CD&L INC
Form 10-K
April 04, 2006

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, 2005

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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes |_| No |X|

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes |_| No |X|

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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. (as defined in Rule 12b-2 of the Securities Exchange Act of 1934)
Large accelerated filer |_| Accelerated filer |_| Non-accelerated filer |X|

Indicate by check mark whether the registrant is a shell company (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, 2005), was $15,101,794.

The number of shares of the registrant's Common Stock, $.001 par value, outstanding was 10,012,479 and the aggregate market value of voting common equity of the registrant held by non-affiliates of the registrant was $22,139,621 as of March 21, 2006.

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, 2005. 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, 2005

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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", "us" 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" 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 1A. -- 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 interbranch 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 is 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.

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 pickup 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 interbranch 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. These include 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 86 leased facilities and 28 customer-owned facilities in 23 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 capturing, 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, 2005, we had acquired twenty-seven same-day time-critical delivery businesses, including the eleven 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 eleven 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.

From 1996 to 1999, we acquired thirteen additional businesses that had approximately $65,000,000 in aggregate annual revenues. We paid approximately $31,000,000 to acquire those companies using a combination of cash, seller-financed debt and shares of our Common Stock.

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. 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 noncompetition 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 outstanding 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 owed by First Choice of approximately $1,600,000 plus a three-year contingent earn-out based on net revenue generated by the accounts repurchased. The majority of the repurchase price of the Indiana acquisition is related to the value of the customer list. An intangible asset of $1,014,000 (net of $587,000 accumulated amortization) was included in the December 31, 2005 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, 2005, we employed approximately 1,500 full-time and part-time people, 115 as drivers, 551 as messengers, 607 in operations, 161 in clerical and administrative positions, 36 in sales, 28 in information technology and 6 in executive management. We are not a party to any collective bargaining agreements. We had agreements with approximately 3,000 independent contractors as of December 31, 2005. We have not experienced any work stoppages and believe that our relationship with our employees and independent contractors is good.

ITEM 1A. 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 FINANCIAL CONDITION, OUR CREDIT FACILITY, OUR OTHER SENIOR DEBT AND THE INSTRUMENTS GOVERNING OUR OTHER DEBT.

We had an accumulated deficit of ($3,056,000) as of December 31, 2005. 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 for other reasons. On April 14, 2004, we restructured our senior subordinated debt and related covenants. The restructuring included an agreement among us, our lenders, certain 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 our senior secured lenders to which we are subject and in October 2005 we further reduced the principal balance due on our senior subordinated debt to $4,000,000. However, if we were to fail to meet covenants to our secured lender in the future, there can be no assurances that our lenders would 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 or income projections, upon which the debt covenants to our secured lender are based.

PRICE COMPETITION COULD REDUCE THE DEMAND FOR OUR SERVICE.

The market for same-day delivery and logistics services has been and is expected to remain highly competitive. Competition is often intense, particularly for basic delivery services. High fragmentation and low barriers to entry characterize the industry. Other companies in the industry compete with us not only for provision of services but also for qualified drivers. Some of these companies have longer operating histories and greater financial and other resources than us. Additionally, companies that do not currently operate delivery and logistics businesses may enter the industry in the future. Price competition can cause margin erosion and prevent us from increasing our prices to our customers commensurate with cost increases.

WE DO NOT HAVE LONG-TERM CONTRACTS WITH OUR CUSTOMERS.

Our contracts with our customers typically are terminable upon 30 days notice. We often have significant start-up costs when we begin servicing a new customer in a new location. Termination of these contracts could have a material adverse effect on our business, financial condition and results of operations.

WE RELY ON A FEW LARGE CUSTOMERS.

For the years ended December 31, 2005 and 2004, our four largest customers accounted for 28.1% and 31.0% of our revenues, respectively, and our top ten customers accounted for 46.9% and 48.1% of our revenues, respectively. The loss of any of these customers could have a material adverse effect on our results of operations.

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

We currently employ 97 full-time and 18 part-time drivers. From time to time, some of these employee 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 3,000 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. For independent contractor drivers, we carry umbrella coverage of $5,000,000.

AS A SAME-DAY DELIVERY COMPANY, OUR ABILITY TO SERVICE OUR CLIENTS EFFECTIVELY OFTEN DEPENDS 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

o the levels of unemployment.

WE DEPEND ON THE AVAILABILITY OF QUALIFIED DELIVERY PERSONNEL.

We depend on our ability to attract and retain, as employees or independent contractors, qualified delivery personnel who possess the skills and experience necessary to meet the needs of our operations. We compete in many markets in which unemployment is generally relatively low and the competition for owner-operators and other employees is intense. We must continually evaluate and upgrade our pool of available owner-operators to keep pace with demands for delivery services. There can be no assurance that qualified delivery personnel will continue to be available in sufficient numbers and on terms acceptable to us. The inability to attract and retain qualified delivery personnel could have a material adverse impact on our business, financial condition and results of operations.

RISING FUEL COSTS CAN ADVERSELY AFFECT OUR BUSINESS.

The owner-operators that we use are responsible for all vehicle expenses, including maintenance, insurance, fuel and all other operating costs. We try to include fuel cost adjustments in customer billings that are paid to owner-operators to offset the impact of fuel price increases. If future fuel cost adjustments are insufficient to offset owner-operators' costs, we may be unable to attract a sufficient number of owner-operators, which may negatively impact our business, financial condition and results of operations.

OUR ATTEMPTS AT GEOGRAPHIC EXPANSION MAY NOT BE SUCCESSFUL.

We are attempting to expand geographically on the West Coast and into the Midwest. Each new facility we open involves increased rent charges, higher travel costs and additional operating personnel. If we do not generate sufficient revenues at these new locations to cover the additional SG&A and other costs, their operation will have a negative impact on our financial condition and results of operations.

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.

A significant number of our drivers are currently independent contractors, meaning that they are not our employees. From time to time, federal and state taxing authorities have sought to assert that independent contractor drivers in the same-day transportation and transportation industries are employees. We do not pay or withhold federal or state employment taxes with respect to drivers who are independent contractors. Although we believe that the independent contractors we use are not employees under existing interpretations of federal and state laws, federal and state authorities may challenge this position or change other relevant laws or regulations, including tax laws and laws relating to employment and workers' compensation. If the Internal Revenue Service or a state taxing authority were to successfully assert that our independent contractors are in fact our employees, we would be required to pay withholding taxes, extend additional employee benefits to these persons and could be required to pay penalties or be subject to other liabilities as a result of incorrectly classifying employees. If drivers are deemed to be employees rather than independent contractors, we could be required to contribute to workers' compensation as well. Any of the foregoing possibilities could increase our operating costs and have a material adverse effect on our business, financial condition and results of operations.

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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, 2005:

- 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 4,000,000 shares at a weighted average exercise price of $1.99 per share, of which options covering 2,758,348 shares were exercisable as of December 31, 2005; and
    - 2,000,000 shares available for future awards after December 31, 2005, subject to ratification at the June 2006 annual stockholder meeting.
- 500,000 shares are issuable upon the exercise of options or other benefits under our independent director stock option plan, consisting of:
    - outstanding options to purchase 249,000 shares at a weighted average exercise price of $1.59 per share, of which options covering 201,000 shares were exercisable as of December 31, 2005; and
    - 251,000 shares available for future awards after December 31, 2005.
- 155,197 shares are issuable upon the exercise of outstanding convertible notes issued to sellers of businesses to us at a weighted average exercise price of $6.15 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.
- 3,937,010 shares are issuable upon the conversion of the outstanding shares of our Series A Preferred Stock, par value $.001 per share ("Preferred Stock") at a weighted average exercise price of $1.016 per share.

OUR SUCCESS DEPENDS 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 protection 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;
- do not provide for cumulative voting in the election of directors; and
- limit the persons who may call special meetings of stockholders.

We have adopted a stockholder protection rights 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, 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 and may deter potential acquirers from approaching us.

We are subject to section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date the person became an interested stockholder. Section 203 generally does not apply if the business combination or the transaction in which the person became an interested stockholder is approved in advance. Generally, a business combination includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an interested stockholder is a person who, with affiliates and associates, owns or, within three years before the determination of interested stockholder status, did own 15% or more of a corporation's voting stock. Section 203 may delay or prevent a change in control of us without further action by the stockholders.

WE HAVE SIGNIFICANT INTANGIBLE ASSETS.

The value of our goodwill is significant relative to total assets and stockholders equity. We review goodwill for impairment on at least an annual basis. While there was no impairment of goodwill in 2005, changes in business conditions or interest rates could materially impact our estimates of future operations and result in an impairment of goodwill.

BASED ON CURRENT DISCUSSIONS WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC"), WE MAY BE REQUIRED TO AMEND PRIOR FILINGS.

The SEC has asked the Company to provide additional support for its accounting for the March 1, 2004 transaction wherein the Company repurchased certain Indiana-based assets and liabilities originally sold to First Choice Courier in June 2001. Consideration for the repurchase included cancellation of a promissory note receivable owed by First Choice plus a three year contingent earn-out based on retained revenue. The majority of the purchase price related to the value of the First Choice customer list. An intangible asset of $1,602,000 was recorded as of the purchase date. The asset is being amortized over five years. The SEC is questioning if all, or part, of the purchase price should have been accounted for as forgiveness of debt. The Company disagrees with that position and believes its accounting for the transaction is correct.

If however, after review and discussion, the SEC does not ultimately agree with the Company's accounting, the Company may be required to amend prior years filings and there may be an adjustment required in previously reported operating results.

The Company will be communicating with the SEC subsequent to this filing to resolve this issue.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

AVAILABLE INFORMATION

Our Internet website address is www.cdl.net. We will make available, free of charge at the "Investor Relations" portion of the website, our 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 Exchange Act, 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 us.

ITEM 2. PROPERTIES

As of December 31, 2005, we operated from 86 leased facilities (not including 28 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 FACI
New York...	

California	
Florida	
New Jersey	
North Carolina	
Maine	
Louisiana	
Ohio	
Pennsylvania	
Nevada	
Michigan	
Oklahoma	
Tennessee	
Indiana	
Massachusetts	
South Carolina	
Washington	
Connecticut	
Georgia	
Maryland	
Texas	
Vermont	
Washington, D.C	
Total	

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, 2005, we owned or leased approximately 106 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 $8,223,000, for the year ended December 31, 2005. 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 liabilities of $555,000 and $774,000 as of December 31, 2005 and 2004, 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 challenged and may continue to challenge this position. Further, laws and regulations, including tax laws, and the interpretations of those laws and regulations, may change.

We are 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.

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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 2004 and 2005.

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

2005	LOW	HIGH
First Quarter	$1.52	$2.22
Second Quarter	$1.73	$2.03
Third Quarter	$1.38	$1.80
Fourth Quarter	$1.37	$3.36

On March 21, 2006, the last reported sale price of the Common Stock was $2.43 per share. As of March 21, 2006, there were approximately 253 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	4,755,250	$1.76	
EQUITY COMPENSATION PLANS NOT APPROVED BY SECURITY HOLDERS	--	--	
TOTAL	4,755,250	$1.76	

(1) Of this total, 2,000,000 options available for future issuance are subject to ratification at the June 2006 annual stockholder meeting.

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data set forth below as of December 31, 2005 and 2004 and for the years ended December 31, 2005, 2004 and 2003 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, 2003 and as of and for the year ended December 31, 2002 is derived from the Company's consolidated financial statements audited by Deloitte & Touche LLP and as of and for the year ended December 31, 2001 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 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			
	2005	2004	2003	
Revenue	$221,883	$197,724	$166,083	$15
Gross profit	43,591	37,454	32,735	3
Selling, general and administrative expenses	36,809	31,105	28,136	2
Goodwill impairment	--	--	--	
Depreciation and amortization	1,115	1,051	756	
Other (income) expense, net	(31)	601	(1,496)	
Interest expense	1,529	1,859	2,534	
Income (loss) from continuing operations	2,507	1,583	1,683	
Provision for loss on disposal of assets, net of income taxes	--	--	--	
Net income (loss)	$2,507	$1,583	$1,683	
Basic income (loss) per share:				
-Continuing operations	$.26	$.20	$.22	
-Discontinued operations	--	--	--	
-Net income (loss)	$.26	$.20	$.22	
Diluted income (loss) per share:				
-Continuing operations	$.15	$.13	$.21	
-Discontinued operations	--	--	--	
-Net income (loss)	$.15	$.13	$.21	
Basic weighted average shares outstanding	9,465	7,737	7,659	
Diluted weighted average shares outstanding	20,082	14,513	8,174	

OTHER DATA:

	CD&L, Inc. and Subsidiaries (1)			
	December 31,			
Earnings before interest, taxes, depreciation and amortization (EBITDA) (2):	2005	2004	2003	
Income (loss) from continuing operations	$2,507	$1,583	$1,683	
Adjustments:				
Income taxes	1,662	1,255	1,122	
Interest expense	1,529	1,859	2,534	
Depreciation and				

amortization	1,115	1,051	756	
EBITDA	$6,813	$5,748	$6,095	

BALANCE SHEET DATA:

	CD&L, Inc. and Subsidiaries (1)			
	December 31,			
	2005	2004	2003	
Working capital	$6,365	$8,063	$1,807	
Equipment and leasehold improvements, net	3,438	1,946	1,446	
Goodwill and other intangible assets, net	12,716	13,268	11,968	
Total assets	48,347	42,742	40,352	
Total debt	14,765	15,108	20,137	
Stockholders' equity	$16,384	$12,604	$5,583	

(1) The basic and diluted (loss) per share for discontinued operations in 2001 pertain to discontinued air operations in 2000 which were subsequently disposed of in 2001.

(2) EBITDA is defined as income from continuing operations excluding interest, taxes, depreciation and amortization of goodwill and other assets (as presented on the face of the income statement). It does not include the 2001 provision for losses on disposal of assets. EBITDA is supplementally presented because management believes that it is a widely accepted financial indicator of a company's ability to service and/or incur indebtedness, maintain current operating levels of fixed assets and acquire additional operations and businesses. EBITDA should not be considered as a substitute for statement of income or cash flow data from the Company's financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. In addition, the Company's definition of EBITDA may not be identical to similarly entitled measures used by other companies.

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

CAUTION REGARDING FORWARD LOOKING STATEMENTS

Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions, and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond our control, and which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through our use of words such as "may," "will," "can," "anticipate," "assume," "should," "indicate," "would," "believe," "contemplate," "expect," "seek," "estimate," "continue," "plan," "point to," "project," "predict," "could," "intend," "target," "potential," and other similar words and expressions of the future.

Forward-looking statements may not be realized due to a variety of factors, including, without limitation the factors listed above under "Risk Factors" in this annual report.

All forward-looking statements are expressly qualified in their entirety by this cautionary notice. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this annual report or the date of the document incorporated by reference in this annual report. We have no obligation, and expressly disclaim any obligation, to update, revise or correct any of the forward-looking statements, whether as a result of new information, future events or otherwise. We have expressed our expectations, beliefs and projections in good faith and we believe they have a reasonable basis. However, we cannot assure you that our expectations, beliefs or projections will occur or be achieved or accomplished.

OVERVIEW

The Company is 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. These services are provided throughout the United States. The Company currently operates in a single-business segment and thus additional disclosures under Statement of Financial Accounting Standards No. 131, Disclosures About Segments of an Enterprise and Related Information, are not required.

The Company offers the following delivery services:

- Rush delivery services, 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, from 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.

Revenue consists primarily of charges to the Company's customers for delivery services. These customers are billed as the services are rendered, mostly on a weekly basis. Recurring charges related to facilities management or contract logistics services are typically billed on a monthly basis. The Company's recent revenue growth has been attributable to the expansion of its current customer base into new geographical areas. The Company has always had a strong presence in the Northeast and Southeast regions of the country. As a result of its nationwide business development program, the Company has doubled its revenue volume on the West coast during 2005 compared to the same period for 2004. The goal for next year is to focus on expanding the Company's footprint even further and gain a strategic presence in the central U.S.

Cost of revenue consists primarily of independent contractor delivery costs, other direct pick-up and delivery costs and the costs of dispatching rush demand messengers. In addition, the cost of fuel is included in cost of revenue. With the hurricanes in the Southeast region, fuel prices spiked at the end of the third quarter. While this did not have a material impact on the Company's 2005 results, the increase in fuel prices may have an impact on its future results.

Selling, general and administrative expense ("SG&A") includes the costs to support the Company's sales effort and the expense of maintaining facilities, information systems, financial, legal and other administrative functions. While SG&A costs are not directly correlated with revenue volume, the Company has experienced increased rent charges and higher travel costs as a result of opening new facilities to facilitate its recent expansion into new geographical locations. In addition, the Company has increased its sales force and operating personnel significantly in the West coast to manage the revenue growth from 2005 along with the anticipated growth of the region going forward.

The Company continues to invest in its infrastructure and is currently in the development stage of implementing a state-of-the-art, web-enabled, business information management system. It will provide the scalability, availability and security required to manage the future growth of driver, route, tracking and reporting components of the Company's ground distribution services.

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.

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 does not obtain collateral. The Company estimates the amount of the allowance 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 allowance is developed principally for specific customers. As of December 31, 2005, the Company has estimated that an allowance for doubtful accounts of $542,000 is needed to cover the current receivable base. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make required payments, additional revisions to the allowance 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 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.

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 its book value. The discounted cash flow and terminal value computation is based on management's estimates of results from future operations. During 2005, 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 2005 statement of operations related to goodwill. Changes in business conditions or interest rates could materially impact management's estimates of results from future operations and, consequently, the Company's evaluation of fair value 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, 2005, the Company has accrued approximately $1,200,000 for estimated losses incurred, but not reported. The Company has also accrued $196,000 for incurred, but unpaid, employee health medical costs as of December 31, 2005.

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 2005 COMPARED WITH 2004

The following discussion compares the Company's results of operations for the year ended December 31, 2005 and the year ended December 31, 2004.

INCOME AND EXPENSE AS A PERCENTAGE OF REVENUE

	For the Years Ended December 31,	
	2005	2004
Revenue	100.0%	100.0%
Gross profit	19.6%	18.9%
Selling, general and administrative expenses	16.6%	15.7%
Depreciation and amortization	0.5%	0.5%
Other (income) expense, net	0.0%	0.3%
Interest expense	0.7%	1.0%
Income before provision for income taxes	1.9%	1.4%
Net income	1.1%	0.8%

REVENUE

Revenue for the year ended December 31, 2005 increased by $24,159,000, or 12.2%, to $221,883,000 from $197,724,000 for the year ended December 31, 2004. This increase in revenue includes new business of approximately $29,159,000, partially offset by lost business of approximately $5,000,000. The overall increase is partially attributable to the expansion of the Company's current customer base into new geographical areas. Due to the Company's nationwide business development program, revenue in the Company's West region increased by

$10,922,000 or 65.5%, from $16,679,000 in 2004 to $27,601,000 in 2005.

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 $18,022,000, or 11.2%, from $160,270,000 for 2004 to $178,292,000 in 2005. Stated as a percentage of revenue, these costs decreased to 80.4% for 2005 compared to 81.1% for 2004. The improved margin was due primarily to increased route optimization, as new revenue provided higher density in existing route structures. In addition, there was an overall reduction in cost of sales due to the following factors:

Insurance reimbursements	$654,000(1)
Reduction in delivery vehicle costs	649,000
New Orleans business interruption recovery	119,000

(1) Of this amount, $300,000 related to an agreement with Global Delivery Systems LLC ("GDS") to reimburse insurance expenses that the Company paid on behalf of GDS (see Related Party Transactions in Note 15 in Notes to Consolidated Financial Statements contained within this Annual Report).

The increase in margin was offset partially by a $446,000 increase in claims as compared to 2004.

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 $5,704,000, or 18.3%, from $31,105,000 in 2004 to $36,809,000 in 2005. As a percentage of revenue, SG&A increased to 16.6% in 2005 compared to 15.7% of revenue in 2004. The increase in SG&A was primarily due to the following:

	Increase from 2004	
Compensation	$2,559,000	19.3%
Premises -- rent	918,000	18.5%
Consulting fees	555,000	110.5%
Vacation (reversal of accrual in prior year)	541,000	101.3%
Travel and entertainment	499,000	36.4%
Repairs and maintenance	232,000	49.1%

All other net increases including payroll taxes, legal fees, computer costs and personnel recruiting costs totaled $400,000, including a $963,000 reduction in the provision for doubtful accounts based on the historical effectiveness of the Company's receivables management.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by $64,000, or 6.1%, from $1,051,000 for

2004 to $1,115,000 for 2005.

OTHER (INCOME) EXPENSE, NET

Other (income) expense, net, had a net change of $632,000, to $31,000 of income in 2005 from $601,000 of expense in 2004. 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.

INTEREST EXPENSE

Interest expense decreased by $330,000 from $1,859,000 in 2004 to $1,529,000 in 2005. This decrease was primarily due to the full year effect of the restructuring of the Senior Subordinated Notes. See Liquidity and Capital Resources -- Long-term Debt included elsewhere herein.

PROVISION FOR INCOME TAXES

The provision for income taxes increased by $407,000 to $1,662,000 in 2005 as compared to $1,255,000 in 2004. The tax rate for 2005 was 39.9% of pretax income compared to 44.2% of pretax income in 2004. This reduction in the tax rate was primarily due to tax refunds received during 2005 totaling $389,000. Before the impact of the tax refunds received, the effective tax rate for 2005 was 47%.

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	1.0%	1.5%
Income before provision for income taxes	1.4%	1.7%
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.

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 (INCOME) EXPENSE, NET

Other (income) expense, 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 (income) expense, 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 pretax 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.

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital decreased by $1,698,000 from $8,063,000 as of December 31, 2004 to $6,365,000 as of December 31, 2005. The decrease was primarily the result of increases in short-term borrowings of $4,112,000 and accounts payable, accrued liabilities and bank overdrafts of $1,651,000, partially offset by an increase in net accounts receivable of $4,828,000.

Cash and cash equivalents increased by $220,000 during 2005. Cash of $1,507,000 was provided by operating activities, primarily due to the decrease in working capital from 2004 as described above. Cash of $2,277,000 was used in investing activities primarily for the capital expenditures discussed below. Cash of $990,000 was provided by financing activities through increased use of the Company's line of credit.

Capital expenditures amounted to $2,305,000, $1,254,000 and $968,000 for the years ended December 31, 2005, 2004 and 2003, 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 2005 related to the continued implementation and customization of the PeopleSoft financial system. Capital expenditures of approximately $1,200,000 are anticipated for the year ending December 31, 2006.

Short-term borrowings --

At December 31, 2005, short-term borrowings totaled $8,921,000 consisting of a line of credit balance of $8,080,000 and $841,000 of outstanding borrowings related to the insurance financing arrangements discussed below. 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 entered into in 2004.

As of June 27, 2002, CD&L and Summit Business Capital Corporation, doing business as Fleet Capital -- Business Finance Division, entered into an agreement establishing a revolving credit facility (the "Fleet Facility") of $15,000,000. The Fleet Facility, which was due to expire on June 27, 2005 but was extended through January 31, 2006, provides CD&L with standby letters of credit, prime rate based loans at the bank's prime rate, as defined, plus 25 basis points (7.5% at December 31, 2005) and LIBOR based loans at the bank's LIBOR, as defined, plus 225 basis points. Credit availability was based on eligible amounts of accounts receivable, as defined, up to a maximum amount of $15,000,000 and was 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. The maximum borrowings outstanding under the Fleet Facility during 2005 were $8,673,000. As of December 31, 2005, the Company had total cash on hand and borrowing availability of $2,965,000 under the Fleet Facility, after adjusting for restrictions related to outstanding standby letters of credit of $4,582,000 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, 2005.

As of January 31, 2006, CD&L and Bank of America, N.A. (successor by merger to Fleet Capital Corporation) entered into a new agreement (the "Bank of America Facility") which replaced the prior Fleet Facility. The Bank of America Facility, which expires on September 30, 2008, continues to provide CD&L with standby letters of credit, prime rate based loans at the bank's prime rate, as defined, and LIBOR based loans at the bank's LIBOR rate, as defined, plus 200 basis points. Credit availability is based on eligible amounts of accounts receivable, as defined, up to a maximum amount of $20,000,000 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.

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 $1,676,000 was financed through this arrangement as of July 30, 2005. Monthly payments, including interest, amount to $170,000. The interest rate is 4.75% and the note matures in May 2006. The related annual insurance premiums were paid to the various insurance companies at the beginning of each policy year. The outstanding debt amount of $841,000 at December 31, 2005 ($619,000 at December 31, 2004) was 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 obligations and other commercial commitments as of December 31, 2005:

	PAYMENTS DUE BY PERIOD				
CONTRACTUAL OBLIGATIONS (IN THOUSANDS)	2006	2007	2008	2009	2010

Long-term debt	$548	$528	$533	$228	$--
Capital leases	$4	$3	$-	$-	$--
Total long-term debt	$552	$531	$533	$228	$--
Interest payments due on long-term debt (not included above)	$526	$493	$494	$484	$480
Operating leases (Primarily for facilities) (a)	$4,867	$3,661	$2,512	$1,532	$829

(a) These contractual obligations only include operating leases in effect as of December 31, 2005.

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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 $4,000,000. See Item 11.

	AMOUNT OF COMMITMENT EXPIRATION P				
OTHER COMMERCIAL COMMITMENTS (IN THOUSANDS)	2006	2007	2008	2009	2010
Working Capital Facility (Including Standby Letters of Credit)	$--	$--	$20,000	$--	$--
Standby Letter of Credit	$4,582	(b)	(b)	(b)	(b)

(b) 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 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 $11,000,000 of principal 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 Note holders") and certain members of CD&L management and others ("Investors") as to the financial restructuring of the Senior Notes. The Original Note holders 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 was as follows:

(a) The Original Note holders 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 3,937,010 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 Note holders and the Company amended the terms of the remaining $7,000,000 principal 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 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. As the interest on the Convertible Notes increases over the term of the notes, the Company records the associated interest expense on a straight-line basis using a blended rate of 10.71%, giving rise to accrued interest over the early term of the Convertible Notes. 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). The Series B Convertible Notes were subsequently extinguished on October 31, 2005, as described below.

(c) The Investors purchased the Series A Convertible Notes from the Original Note holders 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 Note holders 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 (3,937,010 shares) and the Convertible Notes (3,937,008 shares for Series A and 1,968,504 shares for Series B) would be registered for resale with the SEC. Subsequently, on August 2, 2005, the Company filed the required registration statement and the registration statement was declared effective on August 11, 2005.

The Company cannot be compelled to redeem the Preferred Stock for cash at any time.

As a result of the debt restructuring described above, the Company took 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 of additional paid-in capital. These amounts have been allocated based on the proportion of debt to equity raised in the aforementioned transactions. These amounts were subsequently adjusted due to the extinguishment of the Series B Convertible Notes. As of December 31, 2005, remaining costs related to this transaction amounted to approximately $337,000. Of this amount, $225,000 continues to be amortized as a deferred financing cost and $112,000 remains as a reduction of additional paid-in capital.

On October 31, 2005, the Company retired the Series B Convertible Notes that were issued to Paribas, Exeter Capital and Exeter Venture. The principal amount of the Series B Convertible Notes totaled $4,000,000 as of the retirement date. The portion of the Series B Convertible Notes held by Paribas was satisfied by a cash payment of $2,666,667 principal and $40,000 of accrued interest through October 31, 2005. Exeter Venture and Exeter Capital (collectively "Exeter") held the remaining $1,333,333 of the Series B Convertible Notes. Exeter exercised their right of conversion of their notes and, as such, the Company issued to Exeter a total of 656,168 shares of the Company's Common Stock. In addition, a cash payment of $20,000 was made to Exeter relating to accrued interest through October 31, 2005.

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

	DEC
	2005
Series A Convertible Subordinated Notes	$4
Series B Convertible Subordinated Notes	
Capital lease obligations due through October 2007 with interest at rates ranging from 5.45% 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%.	1
	5
Less -- Current maturities	
	$5

The aggregate annual principal maturities of debt (excluding capital lease obligations) as of December 31, 2005 were as follows (in thousands) --

2006	
2007	
2008	
2009	
2010	
Thereafter	
Total	

The Company leases certain transportation and warehouse equipment under capital lease agreements that expire at various dates through 2007. At December 31, 2005, minimum annual payments under capital leases, including interest, were as follows (in thousands) --

2006	
2007	
Total minimum payments	
Less -- Amounts representing interest	
Net minimum payments	
Less -- Current portion of obligations under capital leases	
Long-term portion of obligations under capital leases	

The Company had an accumulated deficit of ($3,056,000) as of December 31, 2005. 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 for other reasons. On April 14, 2004, the Company restructured its senior subordinated debt and related covenants. The restructuring included an agreement among the Company, its lenders and certain 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 our senior secured lenders to which the Company is subject, and in October 2005 we further reduced the principal balance due on our senior subordinated debt to $4,000,000. However, if the Company were to fail to meet covenants to our secured lender in the future, there can be no assurances that its 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 to our secured lender are based.

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 through 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 December 2004, SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)") was issued. SFAS 123(R) revises SFAS 123 and supersedes APB 25. SFAS 123, as originally issued in 1995, established as preferable a fair value-based method of accounting for share-based payment transactions with employees. However, SFAS 123 as amended permitted entities the option of continuing to apply the intrinsic value method under APB 25 that the Company has been using, 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 all share-based payment transactions, including employee stock options, be recognized in the historical financial statements. That cost will be measured based on the fair value of the equity or liability instrument issued. The Company will be required to apply the guidance in SFAS 123(R) beginning with the first quarter of 2006. At that time, compensation expense related to the Company's stock-based employee compensation plans will be recorded over the service period in the financial statements, as required by SFAS 123(R).

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, 2005, the Company is not involved in any exchanges of nonmonetary assets.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections" ("SFAS 154") which replaces APB Opinion No. 20, "Accounting Changes", and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements". Among other changes, SFAS 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented based on the new accounting principle, unless it is impracticable to do so. SFAS 154 also provides that (1) a change in method of depreciating or amortizing a long-lived nonfinancial asset be accounted for as a change in estimate (prospectively) that was effected by a change in accounting principle, and (2) correction of errors in previously issued financial statements should be termed a "restatement." SFAS 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005.

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, 2005, the Company's debt consisted of approximately $6,685,000 of fixed rate debt with a weighted average interest rate of 7.91% and $8,080,000 of variable rate debt with a weighted average interest rate of 6.44%. 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 (7.50% and 5.50% at December 31, 2005 and 2004, respectively).

If interest rates on variable rate debt were to increase by 64 basis points (one-tenth of the weighted average interest rate at December 31, 2005), the net impact to the Company's results of operations and cash flows for the year ended December 31, 2005 would be a decrease of income before provision for income taxes and cash flows from operating activities of approximately $52,000. The comparable risk for the year ended December 31, 2004 was a $19,000 net impact to income and cash flows. The overall shift in debt from fixed rate to variable rate in 2005, and the resulting increase in market risk, was the result of utilizing the Company's line of credit to fund the extinguishments of the Series B Convertible Notes as previously discussed in the Liquidity and Capital Resources section of Item 7. to this Annual Report.

Maximum borrowings of revolving line of credit debt during the year ended December 31, 2005 were $8,673,000.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

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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 as of December 31, 2005 and 2004, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. Our audit also included the financial statement schedule for the years ended December 31, 2005 and 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 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, the consolidated financial statements present fairly, in all material respects, the financial position of CD&L, Inc. and Subsidiaries as of December 31, 2005 and 2004, and their results of operations and cash flows for the years 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 years ended December 31, 2005 and 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
March 29, 2006

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated statements of operations, changes in stockholders' equity and cash flows of CD&L, Inc. and Subsidiaries (the "Company") for the year ended December 31, 2003. Our audit also included the financial statement schedule for the year ended December 31, 2003, 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, such consolidated statements of operations, stockholders' equity and cash flows present fairly, in all material respects, the results of operations and cash flows of CD&L, Inc. and subsidiaries for the year ended December 31, 2003, 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, 2003, 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)

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

ASSETS	DE
	2005
CURRENT ASSETS:	
Cash and cash equivalents (Note 2)	$837
Accounts receivable, less allowance for doubtful accounts of $542 and $1,330 in 2005 and 2004, respectively (Notes 2 and 8)	26,376
Deferred income taxes (Notes 2 and 10)	157
Prepaid expenses and other current assets (Note 4)	3,891
Total current assets	31,261
EQUIPMENT AND LEASEHOLD IMPROVEMENTS, net (Notes 2 and 5)	3,438
GOODWILL, net (Notes 2 and 6)	11,531
OTHER INTANGIBLE ASSETS AND DEFERRED FINANCING COSTS, net (Notes 2 and 6)	1,185
SECURITY DEPOSITS	932
Total assets	$48,347
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Short-term borrowings (Note 8)	$8,92
Current maturities of long-term debt (Notes 2 and 8)	55
Accounts payable and bank overdrafts (Note 2)	6,94

Accrued expenses and other current liabilities (Note 7)	8,47
Total current liabilities	24,89
LONG-TERM DEBT, net of current maturities (Notes 2 and 8)	5,29
DEFERRED INCOME TAXES (Notes 2 and 10)	1,36
OTHER LONG-TERM LIABILITIES	41
Total liabilities	31,96
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 in 2005 and 2004	4,00
Common stock, $.001 par value; 30,000,000 shares authorized, 10,041,846 and 9,385,678 shares issued in 2005 and 2004, respectively	1
Additional paid-in capital	15,59
Treasury stock, 29,367 shares at cost	(16
Accumulated deficit	(3,05
Total stockholders' equity	16,38
Total liabilities and stockholders' equity	$48,34

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	
	2005	2004
Revenue (Note 2)	$221,883	$19
Cost of revenue (exclusive of depreciation and amortization)	178,292	16
Gross profit	43,591	3
Selling, general and administrative expenses	36,809	3
Depreciation and amortization	1,115	
Other (income) expense, net (Note 15)	(31)	
Interest expense	1,529	
	39,422	3

Income before provision for income taxes	4,169	
Provision for income taxes (Notes 2 and 10)	1,662	
Net income	$2,507	$
Net income per share (Note 2):		
Basic	$.26	
Diluted	$.15	
Basic weighted average common shares outstanding	9,465	
Diluted weighted average common shares outstanding	20,082	1

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, 2005, 2004 AND 2003
(IN THOUSANDS, EXCEPT SHARE DATA)

	Preferred Stock		Common Stock		Additional	
	Shares	Amount	Shares	Amount	Paid-in Capital	Trea St
BALANCE AT DECEMBER 31, 2002	--	$--	7,658,660	$8	$12,883	($16
Net income	--	--	--	--	--	
BALANCE AT DECEMBER 31, 2003	--	--	7,658,660	8	12,883	(16
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	(16
Conversion of Series B Convertible Notes	--	--	656,168	1	1,272	-
Net income	--	--	--	--	--	-
BALANCE AT DECEMBER 31, 2005	393,701	$4,000	10,012,479	$10	$15,592	($16

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

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

	FOR THE Y
	2005
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$2,507
Adjustments to reconcile net income to net cash provided by (used in) operating activities --	
Noncash extinguishment of debt	--
Gain on disposal of equipment and leasehold improvements	(7)
Depreciation and amortization, including amortization of deferred financing costs	1,184
Deferred financing charge/original issue discount (OID) write-off	160
Allowance for doubtful accounts	(788)
Deferred income tax expense (benefit)	1,352
Changes in operating assets and liabilities	
(Increase) decrease in --	
Accounts receivable	(4,040)
Prepaid expenses and other current assets	(345)
Note receivable, security deposits and other assets	(423)
Increase (decrease) in --	
Accounts payable and accrued liabilities and bank overdrafts	1,763
Other long-term liabilities	144
Net cash provided by (used in) operating activities	1,507
CASH FLOWS FROM INVESTING ACTIVITIES:	
Additions to equipment and leasehold improvements	(2,305)
Proceeds from sale of equipment and leasehold improvements	28
Net cash used in investing activities	(2,277)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from (repayments of) short-term borrowings, net	4,112
Repayments of long-term debt	(3,127)
Proceeds from long-term debt	5
Proceeds from rights offering	--
Deferred financing costs	--
Net cash provided by (used in) financing activities	990
Net increase (decrease) in cash and cash equivalents	220
CASH AND CASH EQUIVALENTS, beginning of year	617
CASH AND CASH EQUIVALENTS, end of year	$837

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

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 continued growth on the West Coast.

The Company has an accumulated deficit of ($3,056,000) as of December 31, 2005. 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 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 the 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. Bank overdrafts of $3,790,000, $2,096,000 and $2,649,000 are included in accounts payable as of December 31, 2005, 2004 and 2003, respectively.

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 does not obtain collateral. The Company estimates the amount of the allowance 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.

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 expenses were $164,000, $291,000 and $331,000 for the years ended 2005, 2004 and 2003, respectively. These expenses are 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, pickups 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 2005, 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 its book value. The discounted cash flow and terminal value computation are based on management's estimates of results from future operations. Changes in business conditions or interest rates could materially impact management's estimates of results from future operations and, consequently, the Company's evaluation of fair value 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 debt 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, usually 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, 2005, the Company has accrued approximately $1,200,000 for estimated losses incurred, but not reported. The Company has also accrued $196,000 for incurred, but unpaid, employee health medical costs as of December 31, 2005.

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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 among 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 $1,676,000 was financed through this arrangement as of July 30, 2005. Monthly payments, including interest, amount to $170,000. The interest rate is 4.75% and the note matures in May 2006. The related annual insurance premiums were paid to the various insurance companies at the beginning of each policy year. The outstanding debt amount of $841,000 at December 31, 2005 ($619,000 at December 31, 2004) 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 years ended December 31, 2005 and 2004, our four largest customers accounted for 28.1% and 31.0% of revenue, respectively. As of December 31, 2005 and 2004, these customers accounted for 19.3% and 19.9% of gross accounts receivable, respectively. For the years ended December 31, 2005, 2004 and 2003, our two largest customers accounted for 15.6%, 18.0% and 14.7% of revenue, respectively.

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 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.

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 approximates the fair value of such debt instruments.

Stock-Based Compensation --

The Company applies the intrinsic value method provided for by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its employee stock options as permitted by SFAS 123, "Accounting for Stock-Based Compensation," ("SFAS 123"). APB 25 only requires charges to compensation expense for the excess, if any, of the fair value of the underlying stock at the date the stock option is granted (or at an appropriate subsequent measurement date) over the amount the employee must pay to acquire the stock, if such amounts differ materially. 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 123 and SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" ("SFAS 148"). 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 net income per share is required under the provisions of SFAS 148, and has been determined as if the Company had accounted for its stock options under the fair value method provided for in SFAS 123. As a result of the amendments to SFAS 123 discussed below, the Company will be required to expense the fair value of employee stock options over the vesting period beginning with its first quarter of 2006.

The weighted-average fair value of options granted during the years ended December 31, 2005, 2004 and 2003 was $1.89, $1.06 and $0.51, respectively. 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 2005, 2004 and 2003-

	2005	2004
Risk-free interest rate	4.16%	3.10%
Volatility factor	47%	98%
Expected life	6.4 years	7.0 years
Dividend yield	None	None

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

	2005	2004
Net income -- as reported	$2,507	$1,583
Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(561)	(482)
Net income -- pro forma	$1,946	$1,101
Basic income per share:		
Net income per share -- as reported	$.26	$.20
Net income per share -- pro forma	$.21	$.14
Diluted income per share:		
Net income per share -- as reported	$.15	$.13
Net income per share -- pro forma	$.12	$.09

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Net 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:

	2005	2004
Basic weighted average common shares outstanding	9,465,078	7,737,084
Effect of dilutive securities:		
Stock options and warrants	1,064,919	829,152
Convertible preferred stock	3,937,010	2,952,758
Subordinated convertible debentures	5,579,211	2,952,756
Seller-financed convertible notes	35,724	41,148
Diluted weighted average common shares outstanding	20,081,942	14,512,898

A reconciliation of net income as reported to net income as adjusted for the net effect of dilutive securities follows (in thousands) --

	2005	20
Net income, as reported	$2,507	$1
Effect of dilutive securities:		
Interest on subordinated convertible debentures	471	
Interest on seller-financed convertible notes	12	
Net income, as adjusted for the effect of dilutive securities	$2,990	$1

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 --

	2005	2004
Stock options and warrants	1,430,197	1,774,572
Subordinated convertible debentures	--	1,476,378
Seller-financed convertible notes	135,349	169,244

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New Accounting Standards and Pronouncements --

In December 2004, SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)") was issued. SFAS 123(R) revises SFAS 123 and supersedes APB 25. SFAS

123, as originally issued in 1995, established as preferable a fair value-based method of accounting for share-based payment transactions with employees. However, SFAS 123 as amended permitted entities the option of continuing to apply the intrinsic value method under APB 25 that the Company has been using, 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 all share-based payment transactions, including employee stock options, be recognized in the historical financial statements. That cost will be measured based on the fair value of the equity or liability instrument issued. The Company will be required to apply the guidance in SFAS 123(R) beginning with the first quarter of 2006. At that time, compensation expense related to the Company's stock-based employee compensation plans will be recorded over the service period in the financial statements, as required by SFAS 123(R).

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, 2005, the Company is not involved in any exchanges of nonmonetary assets.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections" ("SFAS 154") which replaces APB Opinion No. 20, "Accounting Changes", and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements". Among other changes, SFAS 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented based on the new accounting principle, unless it is impracticable to do so. SFAS 154 also provides that (1) a change in method of depreciating or amortizing a long-lived nonfinancial asset be accounted for as a change in estimate (prospectively) that was effected by a change in accounting principle, and (2) correction of errors in previously issued financial statements should be termed a "restatement." SFAS 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005.

Reclassifications --

Certain reclassifications have been made to the prior years' consolidated financial statements in order to conform to the 2005 presentation.

(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 non-compete 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. A net intangible asset of $1,014,000 and $1,335,000 (net of accumulated amortization of $587,000 and $267,000) is included in the consolidated balance sheets as of December 31, 2005 and 2004, respectively. 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
	2005
Prepaid insurance	$3,196
Other receivables	204
Prepaid income taxes	--
Other	491
	$3,891

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(5) EQUIPMENT AND LEASEHOLD IMPROVEMENTS:

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

		DECE
	USEFUL LIVES	2005
Transportation and warehouse equipment	3-7 years	$929
Office equipment	3-7 years	4,486
Furniture and fixtures	5-7 years	111
Leasehold improvements	Lease period	845
		6,371
Less -- accumulated depreciation and amortization		(2,933)
		$3,438

Included in office equipment is $1,755,000 and $319,000 of information systems not yet in service as of December 31, 2005 and 2004, respectively. Depreciation and amortization expense for equipment and leasehold improvements for the years ended December 31, 2005, 2004 and 2003 were approximately $794,000, $784,000 and $756,000, respectively.

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

	D
	2005

Equipment	$
Less -- accumulated depreciation	

The Company entered into capital lease obligations of $4,000 and $0 in 2005 and 2004, respectively, for warehouse equipment.

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

Goodwill consists of the following (in thousands) --

		D
	USEFUL LIFE	2005
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) --

		D
	USEFUL LIVES	2005
Customer list	5 years	$1,6
Less -- accumulated amortization		(5
Customer list, net		1,0
Deferred financing costs	3 -- 7 years	3
Less -- accumulated amortization		(2
Deferred financing costs, net		1
		$1,1

Amortization of deferred financing costs for the years ended December 31, 2005, 2004 and 2003 was approximately $81,000, $149,000 and $224,000, respectively. Amortization of deferred financing costs has been recorded as interest expense.

Estimated amortization of the customer list and deferred financing costs for the years subsequent to December 31, 2005 (in thousands) --

2006	$353
2007	353
2008	353
2009	85
2010	32
Thereafter	9

The customer list will be fully amortized in 2009.

(7) ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES:

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

	DE
	2005
Payroll and related expenses	$2,1
Third party delivery costs	2,1
Insurance	2,1
Professional fees	2
Interest	2
Uninsured personal injury and property damage claims (Note 11)	5
Other	9
	$8,4

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

Short-term borrowings --

At December 31, 2005, short-term borrowings totaled $8,921,000 consisting of a line of credit balance of $8,080,000 and $841,000 of outstanding borrowings related to the insurance financing arrangements discussed below. 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 entered into in 2004.

As of June 27, 2002, CD&L and Summit Business Capital Corporation, doing business as Fleet Capital - Business Finance Division, entered into an agreement establishing a revolving credit facility (the "Fleet Facility") of $15,000,000. The Fleet Facility which was due to expire on June 27, 2005 but was extended through January 31, 2006, provided CD&L with standby letters of credit, prime rate based loans at the bank's prime rate, as defined, plus 25 basis points (7.50% at December 31, 2005) and LIBOR based loans at the bank's LIBOR, as defined, plus 225 basis points. Credit availability was based on eligible amounts of accounts receivable, as defined, up to a maximum amount of $15,000,000 and was 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. The maximum borrowings outstanding under the Fleet Facility during 2005 were $8,673,000. As of December 31, 2005, the Company had total cash on hand and borrowing availability of $2,965,000 under the Fleet Facility, after adjusting for restrictions related to outstanding standby letters of credit of $4,582,000 and minimum availability requirements.

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Under the terms of the Fleet Facility, the Company was required to maintain certain financial ratios and comply with other financial conditions. The Fleet Facility also prohibited the Company from incurring certain additional indebtedness, limited certain investments, advances or loans and restricted substantial asset sales, capital expenditures and cash dividends. The Company was in compliance with its debt covenants, as amended, as of December 31, 2005.

As of January 31, 2006, CD&L and Bank of America, N.A. (successor by merger to Fleet Capital Corporation) entered into a new agreement (the "Bank of America Facility") which replaced the prior Fleet Facility. The Bank of America Facility, which expires on September 30, 2008, continues to provide CD&L with standby letters of credit, prime rate based loans at the bank's prime rate, as defined, and LIBOR based loans at the bank's LIBOR rate, as defined, plus 200 basis points. Credit availability is based on eligible amounts of accounts receivable, as defined, up to a maximum amount of $20,000,000 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.

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 $1,676,000 was financed through this arrangement as of July 30, 2005. Monthly payments, including interest, amount to $170,000. The interest rate is 4.75% and the note matures in May 2006. The related annual insurance premiums were paid to the various insurance companies at the beginning of each policy year. The outstanding debt amount of $841,000 at December 31, 2005 ($619,000 at December 31, 2004) was 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 the 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 of principal 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 Note holders") and certain members of CD&L management and others ("Investors") as to the financial restructuring of the Senior Notes. The Original Note holders 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 was as follows:

(a) The Original Note holders 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 3,937,010 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 Note holders and the Company amended the terms of the remaining $7,000,000 principal 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 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. As the interest on the Convertible Notes increases over the term of the notes, the Company records the associated interest expense on a straight-line basis using a blended rate of 10.71%, giving rise to accrued interest over the early term of the Convertible Notes. 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). The Series B Convertible Notes were subsequently extinguished on October 31, 2005, as described below.

(c) The Investors purchased the Series A Convertible Notes from the Original Note holders 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 Note holders 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 (3,937,010 shares) and the Convertible Notes (3,937,008 shares for Series A and 1,968,504 shares for Series B) would be registered for resale with the Securities and Exchange Commission ("SEC"). Subsequently, on August 2, 2005, the Company filed the required registration statement and the registration statement was declared effective on August 11, 2005.

The Company cannot be compelled to redeem the Preferred Stock for cash at any time.

As a result of the debt restructuring described above, the Company took 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. These amounts were subsequently adjusted due to the extinguishment of the Series B Convertible Notes. As of December 31, 2005, remaining costs related to this transaction amounted to approximately $337,000. Of this amount, $225,000 continues to be amortized as a deferred financing cost and $112,000 remains as a reduction of additional paid-in capital.

On October 31, 2005, the Company retired the Series B Convertible Notes that were issued to Paribas, Exeter Capital and Exeter Venture. The principal amount of the Series B Convertible Notes totaled $4,000,000 as of the retirement date. The portion of the Series B Convertible Notes held by Paribas was satisfied by a cash payment of $2,666,667 principal and $40,000 of accrued interest through October 31, 2005. Exeter Venture and Exeter Capital (collectively "Exeter") held the remaining $1,333,333 of the Series B Convertible Notes. Exeter exercised their right of conversion of their notes and, as such, the Company issued to Exeter a total of 656,168 shares of the Company's Common Stock. In addition, a cash payment of $20,000 was made to Exeter relating to accrued interest through October 31, 2005.

The warrants originally issued on January 29, 1999 remain outstanding at December 31, 2005 at an exercise price of $.001 per share (convertible into 506,250 shares of common stock). The warrants expire in January 2009.

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

	DE
	2005
Series A Convertible Subordinated Notes	$4,
Series B Convertible Subordinated Notes	
Capital lease obligations due through October 2007 with interest at rates ranging from 5.45% to 11.5% and collateralized by the related property.	

Seller-financed debt on acquisitions, payable in monthly installments through May 2009, convertible into 155,197 shares of common stock at a weighted average exercise price of $6.15 per share. Interest is payable at rates ranging between 7.0% and 9.0%.	1,
	5,
Less -- Current maturities	(
	$5,

The aggregate annual principal maturities of debt (excluding capital lease obligations) as of December 31, 2005 are as follows (in thousands) --

2006	
2007	
2008	
2009	
2010	
Thereafter	
Total	

The Company leases certain transportation and warehouse equipment under capital lease agreements that expire at various dates through 2007. At December 31, 2005, minimum annual payments under capital leases, including interest, are as follows (in thousands) --

2006	
2007	
Total minimum payments	
Less -- Amounts representing interest	
Net minimum payments	
Less -- Current portion of obligations under capital leases	
Long-term portion of obligations under capital leases	

(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, 2005, 2004 and 2003.

(10) INCOME TAXES:

Federal and state income tax provision (benefit) for the years ended December 31, 2005, 2004 and 2003 were as follows (in thousands) --

	2005	2004	2003
Federal-			
Current	($108)	($218)	$903
Deferred	1,084	1,170	43
State	686	303	176
	$1,662	$1,255	$1,122

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

	DECEMBER 3
	2005
Current deferred income tax liabilities --	
Prepaid Expenses	($1,165)
Current deferred income tax assets --	
Allowance for doubtful accounts	217
Insurance reserves	442
Net operating loss carry forward	71
Reserves and other, net	596
Tax credits	--
Valuation allowance	(4)
Total current deferred income tax assets	1,322
Net current deferred income tax assets	157
Non-current deferred income tax liabilities --	
Fixed assets and intangibles	(1,361)
Non-current deferred income tax assets --	
Capital loss carry forward	776
Valuation allowance	(776)
Total non-current deferred income tax assets	--
Net non-current deferred income tax liabilities	(1,361)

Net non-current deferred tax asset (liability)	($1,204)

The capital loss carry forward will expire in 2006 if not fully utilized. The Company has provided a full valuation allowance against this asset.

The Company has recorded a valuation allowance against its deferred tax assets at both December 31, 2005 and 2004, based upon the Company's assessment of its ability to realize such assets. The valuation allowance increased by $4,000 during 2005.

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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, 2005, 2004 and 2003, result from the following (in thousands) --

	2005	2004
Tax at statutory rate	$1,418	$965
Add (deduct) the effect of-		
State income taxes, net of Federal benefit	541	200
Nondeductible expenses and other, net	104	111
Tax refunds not previously recognized	(389)	--
Tax credits	(12)	(21)
Provision for income taxes	$1,662	$1,255

(11) COMMITMENTS AND CONTINGENCIES:

Operating Leases --

The Company leases its office and warehouse facilities and certain of its vehicles under noncancelable 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, 2005, are as follows (in thousands) --

2006	$4,867
2007	3,661
2008	2,512
2009	1,532
2010	829
Thereafter	329

Rent expense, primarily for facilities, amounted to approximately $8,223,000, $7,425,000 and $6,973,000 for the years ended December 31, 2005, 2004 and 2003, 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 $555,000 and $774,000 as of December 31, 2005 and 2004, 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 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, nonqualified 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. In June 2005, the stockholders of the Company approved an amendment to the 2002 Stock Option Plan for Independent Directors which provided an additional 400,000 shares for issuance to non-employee directors of the Company.

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

	NUMBER OF SHARES	WE AV EX P
Shares under option:		
Outstanding at December 31, 2002	1,933,653	
Granted	30,000	

Exercised	--
Canceled	(48,456)
Outstanding at December 31, 2003	1,915,197
Granted	1,350,000
Exercised	--
Canceled	(203,800)
Outstanding at December 31, 2004	3,061,397
Granted	1,257,777
Exercised	--
Canceled	(70,174)
Outstanding at December 31, 2005	4,249,000
Options exercisable at:	
December 31, 2003	1,883,531
December 31, 2004	2,146,400
December 31, 2005	2,959,348

At December 31, 2005, options available for grant under the Employee Stock Compensation Program and the Director Plan total 2,000,000 and 251,000 shares, respectively. The 2,000,000 options available for grant under the Employee Stock Compensation Program are subject to ratification at the June 2006 annual stockholder meeting.

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The following summarizes information about option groups outstanding and exercisable at December 31, 2005:

	OUTSTANDING OPTIONS			EXERCIS
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AS OF DECEMBER 31, 2005	WEIGHTED AVERAGE REMAINING LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AS OF DECEMBER 31, 2005
$0.350 -- $1.050	167,500	6.20	$0.557	167,500
$1.170 -- $1.170	1,000,000	8.28	$1.170	666,668
$1.400 -- $1.813	810,500	6.23	$1.650	660,834
$1.850 -- $1.930	1,209,777	9.66	$1.900	403,272
$2.000 -- $3.875	868,941	3.00	$2.661	868,941
$4.375 -- $6.000	192,282	1.27	$5.906	192,282
Totals	4,249,000	6.80	$1.965	2,959,497

(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 permits 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 provides for the purchase of up to 500,000 shares of common stock. No shares were issued under the Employee Purchase Plan during 2005, 2004 or 2003.

(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 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 15% 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, 2005 and 2004, 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, 2005, 2004 and 2003, the Company made payments for vehicle maintenance and repairs of approximately $25,000, $87,000 and $226,000, respectively. Additionally, the Company recorded rental income from this company of approximately $18,000 and $33,000 during the years ended December 31, 2004 and 2003, respectively. No related rental income was recorded in 2005.

Certain subsidiaries of the Company paid approximately $94,000, $236,000 and $303,000 for the years ended December 31, 2005, 2004 and 2003, 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, 2005 and 2004, the Company owed $1,000 and $3,000, respectively, to related parties in connection with these transactions.

Consulting Agreement --

On or about July 1, 2005, the Company entered into a consulting agreement with one of its directors, Thomas E. Durkin III, pursuant to which Mr. Durkin will provide consulting services to the Company with respect to business and financial matters. He will focus on merger and acquisition activities, including developing strategies, evaluating, structuring and negotiating potential transactions and otherwise assisting the Chief Executive Officer with respect to such matters. In consideration for his services, the Company paid Mr. Durkin a fee of $75,000 on or about July 1, 2005 and agreed to pay him $125 per hour for his services under the agreement. In addition, if the Chief Executive Officer requests Mr. Durkin to work on a particular transaction, Mr. Durkin will become entitled to receive, upon consummation of such a transaction, a success fee of at least $300,000 plus such other amount, if any, as may be authorized by the Chief Executive Officer and the Board of Directors or an appropriate committee thereof. The consulting agreement is terminable by either party on 30 days written notice.

Settlement Agreement --

On or about September 30, 2005, the Company entered into a settlement agreement with Global Delivery Systems LLC, a New York limited liability company ("GDS"), arising from disputes under an Asset Purchase Agreement dated as of March 7, 2001 (the "Agreement"), pursuant to which, the Company sold its former next-flight-out air delivery and related ground service business to an affiliate of GDS. Under the Agreement, GDS had agreed to indemnify the Company, from and against, certain costs and to reimburse it for certain insurance losses. The Company asserted that it was due approximately $807,000 under the insurance reimbursement provisions of the Agreement and GDS disagreed with the claim. Pursuant to the Settlement Agreement, the Company and GDS have agreed that the Company will release GDS, in exchange for the sum of $300,000 to be paid to the Company pursuant to the terms of a promissory note (the "Note") bearing interest at 8% per annum, payments of interest only, due quarterly commencing January 1, 2006 to the date of maturity, and with the balance of principal and interest due and payable to the Company on September 30, 2008. The $300,000 was recorded as a reduction of cost of revenue in the accompanying consolidated statement of operations for the year ended December 31, 2005. The Note is secured by certain accounts receivable and insurance accounts of GDS. William Beaury, a principal of GDS, is a 50% owner of an entity which owns approximately 6% of the outstanding common stock of the Company.

(16) SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid for interest and income taxes (net of refunds received) for the years ended December 31, 2005, 2004 and 2003 were as follows (in thousands) --

	2005	2004
Interest	$1,385	$1,36
Income taxes	($581)	$73

Non-cash financing activities during the year ended December 31, 2005 related to the $1,333,000 extinguishment of the Series B Convertible Notes as a result of conversion into the Company's common stock and capital lease obligations incurred during 2005 of $5,000. There were no capital lease obligations incurred during 2004 or 2003.

In addition, there was a $60,000 reduction in prepaid expenses as a result of the write-off of deferred financing costs related to the extinguishment of the Series B Convertible Notes. This reduction in prepaid was offset against additional paid-in capital as it related to the portion of the Series B Convertible Notes which were converted into the Company's common stock.

(17) QUARTERLY FINANCIAL DATA (UNAUDITED):

Unaudited quarterly financial data for the years ended December 31, 2005 and 2004 were as follows (in thousands, except per share amounts) --

	QUARTER ENDED		
	MARCH 31,	JUNE 30,	SEPTEMBER
Year ended December 31, 2005			
Revenue	$52,355	$54,207	$57,13
Gross profit	10,309	10,840	11,05
Net income	$428	$626	$84
Basic income per share	$.05	$.07	$.0
Diluted income per share	$.03	$.04	$.0
Basic weighted average common shares outstanding	9,356	9,356	9,35
Diluted weighted average common shares outstanding	20,253	20,248	20,28
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	$.0
Diluted income per share	$.02	$.00	$.0
Basic weighted average common shares outstanding	7,659	7,659	7,65
Diluted weighted average common shares outstanding	8,238	12,570	18,33

(18) SUBSEQUENT EVENT:

Replacement of the Fleet Facility

As of January 31, 2006, CD&L and Bank of America, N.A. (successor by merger to Fleet Capital Corporation) entered into a new agreement (the "Bank of America Facility") which replaced the prior Fleet Facility. The Bank of America Facility, which expires on September 30, 2008, continues to provide CD&L with standby letters of credit, prime rate based loans at the bank's prime rate, as defined, and LIBOR based loans at the bank's LIBOR rate, as defined, plus 200 basis points. Credit availability is based on eligible amounts of accounts receivable, as defined, up to a maximum amount of $20,000,000 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.

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, 2005, 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 were effective as of December 31, 2005 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.

Remediation of Material Weakness

In September 2005, the Company's independent registered public accounting firm identified a material weakness with respect to management's knowledge and application of generally accepted accounting principles. Errors identified specifically related to the Company's accounting for certain non-routine transactions. As a result of the material weakness identified, management has determined that it would strengthen its internal controls by (i) defining an internal process for identifying, researching and determining proper accounting treatment for non-routine transactions, (ii) assigning individuals with the appropriate knowledge to perform such process, (iii) providing adequate technical resources to ensure proper application of generally accepted accounting principles, (iv) documenting all non-routine transactions each quarter, including support for the final accounting treatment and (v) requiring the assigned individuals to review such documentation with Company management prior to finalizing the quarterly financial statements .

During the fourth quarter of 2005, Company management established the internal process described above. All non-routine transactions have been identified, researched and accounted for in accordance with generally accepted accounting principles. The results of this process have been documented and reviewed by the Company's Chief Executive Officer, Chief Financial Officer and the Company's audit committee.

As of December 31, 2005, management believes that the above changes in our internal control over financial reporting achieve management's control objective to identify and properly account for non-routine transactions and, as a result, management believes the identified material weakness has been eliminated as of December 31, 2005.

(b) Changes in internal controls over financial reporting
Other than as described above, 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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Albert W. Van Ness, Jr., 63, 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, 57, 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.

John S. Wehrle, 53, has served as a Director of CD&L since 1997. Managing Partner of Gryphon Holdings, L.P. and Gryphon Holdings II, L.P., venture capital and private equity funds, since January 1999. From August 1997 to December 1998, Mr. Wehrle served as President and CEO of Heartland Capital Partners, L.P. Prior thereto, Mr. Wehrle served as Vice President and Head of Mergers & Acquisitions for A.G. Edwards & Sons, Inc. from July 1994 to July 1997. From 1989 to 1994 Mr. Wehrle served as Vice President-Financial Planning for The Dyson-Kissner-Moran Corporation. He also served as Managing Director of Chase Manhattan Bank, N.A. for three years from August 1986 to October 1989, where he was engaged in the execution of leveraged acquisitions. From 1976 to 1986, Mr. Wehrle held various positions with both Price Waterhouse and Touche Ross & Co. in both New York and London.

Thomas E. Durkin III, 52, has served as a Director of CD&L since 1999. Mr. Durkin was appointed as Vice President of Corporate Development, General Counsel and Secretary of Capital Environmental Resource, Inc. in October 2001. He is also a partner to Durkin & Durkin, a New Jersey based law firm, with whom Mr. Durkin practiced as a partner from September 1978 until September 1997. Mr. Durkin served as a consultant to Waste Management Inc., a multibillion dollar publicly held international solid waste management company, from January 2000 to September 2001. From October 1997 through December 1999, Mr. Durkin served as area Vice President of Business Development of Waste Management Inc. In addition, Mr. Durkin has served as a partner of two privately held real estate brokerage companies. Mr. Durkin graduated from Fordham University in 1975 and graduated Cum Laude from Seton Hall University School of Law in 1978.

Marilu Marshall, 60, has served as a Director of CD&L since 1997. Vice President Human Resources - North America for Estee Lauder Co. Inc. since October 1998. From November 1987, until September 1998, Ms. Marshall served as Senior Vice-President and General Counsel for Cunard Line Limited. Prior thereto, from July 1984 to September 1987, Ms. Marshall served as the Vice-President and General Counsel of GNOC, Corp., t/a Golden Nugget Hotel & Casino.

John A. Simourian, 71, has served as a Director of CD&L since 1999. Mr. Simourian has served as Chairman of the Board and Chief Executive Officer of Lily Transportation Corp. ("Lily"), a privately held truck leasing and dedicated logistics company, since 1958 when Mr. Simourian founded Lily. Lily currently employs approximately 750 employees and leases and or operates 4,000 vehicles out of 27 locations from New England to North Carolina. Mr. Simourian attended Harvard University where he received his undergraduate degree in 1957 and his graduate degree from the Harvard Business School in 1961. In 1982 Mr. Simourian was elected to the Harvard University Hall of Fame. Mr. Simourian also served in the United States Navy from 1957 to 1959.

Jon F. Hanson, 69, has served as a Director of CD&L since 1997. Mr. Hanson has served as the Chairman of the Board of HealthSouth Corporation since October 2005. Mr. Hanson has also served as the Chairman of The Hampshire Companies, a real estate investment firm, since 1976. From April 1991 to the present, Mr. Hanson has served as a director of Prudential Financial Corporation and from October 2002 to the present as a director of HealthSouth Corporation. Prior thereto, Mr. Hanson served as a director of Orange and Rockland Corporation, Midlantic Bancs Corporation and United Water Resources.

Matthew J. Morahan, 56, has served as a Director of CD&L since 2000. Mr. Morahan has been a private investor since 1997. From 1994 until 1997, Mr. Morahan served as Executive Vice President of the Macro Hedge Fund of Summit Capitol Advisors LLC. Prior thereto, Mr. Morahan served as Managing Director of the High Yield Department of Paine Webber Group from 1991 to 1994. From 1976 to 1990, he served as Partner and Managing Director of Wertheim & Co. Mr. Morahan served as Vice President of the Corporate Bond Department for Hornblower & Weeks, Hemphill, Noyes & Co. from 1971 to 1976.

Russell J. Reardon, 56, 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 broadband wireless communication devices. He earned an accounting degree and an MBA in Finance from Fairleigh Dickinson University.

Mark T. Carlesimo, 52, 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, 51, 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).

The Company hereby incorporates by reference the remaining information required by this Item 10 from its definitive proxy statement for its 2006 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION

The Company hereby incorporates by reference the applicable information from its definitive proxy statement for its 2006 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 2006 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 2006 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 2005 and 2004 (in thousands):

	2005
Audit fees	$205
Audit-related fees	3
Tax fees	40
All other fees	43
Total	$291

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 preapproved 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.
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 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").
10.7	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).
10.8	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").

10.9	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)
10.10	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).
10.11	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).
10.12	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).
10.13	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).

10.14	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).
10.15	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).
10.16	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.)
10.17	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).
10.18	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).
10.19	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).
10.20	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).
10.21	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).
10.22	Form of Amended Employment Agreement dated April 14, 2004 with William T. Brannan (Employment agreements of Albert W. Van Ness, Jr., 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).
10.23	Consulting Agreement dated July 1, 2005 with Thomas E. Durkin III (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2005 and incorporated herein by reference).
10.24	Restated and Amended Loan and Security Agreement by and among CD&L, Inc., Clayton/National Courier Systems, Inc., Click Messenger Service, Inc., KBD Services, Inc., Olympic Courier Systems, Inc., Securities Courier Corporation, and Silver Star Express, Inc. and Bank of America, N.A. dated as of February 10, 2006 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 10, 2006 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.

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, 2005 to be signed on its behalf by the undersigned, thereunto duly authorized, on April 3, 2006.

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 3, 2006.

SIGNATURE	CAPACITY
/s/ Albert W. Van Ness, Jr.	Chairman of the Board, Chief Executiv

Albert W. Van Ness, Jr.	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

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SCHEDULE II

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

	BALANCE AT	CHARGED TO COSTS	WRITE-OFFS

DESCRIPTION	BEGINNING OF PERIOD	AND EXPENSES	(NET OF RECOVERIES)
For the year ended December 31, 2005 -- Allowance for doubtful accounts	$1,330	($97)	($691)
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)

See Reports of Independent Registered Public Accounting Firms

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INDEX TO EXHIBITS

EXHIBITS	
4.5	Certificate of Designations, Preferences and Rights of Series A Convertible Redeemable Preferred Stock of CD&L, Inc.
11.1	Statement Regarding Computation of Net Income 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
24.1	Power of Attorney
31.1	Certification of Albert W. Van Ness, Jr. Pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e), 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-15(e) and 15d-15(e), 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.