Non-current -	
Accumulated depreciation and amortization	(1,100)
Total non-current deferred income tax liabilities	(1,100)
Net deferred income tax liabilities	(1,100)
Net deferred tax assets	$148

The Company has recorded a valuation allowance against its deferred tax assets at both December 31, 2004 and 2003, based upon the Company's assessment of its ability to realize such assets.

The differences in Federal income taxes provided and the amounts determined by applying the Federal statutory tax rate (34%) to income before income taxes for the years ended December 31, 2004, 2003 and 2002, result from the following (in thousands) -

	2004	2003	2002
Tax at statutory rate	$965	$954	$161
Add (deduct) the effect of-			
State income taxes, net of Federal benefit	200	116	20
Reserve on deferred tax asset	-	-	(190)
Nondeductible expenses and other, net	111	52	199
Tax credits	(21)	-	-
Provision for income taxes	$1,255	$1,122	$190

(11) COMMITMENTS AND CONTINGENCIES:

Operating Leases -

The Company leases its office and warehouse facilities under non-cancelable operating leases, which expire at various dates through April 2013. The approximate minimum rental commitments of the Company, under existing agreements as of December 31, 2004, are as follows (in thousands) -

2005	$3,928
2006	3,179
2007	1,907
2008	956
2009	432
Thereafter	206

Rent expense, primarily for facilities, amounted to approximately $7,369,000, $6,973,000 and $6,747,000 for the years ended December 31, 2004, 2003 and 2002, respectively.

Litigation -

The Company is, from time to time, a party to litigation arising in the normal course of its business, including claims for uninsured personal injury and property damage incurred in connection with its same-day delivery operations. In connection therewith, the Company has recorded liabilities of $774,000 and $885,000 as of December 31, 2004 and 2003, respectively.

Also from time to time, federal and state authorities have sought to assert that independent contractors in the transportation industry, including those utilized by CD&L, are employees rather than independent contractors. The Company believes that the independent contractors that it utilizes are not employees under existing interpretations of federal and state laws. However, federal and state authorities have and may continue to challenge this position. Further, laws and regulations, including tax laws, and the interpretations of those laws and regulations, may change.

Management believes that none of these actions, including the actions described above, will have a material adverse effect on the consolidated financial position or results of operations of the Company.

(12) STOCK OPTION PLANS:

The Company has two stock option plans under which employees and independent directors may be granted options to purchase shares of Company Common Stock at or above the fair market value at the date of grant. Options generally vest in one to four years and expire in 10 years.

Employee Stock Compensation Program -

In September 1995, the Board of Directors adopted, and the stockholders of the Company approved the Company's Employee Stock Compensation Program (the "Employee Stock Compensation Program"). The Employee Stock Compensation Program authorizes the granting of incentive stock options, non-qualified supplementary options, stock appreciation rights, performance shares and stock bonus awards to key employees of the Company, including those employees serving as officers or directors of the Company. The Company initially reserved 1,400,000 shares of Common Stock for issuance in connection with the Employee Stock Compensation Program. In June 1998 the Board of Directors adopted and the stockholders of the Company approved an additional 500,000 shares for issuance under the Employee Stock Compensation Program. In June 2000 the Board of Directors adopted and the stockholders of the Company approved the Year 2000 Employee Stock Compensation Program, which provided an additional 1,350,000 shares for issuance to key employees of the Company. In June 2001 the Board of Directors adopted and the stockholders of the Company approved an amendment to the Year 2000 Employee Stock Compensation Program, which provided an additional 375,000 shares for issuance to key employees of the Company. In October 2002, the Board of Directors adopted and the stockholders of the Company approved a second amendment to the Year 2000 Employee Stock Compensation Program, which provided an additional 375,000

shares for issuance to key employees of the Company. The Employee Stock Compensation Program is administered by a committee of the Board of Directors (the "Administrators") made up of directors who are disinterested persons. Options and awards granted under the Employee Stock Compensation Program will have an exercise or payment price as established by the Administrators provided that the exercise price of incentive stock options may not be less than the fair market value of the underlying shares on the date of grant. Unless otherwise specified by the Administrators, options and awards will vest in four equal installments on the first, second, third and fourth anniversaries of the date of grant.

Stock Option Plans for Independent Directors -

In September 1995, the Board of Directors adopted, and the stockholders of the Company approved, the Company's 1995 Stock Option Plan for Independent Directors (the "Director Plan"). The Director Plan authorizes the granting of nonqualified stock options to non-employee directors of the Company. The Company has reserved 100,000 shares of Common Stock for issuance in connection with the Director Plan. In October 2002 the Board of Directors adopted and the stockholders of the Company approved the 2002 Stock Option Plan for Independent Directors, which provided an additional 100,000 shares for issuance to non-employee directors of the Company. The Director Plan is administered by a committee of the Board of Directors (the "Committee"), none of whom will be eligible to participate in the Director Plan. The Director Plan provided for an initial grant of an option to purchase 1,500 shares of Common Stock upon election as a director of the Company, a second option to purchase 1,000 shares of Common Stock upon the one-year anniversary of such director's election and subsequent annual options for 500 shares of Common Stock upon the anniversary of each year of service as a director. In June 1998 the stockholders of the Company approved amendments to the Director Plan. The amendments replaced the annual stock option grants of the original plan with quarterly grants of 1,250 shares of stock options on the first trading day of each fiscal quarter commencing on October 1, 1997. In August of 1998 and February of 1999, the Committee approved further amendments to the Director Plan. These amendments replaced the time period to exercise vested options after a participating director has served as a director for a period of three consecutive years or more. The Director Plan was amended to provide that in the event any holder, who has served as a director for three or more consecutive years, shall cease to be a director for any reason, including removal with or without cause or death or disability, all options (to the extent exercisable at the termination of the director's service) shall remain exercisable by the holder or his lawful heirs, executors or administrators until the expiration of the ten-year period following the date such options were granted. In June 2004, the stockholders of the Company approved another amendment to the Director Plan, whereby the quarterly grants of 1,250 shares of stock options on the first trading day of each fiscal quarter was replaced with an annual grant of 5,000 shares of stock options on the first trading day of the third quarter each year.

Information regarding the Company's stock option plans is summarized below:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Shares under option:		
Outstanding at December 31, 2001	1,943,716	$3.25
Granted	75,000	$0.52
Exercised	-	-
Canceled	(85,063)	$6.40
Outstanding at December 31, 2002	1,933,653	$3.01
Granted	30,000	$.60
Exercised	-	-
Canceled	(48,456)	$4.90
Outstanding at December 31, 2003	1,915,197	$2.93
Granted	1,350,000	$1.24
Exercised	-	-
Canceled	(203,800)	$1.94

Outstanding at December 31, 2004	3,061,397	$2.25
Options exercisable at:		
December 31, 2002	1,898,487	$3.02
December 31, 2003	1,883,531	$2.96

December 31, 2004	2,146,400	$2.67

At December 31, 2004, options available for grant under the Employee Stock Compensation Program and the Director Plan total 1,141,103 and 100,000 shares, respectively. The 100,000 shares available for grant under the Director Plan are subject to ratification at the June 2005 stockholder meeting.

The following summarizes information about option groups outstanding and exercisable at December 31, 2004:

	OUTSTANDING OPTIONS			EXERCIS
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AS OF DECEMBER 31, 2004	WEIGHTED AVERAGE REMAINING LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AS OF DECEMBER 31, 2004
$0.350 - $1.438	167,500	7.20	$0.59	152,500
$1.813 - $1.813	1,000,000	9.28	$1.17	333,336
$2.000 - $2.625	762,500	7.03	$1.65	559,167
$2.688 - $4.875	618,085	4.04	$2.39	588,085
$6.000 - $13.000	513,312	2.88	$5.62	513,312
Totals	3,061,397	6.48	$2.25	2,146,400

(13) EMPLOYEE STOCK PURCHASE PLAN

Effective April 1, 1998, CD&L adopted an Employee Stock Purchase Plan (the "Employee Purchase Plan") which was amended in 1999. The Employee Purchase Plan permitted eligible employees to purchase CD&L common stock at 85% of the closing market price on the last day prior to the commencement or the end of the purchase period. The Employee Purchase Plan provided for the purchase of up to 500,000 shares of common stock. No shares were issued under the Employee Purchase Plan during 2004, 2003 or 2002.

(14) STOCKHOLDER PROTECTION RIGHTS AGREEMENT

On December 27, 1999, the Board of Directors of the Company announced the declaration of a dividend of one right (a "Right") for each outstanding share of Common Stock of the Company held of record at the close of business on January 6, 2000, or issued thereafter and prior to the time at which they separate from the Common Stock and thereafter pursuant to options and convertible securities outstanding at the time they separate from the Common Stock. The Rights were issued pursuant to a Stockholder Protection Rights Agreement, dated as of December 27, 1999, between the Company and American Stock Transfer & Trust Company, as Rights Agent. Each Right entitles its registered holder to purchase from the Company, after the Separation Time, one one-hundredth of a share of

Participating Preferred Stock, par value $0.01 per share, for $27.00 (the "Exercise Price"), subject to adjustment. The holders of Rights will, solely by reason of their ownership of Rights, have no rights as stockholders of the Company, including, without limitation, the right to vote or to receive dividends.

The Rights will separate from the Common Stock if any person or group (subject to certain exceptions including the April 14, 2004 financial restructuring) becomes the beneficial owner of fifteen percent or more of

the Common Stock or any person or group (subject to certain exceptions) makes a tender or exchange offer that would result in that person or group beneficially owning fifteen percent or more of the Common Stock. In April 2004, the Company amended the Plan to exclude persons participating in the April 14, 2004 financial restructuring so long as their ownership was less than 30%. Upon separation of the Rights from the Common Stock, each Right (other than Rights beneficially owned by the acquiring person or group, which Rights shall become void) will constitute the right to purchase from the Company that number of shares of Common Stock of the Company having a market price equal to twice the Exercise Price for an amount equal to the Exercise Price. In addition, if a person or group who has acquired beneficial ownership of fifteen percent or more of the Common Stock controls the Board of Directors of the Company and the Company engages in certain business combinations or asset sales, then the holders of the Rights (other than the acquiring person or group) will have the right to purchase common stock of the acquiring company having a market value equal to two times the Exercise Price.

In certain circumstances, the Board of Directors may elect to exchange all of the then outstanding Rights (other than Rights beneficially owned by the acquiring person or group, which Rights become void) for shares of Common Stock at an exchange ratio of one share of Common Stock per Right, appropriately adjusted to reflect certain changes in the capital stock of the Company. In addition, the Board of Directors may, prior to separation from the Common Stock, redeem all (but not less than all) the then outstanding Rights at a price of $.01 per Right. Unless redeemed, exchanged or amended on an earlier date, the Rights will expire on the tenth anniversary of the record date.

At December 31, 2004 and 2003, no Rights have been exchanged.

(15) RELATED PARTY TRANSACTIONS:

Leasing Transactions -

Effective as of February 1, 2003, the Company has leased its former vehicle repair facility to a company whose principal is a stockholder and former executive of the Company. During the years ended December 31, 2004 and 2003, the Company made payments for vehicle maintenance and repairs of approximately $87,000 and $226,000, respectively. Additionally, the Company has recorded rental income from this company of approximately $18,000 and $33,000 during the years ended December 31, 2004 and 2003, respectively.

Certain subsidiaries of the Company paid approximately $236,000, $303,000 and $356,000 for the years ended December 31, 2004, 2003 and 2002, respectively, in rent to certain directors, stockholders or companies owned and controlled by directors or stockholders of the Company (other than the transaction noted above). Rent is paid for office, warehouse facilities and transportation equipment. At December 31, 2004 and 2003, the Company owed $3,000 and $12,000, respectively, to related parties in connection with these transactions.

(16) SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid for interest and income taxes (net of refunds received) for the years ended December 31, 2004, 2003 and 2002 was as follows (in thousands) -

	2004	2003	2002
Interest	$1,369	$1,739	$2,507
Income taxes	$731	$899	($281)

Non-cash financing activities related to capital lease obligations incurred during the years ended December 31, 2004, 2003 and 2002 amounted to $0, $0 and $8,000, respectively.

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(17) QUARTERLY FINANCIAL DATA (UNAUDITED):

Unaudited quarterly financial data for the years ended December 31, 2004 and 2003 was as follows (in thousands, except per share amounts) -

	QUARTER ENDED		
	MARCH 31,	JUNE 30,	SEPTEMBER
Year ended December 31, 2004:			
Revenue	$46,482	$49,257	$49,70
Gross Profit	8,598	9,363	9,36
Net Income	$169	$8	$49
Basic Income Per Share	$.02	$.00	$.06
Diluted Income Per Share	$.02	$.00	$.03
Basic Weighted Average Common Shares Outstanding	7,659	7,659	7,65
Diluted Weighted Average Common Shares Outstanding	8,238	12,570	18,33
Year ended December 31, 2003:			
Revenue	$40,307	$40,887	$40,84
Gross Profit	7,264	7,738	8,29
Net Income (a)	$606	$222	$44
Basic Income Per Share	$.08	$.03	$.06
Diluted Income Per Share	$.07	$.03	$.05
Basic Weighted Average Common Shares Outstanding	7,659	7,659	7,65
Diluted Weighted Average Common Shares Outstanding	8,170	8,165	8,17

(a) In February 1999, the Company became obligated for seller-financed acquisition debt of $1,650,000 related to the acquisition of Gold Wings. As of February 28, 2003, the note had a remaining principal balance of $1,034,000 (the "CDL/Gold Note"). On February 28, 2003, the Company completed a series of related transactions with GMV Express, Inc. ("GMV"), Richard Gold (a principal of GMV) ("Gold") and his affiliates, and Global Delivery Systems LLC ("Global") and its subsidiary, Sureway Worldwide LLC ("Sureway Worldwide"). The net effect of the transactions with Global, Sureway Worldwide, GMV and Gold is that the Company assigned the Note Receivable to GMV in exchange for a release on the CDL/Gold Note payable, so that the Company is now relieved of its $1,034,000 liability for the CDL/Gold Note and the Company has no further rights to the Note Receivable. In addition, the Company received payments from Sureway Worldwide and Global of approximately $117,000 ($72,000 in settlement of disputed claims and $45,000 for other amounts due) and provided Gold with a release covering claims of breach of certain non-competition agreements. As a result of this transaction, the Company recorded a gain of $1,034,000 during the year ended December 31, 2003, included within Other (Income) Expense, net.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

For information regarding the Company's change in independent registered public accounting firm from Deloitte & Touche LLP to J.H. Cohn LLP, please refer to the Company's Current Report on Form 8-K filed with the SEC on November 5, 2004. The Company has had no disagreements with its independent auditors regarding accounting or financial disclosure matters.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Disclosure controls and procedures
As of December 31, 2004, the Company carried out an evaluation, with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-15. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange

Act is recorded, processed, summarized and reported, within the time periods specified in the SEC rules and forms.

(b) Changes in internal controls over financial reporting
There have been no changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

The following current reports on Form 8-K were filed during the fourth quarter of 2004.

- Report on Form 8-K filed on November 5, 2004 concerning the Company's change in its independent registered public accounting firm from Deloitte & Touche LLP to J.H. Cohn LLP which took effect November 5, 2004.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The Company hereby incorporates by reference the applicable information from its definitive proxy statement for its 2005 Annual Meeting of Stockholders, except for certain information relating to the Company's executive officers, which is provided in Part I, Item 1A above.

EXECUTIVE OFFICERS

Information with respect to the Executive Officers of the Company is set forth under the caption "Executive Management" contained in Part I, Item 1 of this report and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The Company hereby incorporates by reference the applicable information from its definitive proxy statement for its 2005 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The Company hereby incorporates by reference the applicable information from its definitive proxy statement for its 2005 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company hereby incorporates by reference the applicable information from its definitive proxy statement for its 2005 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Company has been billed the following fees for services rendered by its independent registered public accounting firms during 2004 and 2003 (in thousands):

	2004	2003
Audit fees	$225	$227
Audit-related fees	20	38
Tax fees	168	124
All other fees	15	4
Total	$428	$393

Audit-related fees consist of professional services rendered in conjunction with the Company's various responses to an SEC comment letter. Tax fees primarily relate to the preparation of Federal and state tax returns and tax advice associated with those filings. All other fees include administrative and out-of-pocket expenses incurred by the independent registered public accounting firms.

The independent registered public accounting firm is engaged each year by the Company's audit committee and as such, all fees are pre-approved by the audit committee at the beginning of each year.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(A)(1) FINANCIAL STATEMENTS

See Item 8. Financial Statements and Supplementary Data.

(A)(2) FINANCIAL STATEMENT SCHEDULES

INDEX TO FINANCIAL STATEMENT SCHEDULES

All other schedules called for by Regulation S-X are not submitted because they are not applicable or not required or because the required information is not material or is included in the financial statements or notes thereto.

(A)(3) EXHIBITS

The Exhibits listed below are filed herewith.

EXHIBIT NUMBER	DESCRIPTION
3.1	Second Restated Certificate of Incorporation of CD&L, Inc. (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 33-97008) and incorporated herein by reference).
3.2	Certificate of Amendment of Second Amended and Restated Certificate of Incorporation of CD&L, Inc. (filed as Exhibit 3ci to the Company's Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by reference).
3.3	Amended and Restated By-laws of CD&L, Inc. amended through November 6, 1997 (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
4.1	Form of certificate evidencing ownership of Common Stock of CD&L, Inc. (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 33-97008) and incorporated herein by reference).

4.2 Instruments defining the rights of holders of the Company's long-term debt (not filed pursuant to Regulation S-K Item 601(b)(4)(iii); to be furnished to the Commission upon request).

4.3 CD&L, Inc. Stockholder Protection Rights Agreement (filed as Exhibit 4.1 to the Company's Form 8-K dated December 27, 1999 and incorporated herein by reference).

4.4 Amendment No. 1 to Stockholder Protection Rights Agreement dated April 14, 2004 by and between CD&L, Inc. and American Stock Transfer & Trust Company (filed as Exhibit 4.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).

4.5 Certificate of Designations, Preferences and Rights of Series A Convertible Redeemable Preferred Stock of CD&L, Inc. (filed as Exhibit 4.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).

10.1 CD&L, Inc. Employee Stock Compensation Program (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 33-97008) and incorporated herein by reference).

10.2 CD&L, Inc. 1995 Stock Option Plan for Independent Directors as amended and restated through March 31, 1999 (filed as Exhibit A to the Company's 1999 Proxy Statement and incorporated herein by reference).

10.3 CD&L, Inc. Year 2000 Stock Incentive Plan (filed as Exhibit A to the Company's 2000 Proxy Statement and incorporated herein by reference).

10.4 CD&L, Inc. 2002 Stock Option Plan for Independent Directors (filed as Exhibit A to the Company's 2002 Proxy Statement and incorporated herein by reference).

10.5 Employee Stock Purchase Program (filed as Exhibit B to the Company's 2000 Proxy Statement and incorporated herein by reference).

10.6 Loan and Security Agreement, dated July 14, 1997 by and between First Union Commercial Corporation and CD&L, Inc. and Subsidiaries (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1997 and incorporated herein by reference) (hereinafter "First Union Credit Agreement").

10.7 Amendment dated March 30, 2001 to First Union Credit Agreement (filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).

10.8 Amendment dated as of March 31, 2002 to First Union Credit Agreement (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).

10.9 Loan and Security Agreement dated June 27, 2002 by and among CD&L, Inc. (and subsidiaries) and Summit Business Capital Corp., doing business as Fleet Capital - Business Finance Division (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2002 and incorporated herein by reference) (hereinafter "Fleet Facility").

10.10 Amendment dated April 23, 2003 to Fleet Facility (filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).

10.11 Senior Subordinated Loan Agreement dated as of January 29, 1999 with Paribas Capital Funding, LLC, Exeter Venture Lenders, L.P. and Exeter Capital Partners IV, L.P. (filed as Exhibit 99.3 to the Company's Current Report on Form 8-K/A filed on June 23, 1999 and incorporated herein by reference) (hereinafter "Paribas Agreement").

10.12 Warrant Agreement dated as of January 29, 1999 with Paribas Capital Funding, LLC, Exeter Venture Lenders, L.P. and Exeter Capital Partners IV, L.P. (filed as Exhibit 99.4 to the Company's Current Report on Form 8-K/A filed on July 23, 1999 and incorporated herein by reference)

10.13 Amendment dated March 30, 2001 to Paribas Agreement (filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).

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10.14 Amendment dated April 12, 2002 to Paribas Agreement (filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).

10.15 Amendment dated June 28, 2002 to Paribas Agreement (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2002 and incorporated herein by reference).

10.16 Amendment dated April 23, 2003 to Paribas Agreement (filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).

10.17 Form of Employment Agreement, dated as of May 1, 2000, with William T. Brannan (Employment agreements of Michael Brooks, Russell J. Reardon and Mark T. Carlesimo are in the same form) (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).

10.18 Amendment to Albert W. Van Ness, Jr. Employment Agreement dated March 15, 2001 (filed as Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).

10.19 Amendment Number 2 dated June 6, 2001 to the Employment Agreement dated June 5, 2000 by and between the Company and Albert W. Van Ness, Jr. (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference).

10.20 Asset Purchase Agreement by and among Sureway Worldwide, LLC, Global Delivery Systems, LLC, Sureway Air Traffic Corporation and CD&L, Inc. (hereinafter "Sureway Agreement") (filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).

10.21 $2,500,000 Subordinated Note in favor of CD&L, Inc. issued pursuant to Sureway Agreement by the purchaser, Sureway Worldwide, LLC (filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).

10.22 Stock Purchase Agreement dated June 14, 2001 by and among Executive Express, Inc., Charles Walch, National Express Company, Inc. and CD&L, Inc. (hereinafter "National Express Agreement") (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference).

10.23 Promissory Note in the sum of $1,650,000 of Executive Express, Inc. due June 14, 2006 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference).

10.24 Asset Purchase Agreement dated February 27, 2004 by and among Executive Express, Inc., Charles Walch, Silver Star Express, Inc. and CD&L, Inc. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 1, 2004 and incorporated herein by reference.)

10.25 Restructuring and Exchange Agreement dated April 14, 2004 by and among CD&L, Inc., BNP Paribas SA, Exeter Venture Lenders, L.P., Exeter Capital Partners IV, L.P., Albert W. Van Ness, Jr., William T. Brannan, Michael Brooks, Russell J. Reardon, Mark Carlesimo and Matthew Morahan and others (hereinafter "Paribas Restructuring and Exchange Agreement") (filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).

10.26 Amended and Restated $8,000,000 Senior Subordinated Loan Agreement by and among CD&L, Inc. and Various Lenders dated as of January 29, 1999 amended and restated as of April 14, 2004 (filed as Exhibit 10.26 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).

10.27 Form of Amended and Restated Note dated April 14, 2004 by and between CD&L, Inc. and various lenders (filed as Exhibit 10.27 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).

10.28	Form of Registration Rights Agreement dated April 14, 2004 by and between CD&L, Inc. and various investors and lenders (filed as Exhibit 10.28 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).
10.29	Form of Stockholders Agreement dated April 14, 2004 by and between CD&L, Inc. and various investors and lenders (filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).
10.30	Form of Amended Employment Agreement dated April 14, 2004 with William T. Brannan (Employment agreements of Michael Brooks, Russell J. Reardon and Mark T. Carlesimo are in the same form) (filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).
11.1	Statement Regarding Computation of Net Income (Loss) Per Share.
14.1	Code of Ethics for Senior Financial Officers (filed as Exhibit 14.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).
21.1	List of Subsidiaries of CD&L, Inc.
23.1	Consent of Independent Registered Public Accounting Firm (from J.H. Cohn LLP)
23.2	Consent of Independent Registered Public Accounting Firm (from Deloitte & Touche LLP)
24.1	Power of Attorney
31.1	Certification of Albert W. Van Ness, Jr. Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Russell J. Reardon Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Albert W. Van Ness, Jr. Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Russell J. Reardon Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report on Form 10-K for the year ended December 31, 2004 to be signed on its behalf by the undersigned, thereunto duly authorized, on April 15, 2005.

CD&L, Inc.

By: /s/Russell J. Reardon

Russell J. Reardon
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on April 15, 2005.

SIGNATURE	CAPACITY
/s/ Albert W. Van Ness, Jr. Albert W. Van Ness, Jr.	Chairman of the Board, Chief Executiv Executive Officer) and Director
/s/ William T. Brannan * William T. Brannan	President, Chief Operating Officer an
/s/ Russell J. Reardon * Russell J. Reardon	Vice President, Chief Financial Offic and Accounting Officer)
/s/ Michael Brooks * Michael Brooks	Group Operations President and Direct
/s/ Thomas E. Durkin, III * Thomas E. Durkin, III	Director
/s/ Jon F. Hanson * Jon F. Hanson	Director
/s/ Marilu Marshall * Marilu Marshall	Director
/s/ Matthew Morahan * Matthew Morahan	Director
/s/ John Simourian * John Simourian	Director
/s/ John S. Wehrle * John S. Wehrle	Director

*By: /s/ Albert W. Van Ness, Jr.

Albert W. Van Ness, Jr.

Attorney-in-Fact

SCHEDULE II

CD&L, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	WRITE-OFFS (NET OF RECOVERIES)
For the year ended December 31, 2004 - Allowance for doubtful Accounts	$872	$867	($409)
For the year ended December 31, 2003 - Allowance for doubtful Accounts	$492	$629	($249)
Allowance for doubtful note receivable	$2,800	-	($2,800)
For the year ended December 31, 2002 - Allowance for doubtful Accounts	$951	($165)	($294)
Allowance for doubtful note receivable	$2,500	$300	-

INDEX TO EXHIBITS

EXHIBITS

11.1 Statement Regarding Computation of Net Income (Loss) Per Share

21.1 List of Subsidiaries of CD&L, Inc.

23.1 Consent of Independent Registered Public Accounting Firm from

J.H. Cohn LLP

23.2	Consent of Independent Registered Public Accounting Firm from Deloitte & Touche LLP
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31.1	Certification of Albert W. Van Ness, Jr. Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Russell J. Reardon Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Albert W. Van Ness, Jr. Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Russell J. Reardon Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.