FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
SEC Accession No. 0000950117-96-001457

FILER

CELADON GROUP INC

CIK:**865941**| IRS No.: **133361050** | State of Incorp.:**DE** | Fiscal Year End: **0630**
Type: **10-Q** | Act: **34** | File No.: **000-23192** | Film No.: **96664040**
SIC: **4731** Arrangement of transportation of freight & cargo

Mailing Address
ONE CELADON DRIVE
INDIIANAPOLIS IN 46236

Business Address
ONE CELADON DR
INDIANAPOLIS IN 46236-4207
2129774447

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE PERIOD ENDED SEPTEMBER 30, 1996

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

COMMISSION FILE NUMBER: 0-23192

CELADON GROUP, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE	13-3361050
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
9503 EAST 33RD STREET ONE CELADON DRIVE INDIANAPOLIS, IN	46236-4207
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (317) 972-7000

Indicate by check mark whether the Registrant (1) has filed all reports required 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 ____

The number of shares outstanding of the Common Stock ($.033 par value) of the Registrant as of the close of business on November 6, 1996 was 7,632,580.

CELADON GROUP, INC.

INDEX TO

SEPTEMBER 30, 1996 FORM 10-Q

<TABLE>
<S> <C> <C>

</TABLE>

PART I - FINANCIAL INFORMATION

CELADON GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS EXCEPT SHARE AMOUNTS)
(UNAUDITED)

<TABLE>
<CAPTION>

	SEPTEMBER 30, 1996	JUNE 30, 1996
<S>	<C>	<C>
A S S E T S		
Current assets:		
Cash and cash equivalents	$ 4,573	$ 5,246
Trade receivables, net of allowance	31,385	33,642
Accounts receivable - other	5.946	4,338
Prepaid expenses and other current assets	2,645	3,247
Tires in service	3,169	2,814
Income tax recoverable	5,950	3,926
Assets held for resale	97	2,548
Deferred income tax assets	1,085	3,404
Total current assets	54,850	59,165
Property and equipment, at cost	102,609	95,003
Less accumulated depreciation and amortization	23,654	22,715
Net property and equipment	78,955	72,288
Deposits	525	809
Tires in service	2,675	2,234
Intangible assets	844	875
Goodwill, net of accumulated amortization	4,777	4,980
Other assets	2,014	1,570
Total assets	$144,640	$141,921
L I A B I L I T I E S A N D S T O C K H O L D E R S ' E Q U I T Y		
Current liabilities:		
Accounts payable	7,386	8,707
Accrued expenses	19,369	20,122
Bank borrowings and current maturities of long-term debt	4,406	4,029
Notes payable	----	1,200
Current maturities of capital lease obligations	8,749	7,356
Income taxes payable	219	527
Current maturities of ESOP loan	160	185
Total current liabilities	40,289	42,126
Long-term debt, net of current maturities	18,700	26,552
Capital lease obligations, net of current maturities	35,313	23,473
Deferred income tax liabilities	8,295	7,796
Total liabilities	102,597	99,947
Minority interest	12	12
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.033 par value, authorized 12,000,000 shares; issued and		

outstanding 7,750,580 shares at September 30, 1996 and June 30, 1996	256	256
Additional paid-in capital	56,281	56,281
Retained earnings	(13,145)	(14,035)
Equity adjustment for foreign currency translation	(341)	(355)
	43,051	42,147
Treasury stock, at cost, 118,000 shares and zero shares at September 30, 1996 and June 30, 1996, respectively	(860)	---
Less:		
Debt guarantee for ESOP	(160)	(185)
Total stockholders' equity	42,031	41,962
Total liabilities and stockholders' equity	$144,640	$141,921

</TABLE>

See accompanying notes to condensed consolidated financial statements.

CELADON GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30,	
	1996	1995
<S>	<C>	<C>
Operating revenue	$46,192	$38,821
Operating expenses:		
Salaries, wages and employee benefits	17,134	14,373
Fuel	7,483	5,841
Operating costs and supplies	2,888	2,516
Insurance and Claims	1,656	1,117
Depreciation and amortization	2,288	1,687
Rent and purchased transportation	8,752	7,853
Professional and consulting fees	210	477
Communications and utilities	745	651
Permits, licenses and taxes	1,058	991
Employee stock ownership plan contribution	34	25
(Gain) on sale of revenue equipment	---	(546)
Selling expenses	822	836
General and administrative	656	512
Total operating expenses	43,726	36,333
Operating income	2,466	2,488
Other (income) expense:		
Interest expense, net	981	860
Other (income) expense net	(9)	13
Income from continuing operations before income taxes	1,494	1,615
Provision for income taxes	604	1,049
Income from continuing operations	890	566
Discontinued operations:		
Loss from operations of freight forwarding division (net of tax)	---	(186)
Income from operations of logistics division (net of tax)	---	236
Income from discontinued operations (net of tax)	---	50
Net income	$890	$616

Earnings per Common Share:		
Continuing operations	$0.12	$0.07
Discontinued operations	---	0.01
Net income per share	$0.12	$0.08
Weighted average number of common shares and equivalents outstanding	7,643	8,037

</TABLE>

See accompanying notes to condensed consolidated financial statements.

CELADON GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLAR AMOUNTS IN THOUSANDS)
(UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30,	
	1996	1995
<S>	<C>	<C>
Continuing Operations:		
Cash flows from operating activities:		
Net income (loss) from continuing operations	$ 890	$ 566
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,288	1,687
Provision for deferred income taxes	496	544
Provision for doubtful accounts	106	30
Net (gain) loss on sale of property and equipment	---	(546)
Changes in assets and liabilities:		
(Increase) decrease in trade receivables	(265)	(1,924)
(Increase) decrease in accounts receivable -- other	(178)	1,396
Increase in income tax recoverable	193	----
Increase in tires in service	(795)	(327)
(Increase) decrease in prepaid expenses and other current assets	378	(65)
(Increase) decrease in other assets	248	(2,683)
Increase (decrease) in accounts payable and accrued expenses	(107)	2,597
Increase (decrease) in income taxes payable	(198)	457
Net cash provided by (used for) operating activities	3,056	1,732
Cash flows from investing activities:		
Purchase of property and equipment	(176)	(2,182)
Proceeds on sale of property and equipment	6,211	1,485
(Increase) decrease in deposits	284	(245)
Net cash provided by (used for) investing activities	6,319	(942)
Cash flows from financing activities:		
Proceeds from issuance of common stock	---	135
Purchase of common stock held in treasury	(135)	---
Proceeds from bank borrowings and debt	65	1,318
Payments of bank borrowings and debt	(8,766)	(108)
Principal payments under capital lease obligations	(1,680)	(1,899)
Net cash provided by (used for) financing activities	(10,516)	(554)
Net cash provided by (used for) continuing operations	(1,141)	236
Discontinued Operations:		
Income (loss) from operations, net of income taxes	---	50
Change in net operating assets	468	(1,610)
Operating activities	468	(1,560)

(DOLLAR AMOUNTS IN THOUSANDS)

Investing activities	---	(658)
Financing activities	---	1,047
Net cash provided by (used for) discontinued operations	468	(1,171)
Increase (decrease) in cash and cash equivalents	(673)	(935)
Cash and cash equivalents at beginning of year	5,246	1,809
Cash and cash equivalents at end of year	$4,573	$ 874

</TABLE>

See accompanying notes to condensed consolidated financial statements.

CELADON GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1996
(UNAUDITED)

(1) BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and the general instructions to Form 10-Q of Regulation S-X. Accordingly, they do not include certain information and note disclosures required by generally accepted accounting principles for annual financial reporting and should be read in conjunction with the consolidated financial statements and notes thereto of Celadon Group, Inc. (the "Company") for the years ended June 30, 1996, 1995 and 1994.

The unaudited interim financial statements reflect all adjustments (all of a normal recurring nature) which management considers necessary for a fair presentation of the financial condition and results of operations for these periods. The results of operations for the interim period are not necessarily indicative of the results that may be reported for the full year.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The condensed consolidated balance sheet at June 30, 1996 was derived from the audited consolidated balance sheet at that date.

(2) SEGMENT AND GEOGRAPHICAL INFORMATION; SIGNIFICANT CUSTOMER

The Company's continuing operations consist of two divisions: truckload and flatbed, and the Company generates revenue from its operations in the United States and Mexico. Revenue from Chrysler accounts for a significant amount of the Company's trucking revenue. During December, 1995, the Company's Board of Directors adopted a plan to discontinue its freight forwarding business which was previously reported as a separate business segment. In the fourth quarter of fiscal year 1996, the Company also discontinued the operations of the logistics operations which was previously reported as a separate business segment. The Company has presented the results of these segments as discontinued operations, as described in note 5.

Information as to the Company's continuing operations by division is summarized

below (in thousands):

<TABLE>
<CAPTION>

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,	
	1996	1995
<S>	<C>	<C>
Operating revenue:		
Truckload	$41,206	$34,144
Flatbed	4,986	4,677
Total	$46,192	$38,821
Operating income:		
Truckload	$2,771	$3,280
Flatbed	192	137
Total from operating divisions	2,963	3,417
Corporate expenses	497	929
Interest expense	981	860
Other expense (income)	(9)	13
Income from continuing operations before income taxes	$ 1,494	$1,615
Total assets:		
Truckload	$113,045	$ 95,912
Flatbed	6,947	6,782
Total from operating divisions	119,992	102,694
Corporate	7,217	2,593
Discontinued operations	17,431	54,898
Total	$144,640	$160,185
Capital expenditures (including capital leases):		
Truckload	$15,101	$10,420
Flatbed	13	---
Corporate	7	4
Total	$15,121	$10,424
Depreciation and amortization:		
Truckload	$2,210	$1,632
Flatbed	60	60
Corporate	18	5
Total	$2,288	$1,697

</TABLE>

Information as to the Company's continuing operations by geographic area is summarized below (in thousands):

<TABLE>
<CAPTION>

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,	
	1996	1995
<S>	<C>	<C>
Operating revenue:		

United States.....	$45,117	$37,737
Mexico (i).....	1,075	1,084
Total	$46,192	$38,821
Income (loss) before income taxes:		
United States.....	$1,507	$1,397
Mexico (i).....	(13)	218
Total	$1,494	$1,615
Total assets:		
United States.....	$124,796	$103,637
Mexico (i).....	2,413	1,649
Total.....	$127,209	$105,286

</TABLE>

(i) Relates to the Company's trucking operations in Mexico.

Significant Customer:

Revenue from Chrysler accounted for approximately 52% and 46% of the Company's trucking revenue for the three months ended September 30, 1996 and 1995, respectively. The Company transports Chrysler after-market replacement parts and accessories within the United States and Chrysler original equipment automotive parts primarily between the United States and the Mexican border, which accounted for 29% and 71%, respectively, of the Company's revenue from Chrysler for the three months ended September 30, 1996 and 35% and 65%, respectively, for the three months ended September 30, 1995. Chrysler business is covered by two agreements, one of which covers the United States-Mexico business and the other of which covers domestic business. The international contract was extended for three years and now expires on December 31, 1999. The contract applicable to domestic movements is being renegotiated. No other customer accounted for more than 5% of the Company's trucking revenue during any of its three most recent fiscal years.

(3) INCOME TAXES

The Company's effective tax rate differs from the statutory federal tax rate of 35% due to state income taxes and certain expenses which are not deductible for income tax purposes. The effective tax rates for continuing operations for the three months ending September 30, 1996 and 1995 were 40.4% and 65.0%, respectively. The 1995 tax provision include additional tax expense related to the non-deductible portion of expense allowances paid to drivers which pay practice was discontinued by the Company in September, 1995.

(4) HEDGING ACTIVITIES, COMMITMENTS AND CONTINGENCIES

The Company, from time-to-time, enters into arrangements to protect against fluctuations in the price of the fuel used by its trucks. As of September 30, 1996, the Company had contracts to purchase for future delivery approximately 35% of its fuel requirements through February, 1997. Contracts for fuel delivery in the period March through July 1997 were canceled in the September 1996 quarter and the Company realized a cancellation gain of $85 thousand. This gain was reflected as a reduction in fuel expense in the quarter. Additionally, the Company periodically acquires exchange-traded petroleum futures contracts and various commodity collar transactions. At September 30, 1996, the market value of outstanding transactions which extended through March of 1997 approximated carrying cost and covered approximately 40% of the Company's fuel requirements. Gains and losses on closed transactions, not designated as hedges, are recognized when realized and in the September 1996 quarter resulted in a gain of $83 thousand. This gain was reflected as a reduction of fuel expense. The current and future delivery prices of fuel are monitored closely and transaction positions adjusted accordingly. Total commitments are also monitored to ensure they will not exceed actual fuel requirements in any period.

Standby letters of credit, not reflected in the accompanying condensed

consolidated financial statements, aggregated approximately $2,125,000 at September 30, 1996.

The Company has outstanding commitments to purchase approximately $12 million of revenue equipment at September 30, 1996.

The Company has been assessed approximately $750 thousand by the State of Texas for Interstate Motor Carrier Sales and Use Tax for the period from April 1988 through June 1992. The Company disagrees with the State of Texas over the method used by the state in computing such taxes and intends to vigorously pursue all of its available remedies. On October 30, 1996, the Company paid $1.1 million under protest which enables the Company to pursue resolution of this matter with the State of Texas Attorney General. The Company has accrued an amount that management estimates is due based upon methods they believe are appropriate. The Company believes that the ultimate resolution of this matter will not have a material adverse effect on its consolidated financial position.

There are various claims, lawsuits and pending actions against the Company and its subsidiaries incident to the operation of its business. The Company believes many of these proceedings are covered in whole or in part by insurance and that none of these matters will have a material adverse effect on its financial position.

(5) DISCONTINUED OPERATIONS

During December, 1995 the Board of Directors of Celadon Group, Inc. authorized the disposal of the Company's freight forwarding business. In connection with the Company's plan of disposition effective February 1, 1996, the U.S. customer list together with certain assets and liabilities of the Company's U.S. freight forwarding business, operating under the name Celadon/Jacky Maeder Company, were sold to the Harper Group, Inc.'s primary operating subsidiary, Circle International, Inc. Pursuant to the terms of the transaction, the total purchase price for these assets and liabilities will be paid in cash and will equal the net revenue derived from such customer list during the twelve-month period following February 1, 1996. The Harper Group, Inc. made an initial down payment of $9.5 million at closing with the balance of the purchase price to be paid in quarterly installments as earned by the Harper Group, Inc. It is now estimated that there will be no additional payments by Harper Group, Inc., to the Company. The remaining assets and liabilities of this segment are in the process of liquidation.

In the fourth quarter of fiscal 1996, the Company disposed of the two primary operating subsidiaries of the logistics segment. At that time, the Company determined that it would discontinue offering logistics services as a separate product line. In accordance with the terms of sale of the South American warehousing, logistics and distribution business, the Company received payment on October 3, 1996, of the $2.5 million promissory note issued by the purchaser.

At September 30, 1996 and June 30, 1996, assets and liabilities included in the Company's consolidated balance sheet related to the discontinued operations are as follows (in thousands):

<TABLE>
<CAPTION>

Freight Forwarding:	September 30, 1996	June 30, 1996
<S>	<C>	<C>

Assets:		
Cash	$ 3,643	$ 3,142
Accounts receivable (net of allowance)	6,174	8,436
Accounts receivable other	2,235	2,558
Assets held for resale	97	69
Deferred income tax receivable	2,266	2,369
Prepaid expenses and other current assets	115	224
Total	$ 14,530	$ 16,798
Liabilities and Equity:		
Accounts payable	$ 4,266	$ 4,805
Accrued expenses	4,865	6,146
Income taxes payable	(11)	105
Deferred income tax assets	---	(11)
Equity adjustment for foreign currency translation	22	25
Total	$ 9,142	$ 11,070

Logistics:

Assets:		
Cash	$ ---	$ 33
Accounts receivable (net of allowances)	150	303
Accounts receivable other	2,386	632
Assets held for sale	---	2,479(1)
Income tax - receivable	329	329
Deferred income tax receivable	36	36
Total	$ 2,901	$ 3,812
Liabilities and Equity:		
Accrued expenses	$ 68	$ 214
Income taxes payable	272	276
Deferred income taxes payable	209	206
Equity adjustment for foreign currency translation	---	(2)
Total	$ 549	$ 694

</TABLE>

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(1) Represents the net investment in Celsur Inc., the stock of which was sold on July 3, 1996.

The disposals of the freight forwarding and logistics segments has been accounted for as discontinued operations in accordance with Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." As such, prior period financial statements have been restated to reflect the discontinuation of these lines of business.

(6) COMMON STOCK

On October 18, 1996, the Company's Board of Directors ("the Board") authorized the sale of up to 250,000 shares of the Company's Common Stock to the Celadon Group, Inc. Employee Stock Purchase Plan. The Common Stock, par value $0.33 per share, may be treasury shares or newly issued shares, at a price equal to 85% of the fair market value of the shares as of the day of purchase.

On September 24, 1996, the Board extended to November 1, 1997 the expiration date for the International Bancshares Corporation stock purchase warrant issued pursuant to the Employee Stock Ownership Plan loan agreement.

(7) SUPPLEMENTAL CASH FLOW INFORMATION

During the three months ended September 30, 1996 and 1995, capital lease obligations in the amount of $14.2 million and $8.4 million, respectively were incurred in connection with the purchase of, or option to purchase revenue equipment (including tires in service).

ITEM 2. MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 1996 COMPARED WITH THE THREE MONTHS ENDED SEPTEMBER 30, 1995

Revenue. Consolidated revenue from continuing operations of the Company increased by $7.4 million, or 19%, to $46.2 million for the three months ended September 30, 1996 (the "1996 period") from $38.8 million for the three months ended September 30, 1995 (the "1995 period"). Revenue from the truckload division increased by $7.1 million, or 21%, to $41.2 million in the 1996 period from $34.1 million in the 1995 period, primarily as a result of an increase in the demand for the Company's transportation services between the United States and Mexico. The Company's flatbed division acquired in June, 1995 represented $0.3 million of the increase in consolidated revenues. The number of tractors operated by the Company's U.S. truckload operation in over-the-road service rose to 1,203 at September 30, 1996 compared to 1,036 at September 30, 1995 in both cases excluding 49 tractors operated by the Company's Mexican affiliate in both periods.

Operating income. The truckload division operating income decreased by $0.5 million, or 15%, to $2.7 million in the 1996 period from $3.3 million in the 1995 period. The operating ratio for the truckload division, which is the percentage of operating expenses to its revenue, increased to 93.3% in the 1996 period from 90.4% in the 1995 period. This increase was principally attributable to a one time gain of approximately $0.5 million on the sale of revenue equipment in the 1995 period and losses experienced in the Company's Mexican affiliate in the 1996 period. Average fuel cost per gallon increased to $1.14 in the 1996 period compared with $1.02 in the 1995. This cost increase is net of realized gains of $188 thousand achieved in the Company's fuel price management program or $0.029 per gallon consumed. Increases in the Company's equipment fleet and associated costs particularly related to trailers, exceeded growth in revenue also contributing to an increase in expense as a percentage of revenue. The Company's flatbed division operating ratio, which is typically higher than the Company's truckload division since its revenue is generated by owner-operators which are generally more expensive as a percentage of revenue than the use of Company owned equipment, decreased to 96.1% in the 1996 period from 97.1% in the 1995 period. This improvement was primarily due to a decrease in the flatbed division's operating expenses. Costs associated with the rental of flatbed owner-operated equipment is classified as rent expense in the consolidated statement of operations.

Corporate expenses decreased by $0.5 million to $0.4 million in the 1996 period from $0.9 million in the 1995 period primarily due to senior management changes implemented at the end of the June 1996 quarter and decreased professional fees.

Interest expense. Interest expense increased by $0.1 million, or 11%, to $1.0 million in the 1996 period from $0.9 million in the 1995 period, as a result of higher average outstanding borrowings, which was partially offset by lower average interest rates.

Income taxes. The effective tax rates for the September 30, 1996 and 1995 periods were 40.4% and 65.0% respectively. The higher effective tax rate during the 1995 period is principally due to additional tax expense related to the non-deductible portion of expense allowances paid to drivers, which pay practice was discontinued in September, 1995.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary capital requirements in fiscal 1997 have been funding the acquisition of revenue equipment for the trucking division. These requirements have been met primarily by equipment leasing arrangements. At September 30, 1996, the Company had a credit facility of $35.0 million from its banks, of which $22.0 million was utilized as outstanding borrowings, and $2.1 million was utilized for standby letters of credit.

The credit facilities bear interest at either a margin over LIBOR or the bank's prime rate, at the option of the Company. The weighted average interest

rate charged on outstanding borrowings was 7.48% at September 30, 1996. The standby letter of credit portion of the Company's facility collaterizes the Company's obligations under insurance policies for liability coverage relating to its trucking operations.

The trucking division has financed some of its capital requirements by obtaining lease financing and notes payable on revenue equipment. At September 30, 1996, the Company had an aggregate of $44.1 million in such financing at interest rates ranging from 6.0% to 11.5%, maturing at various dates through 2003. Of this amount, $8.8 million is due within one year.

As of September 30, 1996, the Company had on order revenue equipment representing an aggregate capital commitment of $12 million. All of the new equipment has been or will be financed using a combination of operating and capital leases and the Company's credit facility.

The Company's accounts receivable balance relating to continuing operations at September 30, 1996, increased $0.2 million to $25.1 million from $24.9 million at June 30, 1996. The truckload division accounted for $0.7 million of the increase. The 1% increase in accounts receivable for the truckload division reflects the 20% increase in revenues for fiscal 1996.

Effective September 19, 1996, the Company completed a sale/leaseback transaction relating to its new headquarters facility in Indianapolis, Indiana. The proceeds from the transaction were used to reduce by approximately $6 million the borrowings outstanding under its bank credit facility.

The Company purchases fuel contracts from time-to-time for a portion of its projected fuel needs. At September 30, 1996, the Company had contracts to purchase for future delivery approximately 35% of its fuel requirements. The Company's fuel price management program has not significantly impacted the Company's recent operating results and has not adversely impacted the Company's liquidity.

On September 24, 1996, the Company's Board of Directors extended to November 1, 1997, the expiration date for the International Bancshares Corporation stock purchase warrant issued pursuant to the Employee Stock Ownership Plan loan agreement.

Management believes that there are presently adequate sources of secured equipment financing together with its existing credit facilities and cash flow from operations to provide sufficient funds to meet the Company's anticipated working capital requirements and fund the acquisition of tractors and trailers presently on order. Additional growth in the tractor and trailer fleet beyond the Company's existing orders will require additional sources of financing.

SEASONALITY

To date, the Company's revenues have not shown any significant seasonal pattern. However, because the Company's trucking subsidiary's primary traffic lane is between the Midwest United States and Mexico, a severe winter generally may have an unfavorable impact upon the Company's results of operations.

INFLATION

Many of the Company's operating expenses are sensitive to the effects of inflation, which could result in higher operating costs. The effects of inflation on the Company's businesses during fiscal 1997 and 1996 generally were not significant.

PART II - OTHER INFORMATION

ITEM 5. OTHER

On November 8, 1996, the Company solicited proxies for its annual meeting of stockholders to be held at the New York City Athletic Club, 180 Central Park South, New York City, New York 10019 on Tuesday, December 17, 1996 at 10:00 AM (local time) for stockholders of record as of November 1, 1996.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8K

<TABLE>
<S> <C> <C>

(a)	Exhibits	
*	Exhibit 10.8 -	Motor Carrier Transportation Contract dated August 30, 1996 between Chrysler Corporation and Celadon Group, Inc.
	Exhibit 10.9 -	Motor Carrier Transportation Agreement, effective as of October 1, 1993, between Chrysler Motors Corporation and Celadon Trucking Services, Inc., as amended. Amendment incorporated by reference to Exhibit 10.9 of Form 10-K filed October 14, 1994.
	Exhibit 10.41 -	Consulting and Non-Competition Agreement dated July 3, 1996 between Leonard R. Bennett and the Company
	Exhibit 10.42 -	Third amendment, dated September 13, 1996, to the $35,000,000 Credit Agreement dated June 1, 1994 between Celadon Group, Inc., Celadon Trucking Services, Inc. and Randy International, Ltd. and NBD Bank N.A. and the First National Bank of Boston.
	Exhibit 10.43 -	Amendment dated July 3, 1996 to Stockholders Agreement dated October 8, 1992 between Leonard R. Bennett, Stephen Russell, Hanseatic Corporation and the Company. Incorporated by reference to Exhibit 10.17 of Form 10-K filed September 26, 1996.
	Exhibit 10.44 -	Agreement dated July 3, 1996 terminating Voting Agreements dated October 8, 1992 and October 6, 1986 between Leonard R. Bennett, Stephen Russell and the Company.
	Exhibit 11 -	Computation of per share earnings
	Exhibit 27 -	Financial Data Schedule
(b)	Form 8-K	Reports on Form 8-K were listed in Form 10-K filed September 26, 1996.

</TABLE>

* Confidential treatment for portions of this Exhibit has been requested pursuant to Rule 406 of the Securities Act of 1933, as amended.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CELADON GROUP, INC.
(Registrant)

Date: November 14, 1996

/s/ Stephen Russell

Stephen Russell, Chief Executive Officer

/s/ Don S. Snyder

Don S. Snyder, Executive Vice President
Chief Financial Officer

EXHIBIT 10.8

CHRYSLER
CORPORATION

MOTOR CARRIER

TRANSPORTATION
CONTRACT

CHRYSLER CORPORATION (CHRYSLER) WITH A BUSINESS ADDRESS AT 38111 VAN DYKE, STERLING HEIGHTS, MI 48312, HEREBY AGREES TO PURCHASE AND

Celadon Trucking Inc.
One Celadon Drive
9503 East 33rd Street
New York, N.Y. 10106

(CARRIER) AGREES TO SELL AND DELIVER THE SERVICES SPECIFIED HEREIN IN ACCORDANCE WITH THE TERMS AND CONDITIONS ON THE FACE AND REVERSE SIDE HEREOF AND ANY NUMBERED ATTACHMENTS HERETO.

DESCRIPTION OF SERVICES

COMMODITIES: TRUCKLOAD TRANSPORTATION OF PARTS AND RACKS TO AND FROM CHRYSLER MEXICO LOCATIONS

EFFECTIVE DATE: Jan. 1, 1997 TERMINATION DATE: Dec. 31, 1999 PAYMENT TERMS: 30 DAYS

ORIGIN	DESTINATION	RATE	TRANSIT TIME
*Various	*Various	*Various	*Various

*As specified in Attachments A & B and subsequent acceptance letters executed by Chrysler and the Carrier.

Chrysler reserves the right to add or delete business in order to meet its changing business needs.

This contract is designed to meet the distinct needs of Chrysler Corporation.

CARRIER

By: /s/ Stephen Russell

CHRYSLER CORPORATION

By: /s/ R.P.Y.

Date: 9/16/96 Date: 8/30/96

GENERAL TRANSPORTATION TERMS

MOTOR CARRIER

1. PERSONNEL AND EQUIPMENT Carrier will be deemed an independent contractor to Chrysler and will provide all resources necessary to perform transportation services. Carrier may subcontract transportation services, subject to Chrysler's consent, individuals engaged by Carrier will be considered employees or subcontractors of Carrier and will be subject to discharge, discipline and control solely and exclusively by Carrier.

2. COMMODITY LOSS AND DAMAGE Carrier's performance of transportation services without loss or damage to Commodities is an essential obligations of this Agreement, Carrier will meet the requirements and objectives of all written programs, practices and procedures instituted by Chrysler regarding the quality of transportation services. Carrier is deemed to have care, control, custody and possession of Commodities from the time they are tendered to the Carrier for transportation until delivery to Chrysler or its consignee. During such period, Carrier assumes full responsibility for any and all loss of or damage to Commodities. Carrier will promptly act on all claims submitted by Chrysler or its agent.

3. INSURANCE AND INDEMNIFICATION Carrier will furnish to Chrysler and maintain in effect during the term of this Agreement, as its sole expense, insurance in amounts and coverages satisfactory to Chrysler. Such insurance will be primary to, and not excess over or contributory with, any other valid, applicable and collectible insurance in force for Chrysler. Except for Commodity loss the damage claims filed by Chrysler or its agent that are governed by Section 2, Carrier will defend, indemnify and hold harmless Chrysler, its parent corporation, subsidiaries, officers, directors and employees, from and against any and all claims, liabilities, losses, damages, penalties, fees, settlements and expenses in connection with 1) injury to or the death of any person, 2) damage to or loss of any property of any person, or 3) the violation of or non-compliance with any law or regulation, to the extent such claims, liabilities, losses, damages, penalties, fees or expenses result from or arise out of any act or omission of the indemnifying party, or its employees or subcontractors, in connection

with the performance of transportation services.

4. COMPLIANCE WITH REGULATIONS Carrier will obtain, at its own expense, all licenses, permits and approvals required under any applicable governmental statute or regulation for the transportation of Commodities. Carrier will obey all applicable governmental laws and regulations connected with the transportation of Commodities.

5. FORCE MAJEURE The obligation of Carrier to furnish and of Chrysler to use transportation services will be temporarily suspended during any period in which either of the parties is unable to comply with this Agreement because of fire, flood, civil commotion, closing of public highways, government interference or regulations, or any other events similar to the foregoing that are beyond the reasonable control of, and are not due to the negligence of, the party claiming force majeure. The parties will make all reasonable efforts to continue to meet their obligations for the duration of the force majeure. Chrysler will have the right to use other transportation services during the period of force majeure, and any shipments made on alternate carriers during any

Carrier declared force majeure will be counted toward Chrysler's volume obligation, if any, to Carrier.

6. PRECEDENCE OVER APPLICABLE TARIFFS To the extent permitted by applicable laws and regulations, the terms of this Agreement will prevail over any rules, regulations, tariffs, tariff circulars and terms and conditions of bills of lading regarding transportation of Commodities.

7. DEFAULT, CURE AND TERMINATION In the event that Carrier fails to perform any of its obligations herein, Chrysler will give the Carrier written notice specifying the nature of the default and demanding cure satisfactory to Chrysler within thirty (30) days following receipt of the demand to cure. Failing such cure, Chrysler will have the right: 1) to cease tendering all or a portion of Commodities for future shipments, or 2) to terminate the Agreement. If Carrier's default is related to transit times, then Chrysler may also, at any time and without written notice as provided above, use alternate carriers to transport all or a portion of Commodities. Carrier recognizes that Commodities must be shipped on a timely basis and without the loss or damage in order for Chrysler to avoid loss and expense as a consequence of plant shutdowns, schedule realignments, off-line repairs or the necessity of procuring higher-cost alternative transportation.

8. INSPECTION AND AUDIT Chrysler may, on reasonable notice, inspect any Commodity and any equipment used to handle and transport Commodities wherever located. Chrysler may also, on reasonable notice, inspect

Carrier's records relating to transportation of Commodities. Chrysler may, at any time and with notice to Carrier, remove Commodities from Carrier's care, possession, custody or control.

9. MISCELLANEOUS CLAUSES This Agreement will be binding on permitted successors and assigns. The failure to exercise any of the terms of this Agreement will not be construed as a continuing waiver of such term.

Neither this Agreement nor any of the duties herein may be assigned or delegated without the written permission of the other party.

Carrier will notify Chrysler of all relevant information regarding any actual or potential labor dispute delaying or threatening to delay timely performance of this Agreement.

If any provision of this Agreement is held to be legally invalid or unenforceable, such provision will be deemed omitted and all other provisions of this Agreement will continue in force.

Carrier will not, without the prior written consent of Chrysler, advertise or publish in any manner the rates established herein or use the name or trademarks of Chrysler, its products or any of its associated companies.

All notices or communications which are required to be given under this Agreement will be sent by regular or certified mail, postage prepaid, to the other party at the business address specified in this Agreement.

The terms of this Agreement will be governed by the laws of the State of Michigan (without regard to its conflicts of laws rules), except to the extent preempted by federal law.

10. ENTIRE AGREEMENT This Agreement, which consists of the Transportation Contract, General Transportation Terms and other documents referred to herein, constitutes the complete and entire agreement between Carrier and Chrysler for the transportation services defined herein and

supersedes all prior and contemporaneous proposals, representations, statements, agreements and promises, express or implied, with respect thereto. This Agreement may be amended only in a writing signed by the parties.

Chrysler Corporation (Chrysler)
Auburn Hills, Michigan

Chrysler Corporation
Motor Carrier Transportation
Contract

Hereby agrees to purchase and

Celadon Group
One Celadon Drive
9503 East 33rd Street
Indianapolis, Indiana 46236

(Carrier) agrees to sell and deliver the services specified herein in accordance with the terms and conditions on the fact and reverse side hereof and any numbered attachments hereto.

CONTRACT NAME: Chrysler/Celadon CDM Truckload Contract

DESCRIPTION OF SERVICES

COMMODITIES: Auto Parts and Shipping Devices

EFFECTIVE DATE: 1/1/97 TERMINATION DATE: 12/31/99 PAYMENT TERMS

CONTRACT AMENDMENT AND EXTENSION

ORIGIN	DESTINATION	RATE	TRANSIT TIME
Various	Various	See ATTACHMENT B	See ATTACHMENT B

TO AMEND ATTACHMENTS A & B OF THE CHRYSLER/CELADON CDM TRUCKLOAD CONTRACT.

REVISE CONTRACT AS FOLLOWS:

1. CELADON shall [*]. Rates [*] the contract period.

   * CONFIDENTIAL TREATMENT FOR SUCH OMITTED INFORMATION HAS BEEN REQUESTED PURSUANT TO RULE 406 OF THE SECURITIES ACT OF 1933, AND SUCH INFORMATION HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

2. CELADON reserves the right to review [*] selected rates to the United States from Laredo which may be canceled or adjusted by mutual agreement between the parties after January 1, 1998.

   * CONFIDENTIAL TREATMENT FOR SUCH OMITTED INFORMATION HAS BEEN REQUESTED PURSUANT TO RULE 406 OF THE SECURITIES ACT OF 1933, AND SUCH INFORMATION HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

3. Southbound 53' trailers transloaded in Laredo shall be subject to a charge to CHRYSLER [CONFIDENTIAL TREATMENT FOR SUCH OMITTED INFORMATION HAS BEEN REQUESTED PURSUANT TO RULE 406 OF THE SECURITIES ACT OF 1933,

AND SUCH INFORMATION HAS BEEN FILED SEPARATELY WITH THE COMMISSION.]

4. CELADON will commit to pick up [*] of all chrysler Southbound parts shipments offered to CELADON which are described in the lanes shown in ATTACHMENT B and in subsequent specific service/rate letters of Agreement.

* CONFIDENTIAL TREATMENT FOR SUCH OMITTED INFORMATION HAS BEEN REQUESTED PURSUANT TO RULE 406 OF THE SECURITIES ACT OF 1933, AND SUCH INFORMATION HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

5. CELADON will pick up the Southbound parts shipments within the Response Time Schedule shown in ATTACHMENT C.

6. CELADON will transport the Southbound parts shipments in accordance with the transit times show in ATTACHMENT B, as measured from time of pick up.

7. Programs developed and mutually implemented to achieve savings for CELADON will be [*] CELADON and CHRYSLER. [*]

* CONFIDENTIAL TREATMENT FOR SUCH OMITTED INFORMATION HAS BEEN REQUESTED PURSUANT TO RULE 406 OF THE SECURITIES ACT OF 1933, AND SUCH INFORMATION HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

8. Celadon will commit to haul Northbound rack shipments at a minimum weekly rate of [*] of the Southbound volume. The service level on these Northbound shipments will be as follows:

Hot Racks - (as identified by Hastings or Chrysler Logistics) will move with the same transit time as auto parts.

Other Racks - not designated as "hot", or in excess of [*] will move at auto parts transit times, [*].

* CONFIDENTIAL TREATMENT FOR SUCH OMITTED INFORMATION HAS BEEN REQUESTED PURSUANT TO RULE 406 OF THE SECURITIES ACT OF 1933, AND SUCH INFORMATION HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

Celadon will provide weekly reports showing the actual NB/SB load ratio, and our service against these transit time requirements. With prior approval from Chrysler, Celadon may utilize intermodal service to avoid NB Laredo shipments backlogs.

9. Both parties agree to negotiate amendments to any or all of the above

provisions in the event of force majeure or other significant and unexpected economic fluctuations.

10. This contract will be in effect until December 31, 1999.

Carrier: Chrysler Corporation

BY: /s/ Michael J. Hodson BY: /s/ T.W.G.

One Celadon Drive
9503 E. 33rd St.
Indianapolis, IN 46236
Phone: (317) 972-7000 - Fax (317) 890-9401

CELADON TRUCKING SERVICES, INC.

CONTRACT RATES FOR:

Chrysler Corporation
800 Chrysler Drive East
Auburn Hills, MI 48326

EFFECTIVE: 8/20/96 ATTACHMENT "B"
ISSUED: CONTRACT RATES ITEM # CR0001

FROM:	TO:	RATE (CPM)	MILES	TOTAL	SPECIAL NOTES	TRANSIT TIME

[CONFIDENTIAL TREATMENT FOR SUCH OMITTED INFORMATION HAS BEEN REQUESTED PURSUANT TO RULE 406 OF THE SECURITIES ACT OF 1933, AND SUCH INFORMATION HAS BEEN FILED SEPARATELY WITH THE COMMISSION.]

ATTACHMENT C

Celadon Response Time Schedule

[CONFIDENTIAL TREATMENT FOR SUCH OMITTED INFORMATION HAS BEEN REQUESTED PURSUANT TO RULE 406 OF THE SECURITIES ACT OF 1933, AND SUCH INFORMATION HAS

BEEN FILED SEPARATELY WITH THE COMMISSION.]

EXHIBIT 10.9

CHRYSLER
CORPORATION

MOTOR CARRIER
TRANSPORTATION
CONTRACT

CHRYSLER CORPORATION (CHRYSLER) WITH A BUSINESS ADDRESS AT 38111 VAN DYKE, STERLING HEIGHTS, MI 48312, HEREBY AGREES TO PURCHASE AND

Celadon Trucking Inc.
888 Seventh Ave.
New York, N.Y. 10106

(CARRIER) AGREES TO SELL AND DELIVER THE SERVICES SPECIFIED HEREIN IN ACCORDANCE WITH THE TERMS AND CONDITIONS ON THE FACE AND REVERSE SIDE HEREOF AND ANY NUMBERED ATTACHMENTS HERETO.

DESCRIPTION OF SERVICES

COMMODITIES: Truckload Transportation Services

EFFECTIVE DATE: Oct. 1, 1993 TERMINATION DATE: Sept. 30, 1996 PAYMENT TERMS: 30 Days

ORIGIN	DESTINATION	RATE	TRANSIT TIME
*Various	*Various	*Various	*Various

*As specified in the rate acceptance letter(s) executed by Chrysler and the Carrier.

Lanes awarded with this contract are to remain firm in price for a minimum period extending thru January 1, 1995 as specified on the attachment. Business awarded after the contract effective date will be as specified in the individual rate acceptance letters.

Chrysler reserves the right to add or delete business in order to meet its changing business needs.

CARRIER	CHRYSLER CORPORATION
By: /s/ Leonard Bennett	By: /s/ John A. Ryda
Date: 9/23/93	Date: 9/15/93

GENERAL TRANSPORTATION TERMS

MOTOR CARRIER

1. PERSONNEL AND EQUIPMENT Carrier will be deemed an independent contractor to Chrysler and will provide all resources necessary to perform transportation services. Carrier may subcontract transportation services, subject to Chrysler's consent, individuals engaged by Carrier will be considered employees or subcontractors of Carrier and will be subject to discharge, discipline and control solely and exclusively by Carrier.

2. COMMODITY LOSS AND DAMAGE Carrier's performance of transportation services without loss or damage to Commodities is an essential obligations of this Agreement, Carrier will meet the requirements and objectives of all written programs, practices and procedures instituted by Chrysler regarding the quality of transportation services. Carrier is deemed to have care, control, custody and possession of Commodities from the time they are tendered to the Carrier for transportation until delivery to Chrysler or its consignee. During such period, Carrier assumes full responsibility for any and all loss of or damage to Commodities. Carrier will promptly act on all claims submitted by chrysler or its agent.

3. INSURANCE AND INDEMNIFICATION Carrier will furnish to Chrysler and maintain in effect during the term of this Agreement, as its sole expense, insurance in amounts and coverages satisfactory to Chrysler. Such insurance will be primary to, and not excess over or contributory with, any other valid, applicable and collectible insurance in force for Chrysler. Except for Commodity loss the damage claims filed by Chrysler or its agent that are governed by Section 2, Carrier will defend, indemnify and hold harmless Chrysler, its parent corporation,

subsidiaries, officers, directors and employees, from and against any and all claims, liabilities, losses, damages, penalties, fees, settlements and expenses in connection with 1) injury to or the death of any person, 2) damage to or loss of any property of any person, or 3) the violation of or non-compliance with any law or regulation, to the extent such claims, liabilities, losses, damages, penalties, fees or expenses result from or arise out of any act or omission of the indemnifying party, or its employees or subcontractors, in connection with the performance of transportation services.

4. COMPLIANCE WITH REGULATIONS Carrier will obtain, at its own expense, all licenses, permits and approvals required under any applicable governmental statute or regulation for the transportation of Commodities. Carrier will obey all applicable governmental laws and regulations connected with the transportation of Commodities.

5. FORCE MAJEURE The obligation of Carrier to furnish and of Chrysler to use transportation services will be temporarily suspended during any period in which either of the parties is unable to comply with this Agreement because of fire, flood, civil commotion, closing of public highways, government interference or regulations, or any other events similar to the foregoing that are beyond the reasonable control of, and are not due to the negligence of, the party claiming force majeure. The parties will make all reasonable efforts to continue to meet their obligations for the duration of the force majeure. Chrysler will have the right to use other transportation services during the period of force majeure, and any shipments made on alternate carriers during any Carrier declared force majeure will be counted toward Chrysler's volume obligation, if any, to Carrier.

6. PRECEDENCE OVER APPLICABLE TARIFFS To the extent permitted by applicable laws and regulations, the terms of this Agreement will prevail over any rules, regulations, tariffs, tariff circulars and terms and conditions of bills of lading regarding transportation of Commodities.

7. DEFAULT, CURE AND TERMINATION In the event that Carrier fails to perform any of its obligations herein, Chrysler will give the Carrier written notice specifying the nature of the default and demanding cure satisfactory to Chrysler within thirty (30) days following receipt of the demand to cure. Failing such cure, Chrysler will have the right: 1) to cease tendering all or a portion of Commodities for future shipments, or 2) to terminate the Agreement. If Carrier's default is related to transit times, then Chrysler may also, at any time and without written notice as provided above, use alternate carriers to transport all or a

portion of Commodities. Carrier recognizes that Commodities must be shipped on a timely basis and without the loss or damage in order for Chrysler to avoid loss and expense as a consequence of plant shutdowns, schedule realignments, off-line repairs or the necessity of procuring higher-cost alternative transportation.

8. INSPECTION AND AUDIT Chrysler may, on reasonable notice, inspect any Commodity and any equipment used to handle and transport Commodities wherever located. Chrysler may also, on reasonable notice, inspect Carrier's records relating to transportation of Commodities. Chrysler may, at any time and with notice to Carrier, remove Commodities from Carrier's care, possession, custody or control.

9. MISCELLANEOUS CLAUSES This Agreement will be binding on permitted successors and assigns. The failure to exercise any of the terms of this Agreement will not be construed as a continuing waiver of such term.

Neither this Agreement nor any of the duties herein may be assigned or delegated without the written permission of the other party.

Carrier will notify Chrysler of all relevant information regarding any actual or potential labor dispute delaying or threatening to delay timely performance of this Agreement.

If any provision of this Agreement is held to be legally invalid or unenforceable, such provision will be deemed omitted and all other provisions of this Agreement will continue in force.

Carrier will not, without the prior written consent of Chrysler, advertise or publish in any manner the rates established herein or use the name or trademarks of Chrysler, its products or any of its associated companies.

All notices or communications which are required to be given under this Agreement will be sent by regular or certified mail, postage prepaid, to the other party at the business address specified in this Agreement.

The terms of this Agreement will be governed by the laws of the State of Michigan (without regard to its conflicts of laws rules), except to the extent preempted by federal law.

10. ENTIRE AGREEMENT This Agreement, which consists of the Transportation Contract, General Transportation Terms and other documents referred to herein, constitutes the complete and entire agreement between Carrier and Chrysler for the transportation services defined herein and

supersedes all prior and contemporaneous proposals, representations, statements, agreements and promises, express or implied, with respect thereto. This Agreement may be amended only in a writing signed by the parties.

CHRYSLER TRUCKLOAD AWARD - EFF. 10/01/93

SCAC	PLANT CODE	SUPPLIER CODE	SUPPLIER NAME	ST.	CITY	TYPE MODE	I/B RATE	O/B RATE	TRANS HRS.	SHPT/ HRS.	RACK RET.

[CONFIDENTIAL TREATMENT FOR SUCH OMITTED INFORMATION HAS BEEN REQUESTED PURSUANT TO RULE 406 OF THE SECURITIES ACT OF 1933, AND SUCH INFORMATION HAS BEEN FILED SEPARATELY WITH THE COMMISSION.]

CARRIER APPROVAL BY: _____ DATE: _____ CHRYSLER APPROVAL BY: /s/ John A. Ryda DATE: 9-15-93

Exhibit 10.41

CONSULTING AND NON-COMPETITION AGREEMENT

This CONSULTING AND NON-COMPETITION AGREEMENT (this "Agreement"), is made as of the 3rd day of July, 1996, between Celadon Group, Inc., a Delaware corporation (the "Company"), on the one hand, and Leonard R. Bennett (the "Consultant"), on the other hand.

W I T N E S S E T H:

WHEREAS, prior to the date hereof the Consultant has served as a member of the Board of Directors, the President, the Chief Operating Officer and an employee of the Company and as such has provided services to the Company that were both critical and integral to its operations; and

WHEREAS, concurrently with the execution and delivery of this Agreement, the Consultant is resigning from his positions as a director, officer and employee of the Company; and

WHEREAS, the Company desires to formally engage the Consultant as a consultant and adviser in connection with the Company's business operations, and the Consultant desires to accept such engagement, upon the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter contained, the parties hereto hereby agree as follows:

SECTION 1. Engagement. The Company hereby engages the Consultant as a consultant and adviser in connection with the Company's business operations, and the Consultant hereby accepts such engagement, upon the terms and subject to the conditions hereinafter set forth.

SECTION 2. Term. The services of the Consultant hereunder shall commence as of the date hereof and, unless sooner terminated in the manner as hereinafter provided, shall continue thereafter until the third anniversary of the date hereof.

SECTION 3. Duties of the Consultant. During the term of his engagement hereunder, the Consultant shall (a) perform such duties and serve the Company to the best of his ability at such time and place and shall devote such working time and attention to his engagement hereunder as the Consultant and the Company shall mutually and reasonably deem necessary; provided, however, that in no event shall the Consultant be required to travel to locations other than Indianapolis, Indiana or New York, New York in connection with his obligations hereunder, and (b) perform such duties and services as may reasonably be

required of him by the Board of Directors of the Company in connection with the Company's business operations, it being understood by the parties hereto that the Consultant shall not be required to devote more than three full business days per month during the term hereof to the performance of his obligations hereunder. The Consultant shall travel to the locations referenced in this Section 3 in connection with the performance of his obligations hereunder, at the request and expense of the Company, provided the Company notifies the Consultant of the need therefor at least five business days in advance of any such scheduled travel date.

SECTION 4. Compensation and Set-Off Rights. (a) As of the date hereof and during the term of his engagement hereunder, the Company shall pay to the Consultant as compensation for the Consultant's services hereunder and

for the Consultant's agreements under Section 9 hereof, a fee of $250,000 per year, payable bi-weekly or at such other intervals as may be agreed to in writing by the Consultant and the Company.

(b) In addition to the fee referred to in Section 4(a) hereof, the Company shall pay to the Consultant as an additional fee for his services hereunder an amount equal to and payable concurrently with the bonus, if any, paid to Stephen Russell, the Chairman of the Board of Directors and Chief Executive Officer of the Company, for the Company's 1996 fiscal year.

(c) The Company may set-off and otherwise apply payments due pursuant to Section 4(a) and (b) hereof against monies which are past due and owing, following the expiration of all applicable notice and cure periods, from the Consultant to the Company or its subsidiaries pursuant to the terms of that certain Agreement, dated as of even date herewith, between Celadon Logistics Inc., a Delaware corporation, and the Consultant (a "Set-off Payment"). In the event that a court having proper jurisdiction determines that a Set-off Payment was not due and owing in whole or in part to the Company or the applicable subsidiary, the Company shall promptly reimburse such amount to the Consultant, with interest thereon at a rate of 12% per annum based on the number of days elapsed from and including the date of such Set-off Payment through and including the date of the reimbursement payment.

SECTION 5. Benefits; Stock Options and Expenses. (a) Except as otherwise provided in Section 6 hereof, until the earliest of (x) a termination of the Consultant's engagement hereunder by the Company for "cause" pursuant to Section 8(a) hereof, if any, (y) a voluntary termination of the Consultant's engagement hereunder by the Consultant (excluding a termination as a result of his death or permanent disability), or (z) the third anniversary of the date hereof, the Company shall where applicable pay for and shall otherwise provide or cause to be provided to the Consultant the following benefits:

(i) A non-accountable benefits allowance in the amount of $1,533 per month, to be paid simultaneously with the delivery of the first bi-weekly check of each month pursuant to Section 4(a) hereof.

(ii) Continuation of premium payments on the disability insurance policy listed on Exhibit A hereto which was maintained by the Company with respect to the Consultant immediately prior to the date hereof.

(iii) Continuation of premium payments, in the manner of payment set forth on Exhibit A hereto, on the life insurance policies listed on Exhibit A hereto which were maintained by the Company with respect to the Consultant immediately prior to the date hereof.

(b) The Company hereby represents and warrants to the Consultant that attached hereto as Exhibit B is a list of all stock options relating to the Company's capital stock granted to the Consultant prior to the date hereof (collectively, the "Stock Options"). Notwithstanding anything to the contrary contained in any stock option plan or agreement relating to the Stock Options (collectively, the "Option Documents"), the Company shall cause all such Stock Options to be exercisable by the Consultant until the earlier of (x) a termination of the Consultant's engagement hereunder by the Company for "cause" pursuant to Section 8(a) hereof, if any, or (y) the third anniversary of the date hereof, in each case in accordance with the terms of the applicable Option Documents, except that the expiration of this Agreement on the third anniversary of the date hereof shall be deemed a termination of the Consultant's employment with the Company for purposes of the Option Documents. The Company shall indemnify and hold the Consultant, his heirs, executors, administrators, personal representatives, successors and assigns harmless from

and against any and all losses, liabilities, damages and expenses (including reasonable attorneys' fees and expenses) resulting from any breach by the Company of its representations, warranties or obligations pursuant to this Section 5(b).

(c) The Company shall reimburse the Consultant for all reasonable out-of-pocket expenses incurred by the Consultant with the prior approval of the Company in connection with the performance of the Consultant's obligations hereunder, promptly following the Consultant's submission to the Company of invoices therefor, except that such prior approval shall not be required for reimbursement of all reasonable travel expenses incurred by the Consultant where the Company has required such travel of the Consultant in accordance with the terms hereof.

(d) Unless this Agreement is terminated upon the death of the Consultant, until the earliest of (x) a termination of the Consultant's engagement hereunder by the Company for "cause" pursuant to Section 8(a) hereof,

if any, (y) a voluntary termination of the Consultant's engagement hereunder by the Consultant (excluding a termination as a result of his death or permanent disability), or (z) the third anniversary of the date hereof, the Consultant shall pay to the Company the then cash value of both of the "split whole life" insurance policies listed on Exhibit A hereto and the Company shall execute and deliver and take any and all actions necessary to have the Company removed as a collateral beneficiary under each of the insurance policies listed on Exhibit A hereto.

SECTION 6. Death or Permanent Disability. In the event of the death or permanent disability (as defined below) of the Consultant during the term of his engagement hereunder, this Agreement shall thereupon automatically terminate and except as otherwise provided in Section 5(b) hereof, the parties shall have no further obligations hereunder. For purposes of this Section 6, "permanent disability" shall mean any physical or mental disability or incapacity, as reasonably determined in good faith by a physician, mutually acceptable to the Company and the Consultant or his personal representatives, which permanently renders the Consultant incapable of performing the services required of him pursuant to the terms hereof. If the parties are unable to promptly select a mutually acceptable physician, either party may request that a physician be selected for purposes of this Section 6, by the American Arbitration Association. The Company shall pay all fees and other costs, including the fees, if any, of the American Arbitration Association, of any medical examinations required for purposes of this Section 6.

SECTION 7. Releases. (a) The Consultant, on behalf of himself and anyone claiming through him including, but not limited to, his past, present and future spouses, family members, relatives, agents, attorneys, representatives, heirs, executors and administrators, and the predecessors, successors and assigns of each of them, hereby releases and agrees not to sue the Company or any of its divisions, subsidiaries, affiliates, other related entities (whether or not such entities are wholly owned) or the officers, directors, agents, attorneys or representatives thereof, or the predecessors, successors or assigns of each of them (hereinafter jointly referred to as the "Released Parties"), with respect to any and all known or unknown claims which the Consultant now has, has ever had, or may in the future have, against any of the Released Parties for or related in anyway to anything occurring from the beginning of time up to and including the date hereof, including without limiting the generality of the foregoing, any and all claims which in any way result from, arise out of, or relate to, the Consultant's employment by the Company or the termination of such employment, including, but not limited to, any and all claims for severance or termination payments under any agreement between the Consultant and the Company or any program or arrangement of the Company or any claims that could have been asserted by the Consultant or on

his behalf against any of the Released Parties in any federal, state or local court, commission, department or agency under any fair employment, contract or tort law, or any other federal, state or local law, regulation or ordinance, including, without limitation, Title VII of the Civil Rights Act of 1964, the Employee Retirement Income Security Act of 1974, as amended, the Americans with Disabilities Act or the Age Discrimination in Employment Act, or under any compensation, bonus, severance, retirement or other benefit plan; provided, however, that nothing contained in this Section 7 (a) shall apply to, or release the Company from, any obligations (i) contained in this Agreement, (ii) contained in the Stock Purchase Agreement, dated of even date herewith, between the Consultant and Celadon Logistics Inc., a Delaware corporation, and the agreements, documents and instruments contemplated thereby, (iii) contained in the Amendment to Country Club Membership Agreement, dated of even date herewith (the "Amendment to Country Club Membership Agreement"), among the Company, the Consultant and Stephen Russell, or (iv) to indemnify the Consultant with respect to matters occurring prior to the date hereof pursuant to the Company's Certificate of Incorporation or Bylaws or insurance policies maintained by the Company with respect thereto. The Consultant expressly represents and warrants that he has not transferred or assigned any rights or causes of action of the nature referred to in this Section 7(a) that he might have against any of the Released Parties.

(b) The Company, on behalf of itself and anyone claiming through it including, but not limited to, its officers, directors, agents, attorneys, representatives, heirs, successors and assigns, and the predecessors, successors and assigns of each of them, hereby releases and agrees not to sue the Consultant, his family members, relatives, agents, attorneys, representatives, heirs, executors and administrators, or the predecessors, successors or assigns of each of them (hereinafter jointly referred to as the "Consultant Released Parties"), with respect to any and all known or unknown claims which the Company now has, has ever had, or may in the future have, against any of the Consultant Released Parties for or related in anyway to anything occurring from the beginning of time up to and including the date hereof, including without limiting the generality of the foregoing, any and all claims which in any way result from, arise out of, or relate to, the Consultant's employment by or directorship with or offices held with the Company, including, but not limited to, any and all claims for payments by the Consultant under any agreement between the Consultant and the Company or any claims that could have been asserted by the Company or on its behalf against any of the Consultant Released Parties in any federal, state or local court, commission, department or agency under any federal, state or local law, regulation or ordinance; provided, however, that nothing contained in this Section 7(b) shall apply to, or release the Consultant from, any obligations (i) contained in this Agreement, (ii) contained in the Agreement, dated of even date herewith between the Consultant and Celadon Logistics Inc., a Delaware corporation, and the agreements, documents and instruments contemplated thereby, (iii) contained in the Amendment to Country Club Membership Agreement, or (iv) based on acts of fraud or violations of law committed by the Consultant. The Company expressly represents and warrants that it has not transferred or assigned any rights or causes of action of the nature referred to in this Section 7(b) that it might have against any of the Consultant Released Parties.

SECTION 8. Termination. (a) The Consultant's engagement hereunder may be terminated by the Company at any time if the Consultant shall commit any of the following acts (such termination being for "cause"):

(i) The Board of Directors of the Company shall have reasonably determined in good faith that the Consultant has committed an act of fraud, theft or dishonesty against the Company; or

(ii) The Consultant shall be convicted of (or plead nolo contendere to) any felony.

In the event the Company elects to terminate the engagement of the Consultant for "cause" pursuant to this Section 8(a), the Board of Directors of the Company shall send written notice to the Consultant terminating such engagement and describing the basis for such termination; and thereupon the Company shall have no further obligations under this Agreement to the Consultant, and the Consultant shall have the obligations set forth in Section 9 hereof.

(b) Except as otherwise expressly provided in Section 6 or Section 8(a) hereof, in the event the Company terminates the Consultant's engagement hereunder for any other reason, the Company shall be obligated to promptly pay in a lump sum payment to the Consultant the full amount of the remaining payments pursuant to Sections 4(a) and (b) hereof and the Consultant shall be entitled to receive all of the rights, payments and benefits provided for in Section 5 hereof until the third anniversary of the date hereof.

SECTION 9. Non-Competition Covenants and Confidentiality. (a) Provided that the Company is not in default to the Consultant with respect to the Company's obligations under this Agreement (which default remains uncured for ten days after notice thereof from the Consultant to the Company), the Consultant shall not, directly or indirectly, do any of the following:

(i) own, manage, operate, control, or participate in the ownership, management, operation or control of or be employed or engaged by or otherwise affiliated or associated in any manner with, any other corporation, partnership, proprietorship, firm, association, or other business entity which is principally engaged in the business of providing full truckload trucking services (w) within any of the United States, Canada or Mexico, (x) between the United States and Mexico, (y) between the United States and Canada, or (z) between Canada and Mexico (a "Competing Business"); provided, however, that the Consultant's ownership of not more than five percent (5%) of the outstanding stock of a company engaged in a Competing Business, if such stock is listed on a national securities exchange, reported on The Nasdaq Stock Market or regularly traded in the over-the-counter market, shall not be deemed violative of this

Section 9(a)(i); or

(ii) except for members of the Consultant's family, Ramiro Leal and Sandra Hall, hire any person who is an employee of the Company or its subsidiaries (other than persons who are employees of Celsur Inc. or its subsidiaries) on the date hereof, unless such person's employment is terminated by the Company or the applicable subsidiary and a period of six months has passed following the date of such termination; or

(iii) disclose, divulge, discuss, copy or otherwise use or suffer to be used, in any manner in competition with or contrary to the interests of the Company, the customer lists, marketing methods, research or data or other trade secrets or other proprietary information of the Company, it being acknowledged by the Consultant that all such information regarding the business of the Company, compiled or obtained by, or furnished to, the Consultant while the Consultant shall have been engaged hereunder or associated with the Company is confidential information and the exclusive property of the Company; provided, however, that this Section 9(a)(iii) shall not apply to the disclosure by the Consultant of confidential information (A) in the course of carrying out his duties under this Agreement, (B) when required to do so by a court of law or any governmental or administrative agency having jurisdiction over the business of the Company; provided in such event, the Consultant shall immediately notify the Company of the existence, terms and circumstances surrounding such disclosure so that the Company may

seek an appropriate protective order prior to the disclosure of such information, or (C) information which is in the public domain other than through disclosure by the Consultant.

(b) Except as otherwise provided in Section 9(a) hereof, the provisions of Sections 9(a)(i) and 9(a)(ii) hereof shall be operative until the third anniversary of the date of this Agreement. All other obligations created by the terms of this Section 9 are of a continuing nature and shall remain in full force and effect during and beyond the Consultant's period of engagement by and association with the Company.

(c) The Consultant expressly agrees and understands that the remedy at law for any breach by him of this Section 9 will be inadequate and that the damages flowing from such breach are not readily susceptible to being measured in monetary terms. Accordingly, it is acknowledged that upon adequate proof of the Consultant's violation of any legally enforceable provision of this Section 9, the Company shall be entitled to immediate injunctive relief and may obtain a temporary order restraining any threatened or further breach. Except as provided in the immediately following sentence, nothing contained in this Section 9 shall be deemed to limit the Company's remedies at law or in equity

for any breach of the provisions of this Section 9 by the Consultant. Any covenant on the Consultant's part contained hereinabove which may not be specifically enforceable shall nevertheless, if breached, give rise to a cause of action for monetary damages, if such breach remains uncured for 30 days after notice thereof in reasonable detail from the Company to the Consultant.

(d) Nothing contained herein shall prevent the Consultant from being employed by, rendering services to or owning, managing or otherwise being affiliated with other entities; provided such other entities are not engaged in a Competing Business.

SECTION 10. Relationship of the Parties. In performing his services hereunder, the Consultant shall be an independent contractor and, as between the Company and the Consultant, the Company shall not be responsible for withholding, collection or payment of income taxes or for other taxes of any nature on behalf of the Consultant. Nothing contained herein shall make the Consultant the agent or employee of the Company or provide the Consultant with the power or authorization to bind the Company to any contract, agreement or arrangement with an individual or entity except with the prior written approval of the Chairman of the Board of Directors and Chief Executive Officer of the Company.

SECTION 11. Termination of Employment Contract. The parties hereto hereby agree that the Employment Contract, dated as of January 21, 1994 between the Company and the Consultant shall be terminated and the terms and provisions thereof shall be null and void and of no further force and effect effective as of the date hereof.

SECTION 12. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be delivered personally, sent by registered or certified mail, return receipt requested, or sent by a nationally recognized overnight courier service addressed as follows:

If to the Company, to:

Celadon Group, Inc.
888 Seventh Avenue
Suite 402
New York, New York 10106
Attention: Stephen Russell

With a copy to:

Proskauer Rose Goetz & Mendelsohn L.L.P.

1585 Broadway
New York, New York 10036-8299
Attention: Arnold Jacobs, Esq.

If to the Consultant, to:

Leonard R. Bennett
2526 N.W. 59th Street
Boca Raton, Florida 33496

With a copy to:

Akin, Gump, Strauss, Hauer & Feld, L.L.P.
399 Park Avenue
New York, New York 10022
Attention: Robert G. Koen, Esq.

or to such other person or address as any party shall specify by notice in writing to the other parties hereto.

SECTION 13. Assignability, Binding Effect and Survival. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. The rights and obligations of the Consultant under this Agreement shall inure to the benefit of and be binding upon the Consultant and his heirs, personal representatives and estate. The provisions of Section 9 hereof shall survive termination of this Agreement and, to the extent appropriate to the intention of the parties and the subject matter of this Agreement, other rights and obligations of the parties may survive the termination of this Agreement.

SECTION 14. Complete Understanding; Amendment. This Agreement constitutes the complete understanding between the parties with respect to the subject matter hereof, and no statement, representation, warranty or covenant has been made by any party with respect thereto except as expressly set forth herein. This Agreement shall not be altered, modified, amended or terminated except by written instrument signed by each of the parties hereto. Waiver by any party hereto of any breach hereunder by another party shall not operate as a waiver of any other breach, whether similar to or different from the breach waived.

SECTION 15. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of law thereof.

SECTION 16. Section Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 17. Severability. If any provision of this Agreement or the application of any such provision to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid and

unenforceable to any extent, the remainder of this Agreement or the application of such provision to such person or circumstances other than those to which it is so determined to be invalid and unenforceable, shall not be affected thereby, and each provision hereof shall be validated and shall be enforced to the fullest extent permitted by law.

SECTION 18. Legal Fees and Expenses. The parties hereto shall each pay all costs, fees and expenses incurred by it or him in connection with the negotiation and preparation of this Agreement, including, without limitation, the fees and expenses of its or his own advisors and counsel.

SECTION 19. Further Assurances. Each of the parties hereto shall, whenever and as often as reasonably requested to do so by the other party, do, execute, acknowledge and deliver any and all such other further acts, transfers and any instruments of further assurances, approvals and consents as are necessary or proper in order to accomplish and complete the transactions contemplated hereby.

SECTION 20. Counterparts. This Agreement may be executed in two or more separate counterparts, each of which shall be deemed an original and all of which together shall constitute a single instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the day and year first above written.

CELADON GROUP, INC.

By: /s/ Stephen Russell
Name: Stephen Russell
Title: Chairman

/s/ Leonard R. Bennett
Leonard R. Bennett

EXHIBIT A

BENEFITS

Disability Insurance Policy:

Policy Number	Insurer	Policy Amount
31050-69733	Provident	$17,000/month

Life Insurance Policies:

<TABLE>
<CAPTION>

Policy Number	Insurer	Policy Amount	Policy Type	Manner of Payment
<S>	<C>	<C>	<C>	<C>
7214173	Mass Mutual	$1,500,000	Split whole life	Borrowing against cash value
7394226	Mass Mutual	$1,000,000	Split whole life	Borrowing against cash value
79774583	Prudential	$2,000,000	Term	Cash premium payments

</TABLE>

EXHIBIT B

STOCK OPTIONS

<TABLE>
<CAPTION>

Number of Shares	Exercise Price
<C>	<C>
25,000	$20.00
25,000	$13.625
20,000	$10.00

</TABLE>

THIRD AMENDMENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT TO CREDIT AGREEMENT, dated as of September 13, 1996 (this "Amendment") by and among CELADON GROUP, INC., a Delaware corporation ("CG"), CELADON TRUCKING SERVICES, INC., a New Jersey corporation ("Trucking") (collectively with CG, referred to as the "Companies" and individually, each a "Company"), the Banks set forth on the signature pages of the Credit Agreement referred to below (collectively, the "Banks" and individually, each a "Bank"), NBD BANK, a Michigan banking corporation, formerly known as NBD Bank, N.A., as co-agent for the Banks ("Co-Agent A") and THE FIRST NATIONAL BANK OF BOSTON, a national banking association, as co-agent for the Banks ("Co-Agent B" and together with Co-Agent A, referred to as the "Co-Agents").

RECITALS

A. CG, Trucking, the Banks and the Co-Agents are parties to a Credit Agreement dated as of June 1, 1994, as amended by a First Amendment to Credit Agreement dated as of October 31, 1994, a Second Amendment to Credit Agreement dated as of October 31, 1995 and letter agreements dated January 31, 1996, February 15, 1996 and June 29, 1996 (as amended, the "Credit Agreement").

B. The Companies have defaulted under the Credit Agreement.

C. The Companies have requested that the Co-Agents and the Banks waive such defaults, and the Co-Agents and the Banks are willing to do so strictly in accordance with the terms hereof, and provided the Credit Agreement is amended as set forth herein, and the Companies have agreed to such amendments.

AGREEMENT

Based upon these recitals, the parties agree as follows:

1. Upon satisfaction of the conditions set forth in paragraph 4 hereof, the Credit Agreement shall hereby be amended as of the effective date hereof as follows:

(a) The definition of "Applicable Margin" shall be amended as follows:

(i) Line 4 in the table shall be deleted and line 4 below shall be substituted in place thereof and new lines 5 and 6 shall be added to the table to read as follows:

<TABLE>
<CAPTION>

	Revolving Credit Loans	Term Loans	Letter of Credit Fees	Commitment Fees

<S>	<C>	<C>	<C>	<C>
4. If the Leverage Ratio is greater than or equal to 2.25 to 1.0 and less than 2.75 to 1.0 AND the Fixed Charge Ratio is less than or equal to 1.35 to 1.0 and greater than 1.20 to 1.00	1-3/8%	1-5/8%	1-3/8%	1/2%
5. If the Leverage Ratio is greater than or equal to 2.75 to 1.0 and less than 3.0 to 1.0 AND the Fixed Charge Coverage Ratio is less than or equal to 1.20 to 1.0 and greater than 1.10 to 1.0	1-5/8%	1-7/8%	1-5/8%	1/2%
6. If the Leverage Ratio is greater than or equal to 3.0 to 1.0 AND the Fixed Charge Coverage Ratio is less than or equal to 1.10 to 1.0	2%	2-1/4%	2%	1/2%

</TABLE>

(ii) The last paragraph of such definition shall be amended by deleting the reference in the fourth sentence to "clause 3" and inserting "clause 6" in place thereof and the following language shall be added at the bottom of the last paragraph: Notwithstanding the foregoing, the Companies, the Banks and the Agent agree that the Applicable Margin shall be as set forth in line

6 of the table above until the Banks receive the financial statements for the fiscal quarter ending September 30, 1996, at which time the Applicable Margin shall be determined as set forth above.

(b) The definition of "Borrowing Base" shall be amended by adding the following at the end thereof: "plus, (e) during such time as the Banks shall

have a first mortgage lien on the Property pursuant to the Mortgage, an amount equal to 50% of the depreciated cost basis of the Property, which depreciated cost basis shall not exceed $6,500,000".

(c) The definition of "Eligible Equipment" shall be amended by adding the following language at the end of clause (e) therein: "provided" however, equipment which is leased to Greenbriar Rental Services, Inc. on terms which the Banks have consented to in writing in each case and which leases have been assigned to Co-Agent A, for the benefit of the Banks, shall not be excluded from "Eligible Equipment" pursuant to this clause (e)."

(d) The definition of "Fixed Charge Ratio" shall be amended by adding the following language at the end of clause (A)(ii): "and all rents paid or required to be paid by such person in connection with any sale/leaseback transaction of the Property."

(e) The definition of "Fixed Charges" shall be amended by adding the following language at the end of clause (e): "and all rents paid or required to be paid by such person in connection with any sale/leaseback transaction of the Property."

(f) New definitions of "Mortgage" and "Property" shall be added in appropriate alphabetical order to read as follows:

> "Mortgage" shall mean the mortgage, security agreement and assignnent of rents entered into by Celadon Real Estate Corp. granting a mortgage lien on the Property to the Agent and the Banks to secure the Advances under this Agreement, in form and substance satisfactory to the Bank.
>
> "Property" shall mean the headquarters of the Companies located at 9503 East 33rd Street, Indianapolis, Indiana 46236.

(g) The definition of "Security Documents" shall be amended by adding the following language immediately after the reference to "Security Agreement" contained therein: "the Mortgage".

(h) The definition of "Termination Date" in Section 1.1 shall be amended by deleting the reference therein to "September 15, 1996" and inserting "April 1, 1997" in place thereof.

(i) A new definition of "Third Amendment Effective Date" shall be added to read as follows:

> "Third Amendment Effective Date" shall mean September 13, 1996.

(j) Section 5.1(d)(iv) shall be amended by adding the following language immediately after the reference to "hereto" in line 2: "and a profit and loss

statement for Trucking prepared as of the end of such month".

(k) Section 5.1(f) shall be amended by adding a new paragraph at the end thereof:

> Celadon Real Estate Corp. executed and delivered the Mortgage to Co-Agent A and the Banks on the Third Amendment Effective Date. In the event the Companies and Celadon Real Estate Corp. complete the sale/leaseback transaction currently contemplated for the Property, Co-Agent A shall execute and deliver to the Companies a release of the Mortgage and the Banks hereby authorize Co-Agent A to execute such release on their behalf. In the event such sale/leaseback is not completed on or before 90 days after the Third Amendment Effective Date, the Companies also agree to deliver, within 15 days thereafter, a survey, a title insurance policy, environmental investigation and any and all other documents or instruments reasonably requested by the Banks in connection therewith, in each case satisfactory to the Banks.

(l) Sections 5.2(a), (b), (c) and (d) shall be deleted in their entirety and the following shall be inserted in place thereof:

> (a) Tangible Net Worth. Permit or suffer the Consolidated Tangible Net Worth of the Companies and their Subsidiaries to be less than (i) at any time during the period from and including September 30, 1996 to and including December 30, 1996, $35,250,000, (ii) at any time during the period from and including December 31, 1996 to and including March 30, 1997, $36,250,000, (iii) at any time during the period from and including March 31, 1997 to and including June 29, 1997, $36,750,000, (iv) at any time during the period from and including June 30, 1997 to and including September 29, 1997, $38,000,000, (v) at any time during the period from and including September 30, 1997 to and including December 30, 1997, $39,250,000, (vi) at any time during

> the period from and including December 31, 1997 to and including March 30, 1998, $40,500,000, (vii) at any time during the period from and including March 31, 1998 to and including June 29, 1998, $41,500,000, and (viii) at any time thereafter, an amount equal to the sum of (A) $43,000,000 p lus (B) an amount equal to 75% of the Consolidated Cumulative Net Income (without reduction for net loss) of the Companies and their Subsidiaries, to be added as of the end of each fiscal quarter of the Company commencing with the fiscal quarter ending September 30, 1998 plus (C) an amount

equal to 80% of the proceeds received in connection with the offering of any securities of any Company.

(b) Leverage Ratio. Permit or suffer the Leverage Ratio as of the end of any fiscal quarter of the Companies to be greater than: (i) as of the fiscal quarter ending in September, 1996, 3.85 to 1.0, (ii) as of the fiscal quarter ending in December, 1996, 3.45 to 1.0, (iii) as of the fiscal q quarter ending in March, 1997, 3.30 to 1.0, (iv) as of the fiscal quarter ending in June, 1997, 3.15 to 1.0, (v) as of the fiscal quarter ending in September, 1997, 3.0 to 1.0, (vi) as of the fiscal quarter ending in December, 1997, 2.75 to 1.0, (vii) as of the fiscal quarter ending in March, 1998, 2.5 to 1.0 and (viii) as of the fiscal quarter ending in June, 1998 and as of the end of each fiscal quarter thereafter, 2.25 to 1.0.

(c) Fixed Charge Ratio. Permit or suffer the Fixed Charge Ratio to be less than: (i) 0.85 to 1.0 as of and for the fiscal quarter ending in September, 1996, (ii) 1.0 to 1.0 as of and for the fiscal quarter ending in December, 1996 and for the immediately preceding fiscal quarter, (iii) 1.05 to 1.0 as of and for the fiscal quarter ending in March, 1997 and for the preceding two fiscal quarters, (iv) 1.10 to 1.0 as of and for the fiscal quarter ending in June, 1997 and for the preceding three fiscal quarters, and (v) 1.20 to 1.0 thereafter, as of the end of each fiscal quarter of the Companies for the preceding twelve-month period.

(d) Interest Coverage Ratio. Permit or suffer the Interest Coverage Ratio to be less than (i) 1.0 to 1.0 as of and for the fiscal quarter ending in September, 1996, (ii) 1.50 to 1.0 as of and for the fiscal quarter ending in December, 1996 and for the immediately preceding fiscal quarter, (iii) 1.50 to 1.0 as of and for the fiscal quarter ending in March, 1997 and for the preceding two fiscal quarters, (iv) 1.75 to 1.0 as of and for the fiscal quarter ending in June, 1997 and for the preceding three fiscal quarters, (v) 2.25 to

1.0 as of and for the fiscal quarter ending in September, 1997 and for the preceding three fiscal quarters, and (vi) 2.5 to 1.0 thereafter, as of the end of each fiscal quarter of the Companies for the preceding twelve-month period.

(m) Section 5.2 shall be amended by adding a new Section 5.2(m) at the end thereof to read as follows:

(m) EBIT. Permit or suffer the EBIT of Trucking for each fiscal month to be less than $0 as of the end

of each fiscal month of Trucking.

(n) Schedules 4.4, 4.5, 4.13, 5.2(e), 5.2(f) and 5.2(k) attached to the Credit Agreement shall be replaced with the forms of such respective Schedules attached hereto.

2. From and after the effective date of this Amendment, references to the "Credit Agreement" in the Credit Agreement, the Revolving Credit Notes, the Term Notes, the Security Documents and all other documents executed pursuant to the Credit Agreement shall be deemed references to the Credit Agreement as amended hereby.

3. Each Company represents and warrants to the Co-Agents and the Banks that:

(a) (i) The execution, delivery and performance of this Amendment by the Company and all agreements and documents delivered pursuant hereto by the Company have been duly authorized by all necessary corporate action and do not and will not require any consent or approval of its stockholders, violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to it or of its articles of incorporation or bylaws, or result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which the Company is a party or by which it or its properties may be bound or affected; (ii) no authorization, consent, approval, license, exemption of or filing a registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, is or will be necessary to the valid execution, delivery or performance by the Company of this Amendment and all agreements and documents delivered pursuant hereto and (iii) this Amendment and all agreements and documents delivered pursuant hereto by the Company are the legal, valid and binding obligations of the Company enforceable against it in accordance with the terms thereof.

(b) After giving effect to the amendments contained herein and effected pursuant hereto, the representations and warranties contained in Article IV of the Credit Agreement are true and correct on and as of the effective date hereof with the same force and effect as if made on and as of such effective date.

(c) Other than the Existing Defaults, as defined in and to be waived pursuant to paragraph 5, no Event of Default (as defined in Article VI of the Credit Agreement) and no Default shall have occurred and be continuing or will exist under the Credit Agreement as of the effective date hereof

4. This Amendment shall not become effective until:

(a) The favorable written opinion of counsel for the Companies in form and substance satisfactory to the Co-Agents;

(b) Celadon Real Estate Corp. shall have executed and delivered the Mortgage to Co-Agent A;

(c) Trucking shall have assigned its interest as lessor in the lease

agreements with Greenbriar Rental Services, Inc. pursuant to an assignment agreement in form and substance satisfactory to the Banks;

(d) The Company shall have delivered to the Banks a copy of the contract between the Company and Chrysler Corporation regarding the Mexican business, executed by all parties thereto;

(e) The Banks shall have completed their comprehensive field audit of the Companies and the results of such audit shall be satisfactory to the Banks;

(f) The Companies shall have delivered to Co-Agent A such other documents and instruments as the Co-Agents and the Banks may request; and

(g) The Company shall have paid an amendment fee to the Banks for their pro rata benefit in the amount of $87,500 and all expenses of counsel described in paragraph 6 hereof.

5. The Companies acknowledge that Events of Default have occurred because: (a) the Companies have breached the covenants contained in Sections 5.2(a), (b), (c) and (d) of the Credit Agreement for the fiscal quarter ending June 30, 1996; (b) the Companies have breached the Credit Agreement by including in the Borrowing Base equipment which does not qualify as "Eligible Equipment" because either Co-Agent A is not listed as lienholder on the title for such equipment and, therefore, Co-Agent A does not hold a perfected security interest in such equipment or the equipment is subject to a lease; (c) the Companies have breached the covenant contained in Section 5.2(j) of the Credit Agreement because Group repurchased approximately $130,000 of its capital stock during the continuance of a Default and (d) the Companies have breached the covenant contained in Section 5.2(e)(viii) because the Companies incurred additional Indebtedness after the occurrence and during the continuance of an Event of Default (the "Existing Defaults"). The Companies acknowledge that the Co-Agents and the Banks have the

ability to accelerate all indebtedness and exercise all of their rights and remedies under the Credit Agreement. In consideration of the execution of this Amendment and subject to the satisfaction of all conditions required by Paragraph 4 hereof, the Co-Agents and the Banks agree to waive the Existing Defaults, provided that: (a) such waiver shall waive only the Existing Defaults and does not waive any other Event of Default, including without limitation any future Event of Default caused by any violation of Sections 5.2(a), (b), (c), (d), (e) or j) or any miscalculation of the Borrowing Base and (b) the Companies covenant and agree that they shall complete title applications for all certificated vehicles/equipment for which NBD Bank, as Co-Agent A, is not listed as lienholder and all such applications shall be submitted to the Illinois Secretary of State within l5 days after the Third Amendment Effective Date, copies of which shall promptly be submitted to the Banks to demonstrate compliance with this covenant. This waiver shall not be deemed to be a waiver, or a consent to any modification or amendment, of any other term or condition of the Credit Agreement or any term or condition of any agreement, instrument or document referred to therein or executed pursuant thereto, or to prejudice any present or future right or rights which the Co-Agents or any of the Banks now has or may have thereunder.

6. Each Company agrees to pay and save Co-Agents harmless from liability for the payment of all costs and expenses arising in connection with this Amendment, including the reasonable fees and expenses of Dickinson, Wright, Moon, Van Dusen & Freeman, counsel to Co-Agent A, and Bingham, Dana & Gould, counsel for Co-Agent B, in connection with the preparation and review of this Amendment and any related documents and review of documents related to any sale/leaseback transaction involving the Property.

7. The terms used but not defined herein shall have the respective meanings ascribed thereto in the Credit Agreement. Except as expressly contemplated hereby, the Credit Agreement, and all related notes, guaranties, certificates, instruments and other documents, are hereby ratified and confirmed and shall remain in full force and effect, and each Company acknowledges that it has no defense, offset or counterclaim thereunder.

8. This Amendment shall be governed by and construed in accordance with the laws of the State of Michigan.

9. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Amendment by signing any such counterpart.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the day and year first above written.

CELADON GROUP, INC.

By: Don S. Snyder

Its: Chief Financial Officer

CELADON TRUCKING SERVICES, INC.

By: Don S. Snyder

Its: Chief Financial Officer

NBD BANK, formerly known as NBD Bank, N.A., individually and as Co-Agent A

By:

By:

Its:

THE FIRST NATIONAL BANK OF BOSTON,
individually and as Co-Agent B

By:

Its:

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the day and year first above written.

CELADON GROUP, INC.

By:

Its:

CELADON TRUCKING SERVICES, INC.

By:

Its:

NBD BANK, formerly known as NBD Bank, N.A.,
individually and as Co-Agent A

By: Michael C. Malony

Its: Vice President

THE FIRST NATIONAL BANK OF BOSTON,
individually and as Co-Agent B

By:

Its:

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the day and year first above written.

CELADON GROUP, INC.

By:

Its:

CELADON TRUCKING SERVICES, INC.

By:

Its:

NBD BANK, formerly known as NBD Bank, N.A., individually and as Co-Agent A

By:

Its:

THE FIRST NATIONAL BANK OF BOSTON, individually and as Co-Agent B

By: Michael J. Blake

Its: Director

Exhibit 10.43

AMENDMENT
TO
STOCKHOLDERS AGREEMENT

This Amendment to Stockholders Agreement (this "Amendment"), is entered into as of this 3rd day of July, 1996, by and among Celadon Group, Inc., a Delaware corporation ("Company"), Leonard R. Bennett ("Bennett"), Stephen Russell ("Russell"), and Hanseatic Corporation, a New York corporation ("Hanseatic").

W I T N E S S E T H:

WHEREAS, the Company, Bennett, Russell and Hanseatic are parties to that certain Stockholders Agreement, dated as of October 8, 1992 (the "Stockholders Agreement");

WHEREAS, Bennett is entering into a Stock Purchase Agreement, dated of even date herewith (the "Stock Purchase Agreement"), with Peter Bennett, Russell, individually and as agent, and Hanseatic, individually and as agent; and

WHEREAS, it is a condition to the consummation of the transactions contemplated by the Stock Purchase Agreement that Bennett, the Company, Russell and Hanseatic enter into this Amendment, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in furtherance of the Stock Purchase Agreement and the consummation of the transactions contemplated thereby and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Capitalized terms used in this Amendment which are not otherwise defined herein shall have the meanings given to such terms in the Stockholders Agreement.

SECTION 2. The Stockholders Agreement shall be terminated with respect to Bennett and the terms and provisions thereof relating to Bennett shall be null and void and of no further effect effective as of the date hereof. Effective as of the date hereof, Bennett shall no longer be a party to the Stockholders Agreement and all references to "Bennett" shall be deleted and Bennett shall no longer be a Stockholder (as each term is defined in the Stockholders Agreement) under the Stockholders Agreement.

SECTION 3. References. All references in the Stockholders Agreement to "this Agreement" shall mean the Stockholders Agreement as amended by this Amendment.

SECTION 4. Amendments.

(a) From and after the date hereof, each and every reference in the Stockholders Agreement to the "the Purchaser" shall be deemed to be a reference to "Hanseatic".

(b) Article I of the Stockholders Agreement shall be amended in its entirety to read as follows:

ARTICLE I

BOARD OF DIRECTORS

The Corporation shall use its best efforts to take all such action as may be necessary so that its Board of Directors shall, from and after the date hereof and until the Expiration Date (as hereinafter defined), at all times include one member who shall be selected by Russell and one member who shall be selected by Hanseatic, each reasonably satisfactory to the Corporation (and any successor or successors to each such member who shall be reasonably satisfactory to the Corporation), including, without limitation, the nomination and recommendation for election and re-election, as the case may be, of such designees (and any such successor or successors); and each of Russell and Hanseatic agrees that he or it will vote all shares of Common Stock beneficially owned by him or it in favor of a Board of Directors that shall include such designees (and any such successor or successors), and take all such other action as may be necessary so that the Board of Directors of the Corporation shall be constituted as aforesaid; provided, however, that in the event of the death of Russell, the foregoing commitment contained in this sentence shall extend to such person (reasonably satisfactory to the Corporation) as shall be selected by the holder or holders of a majority of the shares of Common Stock held by Russell on the date hereof (reasonably satisfactory to the Corporation), unless Hanseatic shall be reasonably uncertain as to the identity of such holder or holders. For purposes hereof, the "Expiration Date" shall mean the date on which either Russell or Hanseatic, and their respective heirs, successors, personal or legal representatives, and assigns, shall beneficially own less than five per cent of the outstanding shares of Common Stock.

SECTION 5. Governing Law. This Amendment shall be governed by, construed and enforced in accordance with the laws of the State of New York, without regard to the principles thereof relating to conflict of laws.

SECTION 6. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same instrument.

SECTION 7. No Other Amendments. Except as expressly amended hereby, the terms and conditions of the Stockholders Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment as of the date first written above.

CELADON GROUP, INC.

By: /s/ Stephen Russell
Name: Stephen Russell
Title: Chairman

HANSEATIC CORPORATION

By: /s/ Paul A. Biddelman
Name:
Title:

/s/ Leonard Bennett
Leonard Bennett

/s/ Stephen Russell
Stephen Russell

Exhibit 10.44

TERMINATION
OF
AGREEMENTS

Reference is hereby made to that certain Voting Agreement, dated as of October 8, 1992 among Celadon Group, Inc., a Delaware corporation ("Company"), Leonard R. Bennett ("Bennett"), and Stephen Russell ("Russell"), and the Agreement, dated as of October 6, 1986 among the Company, Bennett and Russell (collectively, the Agreements).

Celadon, Bennett and Russell hereby agree that the each of the Agreements shall be terminated and shall be null and void and of no further effect effective as of the date hereof.

IN WITNESS WHEREOF, the parties have duly executed and delivered this termination as of this 3rd day of July, 1996.

CELADON GROUP, INC.

By: /s/ Stephen Russell
Name: Stephen Russell
Title: Chairman

/s/ Leonard Bennett
Leonard Bennett

/s/ Stephen Russell
Stephen Russell

EXHIBIT 11

CELADON GROUP, INC.
COMPUTATION OF PER SHARE EARNINGS

<TABLE>
<CAPTION>

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,	
	1996	1995
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PRIMARY:		
Weighted average shares issued	7,750,580	7,948,819
Weighted average shares in treasury	(110,858)	---
Dilutive effect of options and warrants using the average market price under the treasury stock method	3,719	88,556
Shares used to compute primary earnings per share	7,643,441	8,037,375
Net income attributable to common stockholders	$890,396	$616,409
Net income per common share	$0.12	$0.08
FULLY DILUTED:		
Shares used to compute primary earnings per share	7,643,441	8,037,375
Incremental dilutive effect of options and warrants using the period end price under the treasury stock method	10,867	---
Shares used to compute fully diluted earnings per share	7,654,308	8,037,375
Net income attributable to common stockholders	$890,396	$616,409
Net income per common share	$0.12	$0.08

</TABLE>

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<ARTICLE> 5
<LEGEND> THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF CELADON GROUP, INC. AS OF SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<CIK> 865941
<NAME> CELADON GROUP, INC.
<MULTIPLIER> 1,000

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