

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

December 6, 2005

Date of Report (Date of earliest event reported)

CNF Inc.

(Exact name of registrant as specified in its charter)

Delaware

1-5046

94-1444798

(State or other
jurisdiction of
incorporation or
organization)

(Commission
File Number)

(IRS Employer
Identification
Number)

2855 Campus Drive, Suite 300, San Mateo, California 94403

(Address of principal executive offices)
(zip code)

Registrant's telephone number, including area code:
(650) 378-5200

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

1.01 Entry into a Material Definitive Agreement

As reported in the Company's Report on Form 8-K filed on September 29, 2005, in September 2005 the Compensation Committee of the Board of Directors of the Company approved certain changes to the Company's 1997 Equity and Incentive Plan, Value Management Plan and 2005 Deferred Compensation Plan for Executives. The Committee also approved the giving of notice to the Company's senior executive officers that the term of the severance agreements to which they are parties, which currently runs through December 31, 2006, will not be extended for an additional year on January 1, 2006; however, the Committee authorized the Company to enter into new severance agreements with the senior executive officers, subject to the Committee's approval of the terms of the new severance agreements.

As described in further detail below, at a meeting held on December 5, 2005, the Compensation Committee approved the terms of the new severance agreements for the Company's senior executives and certain other severance arrangements, and approved amendments to certain of the Company's executive compensation plans, including additional amendments to the 1997 Equity and Incentive Plan, Value Management Plan and 2005 Deferred Compensation Plan for Executives. The Committee also approved changes to the form of Stock Option Agreement and Restricted Stock Award Agreement used to evidence awards granted to executives of the Company, and delegated authority to the Company's Chief Executive Officer to award discretionary bonuses to employees.

A. Severance Arrangements

At the December meeting, the Committee approved (i) the terms of the new severance agreements (the "Tier I Agreements") for the senior executives (the "Tier I Executives"), (ii) the terms of new severance agreements (the "Tier II Agreements") for an additional group of approximately 10 executives (the "Tier II Executives"), (iii) the terms of a new severance agreement (the "Tier II Vector Agreement") pursuant to which the Company would provide severance payments and benefits to Tier II executives employed by Vector SCM, LLC ("Vector"), the Company's joint venture with General Motors Corporation (although the Company currently anticipates that Vector will not employ any Tier II executives as of January 1, 2006, the effective date of the new severance agreements), and (iv) the terms of a new executive severance plan (the "Severance Plan"), in which an additional group of approximately 39 executives (the "Tier III Executives") are eligible to participate, provided that the employers of the Tier III Executives adopt the Severance Plan. Each of the severance agreements, and the new severance plan, are to be effective as of January 1, 2006. Upon the effective date of a new severance agreement, all prior severance agreements between the executive and his or her employer will be superseded. Each severance agreement (other than Tier II Vector Agreements) will be entered into by the company that employs the applicable executive, and that company will have the obligation to provide the severance payments and benefits provided for in the agreement; provided that, in the event that (a) there is a change in control of the Company and (b) an employer (other than the Company) fails to provide the severance payments and benefits, the Company has agreed to do so. Upon adoption of the Severance Plan, each employer will become liable to provide the severance payments and benefits to the Tier III Executives which it employs, although the Company has agreed to provide the severance payments and benefits in the event of a change in control of the Company, if the employer fails to do so. The Severance Plan also provides that the Company will provide severance payments and benefits to Tier III Executives employed by Vector. Vector currently employs three Tier III Executives.

Each of the Tier I Agreements provides that in the event that (i) there is a Change in Control (as defined in the Agreement) and (ii) within two years following the Change in Control the applicable executive's employment is

terminated by the employer without cause or by the executive with Good Reason (as defined in the Agreement), the employer will pay to the executive a lump sum equal to three times the sum of his or her salary and target annual bonus, and will also provide outplacement services and certain health, insurance and other benefits. The employer will also pay any excise taxes that may be owing under Section 280G of the Internal Revenue Code. Each of the Tier II agreements provide for similar payments and benefits under the same circumstances, except that the applicable executive is entitled to receive a lump sum equal to two times the sum of his or her salary and target annual bonus. The Severance Plan provides in the event that (i) there is a Change in Control (as defined in the Severance Plan) and (ii) within one year following the Change in Control the applicable executive's employment is terminated by the employer without cause or by the executive with Good Reason (as defined in the Severance Plan), the employer will pay to the executive a lump sum equal to one times the sum of the applicable Tier III executive's salary and target annual bonus and will provide certain other benefits. However, the Severance Plan does not provide for the employer to pay any excise taxes that may be owing under Section 280G of the Internal Revenue Code.

Tier I Agreements have been entered into by the following senior executives of the Company:

Douglas W. Stotlar	President and Chief Executive Officer
Kevin C. Schick	Senior Vice President and Chief Financial Officer
Jennifer W. Pileggi	Senior Vice President and General Counsel
David S. McClimon	Senior Vice President

Each of the agreements is dated as of and effective as of January 1, 2006, and has been entered into by the Company as employer, except for the Tier I Agreement of David S. McClimon, which has been entered into by Con-Way Transportation Services, Inc. as employer.

Attached as Exhibits 99.1 through 99.6 are copies of the form of Tier I Agreement used by the Company, the form of Tier I Agreement used by employers of Tier I Executives other than the Company, the form of Tier II Agreement used by the Company, the form of Tier II Agreement used by employers of Tier II Executives other than the Company, the form of Tier II Vector Agreement, and the amended and restated CNF Inc. Executive Severance Plan. The foregoing description of the severance arrangements, agreements and plan approved by the Compensation Committee is qualified in its entirety by reference to Exhibits 99.1 through 99.6.

The Committee also authorized the Company's Chief Executive Officer to enter into Tier I Agreements and Tier II Agreements with executives (other than the Chief Executive Officer) who become Tier I Executives or Tier II Executives through hiring or promotion.

B. 1997 Equity and Incentive Plan

In September 2005, the Compensation Committee approved certain changes to the definition of the term "Change in Control" in the 1997 Equity and Incentive Plan (the "EIP"). At the December meeting, the Committee approved a number of additional changes to the EIP which are largely clarifying and/or technical in nature. Among the substantive changes to the EIP approved by the Committee are (i) the deletion of the sale of two of the three primary business units of the Company from the definition of the term "Change in Control;" (ii) the exclusion of a public offering or liquidation of a business unit from the definition of the term "Change on Control;" and (iii) the inclusion of the sale of any business unit (as opposed to specifically named business units) within the definition of the term "Change in Control."

A copy of the amended and restated 1997 Equity and Incentive Plan is attached hereto as Exhibit 99.7. The foregoing description of the EIP is qualified in its entirety by reference to Exhibits 99.7.

C. Value Management Plan

In September 2005, the Compensation Committee approved certain changes to the Value Management Plan, including that the term "Change in Control" has the meaning specified in the amended 1997 Equity and Incentive Plan. At the December meeting, the Committee approved a number of additional changes to the Value Management Plan which are largely clarifying and/or technical in nature. A copy of the amended and restated Value Management Plan is attached hereto as Exhibit 99.8. The foregoing description of the Plan is qualified in its entirety by reference to Exhibits 99.8.

D. 2005 Deferred Compensation Plan for Executives

In September 2005, the Compensation Committee approved certain changes to the 2005 Deferred Compensation Plan for Executives. At the December meeting, the Committee approved a number of additional changes to the 2005 Deferred Compensation Plan for Executives that are largely clarifying and/or technical in nature, including amendments relating to changes in deferral elections after the commencement of a performance period and to the crediting of returns to account balances. A copy of the amended and restated 2005 Deferred Compensation Plan for Executives is attached hereto as Exhibit 99.9. The foregoing description of the Plan is qualified in its entirety by reference to Exhibits 99.9.

E. Form of Stock Option Agreement and Restricted Stock Award Agreement

At the December meeting, the Compensation Committee approved a number of changes, which are largely clarifying and/or technical in nature, to the form of Stock Option Agreement and to the form of Restricted Stock Award Agreement used to evidence awards of stock options and restricted stock made to executives under the 1997 Equity and Incentive Plan. Among the substantive changes were changes to certain vesting provisions and exercise provisions made to conform to changes made to the definition of the term "Change in Control" in the 1997 Equity and Incentive Plan. Copies of the amended form of Stock Option Agreement and Restricted Stock Award Agreement are attached hereto as Exhibits 99.10 and 99.11. The foregoing description of the agreements is qualified in its entirety by reference to Exhibits 99.10 and 99.11.

F. Discretionary Bonus Authority

At the December meeting, the Compensation Committee delegated authority to the Company's Chief Executive Officer to award discretionary bonuses to employees, subject to the following conditions:

1. The Chief Executive Officer may not award discretionary bonuses to executive officers who are in positions that are classified within the Company's executive level salary grade structure as Grade 1 or Grade 2 officers. Based on the current grade structure, the Chief Executive Officer does not have the authority to grant discretionary bonuses to himself, the Chief Financial Officer, the General Counsel or the President of the Company's Con-Way Transportation Services, Inc. subsidiary.
2. A discretionary bonus may be awarded only in circumstances in which the Chief Executive Officer determines that an employee's efforts have resulted in a substantial benefit to the Company.
3. Each discretionary bonus cannot exceed, on a pre-tax basis, the greater of \$50,000 or 50% of the employee's target annual incentive compensation plan award for the calendar year in which the discretionary bonus is awarded.
4. The discretionary bonus may be awarded in the form of cash,

nonqualified stock options, or a combination of the two.

5. The aggregate amount of discretionary bonuses awarded by the Chief Executive Officer pursuant to this authority in a calendar year may not exceed \$250,000.
6. The Chief Executive Officer will report at least annually to the Compensation Committee regarding discretionary bonuses made under this authority.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

Exhibit No. -----	Description -----
99.1	Form of CNF, Inc. Tier I Severance Agreement
99.2	Form of Subsidiary Tier I Severance Agreement
99.3	Form of CNF, Inc. Tier II Severance Agreement
99.4	Form of Subsidiary Tier II Severance Agreement
99.5	Form of Tier II Vector SCM, LLC Agreement
99.6	Amended and Restated Executive Severance Plan
99.7	Amended and Restated 1997 Equity and Incentive Plan
99.8	Amended and Restated Value Management Plan
99.9	Amended and Restated 2005 Deferred Compensation Plan for Executives
99.10	Amended Form of Stock Option Agreement
99.11	Amended Form of Restricted Stock Award Agreement

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 hereunto duly authorized.

CNF Inc.

(Registrant)

December 6, 2005

/s/ Jennifer W. Pilleggi

Jennifer W. Pilleggi
Senior Vice President,
General Counsel & Secretary

SEVERANCE AGREEMENT - CNF INC.

THIS AGREEMENT, dated as of and effective as of January 1, 2006, is by and between CNF Inc. (the "Employer"), and _____ (the "Executive") and supersedes all prior severance agreements between the Executive and the Employer or any Affiliate.

WHEREAS, the Employer (a) considers it essential to foster the continued employment of key management personnel, (b) recognizes that the possibility of a Change in Control exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Employer, and (c) has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Employer's management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Employer and the Executive hereby agree as follows:

- * The Term of this Agreement shall commence on _____ and expire as provided in the definition of "Term" in Section 1 of the attached Terms and Conditions, all of which (including definitions) are hereby incorporated by reference.
- * The Executive agrees that, subject to the Terms and Conditions, in the event of a Potential Change in Control during the Term, the Executive will remain in the employ of the Employer until the earliest of (a) a date which is six (6) months from the date of such Potential Change in Control, (b) the date of a Change in Control, (c) the date of termination by the Executive of the Executive's employment for Good Reason or by reason of death, disability or retirement in accordance with the CNF Inc. Retirement Plan, including early retirement, or (d) the termination by the Employer of the Executive's employment for any reason.
- * If the Executive incurs a Severance following a Change in Control or Potential Change in Control and during the Term, the Executive shall be entitled to receive (a) a Severance Payment equal to three (3) times the sum of the Executive's annual base salary and Annual Bonus in a lump sum and (b) Severance Benefits for a period of 36 months following the Severance Date, as provided in the attached Terms and Conditions.
- * If the Executive transfers to and becomes an employee of an Affiliate, the Employer shall assign this Agreement to the Affiliate and the Affiliate shall become the Employer and shall assume the obligations of the Employer.

CNF Inc.

EXECUTIVE

By: _____
Name:
Title:

Name:
Address:

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1. DEFINITIONS. As hereinafter used:

"Affiliate" means an affiliate of the Company, as defined in Rule 12b-2 promulgated under Section 12 of the Exchange Act, including any Business Unit.

"Agreement" means the Severance Agreement to which these Terms and Conditions are attached, including the Terms and Conditions, which are incorporated by reference in the Agreement. If there is any inconsistency between the Severance Agreement and these Terms and Conditions, the Terms and Conditions shall govern.

"Annual Bonus" means the annual bonus payable with respect to a calendar year under the ICP (Incentive Compensation Plan) applicable to an Executive or other applicable annual bonus or arrangement determined as if such Annual Bonus had been earned to the extent of 100% of the Executive's target bonus opportunity, as opposed to the maximum 200%. The Annual Bonus does not include any amount payable under the CNF Inc. Value Management Plan or any other long-term incentive plan.

"Auditor" shall have the meaning set forth in Section 4.2 hereof.

"Base Amount" shall have the meaning set forth in Section 280G(b)(3) of the Code.

"Board" means the Board of Directors of the Company.

"Business Unit" is defined in Section 2 of the EIP.

"Cause" for termination by the Employer of the Executive's employment means (i) the willful and continued failure by the Executive to substantially perform the Executive's duties with the Employer (other than any such failure resulting from the Executive's incapacity due to disability, including physical or mental illness or any such actual or anticipated failure after the issuance by the Executive of a notice of intent to terminate employment for Good Reason, as provided in the definition of Good Reason) after a written demand for substantial performance is delivered to the Executive by or on behalf of the Employer Board, which demand specifically identifies the manner in which the Employer Board believes that the Executive has not substantially performed the Executive's duties, or (ii) the willful engaging by the Executive in conduct which is demonstrably and materially injurious to the Employer, the Company or an Affiliate, monetarily or otherwise. For purposes of clauses (i) and (ii) of this definition, no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's act, or failure to act, was in the best interest of the Employer, the Company or an Affiliate. In the event of a dispute concerning the application of this provision, no claim by the Employer that Cause exists shall be given effect unless the Employer establishes (iii) to the Employer Board and (iv) in the event of an arbitration to resolve the dispute, to the arbitrator, by clear

and convincing evidence that Cause exists.

"Change in Control" means the occurrence of any one of the events described in clauses (a) through (d) of the definition of "Change in Control" in Section 2 of the EIP or the occurrence of the event described in the following clause (e), which shall apply for purposes of the Agreement instead of clause (e) of the definition of "Change in Control" in Section 2 of the EIP:

- (e) Disposition of a Business Unit. There is consummated the Disposition of a Business Unit; provided, however, that this clause (e) shall apply only to an Executive who immediately prior to the Disposition of a Business Unit was employed by (and on the payroll of) the Business Unit that was the subject of the Disposition of a Business Unit.

The following Examples illustrate clause (e):

Example 1. The ownership interests of Business Unit X are sold to an unrelated purchaser. Executive A was employed by (and on the payroll of) Business Unit X immediately prior to the sale. A Change in Control has taken place with respect to Executive A.

Example 2. The assets of Business Unit Y are sold to an unrelated purchaser. Executive B was employed by (and on the payroll of) Business Unit Y immediately prior to the sale. A Change in Control has taken place with respect to Executive B.

Example 3. Executive C is employed by (and on the payroll of) a Business Unit as described in either Example 1 or 2, except that Executive C remains employed by (and on the payroll of) a Business Unit that continues to be a Business Unit of the Company following the sale. A Change in Control has taken place with respect to Executive C.

Because the EIP is not intended to serve the same purpose as the Agreement, whether a "Change in Control" has taken place under the EIP is not relevant in determining whether benefits are payable under the Agreement. For example, in Example 3, a Change in Control took place for Executive C under the Agreement, but no Change in Control took place for Executive C under the EIP. If Executive C terminates employment six months after the Change in Control occurred under the Agreement, Executive C may or may not be entitled to benefits under the Agreement, depending on the facts surrounding the termination of employment. However, no Change in Control would take place under the EIP with respect to Executive C under the facts of Example 3, whether or not benefits are due under the Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Company" means CNF Inc., a corporation organized under the laws of the State of Delaware, or any successor corporation.

"Disposition of a Business Unit" is defined in Section 2 of the EIP.

"EIP" means the CNF Inc. 1997 Equity and Incentive Plan, as amended from time to time, or any successor plan.

"Employer" means the person specified in the first paragraph of the Agreement or any assignee or successor (including a successor who assumes the Agreement following a Change in Control). The fourth bullet of the Agreement provides that, if the Executive transfers to the Company or an Affiliate, the Agreement will be assigned, resulting in a change in the Employer. A draft form of assignment and assumption is

attached as Exhibit B. Notwithstanding the preceding provisions of this definition, if (and for as long as) the Executive is an employee of Vector SCM, LLC, (i) the Employer means Vector SCM, LLC or any successor, (ii) the Company shall fulfill the obligations of the Employer under the Agreement, and (iii) clause (e) of the definition of Change in Control shall not apply to the Executive.

"Employer Board" means the Board of Directors of the Employer.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and as now or hereafter construed, interpreted and applied by regulations, rulings and cases.

"Excise Tax" means any excise tax imposed under Section 4999 of the Code.

"Executive" means the person specified in the first paragraph of the Agreement.

"Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) after any Change in Control of any one of the following acts by the Employer, or failures by the Employer to act, unless such act or failure to act is corrected within 30 days of receipt by the Employer of notice of the Executive's intent to terminate for Good Reason hereunder:

- (1) the failure of the successor company, following the Change in Control, to assume the Agreement and all obligations thereunder, as of the date of such Change in Control;
- (2) the assignment to the Executive of duties inconsistent with the Executive's status as an executive of the Employer or a substantial adverse alteration in the nature or status of the Executive's responsibilities from those in effect immediately prior to the Change in Control;
- (3) a reduction by the Employer in the Executive's base salary, cash bonus opportunity, or long term incentive opportunity, each as in effect immediately prior to the Change in Control or as the same may thereafter be increased from time to time;
- (4) the relocation of the Executive's principal place of employment to a location that results in an increase in the Executive's one way commute of at least 50 miles more than the Executive's one way commute immediately prior to the Change in Control,
- (5) a substantial increase in the Executive's business travel obligations from the Executive's business travel obligations immediately prior to the Change in Control;
- (6) the failure by the Employer to pay to the Executive when due any portion of the Executive's current compensation;
- (7) the failure by the Employer to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Employer's pension, savings, life insurance, medical, health and accident, or disability plans in which the Executive was participating immediately prior to the Change in Control (except for across-the-board changes similarly affecting all or substantially all employees of the Employer and any entity in control of the Employer), the taking of any other action by the Employer which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive immediately

prior to the Change in Control, or the failure by the Employer to provide the Executive with the number of paid vacation days or PTO days (days of paid time off) to which the Executive was entitled.

If a Change in Control takes place with respect to the Executive solely because of the Disposition of a Business Unit as described in clause (e) of the definition of Change in Control and the Executive continues to be employed by the Company or an Affiliate, but the position the Executive previously held is no longer needed, then, for purposes of determining whether there is a substantial adverse alteration in the nature or status of the Executive's responsibilities under clause (2) above, all the facts and circumstances shall be taken into account, and no single or selected set of facts shall be determinative. In particular, if the Executive receives a bona fide offer of a new or different position with the Company or an Affiliate, the fact or set of facts that, under the Executive's new position, fewer employees may be supervised and/or fewer functional areas may be within the Executive's span of control shall not be determinative.

The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to disability, including physical or mental illness, except as provided in the penultimate paragraph of the definition of Severance.

If Good Reason first occurs during the last 30 days of the Term and the Executive gives notice of the Executive's intent to terminate for Good Reason before the end of the Term, the correction period referred to in the first sentence of this definition of Good Reason shall end on the date of termination specified in Section 5.3.

The Executive's continued employment after Good Reason occurs shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

"Gross Up Payment" shall have the meaning set forth in Section 4.1 hereof.

"Person" means any person, as such term is used in Sections 13(d) and 14(d) of the Exchange Act other than (i) the Company or its Affiliates, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or its Affiliates, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the Common Stock.

"Potential Change in Control" shall be deemed to have occurred if:

- (1) the Company or any Affiliate enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;
- (2) the Company or any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act publicly announces an intention to take or to consider actions, including but not limited to proxy contests or consent solicitations, which, if consummated, would constitute a Change in Control;
- (3) any Person becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 15% or more of either the then outstanding shares of the common stock, par value \$0.625 per share, of the Company or the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates); or

- (4) the Board or the Employer Board if the Employer is other than the Company adopts a resolution to the effect that, for purposes of the Agreement, a Potential Change in Control has occurred.

If the Potential Change in Control referred to in clause (1) or (2) would arise because of an event described in clause (e) in the definition of Change in Control, the Potential Change in Control shall apply only if the Executive is employed by (and on the payroll of) the Business Unit that would be the subject of the Disposition of a Business Unit.

"Severance" means the termination of an Executive's employment with the Employer following a Change in Control and during the Term of the Agreement, (i) by the Employer other than for Cause, or (ii) by the Executive for Good Reason.

For purposes of the Agreement, the Executive's employment shall be deemed to have been terminated following a Change in Control by the Employer without Cause or by the Executive with Good Reason if (i) the Executive's employment is terminated by the Employer without Cause following a Potential Change in Control but prior to a Change in Control (whether or not a Change in Control ever occurs) and such termination was at the request or direction of a Person who has entered into an agreement with the Company or Affiliate the consummation of which would constitute a Change in Control, (ii) the Executive terminates employment for Good Reason following a Potential Change in Control but prior to a Change in Control (whether or not a Change in Control ever occurs) and the circumstance or event which constitutes Good Reason occurs at the request or direction of such Person; or (iii) the Executive's employment is terminated by the Employer without Cause or by the Executive for Good Reason and such termination or the circumstance or event which constitutes Good Reason is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs). For purposes of this paragraph, a Change in Control shall be deemed to have occurred for purposes of the definition of Good Reason if a Potential Change in Control has occurred or if the termination or the circumstance or event which would constitute Good Reason if a Change in Control had occurred is in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs).

An Executive will not be considered to have incurred a Severance (i) if the Executive's employment is discontinued by reason of the Executive's death or disability, including a physical or mental condition causing such Executive's inability to substantially perform the Executive's duties with the Employer for a period of six consecutive months or (ii) by reason of the divestiture of a facility, sale of a business or business unit, or the outsourcing of a business activity with which the Executive is affiliated, notwithstanding the fact that such divestiture, sale or outsourcing constitutes, or takes place following a Change in Control and during the Term of the Agreement, if the Executive is offered a position with the successor company that, if accepted, would not give rise to Good Reason, and such successor company agrees to assume the obligations of the Agreement with respect to such Executive.

If any benefits provided to the Executive under the Agreement are treated as deferred compensation subject to Code section 409A, the Executive will not be considered to have incurred a Severance until the Executive incurs a "separation from service," becomes "disabled," or dies; provided, however, that if an "unforeseeable emergency" occurs, the Severance Payment may be made to the extent permitted by Code section 409A(a)(2)(B)(ii)(II). (The terms quoted in the immediately-preceding sentence have the meanings set forth in Code section 409A(a)(2)(A).)

"Severance Benefits" means:

- (1) life, disability and accident benefits substantially similar to those provided to the Executive and the Executive's dependents immediately prior to the Severance or, if more favorable to the Executive, immediately prior to the Change in Control, at no greater cost to the Executive than the cost to the Executive immediately prior to the Severance or the Change in Control in this Agreement; provided, however, that, unless the Change in Control took place because of the event described in clause (e) of the definition of Change in Control, the Employer may apply to such benefits any across the board changes similarly affecting all or substantially all employees participating in such benefits;
- (2) health and dental benefits provided to the Executive and the Executive's dependents under the Company's health and dental plan as in effect immediately prior to the Severance or, if more favorable to the Executive, those provided to the Executive and the Executive's dependents immediately prior to the Change in Control, at no cost to the Executive; and
- (3) outplacement services determined by the Company to be suitable to the Executive's position, at no cost to the Executive;

in each case for the number of months specified in the Agreement following such Executive's Severance Date; provided, however, that

- (4) benefits otherwise receivable pursuant to (1) and (2) shall be reduced to the extent benefits of the same type are received by or made available to the Executive or the Executive's dependents following the Executive's termination of employment (and any such benefits shall be reported to the Employer by the Executive);
- (5) the Employer shall reimburse the Executive for the excess, if any, of the cost to the Executive of benefits received or made available pursuant to (1) and (2) over such cost immediately prior to the Severance or, if more favorable to the Executive, immediately prior to the Change in Control;
- (6) if the Executive dies, the Employer shall continue to provide the Executive's dependents with the benefits otherwise receivable pursuant to (1) and (2) on the same basis as if the Executive had survived, and
- (7) if any such benefits are treated as deferred compensation subject to Code section 409A and the Executive is a "specified employee" as defined in Code section 409A(a)(2)(B)(i), the Executive shall pay the full cost of such benefits for the first six months after the Severance Date and the Employer shall reimburse the Executive for such payments as soon as practicable thereafter.

"Severance Date" means the date on which an Executive incurs a Severance, which should be the date of termination as determined under Section 5.3.

"Severance Payment" means a payment, in lieu of any other severance payment or benefit pursuant to any other plan or agreement of the Employer, the Company or any Affiliate to which the Executive is otherwise entitled, of an amount equal to the number of years specified in the Agreement times the sum of (i) the Executive's annual base salary immediately prior to the time of Severance or, if higher, in effect immediately prior to the Change in Control and (ii) the Executive's Annual Bonus for the calendar year in which the Change in Control occurred.

"Tax Counsel" shall have the meaning set forth in Section 4.2 hereof.

"Term" means the period of time commencing on the date specified in the Agreement and continuing through December 31 of the following year; provided, however, that commencing on January 1 of such following year, and each January 1 thereafter, the Term shall automatically be extended for one additional year unless, not later than September 30 of the preceding year, the Employer or the Executive shall have given notice not to extend the Term; and further provided, however, that if a Change in Control shall occur during the Term, the Term shall expire no earlier than 24 months beyond the month in which such Change in Control occurred.

"Terms and Conditions" means these terms and conditions.

"Total Payments" means those payments so described in Section 4.1 hereof.

2. COMPENSATION OTHER THAN SEVERANCE PAYMENTS AND BENEFITS.

2.1 Following a Change in Control and during the Term, during any period that the Executive fails to perform the Executive's full-time duties with the Employer as a result of incapacity due to disability, including physical or mental illness, the Employer shall pay the Executive's full salary to the Executive at the rate in effect at the commencement of any such period, together with all compensation and benefits payable to the Executive under the terms of any compensation or benefit plan, program or arrangement maintained by the Employer during such period (other than any disability plan), until the Executive's employment is terminated by the Employer for disability.

2.2 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Employer shall pay the Executive's full salary to the Executive through the Severance Date at the rate in effect immediately prior to the Severance Date or, if higher, the rate in effect immediately prior to the Change in Control, together with all compensation and benefits payable to the Executive through the Severance Date under the terms of the Employer's compensation and benefit plans, programs or arrangements as in effect immediately prior to the Severance Date or, if more favorable to the Executive, as in effect immediately prior to the Change in Control.

2.3 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Employer shall pay to the Executive the Executive's normal post termination compensation and benefits as such payments become due (other than severance payments under any severance plan as in effect immediately prior to the Severance). Such post termination compensation and benefits shall be determined under, and paid in accordance with, the Company's retirement, insurance and other compensation or benefit plans, programs and arrangements as in effect immediately prior to the Severance or, if more favorable to the Executive, as in effect immediately prior to the Change in Control.

3. SEVERANCE PAYMENTS AND BENEFITS.

3.1 If the Executive incurs a Severance, the Executive shall be entitled to receive from the Employer (i) the Severance Payment and (ii) Severance Benefits. If the Employer is not the Company, the Employer does not provide the Severance Payment and the Severance Benefits and the Severance is related to a Change in Control or a Potential Change in Control that occurred other than because of the

Disposition of a Business Unit as provided in clause (e) of the definition of Change in Control, the Company shall fulfill the obligations of the Employer under the Agreement, and the Executive need not exhaust the remedies provided in Section 3.4 and 3.5 against the Employer before being entitled to receive the Severance Payment and the Severance Benefits from the Company.

- 3.2 The Employer shall pay the Severance Payment to the Executive in a cash lump sum, on the date that is 6 months after the Severance Date or as soon as practicable thereafter, but in no event later than 10 business days immediately following such date.
- 3.3 The Executive shall not be eligible to receive a Severance Payment or Severance Benefits under the Agreement unless the Executive (or, in the event of the death of the Executive, the executor, personal representative or administrator of the Executive's estate) first executes a written release substantially in the form attached as Exhibit A hereto and the Executive executes the release within 6 months after the Severance Date.
- 3.4 In the event that the Executive or a dependent of the Executive believes that he or she is not receiving the full benefits to which he or she is entitled under the Agreement, such person may make a claim to the Employer Board (or the Board if the second sentence of Section 3.1 applies), and the claims procedure set forth in Section 8 of the EIP shall apply with the Employer Board (or the Board if the second sentence of Section 3.1 applies) treated as the Committee.
- 3.5 Any further dispute or controversy arising under or in connection with the Agreement which remains after the final decision of the Board as contemplated by Section 3.4 shall be finally settled exclusively by arbitration in San Francisco, California, in accordance with the rules of the American Arbitration Association then in effect; provided, however, that the clear and convincing evidentiary standard set forth in the definition of Cause in this Agreement shall apply; and provided further, that the arbitrator shall apply the applicable provisions of ERISA, and applicable regulations adopted thereunder, in such arbitration proceeding. Judgment may be entered on the arbitrator's award in any court having jurisdiction.
- 3.6 The Employer shall pay to the Executive all legal fees and expenses incurred by the Executive in seeking in good faith to obtain or enforce any benefit or right provided by the Agreement. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Employer reasonably may require. The Employer shall not be obligated to pay legal fees and expenses incurred by any person other than the Executive. However, the Employer shall be obligated to pay legal fees and expenses incurred by the Executive on behalf of the Executive's dependents and legal fees and expenses incurred by the estate of the Executive on behalf of the Executive or the Executive's dependents.
- 3.7 The Employer shall be entitled to withhold from amounts to be paid to the Executive hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold.
- 3.8 The Employer agrees that, if the Executive's employment with the Employer terminates following a Change in Control that is applicable to the Executive and during the Term of the Agreement, the Executive is not required to seek other employment or to

attempt in any way to reduce any amounts payable to the Executive hereunder. Further, the amount of any payment or benefit provided for in the Agreement shall not be reduced (except as provided in clause (4) of the definition of Severance Benefits) by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Employer, or otherwise.

4. EXCISE TAX GROSS-UP.

- 4.1 Whether or not the Executive becomes entitled to the Severance Payment and Severance Benefits, if any of the payments or benefits received or to be received by the Executive in connection with a Change in Control or the Executive's termination of employment (whether pursuant to the terms of the Agreement or any other agreement, plan, or arrangement with the Employer, any Person whose actions result in a Change in Control or any Person affiliated with the Employer or such Person) (such payments or benefits, excluding the Gross-Up Payment, being hereinafter referred to as the "Total Payments") will be subject to the Excise Tax, the Employer shall pay to the Executive an additional amount (the "Gross Up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Total Payments and any federal, state and local income and employment taxes and Excise Tax upon the Gross-Up Payment (but without deducting federal, state and local income and employment taxes on the Total Payments), shall be equal to the Total Payments.
- 4.2 For purposes of determining whether any of the Total Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) all of the Total Payments shall be treated as "parachute payments" (within the meaning of Section 280G(b)(2) of the Code) unless, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm which was, immediately prior to the Change in Control, the Company's independent auditor (the "Auditor"), such payments or benefits (in whole or in part) should not constitute parachute payments, including by reason of Section 280G(b)(4)(A) of the Code, (ii) all "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax unless, in the opinion of Tax Counsel, such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered (within the meaning of Section 280G(b)(4)(B) of the Code) in excess of the Base Amount allocable to such reasonable compensation, or should otherwise not be subject to the Excise Tax and (iii) the value of any noncash benefits or any deferred payment or benefit shall be determined by the Auditor in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross Up Payment, the Executive shall be deemed to pay federal income tax at the highest marginal rate of federal income taxation in the calendar year in which the Gross Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence at the time of the Severance (or if there is no Severance, then the date on which the Gross-Up Payment is calculated for purposes of this Section 4.2), net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.
- 4.3 In the event that the Excise Tax is finally determined to be less than the amount taken into account hereunder in calculating the Gross-Up Payment, the Executive shall repay to the Company, within five (5) business days following the time that the amount of such reduction in the Excise Tax is finally determined, the portion of

the Gross Up Payment attributable to such reduction (plus that portion of the Gross Up Payment attributable to the Excise Tax and Federal, state and local income and employment taxes imposed on the Gross Up Payment being repaid by the Executive, to the extent that such repayment results in a reduction in the Excise Tax and a dollar-for-dollar reduction in the Executive's taxable income and wages for purposes of federal, state and local income and employment taxes). In the event that the Excise Tax is determined to exceed the amount taken into account hereunder in calculating the Gross-Up Payment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross Up Payment), the Company shall make an additional Gross Up Payment in respect of such excess (plus any interest, penalties or additions payable by the Executive with respect to such excess) within five (5) business days following the time that the amount of such excess is finally determined. The Executive and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Total Payments.

- 4.4 The payments provided in Section 4.1 shall be made on the date that is 6 months after the Severance Date or as soon as practicable thereafter; provided, however, that if the amounts of such payments cannot be finally determined on or before such day, the Employer shall pay to the Executive on such day an estimate, as determined in good faith by the Employer or, in the case of payments under Section 4.1 or 4.3, in accordance with Section 4.2, of the minimum amount of such payments to which the Executive is clearly entitled and shall pay the remainder of such payments (together with interest on the unpaid remainder (or on all such payments to the extent the Company fails to make such payments when due) at 120% of the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall be paid by the Executive to the Employer not later than the fifth (5th) business day after demand by the Employer. At the time that payments are made under the Agreement, the Employer shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Employer has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).
- 4.5 The Employer also shall pay to the Executive all legal fees and expenses incurred by the Executive in seeking in good faith to obtain or enforce any benefit or right provided by the Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Employer reasonably may require.

5. NOTICE OF TERMINATION.

- 5.1 After a Change in Control and during the Term, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written notice of termination from the Employer to the Executive or the Executive to the Employer in accordance with Section 6.9.
- 5.2 The notice of termination shall indicate the specific termination

provision in the Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. A notice of termination for Cause shall include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Employer Board at a meeting of the Employer Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Employer Board) finding that, in the good faith opinion of the Employer Board, the Executive was guilty of conduct set forth in clause (i) or (ii) of the definition of Cause herein, and specifying the particulars thereof in detail.

- 5.3 The notice of termination shall specify the date of termination which, in the case of a termination by the Employer, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than thirty (30) days nor more than sixty (60) days, respectively, from the date such notice of termination is given.
- (1) Once the Employer or the Executive has specified a date of termination in a notice of termination, the date of termination cannot be changed by the Employer or the Executive except by mutual consent.
 - (2) The date of termination must be at least 30 days after the notice of termination unless the termination is for Good Reason and Good Reason first occurs during the last 30 days of the Term (determined without regard to this Section 5.3(2)), in which event the date of termination shall be (i) the end of the Term (determined without regard to this Section 5.3(2)) if the Employer receives notice of the Executive's intent to terminate for Good Reason ten days or more before the end of the Term (determined without regard to this Section 5.3(2)) or (ii) the later of ten days after receipt by the Employer of notice of the Executive's intent to terminate for Good Reason or five days after the end of the Term (determined without regard to this Section 5.3(2)) if the Employer does not receive notice of the Executive's intent to terminate for Good Reason ten days or more before the end of the Term (determined without regard to this Section 5.3(2)).

6. GENERAL PROVISIONS.

- 6.1 Except as otherwise provided herein or by law, no right or interest of the Executive under the Agreement shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge or in any manner; no attempted assignment or transfer thereof shall be effective; and no right or interest of the Executive under the Agreement shall be liable for, or subject to, any obligation or liability of such Executive. When a payment is due under the Agreement to an Executive who is unable to care for his or her affairs, payment may be made directly to the Executive's legal guardian or personal representative.
- 6.2 If the Employer, the Company or any Affiliate is obligated pursuant to applicable law or by virtue of being a party to a contract (other than this Agreement) to pay severance pay, a termination indemnity, notice pay or the like or if the Employer, the Company or any Affiliate is obligated by law to provide advance notice of separation ("Notice Period"), then any Severance Payment hereunder

shall be reduced by the amount of any such severance pay, termination indemnity, notice pay or the like, as applicable, and by the amount of any compensation received during any Notice Period.

- 6.3 Neither the Agreement, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any benefits shall be construed as giving any Executive, or any person whomsoever, the right to be retained in the service of the Employer, and the Executive shall remain subject to discharge to the same extent as if the Agreement had never been executed.
- 6.4 If any provision of the Agreement shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Agreement shall be construed and enforced as if such provisions had not been included.
- 6.5 If any provision of the Agreement would cause compensation to be includible in the Executive's income pursuant to Code section 409A(a)(1)(A), such provision shall be void, and the Employer shall amend the Agreement retroactively in such a way as to achieve substantially similar economic results without causing such inclusion. Any such amendment shall be binding on the Executive unless the Executive objects within 30 days after a copy of such amendment is delivered to the Executive. In any event, the Executive will be solely responsible for any adverse tax consequences to the Executive.
- 6.6 The Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the Employer and its successors and assigns, and by each Executive and by the personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees of each Executive. If any Executive shall die while any amount would still be payable to such Executive (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of the Agreement to the executors, personal representatives or administrators of the Executive's estate.
- 6.7 The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Agreement, and shall not be employed in the construction of the Agreement.
- 6.8 The Agreement shall not be funded. The Executive shall not have any right to, or interest in, any assets of the Employer which may be applied by the Employer to the payment of benefits or other rights under the Agreement.
- 6.9 All notices and all other communications provided for in the Agreement (i) shall be in writing, (ii) shall be hand delivered, sent by overnight courier or by United States registered mail, return receipt requested and postage prepaid, addressed, in the case of the Employer, to the principal office of the Employer, attention President, and in the case of the Company, to 2855 Campus Drive, San Mateo, California 94403, attention General Counsel, and in the case of the Executive, to the last known address of the Executive, and (iii) shall be effective only upon actual receipt.
- 6.10 The Agreement shall be construed and enforced according to the laws of the State of Delaware (without giving effect to the conflict of laws principles thereof) to the extent not preempted by federal law, which shall otherwise control.

WAIVER AND RELEASE OF CLAIMS

In consideration of, and subject to, the payment to be made to me by _____ (the "Employer") of the "Severance Payment" (as defined in the Severance Agreement, dated as of _____, entered into between me and the Company (the "Agreement")), I hereby waive any claims I may have for employment or re-employment by the Employer or any parent or subsidiary of the Employer after the date hereof, and I further agree to and do release and forever discharge the Employer and any parent or subsidiary of the Employer, and their respective past and present officers, directors, shareholders, insurers, employees and agents from any and all claims and causes of action, known or unknown, arising out of or relating to my employment with the Employer or any parent or subsidiary of the Employer, or the termination thereof, including, but not limited to, wrongful discharge, breach of contract, tort, fraud, the Civil Rights Acts, Age Discrimination in Employment Act, Employee Retirement Income Security Act of 1974, Americans with Disabilities Act, or any other federal, state or local legislation or common law relating to employment or discrimination in employment or otherwise.

Notwithstanding the foregoing or any other provision hereof, nothing in this Waiver and Release of Claims shall adversely affect (i) my rights to Severance Benefits under the Agreement; (ii) my rights to benefits other than severance payments or benefits under plans, programs and arrangements of the Employer or any parent or subsidiary of the Employer; or (iii) my rights to indemnification under any indemnification agreement, applicable law or the certificates of incorporation or bylaws of the Employer or any parent or subsidiary of the Employer, (iv) my rights under any director's and officers' liability insurance policy covering me, (v) my workers compensation rights, or (vi) my unemployment insurance rights.

I acknowledge that I have signed this Waiver and Release of Claims voluntarily, knowingly, of my own free will and without reservation or duress, and that no promises or representations have been made to me by any person to induce me to do so other than the promise of payment set forth in the first paragraph above and the Employer's acknowledgment of my rights reserved under the second paragraph above.

I understand that this release will be deemed to be an application for benefits under the Agreement and that my entitlement thereto shall be governed by the terms and conditions of the Agreement and any applicable plan. I expressly hereby consent to such terms and conditions.

I acknowledge that I have been given not less than forty-five (45) days to review and consider this Waiver and Release of Claims (unless I have signed a written waiver of such review and consideration period), and that I have had the opportunity to consult with an attorney or other advisor of my choice and have been advised by the Company to do so if I choose. I may revoke this Waiver and Release of Claims seven days or less after its execution by providing written notice to the Employer.

I acknowledge that it is my intention and the intention of the Employer in executing this Waiver and Release of Claims that the same shall be effective as a bar to each and every claim, demand and cause of action hereinabove specified. In furtherance of this intention, I hereby expressly waive any and all rights and benefits conferred upon me by the provisions of SECTION 1542 OF THE CALIFORNIA CIVIL CODE, to the extent applicable to me, and expressly I consent that this Waiver and Release of Claims shall be given full force and effect according to each and all of its express terms and provisions, including as well those related to unknown and unsuspected claims, demands

and causes of action, if any, as well as those relating to any other claims, demands and causes of action hereinabove specified. SECTION 1542 provides:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

I acknowledge that I may hereafter discover claims or facts in addition to or different from those which I now know or believe to exist with respect to the subject matter of this Waiver and Release of Claims and which, if known or suspected at the time of executing this Waiver and Release of Claims, may have materially affected this settlement.

Finally, I acknowledge that I have read this Waiver and Release of Claims and understand all of its terms.

Signature of Executive

Print Name

Date Signed

EXHIBIT B

Assignment and Assumption of
Severance Agreement
Between _____ and
_____,
As of _____

_____ (the "Old Employer") and _____ (the "Executive") have entered into a Severance Agreement dated _____ (the "Agreement"). The Executive is transferring employment from the Old Employer to _____ (the "New Employer"), effective _____. The fourth bullet of the Agreement provides that, if the Executive transfers to the Company or an Affiliate, the Old Employer shall assign the Agreement to the Company or Affiliate. To order to carry out the provisions of the fourth bullet of the Agreement -

1. The Old Employer hereby assigns the Agreement to the New Employer.
2. The New Employer hereby assumes the obligations of the Old Employer under the Agreement.
3. The assignment and assumption are effective as of the date employment is transferred.
4. The Executive hereby acknowledges receipt of notice of the assignment and assumption.

| THE OLD EMPLOYER | THE NEW EMPLOYER |

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

EXECUTIVE

Name: _____

SEVERANCE AGREEMENT

THIS AGREEMENT, dated as of and effective as of January 1, 2006, is by and between _____ (the "Employer"), and _____ (the "Executive") and supersedes all prior severance agreements between the Executive and the Employer or the Company or any Affiliate.

WHEREAS, the Employer (a) considers it essential to foster the continued employment of key management personnel, (b) recognizes that the possibility of a Change in Control exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Employer, and (c) has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Employer's management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Employer and the Executive hereby agree as follows:

- * The Term of this Agreement shall commence on _____ and expire as provided in the definition of "Term" in Section 1 of the attached Terms and Conditions, all of which (including definitions) are hereby incorporated by reference.
- * The Executive agrees that, subject to the Terms and Conditions, in the event of a Potential Change in Control during the Term, the Executive will remain in the employ of the Employer until the earliest of (a) a date which is six (6) months from the date of such Potential Change in Control, (b) the date of a Change in Control, (c) the date of termination by the Executive of the Executive's employment for Good Reason or by reason of death, disability or retirement in accordance with the CNF Inc. Retirement Plan, including early retirement, or (d) the termination by the Employer of the Executive's employment for any reason.
- * If the Executive incurs a Severance following a Change in Control or Potential Change in Control and during the Term, the Executive shall be entitled to receive (a) a Severance Payment equal to three (3) times the sum of the Executive's annual base salary and Annual Bonus in a lump sum and (b) Severance Benefits for a period of 36 months following the Severance Date, as provided in the attached Terms and Conditions.
- * If the Executive transfers to and becomes an employee of the Company or an Affiliate, the Employer shall assign this Agreement to the Company or Affiliate and the Company or the Affiliate shall become the Employer and shall assume the obligations of the Employer.

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THE EMPLOYER	CNF Inc. hereby assumes the obligations imposed by the second sentence of Section 3.1 of the attached Terms and Conditions.
By: _____ Name: Title:	CNF INC. By: _____ Name: Title:
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EXECUTIVE	CNF INC.
Name: Address:	By: _____ Name: Title:

TERMS AND CONDITIONS OF SEVERANCE AGREEMENT

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1. DEFINITIONS. As hereinafter used:

"Affiliate" means an affiliate of the Company, as defined in Rule 12b-2 promulgated under Section 12 of the Exchange Act, including any Business Unit.

"Agreement" means the Severance Agreement to which these Terms and Conditions are attached, including the Terms and Conditions, which are incorporated by reference in the Agreement. If there is any inconsistency between the Severance Agreement and these Terms and Conditions, the Terms and Conditions shall govern.

"Annual Bonus" means the annual bonus payable with respect to a calendar year under the ICP (Incentive Compensation Plan) applicable to an Executive or other applicable annual bonus or arrangement determined as if such Annual Bonus had been earned to the extent of 100% of the Executive's target bonus opportunity, as opposed to the maximum 200%. The Annual Bonus does not include any amount payable under the CNF Inc. Value Management Plan or any other long-term incentive plan.

"Auditor" shall have the meaning set forth in Section 4.2 hereof.

"Base Amount" shall have the meaning set forth in Section 280G(b)(3) of the Code.

"Board" means the Board of Directors of the Company.

"Business Unit" is defined in Section 2 of the EIP.

"Cause" for termination by the Employer of the Executive's employment means (i) the willful and continued failure by the Executive to substantially perform the Executive's duties with the Employer (other than any such failure resulting from the Executive's incapacity due to disability, including physical or mental illness or any such actual or anticipated failure after the issuance by the Executive of a notice of intent to terminate employment for Good Reason, as provided in the definition of Good Reason) after a written demand for substantial performance is delivered to the Executive by or on behalf of the Employer Board, which demand specifically identifies the manner in which the Employer Board believes that the Executive has not substantially performed the Executive's duties, or (ii) the willful engaging by the Executive in conduct which is demonstrably and materially injurious to the Employer, the Company or an Affiliate, monetarily or otherwise. For purposes of clauses (i) and (ii) of this definition, no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without

reasonable belief that the Executive's act, or failure to act, was in the best interest of the Employer, the Company or an Affiliate. In the event of a dispute concerning the application of this provision, no claim by the Employer that Cause exists shall be given effect unless the Employer establishes (iii) to the Employer Board and (iv) in the event of an arbitration to resolve the dispute, to the arbitrator, by clear and convincing evidence that Cause exists.

"Change in Control" means the occurrence of any one of the events described in clauses (a) through (d) of the definition of "Change in Control" in Section 2 of the EIP or the occurrence of the event described in the following clause (e), which shall apply for purposes of the Agreement instead of clause (e) of the definition of "Change in Control" in Section 2 of the EIP:

- (e) Disposition of a Business Unit. There is consummated the Disposition of a Business Unit; provided, however, that this clause (e) shall apply only to an Executive who immediately prior to the Disposition of a Business Unit was employed by (and on the payroll of) the Business Unit that was the subject of the Disposition of a Business Unit.

The following Examples illustrate clause (e):

Example 1. The ownership interests of Business Unit X are sold to an unrelated purchaser. Executive A was employed by (and on the payroll of) Business Unit X immediately prior to the sale. A Change in Control has taken place with respect to Executive A.

Example 2. The assets of Business Unit Y are sold to an unrelated purchaser. Executive B was employed by (and on the payroll of) Business Unit Y immediately prior to the sale. A Change in Control has taken place with respect to Executive B.

Example 3. Executive C is employed by (and on the payroll of) a Business Unit as described in either Example 1 or 2, except that Executive C remains employed by (and on the payroll of) a Business Unit that continues to be a Business Unit of the Company following the sale. A Change in Control has taken place with respect to Executive C.

Because the EIP is not intended to serve the same purpose as the Agreement, whether a "Change in Control" has taken place under the EIP is not relevant in determining whether benefits are payable under the Agreement. For example, in Example 3, a Change in Control took place for Executive C under the Agreement, but no Change in Control took place for Executive C under the EIP. If Executive C terminates employment six months after the Change in Control occurred under the Agreement, Executive C may or may not be entitled to benefits under the Agreement, depending on the facts surrounding the termination of employment. However, no Change in Control would take place under the EIP with respect to Executive C under the facts of Example 3, whether or not benefits are due under the Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Company" means CNF Inc., a corporation organized under the laws of the State of Delaware, or any successor corporation.

"Disposition of a Business Unit" is defined in Section 2 of the EIP.

"EIP" means the CNF Inc. 1997 Equity and Incentive Plan, as amended from time to time, or any successor plan.

"Employer" means the person specified in the first paragraph of the Agreement or any assignee or successor (including a successor who assumes the Agreement following a Change in Control). The fourth bullet of the Agreement provides that, if the Executive transfers to the Company or an Affiliate, the Agreement will be assigned, resulting in a change in the Employer. A draft form of assignment and assumption is attached as Exhibit B. Notwithstanding the preceding provisions of this definition, if (and for as long as) the Executive is an employee of Vector SCM, LLC, (i) the Employer means Vector SCM, LLC or any successor, (ii) the Company shall fulfill the obligations of the Employer under the Agreement, and (iii) clause (e) of the definition of Change in Control shall not apply to the Executive.

"Employer Board" means the Board of Directors of the Employer.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and as now or hereafter construed, interpreted and applied by regulations, rulings and cases.

"Excise Tax" means any excise tax imposed under Section 4999 of the Code.

"Executive" means the person specified in the first paragraph of the Agreement.

"Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) after any Change in Control of any one of the following acts by the Employer, or failures by the Employer to act, unless such act or failure to act is corrected within 30 days of receipt by the Employer of notice of the Executive's intent to terminate for Good Reason hereunder:

- (1) the failure of the successor company, following the Change in Control, to assume the Agreement and all obligations thereunder, as of the date of such Change in Control;
- (2) the assignment to the Executive of duties inconsistent with the Executive's status as an executive of the Employer or a substantial adverse alteration in the nature or status of the Executive's responsibilities from those in effect immediately prior to the Change in Control;
- (3) a reduction by the Employer in the Executive's base salary, cash bonus opportunity, or long term incentive opportunity, each as in effect immediately prior to the Change in Control or as the same may thereafter be increased from time to time;
- (4) the relocation of the Executive's principal place of employment to a location that results in an increase in the Executive's one way commute of at least 50 miles more than the Executive's one way commute immediately prior to the Change in Control,
- (5) a substantial increase in the Executive's business travel obligations from the Executive's business travel obligations immediately prior to the Change in Control;
- (6) the failure by the Employer to pay to the Executive when due any portion of the Executive's current compensation;
- (7) the failure by the Employer to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Employer's pension, savings, life insurance, medical, health and accident, or disability plans in which the Executive was participating immediately prior to the

Change in Control (except for across-the-board changes similarly affecting all or substantially all employees of the Employer and any entity in control of the Employer), the taking of any other action by the Employer which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive immediately prior to the Change in Control, or the failure by the Employer to provide the Executive with the number of paid vacation days or PTO days (days of paid time off) to which the Executive was entitled.

If a Change in Control takes place with respect to the Executive solely because of the Disposition of a Business Unit as described in clause (e) of the definition of Change in Control and the Executive continues to be employed by the Company or an Affiliate, but the position the Executive previously held is no longer needed, then, for purposes of determining whether there is a substantial adverse alteration in the nature or status of the Executive's responsibilities under clause (2) above, all the facts and circumstances shall be taken into account, and no single or selected set of facts shall be determinative. In particular, if the Executive receives a bona fide offer of a new or different position with the Company or an Affiliate, the fact or set of facts that, under the Executive's new position, fewer employees may be supervised and/or fewer functional areas may be within the Executive's span of control shall not be determinative.

The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to disability, including physical or mental illness, except as provided in the penultimate paragraph of the definition of Severance.

If Good Reason first occurs during the last 30 days of the Term and the Executive gives notice of the Executive's intent to terminate for Good Reason before the end of the Term, the correction period referred to in the first sentence of this definition of Good Reason shall end on the date of termination specified in Section 5.3.

The Executive's continued employment after Good Reason occurs shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

"Gross Up Payment" shall have the meaning set forth in Section 4.1 hereof.

"Person" means any person, as such term is used in Sections 13(d) and 14(d) of the Exchange Act other than (i) the Company or its Affiliates, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or its Affiliates, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the Common Stock.

"Potential Change in Control" shall be deemed to have occurred if:

- (1) the Company or any Affiliate enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;
- (2) the Company or any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act publicly announces an intention to take or to consider actions, including but not limited to proxy contests or consent solicitations, which, if consummated, would constitute a Change in Control;
- (3) any Person becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of

the Company representing 15% or more of either the then outstanding shares of the common stock, par value \$0.625 per share, of the Company or the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates); or

- (4) the Board or the Employer Board if the Employer is other than the Company adopts a resolution to the effect that, for purposes of the Agreement, a Potential Change in Control has occurred.

If the Potential Change in Control referred to in clause (1) or (2) would arise because of an event described in clause (e) in the definition of Change in Control, the Potential Change in Control shall apply only if the Executive is employed by (and on the payroll of) the Business Unit that would be the subject of the Disposition of a Business Unit.

"Severance" means the termination of an Executive's employment with the Employer following a Change in Control and during the Term of the Agreement, (i) by the Employer other than for Cause, or (ii) by the Executive for Good Reason.

For purposes of the Agreement, the Executive's employment shall be deemed to have been terminated following a Change in Control by the Employer without Cause or by the Executive with Good Reason if (i) the Executive's employment is terminated by the Employer without Cause following a Potential Change in Control but prior to a Change in Control (whether or not a Change in Control ever occurs) and such termination was at the request or direction of a Person who has entered into an agreement with the Company or Affiliate the consummation of which would constitute a Change in Control, (ii) the Executive terminates employment for Good Reason following a Potential Change in Control but prior to a Change in Control (whether or not a Change in Control ever occurs) and the circumstance or event which constitutes Good Reason occurs at the request or direction of such Person; or (iii) the Executive's employment is terminated by the Employer without Cause or by the Executive for Good Reason and such termination or the circumstance or event which constitutes Good Reason is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs). For purposes of this paragraph, a Change in Control shall be deemed to have occurred for purposes of the definition of Good Reason if a Potential Change in Control has occurred or if the termination or the circumstance or event which would constitute Good Reason if a Change in Control had occurred is in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs).

An Executive will not be considered to have incurred a Severance (i) if the Executive's employment is discontinued by reason of the Executive's death or disability, including a physical or mental condition causing such Executive's inability to substantially perform the Executive's duties with the Employer for a period of six consecutive months or (ii) by reason of the divestiture of a facility, sale of a business or business unit, or the outsourcing of a business activity with which the Executive is affiliated, notwithstanding the fact that such divestiture, sale or outsourcing constitutes, or takes place following a Change in Control and during the Term of the Agreement, if the Executive is offered a position with the successor company that, if accepted, would not give rise to Good Reason, and such successor company agrees to assume the obligations of the Agreement with respect to such Executive.

If any benefits provided to the Executive under the Agreement are treated as deferred compensation subject to Code section 409A, the Executive will not be considered to have incurred a Severance until the Executive incurs a "separation from service," becomes "disabled," or

dies; provided, however, that if an "unforeseeable emergency" occurs, the Severance Payment may be made to the extent permitted by Code section 409A(a)(2)(B)(ii)(II). (The terms quoted in the immediately-preceding sentence have the meanings set forth in Code section 409A(a)(2)(A).)

"Severance Benefits" means:

- (1) life, disability and accident benefits substantially similar to those provided to the Executive and the Executive's dependents immediately prior to the Severance or, if more favorable to the Executive, immediately prior to the Change in Control, at no greater cost to the Executive than the cost to the Executive immediately prior to the Severance or the Change in Control in this Agreement; provided, however, that, unless the Change in Control took place because of the event described in clause (e) of the definition of Change in Control, the Employer may apply to such benefits any across the board changes similarly affecting all or substantially all employees participating in such benefits;
- (2) health and dental benefits provided to the Executive and the Executive's dependents under the Company's health and dental plan as in effect immediately prior to the Severance or, if more favorable to the Executive, those provided to the Executive and the Executive's dependents immediately prior to the Change in Control, at no cost to the Executive; and
- (3) outplacement services determined by the Company to be suitable to the Executive's position, at no cost to the Executive;

in each case for the number of months specified in the Agreement following such Executive's Severance Date; provided, however, that

- (4) benefits otherwise receivable pursuant to (1) and (2) shall be reduced to the extent benefits of the same type are received by or made available to the Executive or the Executive's dependents following the Executive's termination of employment (and any such benefits shall be reported to the Employer by the Executive);
- (5) the Employer shall reimburse the Executive for the excess, if any, of the cost to the Executive of benefits received or made available pursuant to (1) and (2) over such cost immediately prior to the Severance or, if more favorable to the Executive, immediately prior to the Change in Control;
- (6) if the Executive dies, the Employer shall continue to provide the Executive's dependents with the benefits otherwise receivable pursuant to (1) and (2) on the same basis as if the Executive had survived, and
- (7) if any such benefits are treated as deferred compensation subject to Code section 409A and the Executive is a "specified employee" as defined in Code section 409A(a)(2)(B)(i), the Executive shall pay the full cost of such benefits for the first six months after the Severance Date and the Employer shall reimburse the Executive for such payments as soon as practicable thereafter.

"Severance Date" means the date on which an Executive incurs a Severance, which should be the date of termination as determined under Section 5.3.

"Severance Payment" means a payment, in lieu of any other severance payment or benefit pursuant to any other plan or agreement of the Employer, the Company or any Affiliate to which the Executive is otherwise entitled, of an amount equal to the number of years specified

in the Agreement times the sum of (i) the Executive's annual base salary immediately prior to the time of Severance or, if higher, in effect immediately prior to the Change in Control and (ii) the Executive's Annual Bonus for the calendar year in which the Change in Control occurred.

"Tax Counsel" shall have the meaning set forth in Section 4.2 hereof.

"Term" means the period of time commencing on the date specified in the Agreement and continuing through December 31 of the following year; provided, however, that commencing on January 1 of such following year, and each January 1 thereafter, the Term shall automatically be extended for one additional year unless, not later than September 30 of the preceding year, the Employer or the Executive shall have given notice not to extend the Term; and further provided, however, that if a Change in Control shall occur during the Term, the Term shall expire no earlier than 24 months beyond the month in which such Change in Control occurred.

"Terms and Conditions" means these terms and conditions.

"Total Payments" means those payments so described in Section 4.1 hereof.

2. COMPENSATION OTHER THAN SEVERANCE PAYMENTS AND BENEFITS.

2.1 Following a Change in Control and during the Term, during any period that the Executive fails to perform the Executive's full-time duties with the Employer as a result of incapacity due to disability, including physical or mental illness, the Employer shall pay the Executive's full salary to the Executive at the rate in effect at the commencement of any such period, together with all compensation and benefits payable to the Executive under the terms of any compensation or benefit plan, program or arrangement maintained by the Employer during such period (other than any disability plan), until the Executive's employment is terminated by the Employer for disability.

2.2 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Employer shall pay the Executive's full salary to the Executive through the Severance Date at the rate in effect immediately prior to the Severance Date or, if higher, the rate in effect immediately prior to the Change in Control, together with all compensation and benefits payable to the Executive through the Severance Date under the terms of the Employer's compensation and benefit plans, programs or arrangements as in effect immediately prior to the Severance Date or, if more favorable to the Executive, as in effect immediately prior to the Change in Control.

2.3 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Employer shall pay to the Executive the Executive's normal post termination compensation and benefits as such payments become due (other than severance payments under any severance plan as in effect immediately prior to the Severance). Such post termination compensation and benefits shall be determined under, and paid in accordance with, the Company's retirement, insurance and other compensation or benefit plans, programs and arrangements as in effect immediately prior to the Severance or, if more favorable to the Executive, as in effect immediately prior to the Change in Control.

3. SEVERANCE PAYMENTS AND BENEFITS.

- 3.1 If the Executive incurs a Severance, the Executive shall be entitled to receive from the Employer (i) the Severance Payment and (ii) Severance Benefits. If the Employer is not the Company, the Employer does not provide the Severance Payment and the Severance Benefits and the Severance is related to a Change in Control or a Potential Change in Control that occurred other than because of the Disposition of a Business Unit as provided in clause (e) of the definition of Change in Control, the Company shall fulfill the obligations of the Employer under the Agreement, and the Executive need not exhaust the remedies provided in Section 3.4 and 3.5 against the Employer before being entitled to receive the Severance Payment and the Severance Benefits from the Company.
- 3.2 The Employer shall pay the Severance Payment to the Executive in a cash lump sum, on the date that is 6 months after the Severance Date or as soon as practicable thereafter, but in no event later than 10 business days immediately following such date.
- 3.3 The Executive shall not be eligible to receive a Severance Payment or Severance Benefits under the Agreement unless the Executive (or, in the event of the death of the Executive, the executor, personal representative or administrator of the Executive's estate) first executes a written release substantially in the form attached as Exhibit A hereto and the Executive executes the release within 6 months after the Severance Date.
- 3.4 In the event that the Executive or a dependent of the Executive believes that he or she is not receiving the full benefits to which he or she is entitled under the Agreement, such person may make a claim to the Employer Board (or the Board if the second sentence of Section 3.1 applies), and the claims procedure set forth in Section 8 of the EIP shall apply with the Employer Board (or the Board if the second sentence of Section 3.1 applies) treated as the Committee.
- 3.5 Any further dispute or controversy arising under or in connection with the Agreement which remains after the final decision of the Board as contemplated by Section 3.4 shall be finally settled exclusively by arbitration in San Francisco, California, in accordance with the rules of the American Arbitration Association then in effect; provided, however, that the clear and convincing evidentiary standard set forth in the definition of Cause in this Agreement shall apply; and provided further, that the arbitrator shall apply the applicable provisions of ERISA, and applicable regulations adopted thereunder, in such arbitration proceeding. Judgment may be entered on the arbitrator's award in any court having jurisdiction.
- 3.6 The Employer shall pay to the Executive all legal fees and expenses incurred by the Executive in seeking in good faith to obtain or enforce any benefit or right provided by the Agreement. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Employer reasonably may require. The Employer shall not be obligated to pay legal fees and expenses incurred by any person other than the Executive. However, the Employer shall be obligated to pay legal fees and expenses incurred by the Executive on behalf of the Executive's dependents and legal fees and expenses incurred by the estate of the Executive on behalf of the Executive or the Executive's dependents.
- 3.7 The Employer shall be entitled to withhold from amounts to be paid to the Executive hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to

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3.8 The Employer agrees that, if the Executive's employment with the Employer terminates following a Change in Control that is applicable to the Executive and during the Term of the Agreement, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive hereunder. Further, the amount of any payment or benefit provided for in the Agreement shall not be reduced (except as provided in clause (4) of the definition of Severance Benefits) by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Employer, or otherwise.

4. EXCISE TAX GROSS-UP.

4.1 Whether or not the Executive becomes entitled to the Severance Payment and Severance Benefits, if any of the payments or benefits received or to be received by the Executive in connection with a Change in Control or the Executive's termination of employment (whether pursuant to the terms of the Agreement or any other agreement, plan, or arrangement with the Employer, any Person whose actions result in a Change in Control or any Person affiliated with the Employer or such Person) (such payments or benefits, excluding the Gross-Up Payment, being hereinafter referred to as the "Total Payments") will be subject to the Excise Tax, the Employer shall pay to the Executive an additional amount (the "Gross Up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Total Payments and any federal, state and local income and employment taxes and Excise Tax upon the Gross-Up Payment (but without deducting federal, state and local income and employment taxes on the Total Payments), shall be equal to the Total Payments.

4.2 For purposes of determining whether any of the Total Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) all of the Total Payments shall be treated as "parachute payments" (within the meaning of Section 280G(b)(2) of the Code) unless, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm which was, immediately prior to the Change in Control, the Company's independent auditor (the "Auditor"), such payments or benefits (in whole or in part) should not constitute parachute payments, including by reason of Section 280G(b)(4)(A) of the Code, (ii) all "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax unless, in the opinion of Tax Counsel, such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered (within the meaning of Section 280G(b)(4)(B) of the Code) in excess of the Base Amount allocable to such reasonable compensation, or should otherwise not be subject to the Excise Tax and (iii) the value of any noncash benefits or any deferred payment or benefit shall be determined by the Auditor in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross Up Payment, the Executive shall be deemed to pay federal income tax at the highest marginal rate of federal income taxation in the calendar year in which the Gross Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence at the time of the Severance (or if there is no Severance, then the date on which the Gross-Up Payment is calculated for purposes of this Section 4.2), net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

- 4.3 In the event that the Excise Tax is finally determined to be less than the amount taken into account hereunder in calculating the Gross-Up Payment, the Executive shall repay to the Company, within five (5) business days following the time that the amount of such reduction in the Excise Tax is finally determined, the portion of the Gross Up Payment attributable to such reduction (plus that portion of the Gross Up Payment attributable to the Excise Tax and federal, state and local income and employment taxes imposed on the Gross Up Payment being repaid by the Executive, to the extent that such repayment results in a reduction in the Excise Tax and a dollar-for-dollar reduction in the Executive's taxable income and wages for purposes of federal, state and local income and employment taxes). In the event that the Excise Tax is determined to exceed the amount taken into account hereunder in calculating the Gross-Up Payment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross Up Payment), the Company shall make an additional Gross Up Payment in respect of such excess (plus any interest, penalties or additions payable by the Executive with respect to such excess) within five (5) business days following the time that the amount of such excess is finally determined. The Executive and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Total Payments.
- 4.4 The payments provided in Section 4.1 shall be made on the date that is 6 months after the Severance Date or as soon as practicable thereafter; provided, however, that if the amounts of such payments cannot be finally determined on or before such day, the Employer shall pay to the Executive on such day an estimate, as determined in good faith by the Employer or, in the case of payments under Section 4.1 or 4.3, in accordance with Section 4.2, of the minimum amount of such payments to which the Executive is clearly entitled and shall pay the remainder of such payments (together with interest on the unpaid remainder (or on all such payments to the extent the Company fails to make such payments when due) at 120% of the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall be paid by the Executive to the Employer not later than the fifth (5th) business day after demand by the Employer. At the time that payments are made under the Agreement, the Employer shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Employer has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).
- 4.5 The Employer also shall pay to the Executive all legal fees and expenses incurred by the Executive in seeking in good faith to obtain or enforce any benefit or right provided by the Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Employer reasonably may require.

5. NOTICE OF TERMINATION.

- 5.1 After a Change in Control and during the Term, any purported

termination of the Executive's employment (other than by reason of death) shall be communicated by written notice of termination from the Employer to the Executive or the Executive to the Employer in accordance with Section 6.9.

- 5.2 The notice of termination shall indicate the specific termination provision in the Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. A notice of termination for Cause shall include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Employer Board at a meeting of the Employer Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Employer Board) finding that, in the good faith opinion of the Employer Board, the Executive was guilty of conduct set forth in clause (i) or (ii) of the definition of Cause herein, and specifying the particulars thereof in detail.
- 5.3 The notice of termination shall specify the date of termination which, in the case of a termination by the Employer, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than thirty (30) days nor more than sixty (60) days, respectively, from the date such notice of termination is given.
 - (1) Once the Employer or the Executive has specified a date of termination in a notice of termination, the date of termination cannot be changed by the Employer or the Executive except by mutual consent.
 - (2) The date of termination must be at least 30 days after the notice of termination unless the termination is for Good Reason and Good Reason first occurs during the last 30 days of the Term (determined without regard to this Section 5.3(2)), in which event the date of termination shall be (i) the end of the Term (determined without regard to this Section 5.3(2)) if the Employer receives notice of the Executive's intent to terminate for Good Reason ten days or more before the end of the Term (determined without regard to this Section 5.3(2)) or (ii) the later of ten days after receipt by the Employer of notice of the Executive's intent to terminate for Good Reason or five days after the end of the Term (determined without regard to this Section 5.3(2)) if the Employer does not receive notice of the Executive's intent to terminate for Good Reason ten days or more before the end of the Term (determined without regard to this Section 5.3(2)).

6. GENERAL PROVISIONS.

- 6.1 Except as otherwise provided herein or by law, no right or interest of the Executive under the Agreement shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge or in any manner; no attempted assignment or transfer thereof shall be effective; and no right or interest of the Executive under the Agreement shall be liable for, or subject to, any obligation or liability of such Executive. When a payment is due under the Agreement to an Executive who is unable to care for his or her affairs, payment may be made directly to the Executive's legal guardian or personal representative.

- 6.2 If the Employer, the Company or any Affiliate is obligated pursuant to applicable law or by virtue of being a party to a contract (other than this Agreement) to pay severance pay, a termination indemnity, notice pay or the like or if the Employer, the Company or any Affiliate is obligated by law to provide advance notice of separation ("Notice Period"), then any Severance Payment hereunder shall be reduced by the amount of any such severance pay, termination indemnity, notice pay or the like, as applicable, and by the amount of any compensation received during any Notice Period.
- 6.3 Neither the Agreement, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any benefits shall be construed as giving any Executive, or any person whomsoever, the right to be retained in the service of the Employer, and the Executive shall remain subject to discharge to the same extent as if the Agreement had never been executed.
- 6.4 If any provision of the Agreement shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Agreement shall be construed and enforced as if such provisions had not been included.
- 6.5 If any provision of the Agreement would cause compensation to be includible in the Executive's income pursuant to Code section 409A(a)(1)(A), such provision shall be void, and the Employer shall amend the Agreement retroactively in such a way as to achieve substantially similar economic results without causing such inclusion. Any such amendment shall be binding on the Executive unless the Executive objects within 30 days after a copy of such amendment is delivered to the Executive. In any event, the Executive will be solely responsible for any adverse tax consequences to the Executive.
- 6.6 The Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the Employer and its successors and assigns, and by each Executive and by the personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees of each Executive. If any Executive shall die while any amount would still be payable to such Executive (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of the Agreement to the executors, personal representatives or administrators of the Executive's estate.
- 6.7 The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Agreement, and shall not be employed in the construction of the Agreement.
- 6.8 The Agreement shall not be funded. The Executive shall not have any right to, or interest in, any assets of the Employer which may be applied by the Employer to the payment of benefits or other rights under the Agreement.
- 6.9 All notices and all other communications provided for in the Agreement (i) shall be in writing, (ii) shall be hand delivered, sent by overnight courier or by United States registered mail, return receipt requested and postage prepaid, addressed, in the case of the Employer, to the principal office of the Employer, attention President, and in the case of the Company, to 2855 Campus Drive, San Mateo, California 94403, attention General Counsel, and in the case of the Executive, to the last known address of the Executive, and (iii) shall be effective only upon actual receipt.

- 6.10 The Agreement shall be construed and enforced according to the laws of the State of Delaware (without giving effect to the conflict of laws principles thereof) to the extent not preempted by federal law, which shall otherwise control.

EXHIBIT A

WAIVER AND RELEASE OF CLAIMS

In consideration of, and subject to, the payment to be made to me by _____ (the "Employer") of the "Severance Payment" (as defined in the Severance Agreement, dated as of _____, entered into between me and the Company (the "Agreement")), I hereby waive any claims I may have for employment or re-employment by the Employer or any parent or subsidiary of the Employer after the date hereof, and I further agree to and do release and forever discharge the Employer and any parent or subsidiary of the Employer, and their respective past and present officers, directors, shareholders, insurers, employees and agents from any and all claims and causes of action, known or unknown, arising out of or relating to my employment with the Employer or any parent or subsidiary of the Employer, or the termination thereof, including, but not limited to, wrongful discharge, breach of contract, tort, fraud, the Civil Rights Acts, Age Discrimination in Employment Act, Employee Retirement Income Security Act of 1974, Americans with Disabilities Act, or any other federal, state or local legislation or common law relating to employment or discrimination in employment or otherwise.

Notwithstanding the foregoing or any other provision hereof, nothing in this Waiver and Release of Claims shall adversely affect (i) my rights to Severance Benefits under the Agreement; (ii) my rights to benefits other than severance payments or benefits under plans, programs and arrangements of the Employer or any parent or subsidiary of the Employer; or (iii) my rights to indemnification under any indemnification agreement, applicable law or the certificates of incorporation or bylaws of the Employer or any parent or subsidiary of the Employer, (iv) my rights under any director's and officers' liability insurance policy covering me, (v) my workers compensation rights, or (vi) my unemployment insurance rights.

I acknowledge that I have signed this Waiver and Release of Claims voluntarily, knowingly, of my own free will and without reservation or duress, and that no promises or representations have been made to me by any person to induce me to do so other than the promise of payment set forth in the first paragraph above and the Employer's acknowledgment of my rights reserved under the second paragraph above.

I understand that this release will be deemed to be an application for benefits under the Agreement and that my entitlement thereto shall be governed by the terms and conditions of the Agreement and any applicable plan. I expressly hereby consent to such terms and conditions.

I acknowledge that I have been given not less than forty-five (45) days to review and consider this Waiver and Release of Claims (unless I have signed a written waiver of such review and consideration period), and that I have had the opportunity to consult with an attorney or other advisor of my choice and have been advised by the Company to do so if I choose. I may revoke this Waiver and Release of Claims seven days or less after its execution by providing written notice to the Employer.

I acknowledge that it is my intention and the intention of the Employer in executing this Waiver and Release of Claims that the same shall be effective as a bar to each and every claim, demand and cause of action hereinabove

specified. In furtherance of this intention, I hereby expressly waive any and all rights and benefits conferred upon me by the provisions of SECTION 1542 OF THE CALIFORNIA CIVIL CODE, to the extent applicable to me, and expressly I consent that this Waiver and Release of Claims shall be given full force and effect according to each and all of its express terms and provisions, including as well those related to unknown and unsuspected claims, demands and causes of action, if any, as well as those relating to any other claims, demands and causes of action hereinabove specified. SECTION 1542 provides:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

I acknowledge that I may hereafter discover claims or facts in addition to or different from those which I now know or believe to exist with respect to the subject matter of this Waiver and Release of Claims and which, if known or suspected at the time of executing this Waiver and Release of Claims, may have materially affected this settlement.

Finally, I acknowledge that I have read this Waiver and Release of Claims and understand all of its terms.

Signature of Executive

Print Name

Date Signed

EXHIBIT B

Assignment and Assumption of
Severance Agreement
Between _____ and

As of _____

_____ (the "Old Employer") and _____ (the "Executive") have entered into a Severance Agreement dated _____ (the "Agreement"). The Executive is transferring employment from the Old Employer to _____ (the "New Employer"), effective _____. The fourth bullet of the Agreement provides that, if the Executive transfers to the Company or an Affiliate, the Old Employer shall assign the Agreement to the Company or Affiliate. To order to carry out the provisions of the fourth bullet of the Agreement -

1. The Old Employer hereby assigns the Agreement to the New Employer.
2. The New Employer hereby assumes the obligations of the Old Employer under the Agreement.
3. The assignment and assumption are effective as of the date employment is transferred.
4. The Executive hereby acknowledges receipt of notice of the assignment

and assumption.

THE OLD EMPLOYER	THE NEW EMPLOYER
By: _____ Name: _____ Title: _____	By: _____ Name: _____ Title: _____
EXECUTIVE _____ Name: _____	

SEVERANCE AGREEMENT - CNF INC.

THIS AGREEMENT, dated as of and effective as of January 1, 2006, is by and between CNF Inc. (the "Employer"), and _____ (the "Executive") and supersedes all prior severance agreements between the Executive and the Employer or any Affiliate.

WHEREAS, the Employer (a) considers it essential to foster the continued employment of key management personnel, (b) recognizes that the possibility of a Change in Control exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Employer, and (c) has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Employer's management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Employer and the Executive hereby agree as follows:

- * The Term of this Agreement shall commence on _____ and expire as provided in the definition of "Term" in Section 1 of the attached Terms and Conditions, all of which (including definitions) are hereby incorporated by reference.
- * The Executive agrees that, subject to the Terms and Conditions, in the event of a Potential Change in Control during the Term, the Executive will remain in the employ of the Employer until the earliest of (a) a date which is six (6) months from the date of such Potential Change in Control, (b) the date of a Change in Control, (c) the date of termination by the Executive of the Executive's employment for Good Reason or by reason of death, disability or retirement in accordance with the CNF Inc. Retirement Plan, including early retirement, or (d) the termination by the Employer of the Executive's employment for any reason.
- * If the Executive incurs a Severance following a Change in Control or Potential Change in Control and during the Term, the Executive shall be entitled to receive (a) a Severance Payment equal to two (2) times the sum of the Executive's annual base salary and Annual Bonus in a lump sum and (b) Severance Benefits for a period of 24 months following the Severance Date, as provided in the attached Terms and Conditions.
- * If the Executive transfers to and becomes an employee of an Affiliate, the Employer shall assign this Agreement to the Affiliate and the Affiliate shall become the Employer and shall assume the obligations of the Employer.

CNF Inc.

EXECUTIVE

By: _____
Name:
Title:

Name:
Address:

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1. DEFINITIONS. As hereinafter used:

"Affiliate" means an affiliate of the Company, as defined in Rule 12b-2 promulgated under Section 12 of the Exchange Act, including any Business Unit.

"Agreement" means the Severance Agreement to which these Terms and Conditions are attached, including the Terms and Conditions, which are incorporated by reference in the Agreement. If there is any inconsistency between the Severance Agreement and these Terms and Conditions, the Terms and Conditions shall govern.

"Annual Bonus" means the annual bonus payable with respect to a calendar year under the ICP (Incentive Compensation Plan) applicable to an Executive or other applicable annual bonus or arrangement determined as if such Annual Bonus had been earned to the extent of 100% of the Executive's target bonus opportunity, as opposed to the maximum 200%. The Annual Bonus does not include any amount payable under the CNF Inc. Value Management Plan or any other long-term incentive plan.

"Auditor" shall have the meaning set forth in Section 4.2 hereof.

"Base Amount" shall have the meaning set forth in Section 280G(b)(3) of the Code.

"Board" means the Board of Directors of the Company.

"Business Unit" is defined in Section 2 of the EIP.

"Cause" for termination by the Employer of the Executive's employment means (i) the willful and continued failure by the Executive to substantially perform the Executive's duties with the Employer (other than any such failure resulting from the Executive's incapacity due to disability, including physical or mental illness or any such actual or anticipated failure after the issuance by the Executive of a notice of intent to terminate employment for Good Reason, as provided in the definition of Good Reason) after a written demand for substantial performance is delivered to the Executive by or on behalf of the Employer Board, which demand specifically identifies the manner in which the Employer Board believes that the Executive has not substantially performed the Executive's duties, or (ii) the willful engaging by the Executive in conduct which is demonstrably and materially injurious to the Employer, the Company or an Affiliate, monetarily or otherwise. For purposes of clauses (i) and (ii) of this definition, no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's act, or failure to act, was in the best interest of the Employer, the Company or an Affiliate. In the event of a dispute concerning the application of this provision, no claim by the Employer that Cause exists shall be given effect unless the Employer establishes (iii) to the Employer Board and (iv) in the event of an arbitration to resolve the dispute, to the arbitrator, by clear

and convincing evidence that Cause exists.

"Change in Control" means the occurrence of any one of the events described in clauses (a) through (d) of the definition of "Change in Control" in Section 2 of the EIP or the occurrence of the event described in the following clause (e), which shall apply for purposes of the Agreement instead of clause (e) of the definition of "Change in Control" in Section 2 of the EIP:

- (e) Disposition of a Business Unit. There is consummated the Disposition of a Business Unit; provided, however, that this clause (e) shall apply only to an Executive who immediately prior to the Disposition of a Business Unit was employed by (and on the payroll of) the Business Unit that was the subject of the Disposition of a Business Unit.

The following Examples illustrate clause (e):

Example 1. The ownership interests of Business Unit X are sold to an unrelated purchaser. Executive A was employed by (and on the payroll of) Business Unit X immediately prior to the sale. A Change in Control has taken place with respect to Executive A.

Example 2. The assets of Business Unit Y are sold to an unrelated purchaser. Executive B was employed by (and on the payroll of) Business Unit Y immediately prior to the sale. A Change in Control has taken place with respect to Executive B.

Example 3. Executive C is employed by (and on the payroll of) a Business Unit as described in either Example 1 or 2, except that Executive C remains employed by (and on the payroll of) a Business Unit that continues to be a Business Unit of the Company following the sale. A Change in Control has taken place with respect to Executive C.

Because the EIP is not intended to serve the same purpose as the Agreement, whether a "Change in Control" has taken place under the EIP is not relevant in determining whether benefits are payable under the Agreement. For example, in Example 3, a Change in Control took place for Executive C under the Agreement, but no Change in Control took place for Executive C under the EIP. If Executive C terminates employment six months after the Change in Control occurred under the Agreement, Executive C may or may not be entitled to benefits under the Agreement, depending on the facts surrounding the termination of employment. However, no Change in Control would take place under the EIP with respect to Executive C under the facts of Example 3, whether or not benefits are due under the Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Company" means CNF Inc., a corporation organized under the laws of the State of Delaware, or any successor corporation.

"Disposition of a Business Unit" is defined in Section 2 of the EIP.

"EIP" means the CNF Inc. 1997 Equity and Incentive Plan, as amended from time to time, or any successor plan.

"Employer" means the person specified in the first paragraph of the Agreement or any assignee or successor (including a successor who assumes the Agreement following a Change in Control). The fourth bullet of the Agreement provides that, if the Executive transfers to the Company or an Affiliate, the Agreement will be assigned, resulting in a change in the Employer. A draft form of assignment and assumption is

attached as Exhibit B. Notwithstanding the preceding provisions of this definition, if (and for as long as) the Executive is an employee of Vector SCM, LLC, (i) the Employer means Vector SCM, LLC or any successor, (ii) the Company shall fulfill the obligations of the Employer under the Agreement, and (iii) clause (e) of the definition of Change in Control shall not apply to the Executive.

"Employer Board" means the Board of Directors of the Employer.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and as now or hereafter construed, interpreted and applied by regulations, rulings and cases.

"Excise Tax" means any excise tax imposed under Section 4999 of the Code.

"Executive" means the person specified in the first paragraph of the Agreement.

"Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) after any Change in Control of any one of the following acts by the Employer, or failures by the Employer to act, unless such act or failure to act is corrected within 30 days of receipt by the Employer of notice of the Executive's intent to terminate for Good Reason hereunder:

- (1) the failure of the successor company, following the Change in Control, to assume the Agreement and all obligations thereunder, as of the date of such Change in Control;
- (2) the assignment to the Executive of duties inconsistent with the Executive's status as an executive of the Employer or a substantial adverse alteration in the nature or status of the Executive's responsibilities from those in effect immediately prior to the Change in Control;
- (3) a reduction by the Employer in the Executive's base salary, cash bonus opportunity, or long term incentive opportunity, each as in effect immediately prior to the Change in Control or as the same may thereafter be increased from time to time;
- (4) the relocation of the Executive's principal place of employment to a location that results in an increase in the Executive's one way commute of at least 50 miles more than the Executive's one way commute immediately prior to the Change in Control,
- (5) a substantial increase in the Executive's business travel obligations from the Executive's business travel obligations immediately prior to the Change in Control;
- (6) the failure by the Employer to pay to the Executive when due any portion of the Executive's current compensation;
- (7) the failure by the Employer to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Employer's pension, savings, life insurance, medical, health and accident, or disability plans in which the Executive was participating immediately prior to the Change in Control (except for across-the-board changes similarly affecting all or substantially all employees of the Employer and any entity in control of the Employer), the taking of any other action by the Employer which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive immediately

prior to the Change in Control, or the failure by the Employer to provide the Executive with the number of paid vacation days or PTO days (days of paid time off) to which the Executive was entitled.

If a Change in Control takes place with respect to the Executive solely because of the Disposition of a Business Unit as described in clause (e) of the definition of Change in Control and the Executive continues to be employed by the Company or an Affiliate, but the position the Executive previously held is no longer needed, then, for purposes of determining whether there is a substantial adverse alteration in the nature or status of the Executive's responsibilities under clause (2) above, all the facts and circumstances shall be taken into account, and no single or selected set of facts shall be determinative. In particular, if the Executive receives a bona fide offer of a new or different position with the Company or an Affiliate, the fact or set of facts that, under the Executive's new position, fewer employees may be supervised and/or fewer functional areas may be within the Executive's span of control shall not be determinative.

The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to disability, including physical or mental illness, except as provided in the penultimate paragraph of the definition of Severance.

If Good Reason first occurs during the last 30 days of the Term and the Executive gives notice of the Executive's intent to terminate for Good Reason before the end of the Term, the correction period referred to in the first sentence of this definition of Good Reason shall end on the date of termination specified in Section 5.3.

The Executive's continued employment after Good Reason occurs shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

"Gross Up Payment" shall have the meaning set forth in Section 4.1 hereof.

"Person" means any person, as such term is used in Sections 13(d) and 14(d) of the Exchange Act other than (i) the Company or its Affiliates, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or its Affiliates, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the Common Stock.

"Potential Change in Control" shall be deemed to have occurred if:

- (1) the Company or any Affiliate enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;
- (2) the Company or any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act publicly announces an intention to take or to consider actions, including but not limited to proxy contests or consent solicitations, which, if consummated, would constitute a Change in Control;
- (3) any Person becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 15% or more of either the then outstanding shares of the common stock, par value \$0.625 per share, of the Company or the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates); or

- (4) the Board or the Employer Board if the Employer is other than the Company adopts a resolution to the effect that, for purposes of the Agreement, a Potential Change in Control has occurred.

If the Potential Change in Control referred to in clause (1) or (2) would arise because of an event described in clause (e) in the definition of Change in Control, the Potential Change in Control shall apply only if the Executive is employed by (and on the payroll of) the Business Unit that would be the subject of the Disposition of a Business Unit.

"Severance" means the termination of an Executive's employment with the Employer following a Change in Control and during the Term of the Agreement, (i) by the Employer other than for Cause, or (ii) by the Executive for Good Reason.

For purposes of the Agreement, the Executive's employment shall be deemed to have been terminated following a Change in Control by the Employer without Cause or by the Executive with Good Reason if (i) the Executive's employment is terminated by the Employer without Cause following a Potential Change in Control but prior to a Change in Control (whether or not a Change in Control ever occurs) and such termination was at the request or direction of a Person who has entered into an agreement with the Company or Affiliate the consummation of which would constitute a Change in Control, (ii) the Executive terminates employment for Good Reason following a Potential Change in Control but prior to a Change in Control (whether or not a Change in Control ever occurs) and the circumstance or event which constitutes Good Reason occurs at the request or direction of such Person; or (iii) the Executive's employment is terminated by the Employer without Cause or by the Executive for Good Reason and such termination or the circumstance or event which constitutes Good Reason is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs). For purposes of this paragraph, a Change in Control shall be deemed to have occurred for purposes of the definition of Good Reason if a Potential Change in Control has occurred or if the termination or the circumstance or event which would constitute Good Reason if a Change in Control had occurred is in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs).

An Executive will not be considered to have incurred a Severance (i) if the Executive's employment is discontinued by reason of the Executive's death or disability, including a physical or mental condition causing such Executive's inability to substantially perform the Executive's duties with the Employer for a period of six consecutive months or (ii) by reason of the divestiture of a facility, sale of a business or business unit, or the outsourcing of a business activity with which the Executive is affiliated, notwithstanding the fact that such divestiture, sale or outsourcing constitutes, or takes place following a Change in Control and during the Term of the Agreement, if the Executive is offered a position with the successor company that, if accepted, would not give rise to Good Reason, and such successor company agrees to assume the obligations of the Agreement with respect to such Executive.

If any benefits provided to the Executive under the Agreement are treated as deferred compensation subject to Code section 409A, the Executive will not be considered to have incurred a Severance until the Executive incurs a "separation from service," becomes "disabled," or dies; provided, however, that if an "unforeseeable emergency" occurs, the Severance Payment may be made to the extent permitted by Code section 409A(a)(2)(B)(ii)(II). (The terms quoted in the immediately-preceding sentence have the meanings set forth in Code section 409A(a)(2)(A).)

"Severance Benefits" means:

- (1) life, disability and accident benefits substantially similar to those provided to the Executive and the Executive's dependents immediately prior to the Severance or, if more favorable to the Executive, immediately prior to the Change in Control, at no greater cost to the Executive than the cost to the Executive immediately prior to the Severance or the Change in Control in this Agreement; provided, however, that, unless the Change in Control took place because of the event described in clause (e) of the definition of Change in Control, the Employer may apply to such benefits any across the board changes similarly affecting all or substantially all employees participating in such benefits;
- (2) health and dental benefits provided to the Executive and the Executive's dependents under the Company's health and dental plan as in effect immediately prior to the Severance or, if more favorable to the Executive, those provided to the Executive and the Executive's dependents immediately prior to the Change in Control, at no cost to the Executive; and
- (3) outplacement services determined by the Company to be suitable to the Executive's position, at no cost to the Executive;

in each case for the number of months specified in the Agreement following such Executive's Severance Date; provided, however, that

- (4) benefits otherwise receivable pursuant to (1) and (2) shall be reduced to the extent benefits of the same type are received by or made available to the Executive or the Executive's dependents following the Executive's termination of employment (and any such benefits shall be reported to the Employer by the Executive);
- (5) the Employer shall reimburse the Executive for the excess, if any, of the cost to the Executive of benefits received or made available pursuant to (1) and (2) over such cost immediately prior to the Severance or, if more favorable to the Executive, immediately prior to the Change in Control;
- (6) if the Executive dies, the Employer shall continue to provide the Executive's dependents with the benefits otherwise receivable pursuant to (1) and (2) on the same basis as if the Executive had survived, and
- (7) if any such benefits are treated as deferred compensation subject to Code section 409A and the Executive is a "specified employee" as defined in Code section 409A(a)(2)(B)(i), the Executive shall pay the full cost of such benefits for the first six months after the Severance Date and the Employer shall reimburse the Executive for such payments as soon as practicable thereafter.

"Severance Date" means the date on which an Executive incurs a Severance, which should be the date of termination as determined under Section 5.3.

"Severance Payment" means a payment, in lieu of any other severance payment or benefit pursuant to any other plan or agreement of the Employer, the Company or any Affiliate to which the Executive is otherwise entitled, of an amount equal to the number of years specified in the Agreement times the sum of (i) the Executive's annual base salary immediately prior to the time of Severance or, if higher, in effect immediately prior to the Change in Control and (ii) the Executive's Annual Bonus for the calendar year in which the Change in Control occurred.

"Tax Counsel" shall have the meaning set forth in Section 4.2 hereof.

"Term" means the period of time commencing on the date specified in the Agreement and continuing through December 31 of the following year; provided, however, that commencing on January 1 of such following year, and each January 1 thereafter, the Term shall automatically be extended for one additional year unless, not later than September 30 of the preceding year, the Employer or the Executive shall have given notice not to extend the Term; and further provided, however, that if a Change in Control shall occur during the Term, the Term shall expire no earlier than 24 months beyond the month in which such Change in Control occurred.

"Terms and Conditions" means these terms and conditions.

"Total Payments" means those payments so described in Section 4.1 hereof.

2. COMPENSATION OTHER THAN SEVERANCE PAYMENTS AND BENEFITS.

2.1 Following a Change in Control and during the Term, during any period that the Executive fails to perform the Executive's full-time duties with the Employer as a result of incapacity due to disability, including physical or mental illness, the Employer shall pay the Executive's full salary to the Executive at the rate in effect at the commencement of any such period, together with all compensation and benefits payable to the Executive under the terms of any compensation or benefit plan, program or arrangement maintained by the Employer during such period (other than any disability plan), until the Executive's employment is terminated by the Employer for disability.

2.2 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Employer shall pay the Executive's full salary to the Executive through the Severance Date at the rate in effect immediately prior to the Severance Date or, if higher, the rate in effect immediately prior to the Change in Control, together with all compensation and benefits payable to the Executive through the Severance Date under the terms of the Employer's compensation and benefit plans, programs or arrangements as in effect immediately prior to the Severance Date or, if more favorable to the Executive, as in effect immediately prior to the Change in Control.

2.3 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Employer shall pay to the Executive the Executive's normal post termination compensation and benefits as such payments become due (other than severance payments under any severance plan as in effect immediately prior to the Severance). Such post termination compensation and benefits shall be determined under, and paid in accordance with, the Company's retirement, insurance and other compensation or benefit plans, programs and arrangements as in effect immediately prior to the Severance or, if more favorable to the Executive, as in effect immediately prior to the Change in Control.

3. SEVERANCE PAYMENTS AND BENEFITS.

3.1 If the Executive incurs a Severance, the Executive shall be entitled to receive from the Employer (i) the Severance Payment and (ii) Severance Benefits. If the Employer is not the Company, the Employer does not provide the Severance Payment and the Severance Benefits and the Severance is related to a Change in Control or a Potential Change in Control that occurred other than because of the

Disposition of a Business Unit as provided in clause (e) of the definition of Change in Control, the Company shall fulfill the obligations of the Employer under the Agreement, and the Executive need not exhaust the remedies provided in Section 3.4 and 3.5 against the Employer before being entitled to receive the Severance Payment and the Severance Benefits from the Company.

- 3.2 The Employer shall pay the Severance Payment to the Executive in a cash lump sum, on the date that is 6 months after the Severance Date or as soon as practicable thereafter, but in no event later than 10 business days immediately following such date.
- 3.3 The Executive shall not be eligible to receive a Severance Payment or Severance Benefits under the Agreement unless the Executive (or, in the event of the death of the Executive, the executor, personal representative or administrator of the Executive's estate) first executes a written release substantially in the form attached as Exhibit A hereto and the Executive executes the release within 6 months after the Severance Date.
- 3.4 In the event that the Executive or a dependent of the Executive believes that he or she is not receiving the full benefits to which he or she is entitled under the Agreement, such person may make a claim to the Employer Board (or the Board if the second sentence of Section 3.1 applies), and the claims procedure set forth in Section 8 of the EIP shall apply with the Employer Board (or the Board if the second sentence of Section 3.1 applies) treated as the Committee.
- 3.5 Any further dispute or controversy arising under or in connection with the Agreement which remains after the final decision of the Board as contemplated by Section 3.4 shall be finally settled exclusively by arbitration in San Francisco, California, in accordance with the rules of the American Arbitration Association then in effect; provided, however, that the clear and convincing evidentiary standard set forth in the definition of Cause in this Agreement shall apply; and provided further, that the arbitrator shall apply the applicable provisions of ERISA, and applicable regulations adopted thereunder, in such arbitration proceeding. Judgment may be entered on the arbitrator's award in any court having jurisdiction.
- 3.6 The Employer shall pay to the Executive all legal fees and expenses incurred by the Executive in seeking in good faith to obtain or enforce any benefit or right provided by the Agreement. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Employer reasonably may require. The Employer shall not be obligated to pay legal fees and expenses incurred by any person other than the Executive. However, the Employer shall be obligated to pay legal fees and expenses incurred by the Executive on behalf of the Executive's dependents and legal fees and expenses incurred by the estate of the Executive on behalf of the Executive or the Executive's dependents.
- 3.7 The Employer shall be entitled to withhold from amounts to be paid to the Executive hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold.
- 3.8 The Employer agrees that, if the Executive's employment with the Employer terminates following a Change in Control that is applicable to the Executive and during the Term of the Agreement, the Executive is not required to seek other employment or to

attempt in any way to reduce any amounts payable to the Executive hereunder. Further, the amount of any payment or benefit provided for in the Agreement shall not be reduced (except as provided in clause (4) of the definition of Severance Benefits) by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Employer, or otherwise.

4. EXCISE TAX GROSS-UP.

- 4.1 Whether or not the Executive becomes entitled to the Severance Payment and Severance Benefits, if any of the payments or benefits received or to be received by the Executive in connection with a Change in Control or the Executive's termination of employment (whether pursuant to the terms of the Agreement or any other agreement, plan, or arrangement with the Employer, any Person whose actions result in a Change in Control or any Person affiliated with the Employer or such Person) (such payments or benefits, excluding the Gross-Up Payment, being hereinafter referred to as the "Total Payments") will be subject to the Excise Tax, the Employer shall pay to the Executive an additional amount (the "Gross Up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Total Payments and any federal, state and local income and employment taxes and Excise Tax upon the Gross-Up Payment (but without deducting federal, state and local income and employment taxes on the Total Payments), shall be equal to the Total Payments.
- 4.2 For purposes of determining whether any of the Total Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) all of the Total Payments shall be treated as "parachute payments" (within the meaning of Section 280G(b)(2) of the Code) unless, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm which was, immediately prior to the Change in Control, the Company's independent auditor (the "Auditor"), such payments or benefits (in whole or in part) should not constitute parachute payments, including by reason of Section 280G(b)(4)(A) of the Code, (ii) all "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax unless, in the opinion of Tax Counsel, such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered (within the meaning of Section 280G(b)(4)(B) of the Code) in excess of the Base Amount allocable to such reasonable compensation, or should otherwise not be subject to the Excise Tax and (iii) the value of any noncash benefits or any deferred payment or benefit shall be determined by the Auditor in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross Up Payment, the Executive shall be deemed to pay federal income tax at the highest marginal rate of federal income taxation in the calendar year in which the Gross Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence at the time of the Severance (or if there is no Severance, then the date on which the Gross-Up Payment is calculated for purposes of this Section 4.2), net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.
- 4.3 In the event that the Excise Tax is finally determined to be less than the amount taken into account hereunder in calculating the Gross-Up Payment, the Executive shall repay to the Company, within five (5) business days following the time that the amount of such reduction in the Excise Tax is finally determined, the portion of

the Gross Up Payment attributable to such reduction (plus that portion of the Gross Up Payment attributable to the Excise Tax and Federal, state and local income and employment taxes imposed on the Gross Up Payment being repaid by the Executive, to the extent that such repayment results in a reduction in the Excise Tax and a dollar-for-dollar reduction in the Executive's taxable income and wages for purposes of federal, state and local income and employment taxes). In the event that the Excise Tax is determined to exceed the amount taken into account hereunder in calculating the Gross-Up Payment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross Up Payment), the Company shall make an additional Gross Up Payment in respect of such excess (plus any interest, penalties or additions payable by the Executive with respect to such excess) within five (5) business days following the time that the amount of such excess is finally determined. The Executive and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Total Payments.

- 4.4 The payments provided in Section 4.1 shall be made on the date that is 6 months after the Severance Date or as soon as practicable thereafter; provided, however, that if the amounts of such payments cannot be finally determined on or before such day, the Employer shall pay to the Executive on such day an estimate, as determined in good faith by the Employer or, in the case of payments under Section 4.1 or 4.3, in accordance with Section 4.2, of the minimum amount of such payments to which the Executive is clearly entitled and shall pay the remainder of such payments (together with interest on the unpaid remainder (or on all such payments to the extent the Company fails to make such payments when due) at 120% of the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall be paid by the Executive to the Employer not later than the fifth (5th) business day after demand by the Employer. At the time that payments are made under the Agreement, the Employer shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Employer has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).
- 4.5 The Employer also shall pay to the Executive all legal fees and expenses incurred by the Executive in seeking in good faith to obtain or enforce any benefit or right provided by the Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Employer reasonably may require.

5. NOTICE OF TERMINATION.

- 5.1 After a Change in Control and during the Term, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written notice of termination from the Employer to the Executive or the Executive to the Employer in accordance with Section 6.9.
- 5.2 The notice of termination shall indicate the specific termination

provision in the Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. A notice of termination for Cause shall include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Employer Board at a meeting of the Employer Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Employer Board) finding that, in the good faith opinion of the Employer Board, the Executive was guilty of conduct set forth in clause (i) or (ii) of the definition of Cause herein, and specifying the particulars thereof in detail.

- 5.3 The notice of termination shall specify the date of termination which, in the case of a termination by the Employer, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than thirty (30) days nor more than sixty (60) days, respectively, from the date such notice of termination is given.
- (1) Once the Employer or the Executive has specified a date of termination in a notice of termination, the date of termination cannot be changed by the Employer or the Executive except by mutual consent.
 - (2) The date of termination must be at least 30 days after the notice of termination unless the termination is for Good Reason and Good Reason first occurs during the last 30 days of the Term (determined without regard to this Section 5.3(2)), in which event the date of termination shall be (i) the end of the Term (determined without regard to this Section 5.3(2)) if the Employer receives notice of the Executive's intent to terminate for Good Reason ten days or more before the end of the Term (determined without regard to this Section 5.3(2)) or (ii) the later of ten days after receipt by the Employer of notice of the Executive's intent to terminate for Good Reason or five days after the end of the Term (determined without regard to this Section 5.3(2)) if the Employer does not receive notice of the Executive's intent to terminate for Good Reason ten days or more before the end of the Term (determined without regard to this Section 5.3(2)).

6. GENERAL PROVISIONS.

- 6.1 Except as otherwise provided herein or by law, no right or interest of the Executive under the Agreement shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge or in any manner; no attempted assignment or transfer thereof shall be effective; and no right or interest of the Executive under the Agreement shall be liable for, or subject to, any obligation or liability of such Executive. When a payment is due under the Agreement to an Executive who is unable to care for his or her affairs, payment may be made directly to the Executive's legal guardian or personal representative.
- 6.2 If the Employer, the Company or any Affiliate is obligated pursuant to applicable law or by virtue of being a party to a contract (other than this Agreement) to pay severance pay, a termination indemnity, notice pay or the like or if the Employer, the Company or any Affiliate is obligated by law to provide advance notice of separation ("Notice Period"), then any Severance Payment hereunder

shall be reduced by the amount of any such severance pay, termination indemnity, notice pay or the like, as applicable, and by the amount of any compensation received during any Notice Period.

- 6.3 Neither the Agreement, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any benefits shall be construed as giving any Executive, or any person whomsoever, the right to be retained in the service of the Employer, and the Executive shall remain subject to discharge to the same extent as if the Agreement had never been executed.
- 6.4 If any provision of the Agreement shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Agreement shall be construed and enforced as if such provisions had not been included.
- 6.5 If any provision of the Agreement would cause compensation to be includible in the Executive's income pursuant to Code section 409A(a)(1)(A), such provision shall be void, and the Employer shall amend the Agreement retroactively in such a way as to achieve substantially similar economic results without causing such inclusion. Any such amendment shall be binding on the Executive unless the Executive objects within 30 days after a copy of such amendment is delivered to the Executive. In any event, the Executive will be solely responsible for any adverse tax consequences to the Executive.
- 6.6 The Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the Employer and its successors and assigns, and by each Executive and by the personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees of each Executive. If any Executive shall die while any amount would still be payable to such Executive (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of the Agreement to the executors, personal representatives or administrators of the Executive's estate.
- 6.7 The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Agreement, and shall not be employed in the construction of the Agreement.
- 6.8 The Agreement shall not be funded. The Executive shall not have any right to, or interest in, any assets of the Employer which may be applied by the Employer to the payment of benefits or other rights under the Agreement.
- 6.9 All notices and all other communications provided for in the Agreement (i) shall be in writing, (ii) shall be hand delivered, sent by overnight courier or by United States registered mail, return receipt requested and postage prepaid, addressed, in the case of the Employer, to the principal office of the Employer, attention President, and in the case of the Company, to 2855 Campus Drive, San Mateo, California 94403, attention General Counsel, and in the case of the Executive, to the last known address of the Executive, and (iii) shall be effective only upon actual receipt.
- 6.10 The Agreement shall be construed and enforced according to the laws of the State of Delaware (without giving effect to the conflict of laws principles thereof) to the extent not preempted by federal law, which shall otherwise control.

WAIVER AND RELEASE OF CLAIMS

In consideration of, and subject to, the payment to be made to me by _____ (the "Employer") of the "Severance Payment" (as defined in the Severance Agreement, dated as of _____, entered into between me and the Company (the "Agreement")), I hereby waive any claims I may have for employment or re-employment by the Employer or any parent or subsidiary of the Employer after the date hereof, and I further agree to and do release and forever discharge the Employer and any parent or subsidiary of the Employer, and their respective past and present officers, directors, shareholders, insurers, employees and agents from any and all claims and causes of action, known or unknown, arising out of or relating to my employment with the Employer or any parent or subsidiary of the Employer, or the termination thereof, including, but not limited to, wrongful discharge, breach of contract, tort, fraud, the Civil Rights Acts, Age Discrimination in Employment Act, Employee Retirement Income Security Act of 1974, Americans with Disabilities Act, or any other federal, state or local legislation or common law relating to employment or discrimination in employment or otherwise.

Notwithstanding the foregoing or any other provision hereof, nothing in this Waiver and Release of Claims shall adversely affect (i) my rights to Severance Benefits under the Agreement; (ii) my rights to benefits other than severance payments or benefits under plans, programs and arrangements of the Employer or any parent or subsidiary of the Employer; or (iii) my rights to indemnification under any indemnification agreement, applicable law or the certificates of incorporation or bylaws of the Employer or any parent or subsidiary of the Employer, (iv) my rights under any director's and officers' liability insurance policy covering me, (v) my workers compensation rights, or (vi) my unemployment insurance rights.

I acknowledge that I have signed this Waiver and Release of Claims voluntarily, knowingly, of my own free will and without reservation or duress, and that no promises or representations have been made to me by any person to induce me to do so other than the promise of payment set forth in the first paragraph above and the Employer's acknowledgment of my rights reserved under the second paragraph above.

I understand that this release will be deemed to be an application for benefits under the Agreement and that my entitlement thereto shall be governed by the terms and conditions of the Agreement and any applicable plan. I expressly hereby consent to such terms and conditions.

I acknowledge that I have been given not less than forty-five (45) days to review and consider this Waiver and Release of Claims (unless I have signed a written waiver of such review and consideration period), and that I have had the opportunity to consult with an attorney or other advisor of my choice and have been advised by the Company to do so if I choose. I may revoke this Waiver and Release of Claims seven days or less after its execution by providing written notice to the Employer.

I acknowledge that it is my intention and the intention of the Employer in executing this Waiver and Release of Claims that the same shall be effective as a bar to each and every claim, demand and cause of action hereinabove specified. In furtherance of this intention, I hereby expressly waive any and all rights and benefits conferred upon me by the provisions of SECTION 1542 OF THE CALIFORNIA CIVIL CODE, to the extent applicable to me, and expressly I consent that this Waiver and Release of Claims shall be given full force and effect according to each and all of its express terms and provisions, including as well those related to unknown and unsuspected claims, demands

and causes of action, if any, as well as those relating to any other claims, demands and causes of action hereinabove specified. SECTION 1542 provides:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

I acknowledge that I may hereafter discover claims or facts in addition to or different from those which I now know or believe to exist with respect to the subject matter of this Waiver and Release of Claims and which, if known or suspected at the time of executing this Waiver and Release of Claims, may have materially affected this settlement.

Finally, I acknowledge that I have read this Waiver and Release of Claims and understand all of its terms.

Signature of Executive

Print Name

Date Signed

EXHIBIT B

Assignment and Assumption of
Severance Agreement
Between _____ and

As of _____

_____ (the "Old Employer") and _____ (the "Executive") have entered into a Severance Agreement dated _____ (the "Agreement"). The Executive is transferring employment from the Old Employer to _____ (the "New Employer"), effective _____. The fourth bullet of the Agreement provides that, if the Executive transfers to the Company or an Affiliate, the Old Employer shall assign the Agreement to the Company or Affiliate. To order to carry out the provisions of the fourth bullet of the Agreement -

1. The Old Employer hereby assigns the Agreement to the New Employer.
2. The New Employer hereby assumes the obligations of the Old Employer under the Agreement.
3. The assignment and assumption are effective as of the date employment is transferred.
4. The Executive hereby acknowledges receipt of notice of the assignment and assumption.

| THE OLD EMPLOYER | THE NEW EMPLOYER |

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

EXECUTIVE

Name: _____

SEVERANCE AGREEMENT

THIS AGREEMENT, dated as of and effective as of January 1, 2006, is by and between _____ (the "Employer"), and _____ (the "Executive") and supersedes all prior severance agreements between the Executive and the Employer or the Company or any Affiliate.

WHEREAS, the Employer (a) considers it essential to foster the continued employment of key management personnel, (b) recognizes that the possibility of a Change in Control exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Employer, and (c) has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Employer's management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Employer and the Executive hereby agree as follows:

- * The Term of this Agreement shall commence on _____ and expire as provided in the definition of "Term" in Section 1 of the attached Terms and Conditions, all of which (including definitions) are hereby incorporated by reference.
- * The Executive agrees that, subject to the Terms and Conditions, in the event of a Potential Change in Control during the Term, the Executive will remain in the employ of the Employer until the earliest of (a) a date which is six (6) months from the date of such Potential Change in Control, (b) the date of a Change in Control, (c) the date of termination by the Executive of the Executive's employment for Good Reason or by reason of death, disability or retirement in accordance with the CNF Inc. Retirement Plan, including early retirement, or (d) the termination by the Employer of the Executive's employment for any reason.
- * If the Executive incurs a Severance following a Change in Control or Potential Change in Control and during the Term, the Executive shall be entitled to receive (a) a Severance Payment equal to two (2) times the sum of the Executive's annual base salary and Annual Bonus in a lump sum and (b) Severance Benefits for a period of 24 months following the Severance Date, as provided in the attached Terms and Conditions.
- * If the Executive transfers to and becomes an employee of the Company or an Affiliate, the Employer shall assign this Agreement to the Company or Affiliate and the Company or the Affiliate shall become the Employer and shall assume the obligations of the Employer.

<p>THE EMPLOYER</p> <p>By: _____ Name: Title:</p>	<p>CNF Inc. hereby assumes the obligations imposed by the second sentence of Section 3.1 of the attached Terms and Conditions.</p>
<p>EXECUTIVE</p> <p>_____ Name: Address:</p>	<p>CNF INC.</p> <p>By: _____ Name: Title:</p>

TERMS AND CONDITIONS OF SEVERANCE AGREEMENT

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1. DEFINITIONS. As hereinafter used:

"Affiliate" means an affiliate of the Company, as defined in Rule 12b-2 promulgated under Section 12 of the Exchange Act, including any Business Unit.

"Agreement" means the Severance Agreement to which these Terms and Conditions are attached, including the Terms and Conditions, which are incorporated by reference in the Agreement. If there is any inconsistency between the Severance Agreement and these Terms and Conditions, the Terms and Conditions shall govern.

"Annual Bonus" means the annual bonus payable with respect to a calendar year under the ICP (Incentive Compensation Plan) applicable to an Executive or other applicable annual bonus or arrangement determined as if such Annual Bonus had been earned to the extent of 100% of the Executive's target bonus opportunity, as opposed to the maximum 200%. The Annual Bonus does not include any amount payable under the CNF Inc. Value Management Plan or any other long-term incentive plan.

"Auditor" shall have the meaning set forth in Section 4.2 hereof.

"Base Amount" shall have the meaning set forth in Section 280G(b)(3) of the Code.

"Board" means the Board of Directors of the Company.

"Business Unit" is defined in Section 2 of the EIP.

"Cause" for termination by the Employer of the Executive's employment means (i) the willful and continued failure by the Executive to substantially perform the Executive's duties with the Employer (other than any such failure resulting from the Executive's incapacity due to disability, including physical or mental illness or any such actual or anticipated failure after the issuance by the Executive of a notice of intent to terminate employment for Good Reason, as provided in the definition of Good Reason) after a written demand for substantial performance is delivered to the Executive by or on behalf of the Employer Board, which demand specifically identifies the manner in which the Employer Board believes that the Executive has not substantially performed the Executive's duties, or (ii) the willful engaging by the Executive in conduct which is demonstrably and materially injurious to the Employer, the Company or an Affiliate, monetarily or otherwise. For purposes of clauses (i) and (ii) of this definition, no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without

reasonable belief that the Executive's act, or failure to act, was in the best interest of the Employer, the Company or an Affiliate. In the event of a dispute concerning the application of this provision, no claim by the Employer that Cause exists shall be given effect unless the Employer establishes (iii) to the Employer Board and (iv) in the event of an arbitration to resolve the dispute, to the arbitrator, by clear and convincing evidence that Cause exists.

"Change in Control" means the occurrence of any one of the events described in clauses (a) through (d) of the definition of "Change in Control" in Section 2 of the EIP or the occurrence of the event described in the following clause (e), which shall apply for purposes of the Agreement instead of clause (e) of the definition of "Change in Control" in Section 2 of the EIP:

- (e) Disposition of a Business Unit. There is consummated the Disposition of a Business Unit; provided, however, that this clause (e) shall apply only to an Executive who immediately prior to the Disposition of a Business Unit was employed by (and on the payroll of) the Business Unit that was the subject of the Disposition of a Business Unit.

The following Examples illustrate clause (e):

Example 1. The ownership interests of Business Unit X are sold to an unrelated purchaser. Executive A was employed by (and on the payroll of) Business Unit X immediately prior to the sale. A Change in Control has taken place with respect to Executive A.

Example 2. The assets of Business Unit Y are sold to an unrelated purchaser. Executive B was employed by (and on the payroll of) Business Unit Y immediately prior to the sale. A Change in Control has taken place with respect to Executive B.

Example 3. Executive C is employed by (and on the payroll of) a Business Unit as described in either Example 1 or 2, except that Executive C remains employed by (and on the payroll of) a Business Unit that continues to be a Business Unit of the Company following the sale. A Change in Control has taken place with respect to Executive C.

Because the EIP is not intended to serve the same purpose as the Agreement, whether a "Change in Control" has taken place under the EIP is not relevant in determining whether benefits are payable under the Agreement. For example, in Example 3, a Change in Control took place for Executive C under the Agreement, but no Change in Control took place for Executive C under the EIP. If Executive C terminates employment six months after the Change in Control occurred under the Agreement, Executive C may or may not be entitled to benefits under the Agreement, depending on the facts surrounding the termination of employment. However, no Change in Control would take place under the EIP with respect to Executive C under the facts of Example 3, whether or not benefits are due under the Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Company" means CNF Inc., a corporation organized under the laws of the State of Delaware, or any successor corporation.

"Disposition of a Business Unit" is defined in Section 2 of the EIP.

"EIP" means the CNF Inc. 1997 Equity and Incentive Plan, as amended from time to time, or any successor plan.

"Employer" means the person specified in the first paragraph of the Agreement or any assignee or successor (including a successor who assumes the Agreement following a Change in Control). The fourth bullet of the Agreement provides that, if the Executive transfers to the Company or an Affiliate, the Agreement will be assigned, resulting in a change in the Employer. A draft form of assignment and assumption is attached as Exhibit B. Notwithstanding the preceding provisions of this definition, if (and for as long as) the Executive is an employee of Vector SCM, LLC, (i) the Employer means Vector SCM, LLC or any successor, (ii) the Company shall fulfill the obligations of the Employer under the Agreement, and (iii) clause (e) of the definition of Change in Control shall not apply to the Executive.

"Employer Board" means the Board of Directors of the Employer.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and as now or hereafter construed, interpreted and applied by regulations, rulings and cases.

"Excise Tax" means any excise tax imposed under Section 4999 of the Code.

"Executive" means the person specified in the first paragraph of the Agreement.

"Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) after any Change in Control of any one of the following acts by the Employer, or failures by the Employer to act, unless such act or failure to act is corrected within 30 days of receipt by the Employer of notice of the Executive's intent to terminate for Good Reason hereunder:

- (1) the failure of the successor company, following the Change in Control, to assume the Agreement and all obligations thereunder, as of the date of such Change in Control;
- (2) the assignment to the Executive of duties inconsistent with the Executive's status as an executive of the Employer or a substantial adverse alteration in the nature or status of the Executive's responsibilities from those in effect immediately prior to the Change in Control;
- (3) a reduction by the Employer in the Executive's base salary, cash bonus opportunity, or long term incentive opportunity, each as in effect immediately prior to the Change in Control or as the same may thereafter be increased from time to time;
- (4) the relocation of the Executive's principal place of employment to a location that results in an increase in the Executive's one way commute of at least 50 miles more than the Executive's one way commute immediately prior to the Change in Control,
- (5) a substantial increase in the Executive's business travel obligations from the Executive's business travel obligations immediately prior to the Change in Control;
- (6) the failure by the Employer to pay to the Executive when due any portion of the Executive's current compensation;
- (7) the failure by the Employer to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Employer's pension, savings, life insurance, medical, health and accident, or disability plans in which the Executive was participating immediately prior to the

Change in Control (except for across-the-board changes similarly affecting all or substantially all employees of the Employer and any entity in control of the Employer), the taking of any other action by the Employer which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive immediately prior to the Change in Control, or the failure by the Employer to provide the Executive with the number of paid vacation days or PTO days (days of paid time off) to which the Executive was entitled.

If a Change in Control takes place with respect to the Executive solely because of the Disposition of a Business Unit as described in clause (e) of the definition of Change in Control and the Executive continues to be employed by the Company or an Affiliate, but the position the Executive previously held is no longer needed, then, for purposes of determining whether there is a substantial adverse alteration in the nature or status of the Executive's responsibilities under clause (2) above, all the facts and circumstances shall be taken into account, and no single or selected set of facts shall be determinative. In particular, if the Executive receives a bona fide offer of a new or different position with the Company or an Affiliate, the fact or set of facts that, under the Executive's new position, fewer employees may be supervised and/or fewer functional areas may be within the Executive's span of control shall not be determinative.

The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to disability, including physical or mental illness, except as provided in the penultimate paragraph of the definition of Severance.

If Good Reason first occurs during the last 30 days of the Term and the Executive gives notice of the Executive's intent to terminate for Good Reason before the end of the Term, the correction period referred to in the first sentence of this definition of Good Reason shall end on the date of termination specified in Section 5.3.

The Executive's continued employment after Good Reason occurs shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

"Gross Up Payment" shall have the meaning set forth in Section 4.1 hereof.

"Person" means any person, as such term is used in Sections 13(d) and 14(d) of the Exchange Act other than (i) the Company or its Affiliates, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or its Affiliates, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the Common Stock.

"Potential Change in Control" shall be deemed to have occurred if:

- (1) the Company or any Affiliate enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;
- (2) the Company or any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act publicly announces an intention to take or to consider actions, including but not limited to proxy contests or consent solicitations, which, if consummated, would constitute a Change in Control;
- (3) any Person becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of

the Company representing 15% or more of either the then outstanding shares of the common stock, par value \$0.625 per share, of the Company or the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates); or

- (4) the Board or the Employer Board if the Employer is other than the Company adopts a resolution to the effect that, for purposes of the Agreement, a Potential Change in Control has occurred.

If the Potential Change in Control referred to in clause (1) or (2) would arise because of an event described in clause (e) in the definition of Change in Control, the Potential Change in Control shall apply only if the Executive is employed by (and on the payroll of) the Business Unit that would be the subject of the Disposition of a Business Unit.

"Severance" means the termination of an Executive's employment with the Employer following a Change in Control and during the Term of the Agreement, (i) by the Employer other than for Cause, or (ii) by the Executive for Good Reason.

For purposes of the Agreement, the Executive's employment shall be deemed to have been terminated following a Change in Control by the Employer without Cause or by the Executive with Good Reason if (i) the Executive's employment is terminated by the Employer without Cause following a Potential Change in Control but prior to a Change in Control (whether or not a Change in Control ever occurs) and such termination was at the request or direction of a Person who has entered into an agreement with the Company or Affiliate the consummation of which would constitute a Change in Control, (ii) the Executive terminates employment for Good Reason following a Potential Change in Control but prior to a Change in Control (whether or not a Change in Control ever occurs) and the circumstance or event which constitutes Good Reason occurs at the request or direction of such Person; or (iii) the Executive's employment is terminated by the Employer without Cause or by the Executive for Good Reason and such termination or the circumstance or event which constitutes Good Reason is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs). For purposes of this paragraph, a Change in Control shall be deemed to have occurred for purposes of the definition of Good Reason if a Potential Change in Control has occurred or if the termination or the circumstance or event which would constitute Good Reason if a Change in Control had occurred is in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs).

An Executive will not be considered to have incurred a Severance (i) if the Executive's employment is discontinued by reason of the Executive's death or disability, including a physical or mental condition causing such Executive's inability to substantially perform the Executive's duties with the Employer for a period of six consecutive months or (ii) by reason of the divestiture of a facility, sale of a business or business unit, or the outsourcing of a business activity with which the Executive is affiliated, notwithstanding the fact that such divestiture, sale or outsourcing constitutes, or takes place following a Change in Control and during the Term of the Agreement, if the Executive is offered a position with the successor company that, if accepted, would not give rise to Good Reason, and such successor company agrees to assume the obligations of the Agreement with respect to such Executive.

If any benefits provided to the Executive under the Agreement are treated as deferred compensation subject to Code section 409A, the Executive will not be considered to have incurred a Severance until the Executive incurs a "separation from service," becomes "disabled," or

dies; provided, however, that if an "unforeseeable emergency" occurs, the Severance Payment may be made to the extent permitted by Code section 409A(a)(2)(B)(ii)(II). (The terms quoted in the immediately-preceding sentence have the meanings set forth in Code section 409A(a)(2)(A).)

"Severance Benefits" means:

- (1) life, disability and accident benefits substantially similar to those provided to the Executive and the Executive's dependents immediately prior to the Severance or, if more favorable to the Executive, immediately prior to the Change in Control, at no greater cost to the Executive than the cost to the Executive immediately prior to the Severance or the Change in Control in this Agreement; provided, however, that, unless the Change in Control took place because of the event described in clause (e) of the definition of Change in Control, the Employer may apply to such benefits any across the board changes similarly affecting all or substantially all employees participating in such benefits;
- (2) health and dental benefits provided to the Executive and the Executive's dependents under the Company's health and dental plan as in effect immediately prior to the Severance or, if more favorable to the Executive, those provided to the Executive and the Executive's dependents immediately prior to the Change in Control, at no cost to the Executive; and
- (3) outplacement services determined by the Company to be suitable to the Executive's position, at no cost to the Executive;

in each case for the number of months specified in the Agreement following such Executive's Severance Date; provided, however, that

- (4) benefits otherwise receivable pursuant to (1) and (2) shall be reduced to the extent benefits of the same type are received by or made available to the Executive or the Executive's dependents following the Executive's termination of employment (and any such benefits shall be reported to the Employer by the Executive);
- (5) the Employer shall reimburse the Executive for the excess, if any, of the cost to the Executive of benefits received or made available pursuant to (1) and (2) over such cost immediately prior to the Severance or, if more favorable to the Executive, immediately prior to the Change in Control;
- (6) if the Executive dies, the Employer shall continue to provide the Executive's dependents with the benefits otherwise receivable pursuant to (1) and (2) on the same basis as if the Executive had survived, and
- (7) if any such benefits are treated as deferred compensation subject to Code section 409A and the Executive is a "specified employee" as defined in Code section 409A(a)(2)(B)(i), the Executive shall pay the full cost of such benefits for the first six months after the Severance Date and the Employer shall reimburse the Executive for such payments as soon as practicable thereafter.

"Severance Date" means the date on which an Executive incurs a Severance, which should be the date of termination as determined under Section 5.3.

"Severance Payment" means a payment, in lieu of any other severance payment or benefit pursuant to any other plan or agreement of the Employer, the Company or any Affiliate to which the Executive is otherwise entitled, of an amount equal to the number of years specified

in the Agreement times the sum of (i) the Executive's annual base salary immediately prior to the time of Severance or, if higher, in effect immediately prior to the Change in Control and (ii) the Executive's Annual Bonus for the calendar year in which the Change in Control occurred.

"Tax Counsel" shall have the meaning set forth in Section 4.2 hereof.

"Term" means the period of time commencing on the date specified in the Agreement and continuing through December 31 of the following year; provided, however, that commencing on January 1 of such following year, and each January 1 thereafter, the Term shall automatically be extended for one additional year unless, not later than September 30 of the preceding year, the Employer or the Executive shall have given notice not to extend the Term; and further provided, however, that if a Change in Control shall occur during the Term, the Term shall expire no earlier than 24 months beyond the month in which such Change in Control occurred.

"Terms and Conditions" means these terms and conditions.

"Total Payments" means those payments so described in Section 4.1 hereof.

2. COMPENSATION OTHER THAN SEVERANCE PAYMENTS AND BENEFITS.

2.1 Following a Change in Control and during the Term, during any period that the Executive fails to perform the Executive's full-time duties with the Employer as a result of incapacity due to disability, including physical or mental illness, the Employer shall pay the Executive's full salary to the Executive at the rate in effect at the commencement of any such period, together with all compensation and benefits payable to the Executive under the terms of any compensation or benefit plan, program or arrangement maintained by the Employer during such period (other than any disability plan), until the Executive's employment is terminated by the Employer for disability.

2.2 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Employer shall pay the Executive's full salary to the Executive through the Severance Date at the rate in effect immediately prior to the Severance Date or, if higher, the rate in effect immediately prior to the Change in Control, together with all compensation and benefits payable to the Executive through the Severance Date under the terms of the Employer's compensation and benefit plans, programs or arrangements as in effect immediately prior to the Severance Date or, if more favorable to the Executive, as in effect immediately prior to the Change in Control.

2.3 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Employer shall pay to the Executive the Executive's normal post termination compensation and benefits as such payments become due (other than severance payments under any severance plan as in effect immediately prior to the Severance). Such post termination compensation and benefits shall be determined under, and paid in accordance with, the Company's retirement, insurance and other compensation or benefit plans, programs and arrangements as in effect immediately prior to the Severance or, if more favorable to the Executive, as in effect immediately prior to the Change in Control.

3. SEVERANCE PAYMENTS AND BENEFITS.

- 3.1 If the Executive incurs a Severance, the Executive shall be entitled to receive from the Employer (i) the Severance Payment and (ii) Severance Benefits. If the Employer is not the Company, the Employer does not provide the Severance Payment and the Severance Benefits and the Severance is related to a Change in Control or a Potential Change in Control that occurred other than because of the Disposition of a Business Unit as provided in clause (e) of the definition of Change in Control, the Company shall fulfill the obligations of the Employer under the Agreement, and the Executive need not exhaust the remedies provided in Section 3.4 and 3.5 against the Employer before being entitled to receive the Severance Payment and the Severance Benefits from the Company.
- 3.2 The Employer shall pay the Severance Payment to the Executive in a cash lump sum, on the date that is 6 months after the Severance Date or as soon as practicable thereafter, but in no event later than 10 business days immediately following such date.
- 3.3 The Executive shall not be eligible to receive a Severance Payment or Severance Benefits under the Agreement unless the Executive (or, in the event of the death of the Executive, the executor, personal representative or administrator of the Executive's estate) first executes a written release substantially in the form attached as Exhibit A hereto and the Executive executes the release within 6 months after the Severance Date.
- 3.4 In the event that the Executive or a dependent of the Executive believes that he or she is not receiving the full benefits to which he or she is entitled under the Agreement, such person may make a claim to the Employer Board (or the Board if the second sentence of Section 3.1 applies), and the claims procedure set forth in Section 8 of the EIP shall apply with the Employer Board (or the Board if the second sentence of Section 3.1 applies) treated as the Committee.
- 3.5 Any further dispute or controversy arising under or in connection with the Agreement which remains after the final decision of the Board as contemplated by Section 3.4 shall be finally settled exclusively by arbitration in San Francisco, California, in accordance with the rules of the American Arbitration Association then in effect; provided, however, that the clear and convincing evidentiary standard set forth in the definition of Cause in this Agreement shall apply; and provided further, that the arbitrator shall apply the applicable provisions of ERISA, and applicable regulations adopted thereunder, in such arbitration proceeding. Judgment may be entered on the arbitrator's award in any court having jurisdiction.
- 3.6 The Employer shall pay to the Executive all legal fees and expenses incurred by the Executive in seeking in good faith to obtain or enforce any benefit or right provided by the Agreement. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Employer reasonably may require. The Employer shall not be obligated to pay legal fees and expenses incurred by any person other than the Executive. However, the Employer shall be obligated to pay legal fees and expenses incurred by the Executive on behalf of the Executive's dependents and legal fees and expenses incurred by the estate of the Executive on behalf of the Executive or the Executive's dependents.
- 3.7 The Employer shall be entitled to withhold from amounts to be paid to the Executive hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to

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3.8 The Employer agrees that, if the Executive's employment with the Employer terminates following a Change in Control that is applicable to the Executive and during the Term of the Agreement, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive hereunder. Further, the amount of any payment or benefit provided for in the Agreement shall not be reduced (except as provided in clause (4) of the definition of Severance Benefits) by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Employer, or otherwise.

4. EXCISE TAX GROSS-UP.

4.1 Whether or not the Executive becomes entitled to the Severance Payment and Severance Benefits, if any of the payments or benefits received or to be received by the Executive in connection with a Change in Control or the Executive's termination of employment (whether pursuant to the terms of the Agreement or any other agreement, plan, or arrangement with the Employer, any Person whose actions result in a Change in Control or any Person affiliated with the Employer or such Person) (such payments or benefits, excluding the Gross-Up Payment, being hereinafter referred to as the "Total Payments") will be subject to the Excise Tax, the Employer shall pay to the Executive an additional amount (the "Gross Up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Total Payments and any federal, state and local income and employment taxes and Excise Tax upon the Gross-Up Payment (but without deducting federal, state and local income and employment taxes on the Total Payments), shall be equal to the Total Payments.

4.2 For purposes of determining whether any of the Total Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) all of the Total Payments shall be treated as "parachute payments" (within the meaning of Section 280G(b)(2) of the Code) unless, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm which was, immediately prior to the Change in Control, the Company's independent auditor (the "Auditor"), such payments or benefits (in whole or in part) should not constitute parachute payments, including by reason of Section 280G(b)(4)(A) of the Code, (ii) all "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax unless, in the opinion of Tax Counsel, such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered (within the meaning of Section 280G(b)(4)(B) of the Code) in excess of the Base Amount allocable to such reasonable compensation, or should otherwise not be subject to the Excise Tax and (iii) the value of any noncash benefits or any deferred payment or benefit shall be determined by the Auditor in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross Up Payment, the Executive shall be deemed to pay federal income tax at the highest marginal rate of federal income taxation in the calendar year in which the Gross Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence at the time of the Severance (or if there is no Severance, then the date on which the Gross-Up Payment is calculated for purposes of this Section 4.2), net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

- 4.3 In the event that the Excise Tax is finally determined to be less than the amount taken into account hereunder in calculating the Gross-Up Payment, the Executive shall repay to the Company, within five (5) business days following the time that the amount of such reduction in the Excise Tax is finally determined, the portion of the Gross Up Payment attributable to such reduction (plus that portion of the Gross Up Payment attributable to the Excise Tax and federal, state and local income and employment taxes imposed on the Gross Up Payment being repaid by the Executive, to the extent that such repayment results in a reduction in the Excise Tax and a dollar-for-dollar reduction in the Executive's taxable income and wages for purposes of federal, state and local income and employment taxes). In the event that the Excise Tax is determined to exceed the amount taken into account hereunder in calculating the Gross-Up Payment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross Up Payment), the Company shall make an additional Gross Up Payment in respect of such excess (plus any interest, penalties or additions payable by the Executive with respect to such excess) within five (5) business days following the time that the amount of such excess is finally determined. The Executive and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Total Payments.
- 4.4 The payments provided in Section 4.1 shall be made on the date that is 6 months after the Severance Date or as soon as practicable thereafter; provided, however, that if the amounts of such payments cannot be finally determined on or before such day, the Employer shall pay to the Executive on such day an estimate, as determined in good faith by the Employer or, in the case of payments under Section 4.1 or 4.3, in accordance with Section 4.2, of the minimum amount of such payments to which the Executive is clearly entitled and shall pay the remainder of such payments (together with interest on the unpaid remainder (or on all such payments to the extent the Company fails to make such payments when due) at 120% of the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall be paid by the Executive to the Employer not later than the fifth (5th) business day after demand by the Employer. At the time that payments are made under the Agreement, the Employer shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Employer has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).
- 4.5 The Employer also shall pay to the Executive all legal fees and expenses incurred by the Executive in seeking in good faith to obtain or enforce any benefit or right provided by the Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Employer reasonably may require.

5. NOTICE OF TERMINATION.

- 5.1 After a Change in Control and during the Term, any purported

termination of the Executive's employment (other than by reason of death) shall be communicated by written notice of termination from the Employer to the Executive or the Executive to the Employer in accordance with Section 6.9.

- 5.2 The notice of termination shall indicate the specific termination provision in the Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. A notice of termination for Cause shall include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Employer Board at a meeting of the Employer Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Employer Board) finding that, in the good faith opinion of the Employer Board, the Executive was guilty of conduct set forth in clause (i) or (ii) of the definition of Cause herein, and specifying the particulars thereof in detail.
- 5.3 The notice of termination shall specify the date of termination which, in the case of a termination by the Employer, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than thirty (30) days nor more than sixty (60) days, respectively, from the date such notice of termination is given.
 - (1) Once the Employer or the Executive has specified a date of termination in a notice of termination, the date of termination cannot be changed by the Employer or the Executive except by mutual consent.
 - (2) The date of termination must be at least 30 days after the notice of termination unless the termination is for Good Reason and Good Reason first occurs during the last 30 days of the Term (determined without regard to this Section 5.3(2)), in which event the date of termination shall be (i) the end of the Term (determined without regard to this Section 5.3(2)) if the Employer receives notice of the Executive's intent to terminate for Good Reason ten days or more before the end of the Term (determined without regard to this Section 5.3(2)) or (ii) the later of ten days after receipt by the Employer of notice of the Executive's intent to terminate for Good Reason or five days after the end of the Term (determined without regard to this Section 5.3(2)) if the Employer does not receive notice of the Executive's intent to terminate for Good Reason ten days or more before the end of the Term (determined without regard to this Section 5.3(2)).

6. GENERAL PROVISIONS.

- 6.1 Except as otherwise provided herein or by law, no right or interest of the Executive under the Agreement shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge or in any manner; no attempted assignment or transfer thereof shall be effective; and no right or interest of the Executive under the Agreement shall be liable for, or subject to, any obligation or liability of such Executive. When a payment is due under the Agreement to an Executive who is unable to care for his or her affairs, payment may be made directly to the Executive's legal guardian or personal representative.

- 6.2 If the Employer, the Company or any Affiliate is obligated pursuant to applicable law or by virtue of being a party to a contract (other than this Agreement) to pay severance pay, a termination indemnity, notice pay or the like or if the Employer, the Company or any Affiliate is obligated by law to provide advance notice of separation ("Notice Period"), then any Severance Payment hereunder shall be reduced by the amount of any such severance pay, termination indemnity, notice pay or the like, as applicable, and by the amount of any compensation received during any Notice Period.
- 6.3 Neither the Agreement, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any benefits shall be construed as giving any Executive, or any person whomsoever, the right to be retained in the service of the Employer, and the Executive shall remain subject to discharge to the same extent as if the Agreement had never been executed.
- 6.4 If any provision of the Agreement shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Agreement shall be construed and enforced as if such provisions had not been included.
- 6.5 If any provision of the Agreement would cause compensation to be includible in the Executive's income pursuant to Code section 409A(a)(1)(A), such provision shall be void, and the Employer shall amend the Agreement retroactively in such a way as to achieve substantially similar economic results without causing such inclusion. Any such amendment shall be binding on the Executive unless the Executive objects within 30 days after a copy of such amendment is delivered to the Executive. In any event, the Executive will be solely responsible for any adverse tax consequences to the Executive.
- 6.6 The Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the Employer and its successors and assigns, and by each Executive and by the personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees of each Executive. If any Executive shall die while any amount would still be payable to such Executive (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of the Agreement to the executors, personal representatives or administrators of the Executive's estate.
- 6.7 The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Agreement, and shall not be employed in the construction of the Agreement.
- 6.8 The Agreement shall not be funded. The Executive shall not have any right to, or interest in, any assets of the Employer which may be applied by the Employer to the payment of benefits or other rights under the Agreement.
- 6.9 All notices and all other communications provided for in the Agreement (i) shall be in writing, (ii) shall be hand delivered, sent by overnight courier or by United States registered mail, return receipt requested and postage prepaid, addressed, in the case of the Employer, to the principal office of the Employer, attention President, and in the case of the Company, to 2855 Campus Drive, San Mateo, California 94403, attention General Counsel, and in the case of the Executive, to the last known address of the Executive, and (iii) shall be effective only upon actual receipt.

- 6.10 The Agreement shall be construed and enforced according to the laws of the State of Delaware (without giving effect to the conflict of laws principles thereof) to the extent not preempted by federal law, which shall otherwise control.

EXHIBIT A

WAIVER AND RELEASE OF CLAIMS

In consideration of, and subject to, the payment to be made to me by _____ (the "Employer") of the "Severance Payment" (as defined in the Severance Agreement, dated as of _____, entered into between me and the Company (the "Agreement")), I hereby waive any claims I may have for employment or re-employment by the Employer or any parent or subsidiary of the Employer after the date hereof, and I further agree to and do release and forever discharge the Employer and any parent or subsidiary of the Employer, and their respective past and present officers, directors, shareholders, insurers, employees and agents from any and all claims and causes of action, known or unknown, arising out of or relating to my employment with the Employer or any parent or subsidiary of the Employer, or the termination thereof, including, but not limited to, wrongful discharge, breach of contract, tort, fraud, the Civil Rights Acts, Age Discrimination in Employment Act, Employee Retirement Income Security Act of 1974, Americans with Disabilities Act, or any other federal, state or local legislation or common law relating to employment or discrimination in employment or otherwise.

Notwithstanding the foregoing or any other provision hereof, nothing in this Waiver and Release of Claims shall adversely affect (i) my rights to Severance Benefits under the Agreement; (ii) my rights to benefits other than severance payments or benefits under plans, programs and arrangements of the Employer or any parent or subsidiary of the Employer; or (iii) my rights to indemnification under any indemnification agreement, applicable law or the certificates of incorporation or bylaws of the Employer or any parent or subsidiary of the Employer, (iv) my rights under any director's and officers' liability insurance policy covering me, (v) my workers compensation rights, or (vi) my unemployment insurance rights.

I acknowledge that I have signed this Waiver and Release of Claims voluntarily, knowingly, of my own free will and without reservation or duress, and that no promises or representations have been made to me by any person to induce me to do so other than the promise of payment set forth in the first paragraph above and the Employer's acknowledgment of my rights reserved under the second paragraph above.

I understand that this release will be deemed to be an application for benefits under the Agreement and that my entitlement thereto shall be governed by the terms and conditions of the Agreement and any applicable plan. I expressly hereby consent to such terms and conditions.

I acknowledge that I have been given not less than forty-five (45) days to review and consider this Waiver and Release of Claims (unless I have signed a written waiver of such review and consideration period), and that I have had the opportunity to consult with an attorney or other advisor of my choice and have been advised by the Company to do so if I choose. I may revoke this Waiver and Release of Claims seven days or less after its execution by providing written notice to the Employer.

I acknowledge that it is my intention and the intention of the Employer in executing this Waiver and Release of Claims that the same shall be effective

as a bar to each and every claim, demand and cause of action hereinabove specified. In furtherance of this intention, I hereby expressly waive any and all rights and benefits conferred upon me by the provisions of SECTION 1542 OF THE CALIFORNIA CIVIL CODE, to the extent applicable to me, and expressly I consent that this Waiver and Release of Claims shall be given full force and effect according to each and all of its express terms and provisions, including as well those related to unknown and unsuspected claims, demands and causes of action, if any, as well as those relating to any other claims, demands and causes of action hereinabove specified. SECTION 1542 provides:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR. "

I acknowledge that I may hereafter discover claims or facts in addition to or different from those which I now know or believe to exist with respect to the subject matter of this Waiver and Release of Claims and which, if known or suspected at the time of executing this Waiver and Release of Claims, may have materially affected this settlement.

Finally, I acknowledge that I have read this Waiver and Release of Claims and understand all of its terms.

Signature of Executive

Print Name

Date Signed

EXHIBIT B

Assignment and Assumption of
Severance Agreement
Between _____ and

As of _____

_____ (the "Old Employer") and _____ (the "Executive") have entered into a Severance Agreement dated _____ (the "Agreement"). The Executive is transferring employment from the Old Employer to _____ (the "New Employer"), effective _____. The fourth bullet of the Agreement provides that, if the Executive transfers to the Company or an Affiliate, the Old Employer shall assign the Agreement to the Company or Affiliate. To order to carry out the provisions of the fourth bullet of the Agreement -

1. The Old Employer hereby assigns the Agreement to the New Employer.
2. The New Employer hereby assumes the obligations of the Old Employer under the Agreement.
3. The assignment and assumption are effective as of the date employment is transferred.

4. The Executive hereby acknowledges receipt of notice of the assignment and assumption.

THE OLD EMPLOYER	THE NEW EMPLOYER
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

EXECUTIVE	

Name: _____	

SEVERANCE AGREEMENT - VECTOR SCM, LLC

THIS AGREEMENT, dated as of _____ and effective as of _____, is by and between CNF Inc. (the "Company") and _____ (the "Executive") in Executive's capacity as an employee of Vector SCM, LLC (the "Employer") and supersedes all prior severance agreements between the Executive and the Company or any Affiliate.

WHEREAS, the Company (a) considers it essential to foster the continued employment of key management personnel of its subsidiaries, (b) recognizes that the possibility of a Change in Control exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company, and (c) has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Executive hereby agree as follows:

- * The Term of this Agreement shall commence on _____ and expire as provided in the definition of "Term" in Section 1 of the attached Terms and Conditions, all of which (including definitions) are hereby incorporated by reference.
- * The Executive agrees that, subject to the Terms and Conditions, in the event of a Potential Change in Control during the Term, the Executive will remain in the employ of the Employer until the earliest of (a) a date which is six (6) months from the date of such Potential Change in Control, (b) the date of a Change in Control, (c) the date of termination by the Executive of the Executive's employment for Good Reason or by reason of death, disability or retirement in accordance with the CNF Inc. Retirement Plan, including early retirement, or (d) the termination by the Employer of the Executive's employment for any reason.
- * If the Executive incurs a Severance following a Change in Control or Potential Change in Control and during the Term, the Executive shall be entitled to receive (a) a Severance Payment equal to _____ [2 or 3] times the sum of the Executive's annual base salary and Annual Bonus in a lump sum and (b) Severance Benefits for a period of _____ [24 or 36] months following the Severance Date, as provided in the attached Terms and Conditions.
- * If the Executive transfers to and becomes an employee of an Affiliate, the Company shall assign this Agreement to the Affiliate and the Affiliate shall become the Employer. If the Executive transfers to the Company, the Company shall thereafter be the Employer.

CNF Inc.

EXECUTIVE

By: _____
Name:
Title:

Name:
Address:

TERMS AND CONDITIONS OF SEVERANCE AGREEMENT

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1. DEFINITIONS. As hereinafter used:

"Affiliate" means an affiliate of the Company, as defined in Rule 12b-2 promulgated under Section 12 of the Exchange Act, including any Business Unit.

"Agreement" means the Severance Agreement to which these Terms and Conditions are attached, including the Terms and Conditions, which are incorporated by reference in the Agreement. If there is any inconsistency between the Severance Agreement and these Terms and Conditions, the Terms and Conditions shall govern.

"Annual Bonus" means the annual bonus payable with respect to a calendar year under the ICP (Incentive Compensation Plan) applicable to an Executive or other applicable annual bonus or arrangement determined as if such Annual Bonus had been earned to the extent of 100% of the Executive's target bonus opportunity, as opposed to the maximum 200%. The Annual Bonus does not include any amount payable under the CNF Inc. Value Management Plan or any other long-term incentive plan.

"Auditor" shall have the meaning set forth in Section 4.2 hereof.

"Base Amount" shall have the meaning set forth in Section 280G(b)(3) of the Code.

"Board" means the Board of Directors of the Company.

"Business Unit" is defined in Section 2 of the EIP.

"Cause" for termination by the Employer of the Executive's employment means (i) the willful and continued failure by the Executive to substantially perform the Executive's duties with the Employer (other than any such failure resulting from the Executive's incapacity due to disability, including physical or mental illness or any such actual or anticipated failure after the issuance by the Executive of a notice of intent to terminate employment for Good Reason, as provided in the definition of Good Reason) after a written demand for substantial performance is delivered to the Executive by or on behalf of the Employer Board, which demand specifically identifies the manner in which the Employer Board believes that the Executive has not substantially performed the Executive's duties, or (ii) the willful engaging by the Executive in conduct which is demonstrably and materially injurious to the Employer, the Company or an Affiliate, monetarily or otherwise. For purposes of clauses (i) and (ii) of this definition, no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's act, or failure to act, was in the best interest of the Employer, the Company or an Affiliate. In the event of a dispute concerning the application of this provision, no

claim by the Employer that Cause exists shall be given effect unless the Employer establishes (iii) to the Employer Board and (iv) in the event of an arbitration to resolve the dispute, to the arbitrator, by clear and convincing evidence that Cause exists.

"Change in Control" means the occurrence of any one of the events described in clauses (a) through (d) of the definition of "Change in Control" in Section 2 of the EIP or the occurrence of the event described in the following clause (e), which shall apply for purposes of the Agreement instead of clause (e) of the definition of "Change in Control" in Section 2 of the EIP:

- (e) Disposition of a Business Unit. There is consummated the Disposition of a Business Unit; provided, however, that this clause (e) shall apply only to an Executive who immediately prior to the Disposition of a Business Unit was employed by (and on the payroll of) the Business Unit that was the subject of the Disposition of a Business Unit.

The following Examples illustrate clause (e):

Example 1. The ownership interests of Business Unit X are sold to an unrelated purchaser. Executive A was employed by (and on the payroll of) Business Unit X immediately prior to the sale. A Change in Control has taken place with respect to Executive A.

Example 2. The assets of Business Unit Y are sold to an unrelated purchaser. Executive B was employed by (and on the payroll of) Business Unit Y immediately prior to the sale. A Change in Control has taken place with respect to Executive B.

Example 3. Executive C is employed by (and on the payroll of) a Business Unit as described in either Example 1 or 2, except that Executive C remains employed by (and on the payroll of) a Business Unit that continues to be a Business Unit of the Company following the sale. A Change in Control has taken place with respect to Executive C.

Because the EIP is not intended to serve the same purpose as the Agreement, whether a "Change in Control" has taken place under the EIP is not relevant in determining whether benefits are payable under the Agreement. For example, in Example 3, a Change in Control took place for Executive C under the Agreement, but no Change in Control took place for Executive C under the EIP. If Executive C terminates employment six months after the Change in Control occurred under the Agreement, Executive C may or may not be entitled to benefits under the Agreement, depending on the facts surrounding the termination of employment. However, no Change in Control would take place under the EIP with respect to Executive C under the facts of Example 3, whether or not benefits are due under the Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Company" means CNF Inc., a corporation organized under the laws of the State of Delaware, or any successor corporation.

"Disposition of a Business Unit" is defined in Section 2 of the EIP.

"EIP" means the CNF Inc. 1997 Equity and Incentive Plan, as amended from time to time, or any successor plan.

"Employer" means the person specified in the first paragraph of the Agreement or any assignee or successor (including a successor who assumes the Agreement following a Change in Control). The fourth bullet

of the Agreement provides that, if the Executive transfers to the Company or an Affiliate, the Agreement will be assigned, resulting in a change in the Employer. A draft form of assignment and assumption is attached as Exhibit B. Notwithstanding the preceding provisions of this definition, if (and for as long as) the Executive is an employee of Vector SCM, LLC, (i) the Employer means Vector SCM, LLC or any successor, (ii) the Company shall fulfill the obligations of the Employer under the Agreement, and (iii) clause (e) of the definition of Change in Control shall not apply to the Executive.

"Employer Board" means the Board of Directors of the Employer.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and as now or hereafter construed, interpreted and applied by regulations, rulings and cases.

"Excise Tax" means any excise tax imposed under Section 4999 of the Code.

"Executive" means the person specified in the first paragraph of the Agreement.

"Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) after any Change in Control of any one of the following acts by the Employer, or failures by the Employer to act, unless such act or failure to act is corrected within 30 days of receipt by the Employer of notice of the Executive's intent to terminate for Good Reason hereunder:

- (1) the failure of the successor company, following the Change in Control, to assume the Agreement and all obligations thereunder, as of the date of such Change in Control;
- (2) the assignment to the Executive of duties inconsistent with the Executive's status as an executive of the Employer or a substantial adverse alteration in the nature or status of the Executive's responsibilities from those in effect immediately prior to the Change in Control;
- (3) a reduction by the Employer in the Executive's base salary, cash bonus opportunity, or long term incentive opportunity, each as in effect immediately prior to the Change in Control or as the same may thereafter be increased from time to time;
- (4) the relocation of the Executive's principal place of employment to a location that results in an increase in the Executive's one way commute of at least 50 miles more than the Executive's one way commute immediately prior to the Change in Control;
- (5) a substantial increase in the Executive's business travel obligations from the Executive's business travel obligations immediately prior to the Change in Control;
- (6) the failure by the Employer to pay to the Executive when due any portion of the Executive's current compensation;
- (7) the failure by the Employer to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Employer's pension, savings, life insurance, medical, health and accident, or disability plans in which the Executive was participating immediately prior to the Change in Control (except for across-the-board changes similarly affecting all or substantially all employees of the Employer and any entity in control of the Employer), the taking of any other

action by the Employer which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive immediately prior to the Change in Control, or the failure by the Employer to provide the Executive with the number of paid vacation days or PTO days (days of paid time off) to which the Executive was entitled.

If a Change in Control takes place with respect to the Executive solely because of the Disposition of a Business Unit as described in clause (e) of the definition of Change in Control and the Executive continues to be employed by the Company or an Affiliate, but the position the Executive previously held is no longer needed, then, for purposes of determining whether there is a substantial adverse alteration in the nature or status of the Executive's responsibilities under clause (2) above, all the facts and circumstances shall be taken into account, and no single or selected set of facts shall be determinative. In particular, if the Executive receives a bona fide offer of a new or different position with the Company or an Affiliate, the fact or set of facts that, under the Executive's new position, fewer employees may be supervised and/or fewer functional areas may be within the Executive's span of control shall not be determinative.

The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to disability, including physical or mental illness, except as provided in the penultimate paragraph of the definition of Severance.

If Good Reason first occurs during the last 30 days of the Term and the Executive gives notice of the Executive's intent to terminate for Good Reason before the end of the Term, the correction period referred to in the first sentence of this definition of Good Reason shall end on the date of termination specified in Section 5.3.

The Executive's continued employment after Good Reason occurs shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

"Gross Up Payment" shall have the meaning set forth in Section 4.1 hereof.

"Person" means any person, as such term is used in Sections 13(d) and 14(d) of the Exchange Act other than (i) the Company or its Affiliates, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or its Affiliates, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the Common Stock.

"Potential Change in Control" shall be deemed to have occurred if:

- (1) the Company or any Affiliate enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;
- (2) the Company or any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act publicly announces an intention to take or to consider actions, including but not limited to proxy contests or consent solicitations, which, if consummated, would constitute a Change in Control;
- (3) any Person becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 15% or more of either the then outstanding shares of the common stock, par value \$0.625 per share, of the Company or the combined voting power of the Company's then

outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates); or

- (4) the Board or the Employer Board if the Employer is other than the Company adopts a resolution to the effect that, for purposes of the Agreement, a Potential Change in Control has occurred.

If the Potential Change in Control referred to in clause (1) or (2) would arise because of an event described in clause (e) in the definition of Change in Control, the Potential Change in Control shall apply only if the Executive is employed by (and on the payroll of) the Business Unit that would be the subject of the Disposition of a Business Unit.

"Severance" means the termination of an Executive's employment with the Employer following a Change in Control and during the Term of the Agreement, (i) by the Employer other than for Cause, or (ii) by the Executive for Good Reason.

For purposes of the Agreement, the Executive's employment shall be deemed to have been terminated following a Change in Control by the Employer without Cause or by the Executive with Good Reason if (i) the Executive's employment is terminated by the Employer without Cause following a Potential Change in Control but prior to a Change in Control (whether or not a Change in Control ever occurs) and such termination was at the request or direction of a Person who has entered into an agreement with the Company or Affiliate the consummation of which would constitute a Change in Control, (ii) the Executive terminates employment for Good Reason following a Potential Change in Control but prior to a Change in Control (whether or not a Change in Control ever occurs) and the circumstance or event which constitutes Good Reason occurs at the request or direction of such Person; or (iii) the Executive's employment is terminated by the Employer without Cause or by the Executive for Good Reason and such termination or the circumstance or event which constitutes Good Reason is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs). For purposes of this paragraph, a Change in Control shall be deemed to have occurred for purposes of the definition of Good Reason if a Potential Change in Control has occurred or if the termination or the circumstance or event which would constitute Good Reason if a Change in Control had occurred is in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs).

An Executive will not be considered to have incurred a Severance (i) if the Executive's employment is discontinued by reason of the Executive's death or disability, including a physical or mental condition causing such Executive's inability to substantially perform the Executive's duties with the Employer for a period of six consecutive months or (ii) by reason of the divestiture of a facility, sale of a business or business unit, or the outsourcing of a business activity with which the Executive is affiliated, notwithstanding the fact that such divestiture, sale or outsourcing constitutes, or takes place following a Change in Control and during the Term of the Agreement, if the Executive is offered a position with the successor company that, if accepted, would not give rise to Good Reason, and such successor company agrees to assume the obligations of the Agreement with respect to such Executive.

If any benefits provided to the Executive under the Agreement are treated as deferred compensation subject to Code section 409A, the Executive will not be considered to have incurred a Severance until the Executive incurs a "separation from service," becomes "disabled," or dies; provided, however, that if an "unforeseeable emergency" occurs, the Severance Payment may be made to the extent permitted by Code section 409A(a)(2)(B)(ii)(II). (The terms quoted in the immediately-

preceding sentence have the meanings set forth in Code section 409A(a)(2)(A).)

"Severance Benefits" means:

- (1) life, disability and accident benefits substantially similar to those provided to the Executive and the Executive's dependents immediately prior to the Severance or, if more favorable to the Executive, immediately prior to the Change in Control, at no greater cost to the Executive than the cost to the Executive immediately prior to the Severance or the Change in Control in this Agreement; provided, however, that, unless the Change in Control took place because of the event described in clause (e) of the definition of Change in Control, the Employer may apply to such benefits any across the board changes similarly affecting all or substantially all employees participating in such benefits;
- (2) health and dental benefits provided to the Executive and the Executive's dependents under the Company's health and dental plan as in effect immediately prior to the Severance or, if more favorable to the Executive, those provided to the Executive and the Executive's dependents immediately prior to the Change in Control, at no cost to the Executive; and
- (3) outplacement services determined by the Company to be suitable to the Executive's position, at no cost to the Executive;

in each case for the number of months specified in the Agreement following such Executive's Severance Date; provided, however, that

- (4) benefits otherwise receivable pursuant to (1) and (2) shall be reduced to the extent benefits of the same type are received by or made available to the Executive or the Executive's dependents following the Executive's termination of employment (and any such benefits shall be reported to the Employer by the Executive);
- (5) the Employer shall reimburse the Executive for the excess, if any, of the cost to the Executive of benefits received or made available pursuant to (1) and (2) over such cost immediately prior to the Severance or, if more favorable to the Executive, immediately prior to the Change in Control;
- (6) if the Executive dies, the Employer shall continue to provide the Executive's dependents with the benefits otherwise receivable pursuant to (1) and (2) on the same basis as if the Executive had survived, and
- (7) if any such benefits are treated as deferred compensation subject to Code section 409A and the Executive is a "specified employee" as defined in Code section 409A(a)(2)(B)(i), the Executive shall pay the full cost of such benefits for the first six months after the Severance Date and the Employer shall reimburse the Executive for such payments as soon as practicable thereafter.

"Severance Date" means the date on which an Executive incurs a Severance, which should be the date of termination as determined under Section 5.3.

"Severance Payment" means a payment, in lieu of any other severance payment or benefit pursuant to any other plan or agreement of the Employer, the Company or any Affiliate to which the Executive is otherwise entitled, of an amount equal to the number of years specified in the Agreement times the sum of (i) the Executive's annual base salary immediately prior to the time of Severance or, if higher, in effect immediately prior to the Change in Control and (ii) the Executive's

Annual Bonus for the calendar year in which the Change in Control occurred.

"Tax Counsel" shall have the meaning set forth in Section 4.2 hereof.

"Term" means the period of time commencing on the date specified in the Agreement and continuing through December 31 of the following year; provided, however, that commencing on January 1 of such following year, and each January 1 thereafter, the Term shall automatically be extended for one additional year unless, not later than September 30 of the preceding year, the Employer or the Executive shall have given notice not to extend the Term; and further provided, however, that if a Change in Control shall occur during the Term, the Term shall expire no earlier than 24 months beyond the month in which such Change in Control occurred.

"Terms and Conditions" means these terms and conditions.

"Total Payments" means those payments so described in Section 4.1 hereof.

2. COMPENSATION OTHER THAN SEVERANCE PAYMENTS AND BENEFITS.

2.1 Following a Change in Control and during the Term, during any period that the Executive fails to perform the Executive's full-time duties with the Employer as a result of incapacity due to disability, including physical or mental illness, the Employer shall pay the Executive's full salary to the Executive at the rate in effect at the commencement of any such period, together with all compensation and benefits payable to the Executive under the terms of any compensation or benefit plan, program or arrangement maintained by the Employer during such period (other than any disability plan), until the Executive's employment is terminated by the Employer for disability.

2.2 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Employer shall pay the Executive's full salary to the Executive through the Severance Date at the rate in effect immediately prior to the Severance Date or, if higher, the rate in effect immediately prior to the Change in Control, together with all compensation and benefits payable to the Executive through the Severance Date under the terms of the Employer's compensation and benefit plans, programs or arrangements as in effect immediately prior to the Severance Date or, if more favorable to the Executive, as in effect immediately prior to the Change in Control.

2.3 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Employer shall pay to the Executive the Executive's normal post termination compensation and benefits as such payments become due (other than severance payments under any severance plan as in effect immediately prior to the Severance). Such post termination compensation and benefits shall be determined under, and paid in accordance with, the Company's retirement, insurance and other compensation or benefit plans, programs and arrangements as in effect immediately prior to the Severance or, if more favorable to the Executive, as in effect immediately prior to the Change in Control.

3. SEVERANCE PAYMENTS AND BENEFITS.

3.1 If the Executive incurs a Severance, the Executive shall be entitled to receive from the Employer (i) the Severance Payment and (ii) Severance Benefits. If the Employer is not the Company, the

Employer does not provide the Severance Payment and the Severance Benefits and the Severance is related to a Change in Control or a Potential Change in Control that occurred other than because of the Disposition of a Business Unit as provided in clause (e) of the definition of Change in Control, the Company shall fulfill the obligations of the Employer under the Agreement, and the Executive need not exhaust the remedies provided in Section 3.4 and 3.5 against the Employer before being entitled to receive the Severance Payment and the Severance Benefits from the Company.

- 3.2 The Employer shall pay the Severance Payment to the Executive in a cash lump sum, on the date that is 6 months after the Severance Date or as soon as practicable thereafter, but in no event later than 10 business days immediately following such date.
- 3.3 The Executive shall not be eligible to receive a Severance Payment or Severance Benefits under the Agreement unless the Executive (or, in the event of the death of the Executive, the executor, personal representative or administrator of the Executive's estate) first executes a written release substantially in the form attached as Exhibit A hereto and the Executive executes the release within 6 months after the Severance Date.
- 3.4 In the event that the Executive or a dependent of the Executive believes that he or she is not receiving the full benefits to which he or she is entitled under the Agreement, such person may make a claim to the Employer Board (or the Board if the second sentence of Section 3.1 applies), and the claims procedure set forth in Section 8 of the EIP shall apply with the Employer Board (or the Board if the second sentence of Section 3.1 applies) treated as the Committee.
- 3.5 Any further dispute or controversy arising under or in connection with the Agreement which remains after the final decision of the Board as contemplated by Section 3.4 shall be finally settled exclusively by arbitration in San Francisco, California, in accordance with the rules of the American Arbitration Association then in effect; provided, however, that the clear and convincing evidentiary standard set forth in the definition of Cause in this Agreement shall apply; and provided further, that the arbitrator shall apply the applicable provisions of ERISA, and applicable regulations adopted thereunder, in such arbitration proceeding. Judgment may be entered on the arbitrator's award in any court having jurisdiction.
- 3.6 The Employer shall pay to the Executive all legal fees and expenses incurred by the Executive in seeking in good faith to obtain or enforce any benefit or right provided by the Agreement. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Employer reasonably may require. The Employer shall not be obligated to pay legal fees and expenses incurred by any person other than the Executive. However, the Employer shall be obligated to pay legal fees and expenses incurred by the Executive on behalf of the Executive's dependents and legal fees and expenses incurred by the estate of the Executive on behalf of the Executive or the Executive's dependents.
- 3.7 The Employer shall be entitled to withhold from amounts to be paid to the Executive hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold.
- 3.8 The Employer agrees that, if the Executive's employment with the

Employer terminates following a Change in Control that is applicable to the Executive and during the Term of the Agreement, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive hereunder. Further, the amount of any payment or benefit provided for in the Agreement shall not be reduced (except as provided in clause (4) of the definition of Severance Benefits) by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Employer, or otherwise.

4. EXCISE TAX GROSS-UP.

- 4.1 Whether or not the Executive becomes entitled to the Severance Payment and Severance Benefits, if any of the payments or benefits received or to be received by the Executive in connection with a Change in Control or the Executive's termination of employment (whether pursuant to the terms of the Agreement or any other agreement, plan, or arrangement with the Employer, any Person whose actions result in a Change in Control or any Person affiliated with the Employer or such Person) (such payments or benefits, excluding the Gross-Up Payment, being hereinafter referred to as the "Total Payments") will be subject to the Excise Tax, the Employer shall pay to the Executive an additional amount (the "Gross Up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Total Payments and any federal, state and local income and employment taxes and Excise Tax upon the Gross-Up Payment (but without deducting federal, state and local income and employment taxes on the Total Payments), shall be equal to the Total Payments.
- 4.2 For purposes of determining whether any of the Total Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) all of the Total Payments shall be treated as "parachute payments" (within the meaning of Section 280G(b)(2) of the Code) unless, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm which was, immediately prior to the Change in Control, the Company's independent auditor (the "Auditor"), such payments or benefits (in whole or in part) should not constitute parachute payments, including by reason of Section 280G(b)(4)(A) of the Code, (ii) all "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax unless, in the opinion of Tax Counsel, such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered (within the meaning of Section 280G(b)(4)(B) of the Code) in excess of the Base Amount allocable to such reasonable compensation, or should otherwise not be subject to the Excise Tax and (iii) the value of any noncash benefits or any deferred payment or benefit shall be determined by the Auditor in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross Up Payment, the Executive shall be deemed to pay federal income tax at the highest marginal rate of federal income taxation in the calendar year in which the Gross Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence at the time of the Severance (or if there is no Severance, then the date on which the Gross-Up Payment is calculated for purposes of this Section 4.2), net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.
- 4.3 In the event that the Excise Tax is finally determined to be less than the amount taken into account hereunder in calculating the

Gross-Up Payment, the Executive shall repay to the Company, within five (5) business days following the time that the amount of such reduction in the Excise Tax is finally determined, the portion of the Gross Up Payment attributable to such reduction (plus that portion of the Gross Up Payment attributable to the Excise Tax and federal, state and local income and employment taxes imposed on the Gross Up Payment being repaid by the Executive, to the extent that such repayment results in a reduction in the Excise Tax and a dollar-for-dollar reduction in the Executive's taxable income and wages for purposes of federal, state and local income and employment taxes). In the event that the Excise Tax is determined to exceed the amount taken into account hereunder in calculating the Gross-Up Payment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross Up Payment), the Company shall make an additional Gross Up Payment in respect of such excess (plus any interest, penalties or additions payable by the Executive with respect to such excess) within five (5) business days following the time that the amount of such excess is finally determined. The Executive and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Total Payments.

- 4.4 The payments provided in Section 4.1 shall be made on the date that is 6 months after the Severance Date or as soon as practicable thereafter; provided, however, that if the amounts of such payments cannot be finally determined on or before such day, the Employer shall pay to the Executive on such day an estimate, as determined in good faith by the Employer or, in the case of payments under Section 4.1 or 4.3, in accordance with Section 4.2, of the minimum amount of such payments to which the Executive is clearly entitled and shall pay the remainder of such payments (together with interest on the unpaid remainder (or on all such payments to the extent the Company fails to make such payments when due) at 120% of the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall be paid by the Executive to the Employer not later than the fifth (5th) business day after demand by the Employer. At the time that payments are made under the Agreement, the Employer shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Employer has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).
- 4.5 The Employer also shall pay to the Executive all legal fees and expenses incurred by the Executive in seeking in good faith to obtain or enforce any benefit or right provided by the Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Employer reasonably may require.

5. NOTICE OF TERMINATION.

- 5.1 After a Change in Control and during the Term, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written notice of termination from the Employer to the Executive or the Executive to the Employer in

accordance with Section 6.9.

- 5.2 The notice of termination shall indicate the specific termination provision in the Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. A notice of termination for Cause shall include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Employer Board at a meeting of the Employer Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Employer Board) finding that, in the good faith opinion of the Employer Board, the Executive was guilty of conduct set forth in clause (i) or (ii) of the definition of Cause herein, and specifying the particulars thereof in detail.
- 5.3 The notice of termination shall specify the date of termination which, in the case of a termination by the Employer, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than thirty (30) days nor more than sixty (60) days, respectively, from the date such notice of termination is given.
 - (1) Once the Employer or the Executive has specified a date of termination in a notice of termination, the date of termination cannot be changed by the Employer or the Executive except by mutual consent.
 - (2) The date of termination must be at least 30 days after the notice of termination unless the termination is for Good Reason and Good Reason first occurs during the last 30 days of the Term (determined without regard to this Section 5.3(2)), in which event the date of termination shall be (i) the end of the Term (determined without regard to this Section 5.3(2)) if the Employer receives notice of the Executive's intent to terminate for Good Reason ten days or more before the end of the Term (determined without regard to this Section 5.3(2)) or (ii) the later of ten days after receipt by the Employer of notice of the Executive's intent to terminate for Good Reason or five days after the end of the Term (determined without regard to this Section 5.3(2)) if the Employer does not receive notice of the Executive's intent to terminate for Good Reason ten days or more before the end of the Term (determined without regard to this Section 5.3(2)).

6. GENERAL PROVISIONS.

- 6.1 Except as otherwise provided herein or by law, no right or interest of the Executive under the Agreement shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge or in any manner; no attempted assignment or transfer thereof shall be effective; and no right or interest of the Executive under the Agreement shall be liable for, or subject to, any obligation or liability of such Executive. When a payment is due under the Agreement to an Executive who is unable to care for his or her affairs, payment may be made directly to the Executive's legal guardian or personal representative.
- 6.2 If the Employer, the Company or any Affiliate is obligated pursuant to applicable law or by virtue of being a party to a contract (other than this Agreement) to pay severance pay, a termination

indemnity, notice pay or the like or if the Employer, the Company or any Affiliate is obligated by law to provide advance notice of separation ("Notice Period"), then any Severance Payment hereunder shall be reduced by the amount of any such severance pay, termination indemnity, notice pay or the like, as applicable, and by the amount of any compensation received during any Notice Period.

- 6.3 Neither the Agreement, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any benefits shall be construed as giving any Executive, or any person whomsoever, the right to be retained in the service of the Employer, and the Executive shall remain subject to discharge to the same extent as if the Agreement had never been executed.
- 6.4 If any provision of the Agreement shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Agreement shall be construed and enforced as if such provisions had not been included.
- 6.5 If any provision of the Agreement would cause compensation to be includible in the Executive's income pursuant to Code section 409A(a)(1)(A), such provision shall be void, and the Employer shall amend the Agreement retroactively in such a way as to achieve substantially similar economic results without causing such inclusion. Any such amendment shall be binding on the Executive unless the Executive objects within 30 days after a copy of such amendment is delivered to the Executive. In any event, the Executive will be solely responsible for any adverse tax consequences to the Executive.
- 6.6 The Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the Employer and its successors and assigns, and by each Executive and by the personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees of each Executive. If any Executive shall die while any amount would still be payable to such Executive (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of the Agreement to the executors, personal representatives or administrators of the Executive's estate.
- 6.7 The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Agreement, and shall not be employed in the construction of the Agreement.
- 6.8 The Agreement shall not be funded. The Executive shall not have any right to, or interest in, any assets of the Employer which may be applied by the Employer to the payment of benefits or other rights under the Agreement.
- 6.9 All notices and all other communications provided for in the Agreement (i) shall be in writing, (ii) shall be hand delivered, sent by overnight courier or by United States registered mail, return receipt requested and postage prepaid, addressed, in the case of the Employer, to the principal office of the Employer, attention President, and in the case of the Company, to 2855 Campus Drive, San Mateo, California 94403, attention General Counsel, and in the case of the Executive, to the last known address of the Executive, and (iii) shall be effective only upon actual receipt.
- 6.10 The Agreement shall be construed and enforced according to the laws of the State of Delaware (without giving effect to the conflict of

laws principles thereof) to the extent not preempted by federal law, which shall otherwise control.

EXHIBIT A

WAIVER AND RELEASE OF CLAIMS

In consideration of, and subject to, the payment to be made to me by _____ (the "Employer") of the "Severance Payment" (as defined in the Severance Agreement, dated as of _____, entered into between me and the Company (the "Agreement")), I hereby waive any claims I may have for employment or re-employment by the Employer or any parent or subsidiary of the Employer after the date hereof, and I further agree to and do release and forever discharge the Employer and any parent or subsidiary of the Employer, and their respective past and present officers, directors, shareholders, insurers, employees and agents from any and all claims and causes of action, known or unknown, arising out of or relating to my employment with the Employer or any parent or subsidiary of the Employer, or the termination thereof, including, but not limited to, wrongful discharge, breach of contract, tort, fraud, the Civil Rights Acts, Age Discrimination in Employment Act, Employee Retirement Income Security Act of 1974, Americans with Disabilities Act, or any other federal, state or local legislation or common law relating to employment or discrimination in employment or otherwise.

Notwithstanding the foregoing or any other provision hereof, nothing in this Waiver and Release of Claims shall adversely affect (i) my rights to Severance Benefits under the Agreement; (ii) my rights to benefits other than severance payments or benefits under plans, programs and arrangements of the Employer or any parent or subsidiary of the Employer; or (iii) my rights to indemnification under any indemnification agreement, applicable law or the certificates of incorporation or bylaws of the Employer or any parent or subsidiary of the Employer, (iv) my rights under any director's and officers' liability insurance policy covering me, (v) my workers compensation rights, or (vi) my unemployment insurance rights.

I acknowledge that I have signed this Waiver and Release of Claims voluntarily, knowingly, of my own free will and without reservation or duress, and that no promises or representations have been made to me by any person to induce me to do so other than the promise of payment set forth in the first paragraph above and the Employer's acknowledgment of my rights reserved under the second paragraph above.

I understand that this release will be deemed to be an application for benefits under the Agreement and that my entitlement thereto shall be governed by the terms and conditions of the Agreement and any applicable plan. I expressly hereby consent to such terms and conditions.

I acknowledge that I have been given not less than forty-five (45) days to review and consider this Waiver and Release of Claims (unless I have signed a written waiver of such review and consideration period), and that I have had the opportunity to consult with an attorney or other advisor of my choice and have been advised by the Company to do so if I choose. I may revoke this Waiver and Release of Claims seven days or less after its execution by providing written notice to the Employer.

I acknowledge that it is my intention and the intention of the Employer in executing this Waiver and Release of Claims that the same shall be effective as a bar to each and every claim, demand and cause of action hereinabove specified. In furtherance of this intention, I hereby expressly waive any and all rights and benefits conferred upon me by the provisions of SECTION 1542

OF THE CALIFORNIA CIVIL CODE, to the extent applicable to me, and expressly I consent that this Waiver and Release of Claims shall be given full force and effect according to each and all of its express terms and provisions, including as well those related to unknown and unsuspected claims, demands and causes of action, if any, as well as those relating to any other claims, demands and causes of action hereinabove specified. SECTION 1542 provides:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

I acknowledge that I may hereafter discover claims or facts in addition to or different from those which I now know or believe to exist with respect to the subject matter of this Waiver and Release of Claims and which, if known or suspected at the time of executing this Waiver and Release of Claims, may have materially affected this settlement.

Finally, I acknowledge that I have read this Waiver and Release of Claims and understand all of its terms.

Signature of Executive

Print Name

Date Signed

EXHIBIT B

Assignment and Assumption of
Severance Agreement
Between _____ and

As of _____

_____ (the "Old Employer") and _____ (the "Executive") have entered into a Severance Agreement dated _____ (the "Agreement"). The Executive is transferring employment from the Old Employer to _____ (the "New Employer"), effective _____. The fourth bullet of the Agreement provides that, if the Executive transfers to the Company or an Affiliate, the Old Employer shall assign the Agreement to the Company or Affiliate. To order to carry out the provisions of the fourth bullet of the Agreement -

1. The Old Employer hereby assigns the Agreement to the New Employer.
2. The New Employer hereby assumes the obligations of the Old Employer under the Agreement.
3. The assignment and assumption are effective as of the date employment is transferred.
4. The Executive hereby acknowledges receipt of notice of the assignment and assumption.

THE OLD EMPLOYER	THE NEW EMPLOYER
By: _____ Name: _____ Title: _____	By: _____ Name: _____ Title: _____
EXECUTIVE _____ Name: _____	

CNF INC.
EXECUTIVE SEVERANCE PLAN
(Amended and Restated as of January 1, 2006)

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1. DEFINITIONS. As hereinafter used:

"Affiliate" means an affiliate of the Company, as defined in Rule 12b-2 promulgated under Section 12 of the Exchange Act, including any Business Unit.

"Annual Bonus" means the annual bonus payable with respect to a calendar year under the ICP (Incentive Compensation Plan) applicable to an Executive or other applicable annual bonus arrangement, determined as if such Annual Bonus had been earned to the extent of 100% of the Executive's target bonus opportunity, as opposed to the maximum 200%. The Annual Bonus does not include any amount payable under the CNF Inc. Value Management Plan or any other long-term incentive plan.

"Board" means the Board of Directors of the Company.

"Business Unit" is defined in Section 2 of the EIP.

"Cause" for termination by the Employer of the Executive's employment means (i) the willful and continued failure by the Executive to substantially perform the Executive's duties with the Employer (other than any such failure resulting from the Executive's incapacity due to disability, including physical or mental illness or any such actual or anticipated failure after the issuance by the Executive of a notice of intent to terminate employment for Good Reason, as provided in the definition of Good Reason) after a written demand for substantial performance is delivered to the Executive by the Employer's Chief Executive Officer, which demand specifically identifies the manner in which the Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties, or (ii) the willful engaging by the Executive in conduct which is demonstrably and materially injurious to the Employer, the Company or an Affiliate, monetarily or otherwise. For purposes of clauses (i) and (ii) of this definition, no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's act, or failure to act, was in the best interest of the Employer, the Company or an Affiliate. In the event of a dispute concerning the application of this provision, no claim by the Employer that Cause exists shall be given effect unless the Employer establishes (iii) to the Plan Administrator and (iv) in the event of an arbitration to resolve the dispute, to the arbitrator, by clear and convincing evidence that Cause exists.

"Change in Control" means the occurrence of any one of the events described in clauses (a) through (d) of the definition of "Change in Control" in Section 2 of the EIP or the occurrence of the event

described in the following clause (e), which shall apply for purposes of this Plan instead of clause (e) of the definition of "Change in Control" in Section 2 of the EIP:

- (e) Disposition of a Business Unit. There is consummated the Disposition of a Business Unit; provided, however, that this clause (e) shall apply only to an Executive who immediately prior to the Disposition of a Business Unit was employed by (and on the payroll of) the Business Unit that was the subject of the Disposition of a Business Unit.

The following Examples illustrate clause (e):

Example 1. The ownership interests of Business Unit X are sold to an unrelated purchaser. Executive A was employed by (and on the payroll of) Business Unit X immediately prior to the sale. A Change in Control has taken place with respect to Executive A.

Example 2. The assets of Business Unit Y are sold to an unrelated purchaser. Executive B was employed by (and on the payroll of) Business Unit Y immediately prior to the sale. A Change in Control has taken place with respect to Executive B.

Example 3. Executive C is employed by (and on the payroll of) a Business Unit as described in either Example 1 or 2, except that Executive C remains employed by (and on the payroll of) a Business Unit that continues to be a Business Unit of the Company following the sale. A Change in Control has taken place with respect to Executive C.

Because the EIP is not intended to serve the same purpose as the Plan, whether a "Change in Control" has taken place under the EIP does not determine whether benefits are payable under the Plan. For example, in Example 3, a Change in Control took place for Executive C under the Plan, but no Change in Control took place for Executive C under the EIP. If Executive C terminates employment six months after the Change in Control occurred under the Plan, Executive C may or may not be entitled to benefits under the Plan, depending on the facts surrounding the termination of employment. However, no Change in Control would take place under the EIP with respect to Executive C under the facts of Example 3, whether or not benefits are due under the Plan.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Company" means CNF Inc., a corporation organized under the laws of the State of Delaware, or any successor corporation.

"Disposition of a Business Unit" is defined in Section 2 of the EIP.

"EIP" means the CNF Inc. 1997 Equity and Incentive Plan, as amended from time to time, or any successor plan.

"Eligible Executive" means an Executive who, immediately prior to a Change in Control (i) is an employee of (and on the payroll of) the Employer, (ii) is not a party to an individual employment or severance agreement with the Employer, and (iii) occupies a position that has been classified within the CNF Inc. executive level salary grade structure.

"Employer" means the Company or any subsidiary of the Company that adopts the Plan with the written approval of the Company. A draft adoption form is attached as Exhibit B. The Employer also includes any successor company that assumes the Plan or a portion of the Plan. An Employer will cease to be an Employer with respect to future periods if (i) it withdraws from the Plan by notice to the Company, (ii) it ceases

to be a subsidiary of the Company or (iii) the Company notifies it that it is no longer an Employer.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and as now or hereafter construed, interpreted and applied by regulations, rulings and cases.

"Executive" means an individual who, immediately prior to a Change in Control, is an Eligible Executive.

"Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) after any Change in Control of any one of the following acts by the Employer, or failures by the Employer to act, unless such act or failure to act is corrected within 30 days of receipt by the Employer of notice of the Executive's intent to terminate for Good Reason hereunder:

- (1) the failure of the successor company, following the Change in Control, to assume the Plan (or that portion of the Plan that applies to the Business Unit affected by the Change in Control) and all obligations thereunder, as of the date of such Change in Control;
- (2) the assignment to the Executive of duties inconsistent with the Executive's status as an executive of the Employer or a substantial adverse alteration in the nature or status of the Executive's responsibilities from those in effect immediately prior to the Change in Control;
- (3) a reduction by the Employer in the Executive's base salary, cash bonus opportunity, or long-term incentive opportunity, each as in effect immediately prior to the Change in Control or as the same may thereafter be increased from time to time;
- (4) the relocation of the Executive's principal place of employment to a location that results in an increase in the Executive's one-way commute of at least 50 miles more than the Executive's one way commute immediately prior to the Change in Control,
- (5) a substantial increase in the Executive's business travel obligations from the Executive's business travel obligations immediately prior to the Change in Control;
- (6) the failure by the Employer to pay to the Executive when due any portion of the Executive's current compensation;
- (7) the failure by the Employer to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Employer's pension, savings, life insurance, medical, health and accident, or disability plans in which the Executive was participating immediately prior to the Change in Control (except for across-the-board changes similarly affecting all or substantially all employees of the Employer and any entity in control of the Employer), the taking of any other action by the Employer which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive immediately prior to the Change in Control, or the failure by the Employer to provide the Executive with the number of paid vacation days or PTO days (days of paid time off) to which the Executive was entitled.

If a Change in Control takes place with respect to the Executive solely because of the Disposition of a Business Unit as described in clause (e) of the definition of Change in Control in this Plan and the Executive

continues to be employed by the Company or an Affiliate, but the position the Executive previously held is no longer needed, then, for purposes of determining whether there is a substantial adverse alteration in the nature or status of the Executive's responsibilities under clause (2) above, all the facts and circumstances shall be taken into account, and no single or selected set of facts shall be determinative. In particular, if the Executive receives a bona fide offer of a new or different position with the Company or an Affiliate, the fact or set of facts that, under the Executive's new or different position, fewer employees may be supervised and/or fewer functional areas may be within the Executive's span of control shall not be determinative.

The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to disability, including physical or mental illness, except as provided in the penultimate paragraph of the definition of Severance.

If Good Reason first occurs during the last 30 days of the one-year period specified in the definition of "Severance" and the Executive gives notice of the Executive's intent to terminate for Good Reason before the expiration of such period, the correction period referred to in the first sentence of this definition of Good Reason shall end on the date of termination specified in Section 3.3(2).

The Executive's continued employment after Good Reason occurs shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

"Person" means any person, as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than (i) the Company or its Affiliates, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or its Affiliates, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the Common Stock).

"Plan" means this CNF Inc. Executive Severance Plan, as amended from time to time.

"Plan Administrator" means, prior to a Change in Control, the person or persons appointed from time to time by the Board (for all purposes or for specific purposes stated by the Board) and following a Change in Control, a committee consisting of three persons, at least two of whom were directors or executive officers of the Company immediately prior to the Change in Control (for all purposes).

"Potential Change in Control" shall be deemed to have occurred if:

- (1) the Company or any Affiliate enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;
- (2) the Company or any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act publicly announces an intention to take or to consider actions, including but not limited to proxy contests or consent solicitations, which, if consummated, would constitute a Change in Control;
- (3) any Person becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 15% or more of either the then outstanding shares of the common stock, par value \$0.625 per share, of the Company or the combined voting power of the Company's then outstanding securities (not including in the securities

beneficially owned by such Person any securities acquired directly from the Company or its Affiliates); or

- (4) the Board or the Board of Directors of the Employer if the Employer is other than the Company adopts a resolution to the effect that, for purposes of this Plan, a Potential Change in Control has occurred.

If the Potential Change in Control referred to in clause (1) or (2) would arise because of an event described in clause (e) in the definition of Change in Control, the Potential Change in Control shall apply only to Executives who are employed by (and on the payroll of) the Business Unit that would be the subject of the Disposition of a Business Unit.

"Severance" means the termination of an Executive's employment with the Employer on or within one year immediately following the date of the Change in Control (subject to extension pursuant to Section 3.3(2)), (i) by the Employer other than for Cause, or (ii) by the Executive for Good Reason.

For purposes of this Plan, an Executive's employment shall be deemed to have been terminated following a Change in Control by the Employer without Cause or by the Executive with Good Reason if (i) the Executive's employment is terminated by the Employer without Cause following a Potential Change in Control but prior to a Change in Control (whether or not a Change in Control ever occurs) and such termination was at the request or direction of a Person who has entered into an agreement with the Company or Affiliate the consummation of which would constitute a Change in Control, (ii) the Executive terminates employment for Good Reason following a Potential Change in Control but prior to a Change in Control (whether or not a Change in Control ever occurs) and the circumstance or event which constitutes Good Reason occurs at the request or direction of such Person; or (iii) the Executive's employment is terminated by the Employer without Cause or by the Executive for Good Reason and such termination or the circumstance or event which constitutes Good Reason is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs). For purposes of this paragraph, a Change in Control shall be deemed to have occurred for purposes of the definition of Good Reason if a Potential Change in Control has occurred or if the termination or the circumstance or event which would constitute Good Reason if a Change in Control had occurred is in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs).

An Executive will not be considered to have incurred a Severance (i) if the Executive's employment is discontinued by reason of the Executive's death or disability, including a physical or mental condition causing such Executive's inability to substantially perform the Executive's duties with the Employer for a period of six consecutive months or (ii) by reason of the divestiture of a facility, sale of a business or business unit, or the outsourcing of a business activity with which the Executive is affiliated, notwithstanding the fact that such divestiture, sale or outsourcing constitutes, or takes place within one year following, a Change in Control, if the Executive is offered a position with the successor company that, if accepted, would not give rise to Good Reason, and such successor company agrees to assume the obligations of this Plan with respect to such Executive.

If any benefits provided to an Executive under the Plan are treated as deferred compensation subject to Code section 409A, the Executive will not be considered to have incurred a Severance until the Executive incurs a "separation from service," becomes "disabled," or dies; provided, however, that if an "unforeseeable emergency" occurs, the Severance Payment may be made to the extent permitted by Code section

409A(a)(2)(B)(ii)(II). (The terms quoted in the immediately-preceding sentence have the meanings set forth in Code section 409A(a)(2)(A).)

"Severance Benefits" means:

- (1) life, disability and accident benefits substantially similar to those provided to the Executive and the Executive's dependents immediately prior to the Severance or, if more favorable to the Executive, immediately prior to the Change in Control, at no greater cost to the Executive than the cost to the Executive immediately prior to the Severance or the Change in Control; provided, however, that, unless the Change in Control took place because of the event described in clause (e) of the definition of Change in Control in this Plan, the Employer may apply to such benefits any across the board changes similarly affecting all or substantially all employees participating in such benefits;
- (2) health and dental benefits provided to the Executive and the Executive's dependents under the Company's health and dental plan as in effect immediately prior to the Severance or, if more favorable to the Executive, those provided to the Executive and the Executive's dependents immediately prior to the Change in Control, at no cost to the Executive; and
- (3) outplacement services determined by the Company to be suitable to the Executive's position, at no cost to the Executive;

in each case for a period of one year following such Executive's Severance Date; provided, however, that

- (4) benefits otherwise receivable pursuant to (1) and (2) shall be reduced to the extent benefits of the same type are received by or made available to the Executive or the Executive's dependents following the Executive's termination of employment (and any such benefits shall be reported to the Employer by the Executive);
- (5) the Employer shall reimburse the Executive for the excess, if any, of the cost to the Executive of benefits received or made available pursuant to (1) and (2) over such cost immediately prior to the Severance or, if more favorable to the Executive, immediately prior to the Change in Control;
- (6) if the Executive dies, the Employer shall continue to provide the Executive's dependents with the benefits otherwise receivable pursuant to (1) and (2) on the same basis as if the Executive had survived; and
- (7) if any such benefits are treated as deferred compensation subject to Code section 409A, the Executive shall pay the full cost of such benefits for the first six months after the Severance Date and the Employer shall reimburse the Executive for such payments as soon as practicable thereafter.

"Severance Date" means the date on which an Executive incurs a Severance, which should be the date of termination as determined under Section 3.3.

"Severance Payment" means a payment, in lieu of any other severance payment or benefit pursuant to any other plan or agreement of the Employer, the Company or any Affiliate to which the Executive is otherwise entitled, of an amount equal to the sum of (i) the Executive's annual base salary immediately prior to the time of Severance or, if higher, in effect immediately prior to the Change in Control and (ii) the Executive's Annual Bonus for the calendar year in which the Change in Control occurred.

2. SEVERANCE PAYMENTS AND BENEFITS.

- 2.1 An Executive who incurs a Severance shall be entitled to receive from the Employer (i) the Severance Payment and (ii) Severance Benefits. If the Employer is not the Company, the Employer does not provide the Severance Payment and the Severance Benefits and the Severance is related to a Change in Control or a Potential Change in Control that occurred other than because of the Disposition of a Business Unit as provided in clause (e) of the definition of Change in Control, the Company shall fulfill the obligations of the Employer under the Plan, and the Executive need not exhaust the remedies provided in Section 2.4 and 2.5 against the Employer before being entitled to receive the Severance Payment and the Severance Benefits from the Company.
- 2.2 The Employer shall pay the Severance Payment to the Executive in a cash lump sum, on the date that is 6 months after the Severance Date or as soon as practicable thereafter, but in no event later than 10 business days immediately following such date.
- 2.3 No Executive shall be eligible to receive a Severance Payment or Severance Benefits under the Plan unless the Executive (or, in the event of the death of the Executive, the executor, personal representative or administrator of the Executive's estate) first executes and delivers to the Employer, within 6 months after the Severance Date, a written release substantially in the form attached as Exhibit A hereto.
- 2.4 In the event that any person believes that he or she is not receiving the full benefits to which he or she is entitled under this Plan, such person may make a claim to the Plan Administrator, and the claims procedure set forth in Section 8 of the EIP shall apply with the Plan Administrator treated as the Committee).
- 2.5 Any further dispute or controversy arising under or in connection with the Plan which remains after the final decision of the Plan Administrator as contemplated by Section 2.4 shall be finally settled exclusively by arbitration in San Francisco, California, in accordance with the rules of the American Arbitration Association then in effect; provided, however, that the clear and convincing evidentiary standard set forth in the definition of Cause in this Plan shall apply; and provided further, that the arbitrator shall apply the applicable provisions of ERISA, and applicable regulations adopted thereunder, in such arbitration proceeding. Judgment may be entered on the arbitrator's award in any court having jurisdiction.
- 2.6 The Employer shall pay to the Executive all legal fees and expenses incurred by the Executive in seeking in good faith to obtain or enforce any benefit or right provided by this Plan. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Employer reasonably may require. The Employer shall not be obligated to pay legal fees and expenses incurred by any person other than the Executive. However, the Employer shall be obligated to pay legal fees and expenses incurred by the Executive on behalf of the Executive's dependents and legal fees and expenses incurred by the estate of the Executive on behalf of the Executive or the Executive's dependents.
- 2.7 The Employer shall be entitled to withhold from amounts to be paid to the Executive hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to

withhold.

- 2.8 The Employer agrees that, if the Executive's employment with the Employer terminates during the one year period following a Change in Control that is applicable to the Executive, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive hereunder. Further, the amount of any payment or benefit provided for in this Plan shall not be reduced (except as provided in clause (4) of the definition of Severance Benefits) by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Employer, or otherwise.
- 2.9 This Plan shall apply to an Executive employed by Vector SCM, LLC ("Vector") with the following changes:
 - (1) This Plan shall be interpreted as if Vector were an Employer even though Vector has not adopted the Plan. However, the obligations of Vector as Employer shall be fulfilled by the Company, not by Vector.
 - (2) The term "Executive" shall be redefined as an individual who, immediately prior to a Change in Control, (i) is an employee of Vector, (ii) is not a party to an individual employment or severance agreement with the Company or an Affiliate, and (iii) occupies a position that has been classified as within the CNF Inc. executive level salary grade structure.
 - (3) Clause (e) of the definition of Change in Control in this Plan shall not apply to the Executive.

3. NOTICE OF TERMINATION.

- 3.1 Any purported termination of an Executive's employment (other than by reason of death) on or within one year immediately following the date of a Change in Control (subject to extension pursuant to Section 3.3(2)) shall be communicated by written notice of termination from the Executive to the Employer (if the termination is for Good Reason) or the Employer to the Executive (whether or not the termination is for Cause) in accordance with Section 6.9.
- 3.2 The notice of termination shall indicate the specific provisions in the Plan relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.
- 3.3 The notice of termination shall specify the date of termination which, in the case of a termination by the Employer, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than thirty (30) days nor more than sixty (60) days, respectively, from the date such notice of termination is given.
 - (1) Once the Employer or the Executive has specified a date of termination in a notice of termination, the date of termination cannot be changed by the Employer or the Executive except by mutual consent.
 - (2) The date of termination must be at least 30 days after the notice of termination unless the termination is for Good Reason and Good Reason first occurs during the last 30 days of the one-year period immediately following the date of a Change in Control, in which event the date of termination shall be (i) the end of such one-year period if the Employer receives

notice of the Executive's intent to terminate for Good Reason ten days or more before the end of the one-year period or (ii) the later of ten days after receipt by the Employer of notice of the Executive's intent to terminate for Good Reason or five days after the end of such one-year period if the Employer does not receive notice of the Executive's intent to terminate for Good Reason ten days or more before the end of the one-year period.

4. PLAN ADMINISTRATION.

- 4.1 The Plan shall be interpreted, administered and operated by the Plan Administrator, who shall have complete authority, in its sole discretion subject to the express provisions of the Plan, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, and to make all other determinations necessary or advisable for the administration of the Plan.
- 4.2 All questions of any character whatsoever arising in connection with the interpretation of the Plan or its administration or operation shall be submitted to and settled and determined by the Plan Administrator in an equitable and fair manner in accordance with the procedure for claims and appeals described in Section 2.4. Subject to the rights to arbitration provided in Section 2.5 hereof, any such settlement and determination shall be final and conclusive, and shall bind and may be relied upon by the Employer, each of the Executives and all other parties in interest.
- 4.3 The Plan Administrator may delegate any of its duties hereunder to such person or persons as it may designate from time to time.
- 4.4 The Plan Administrator is empowered, on behalf of the Plan, to engage accountants, legal counsel and such other personnel as it deems necessary or advisable to assist it in the performance of its duties under the Plan. The functions of any such persons engaged by the Plan Administrator shall be limited to the specified services and duties for which they are engaged, and such persons shall have no other duties, obligations or responsibilities under the Plan. Such persons shall exercise no discretionary authority or discretionary control respecting the management of the Plan. All reasonable expenses thereof shall be borne by the Employer.

5. PLAN MODIFICATION OR TERMINATION.

The Plan may be amended or terminated by the Board or a duly appointed committee of the Board at any time; provided, however, that during the pendency of and within six (6) months following the cessation of a Potential Change in Control and within one year following a Change in Control, the Plan may not be terminated nor may any amendment be adopted which is in any manner adverse to the interests of Executives.

6. GENERAL PROVISIONS.

- 6.1 Except as otherwise provided herein or by law, no right or interest of any Executive under the Plan shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge or in any manner; no attempted assignment or transfer thereof shall be effective; and no right or interest of any Executive under the Plan shall be liable for, or subject to, any obligation or liability of such Executive. When a payment is due under this Plan to an Executive who is unable to care for his or her affairs, payment may be made directly to the Executive's legal guardian or personal representative.

- 6.2 If the Employer, the Company or any Affiliate is obligated pursuant to applicable law or by virtue of being a party to a contract (other than this Plan) to pay severance pay, a termination indemnity, notice pay or the like or if the Employer, the Company or any Affiliate is obligated by law to provide advance notice of separation ("Notice Period"), then any Severance Payment hereunder shall be reduced by the amount of any such severance pay, termination indemnity, notice pay or the like, as applicable, and by the amount of any compensation received during any Notice Period.
- 6.3 Neither the establishment of the Plan, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any benefits shall be construed as giving any Executive, or any person whomsoever, the right to be retained in the service of the Employer, and all Executives shall remain subject to discharge to the same extent as if the Plan had never been adopted.
- 6.4 If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and this Plan shall be construed and enforced as if such provisions had not been included.
- 6.5 If any provision of this Plan would cause compensation to be includible in an Executive's income pursuant to Code section 409A(a)(1)(A), such provision shall be void, and the Board or a duly appointed committee of the Board shall amend the Plan retroactively in such a way as to achieve substantially similar economic results without causing such inclusion. In any event, the Executive will be solely responsible for any adverse tax consequences to the Executive.
- 6.6 This Plan shall be binding upon and shall inure to the benefit of and be enforceable by the Employer and its successors and assigns, and by each Executive and by the personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees of each Executive. If any Executive shall die while any amount would still be payable to such Executive (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to the executors, personal representatives or administrators of the Executive's estate.
- 6.7 The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.
- 6.8 The Plan shall not be funded. No Executive shall have any right to, or interest in, any assets of any Employer which may be applied by the Employer to the payment of benefits or other rights under this Plan.
- 6.9 All notices and all other communications provided for in this Plan (i) shall be in writing, (ii) shall be hand delivered, sent by overnight courier or by United States registered mail, return receipt requested and postage prepaid, addressed, in the case of the Employer, to the principal office of the Employer, attention President, and in the case of the Company, to 2855 Campus Drive, San Mateo, California 94403, attention General Counsel, and in the case of an Executive, to the last known address of such Executive, and (iii) shall be effective only upon actual receipt.
- 6.10 This Plan shall be construed and enforced according to the laws of

the State of Delaware (without giving effect to the conflict of laws principles thereof) to the extent not preempted by federal law, which shall otherwise control.

CNF Inc.

By: _____
Jennifer W. Pileggi
Senior Vice President, General Counsel and
Secretary
CNF Inc. Executive Severance Plan
Executed: _____

EXHIBIT A

WAIVER AND RELEASE OF CLAIMS

In consideration of, and subject to, the payment to be made to me by _____ (the "Employer") of the "Severance Payment" (as defined in the CNF Inc. Executive Severance Plan (the "Plan")), I hereby waive any claims I may have for employment or re-employment by the Employer or any parent or subsidiary of the Employer after the date hereof, and I further agree to and do release and forever discharge the Employer and any parent or subsidiary of the Employer, and their respective past and present officers, directors, shareholders, insurers, employees and agents from any and all claims and causes of action, known or unknown, arising out of or relating to my employment with the Employer or any parent or subsidiary of the Employer, or the termination thereof, including, but not limited to, wrongful discharge, breach of contract, tort, fraud, the Civil Rights Acts, Age Discrimination in Employment Act, Employee Retirement Income Security Act of 1974, Americans with Disabilities Act, or any other federal, state or local legislation or common law relating to employment or discrimination in employment or otherwise.

Notwithstanding the foregoing or any other provision hereof, nothing in this Waiver and Release of Claims shall adversely affect (i) my rights to Severance Benefits under the Plan; (ii) my rights to benefits other than severance payments or benefits under plans, programs and arrangements of the Employer or any parent or subsidiary of the Employer; or (iii) my rights to indemnification under any indemnification agreement, applicable law or the certificates of incorporation or bylaws of the Employer or any parent or subsidiary of the Employer, (iv) my rights under any director's and officers' liability insurance policy covering me, (v) my workers compensation rights, or (vi) my unemployment insurance rights.

I acknowledge that I have signed this Waiver and Release of Claims voluntarily, knowingly, of my own free will and without reservation or duress, and that no promises or representations have been made to me by any person to induce me to do so other than the promise of payment set forth in the first paragraph above and the Employer's acknowledgment of my rights reserved under the second paragraph above.

I understand that this release will be deemed to be an application for benefits under the Plan and that my entitlement thereto shall be governed by the terms and conditions of the Plan. I expressly hereby consent to such terms and conditions.

I acknowledge that I have been given not less than forty-five (45) days to review and consider this Waiver and Release of Claims (unless I have signed a written waiver of such review and consideration period), and that I have had the opportunity to consult with an attorney or other advisor of my choice and have been advised by the Company to do so if I choose. I may revoke this Waiver and Release of Claims seven days or less after its execution by providing written notice to the Employer.

I acknowledge that it is my intention and the intention of the Employer in executing this Waiver and Release of Claims that the same shall be effective as a bar to each and every claim, demand and cause of action hereinabove specified. In furtherance of this intention, I hereby expressly waive any and all rights and benefits conferred upon me by the provisions of SECTION 1542 OF THE CALIFORNIA CIVIL CODE, to the extent applicable to me, and expressly I consent that this Waiver and Release of Claims shall be given full force and effect according to each and all of its express terms and provisions, including as well those related to unknown and unsuspected claims, demands and causes of action, if any, as well as those relating to any other claims, demands and causes of action hereinabove specified. SECTION 1542 provides:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

I acknowledge that I may hereafter discover claims or facts in addition to or different from those which I now know or believe to exist with respect to the subject matter of this Waiver and Release of Claims and which, if known or suspected at the time of executing this Waiver and Release of Claims, may have materially affected this settlement.

Finally, I acknowledge that I have read this Waiver and Release of Claims and understand all of its terms.

Signature of Executive

Print Name

Date Signed

EXHIBIT B

_____ hereby adopts the CNF Inc. Executive Severance Plan, effective January 1, 2006.

By: _____
Dated:

CNF Inc. hereby approves the adoption of the CNF Inc. Executive Severance Plan by _____, effective January 1, 2006.

CNF INC.

By: _____
Dated:

CNF INC.
1997 EQUITY AND INCENTIVE PLAN
(2006 Amendment and Restatement)

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1. Purpose; Types of Awards; Construction.

The purpose of the CNF Inc. 1997 Equity and Incentive Plan (the "Plan") is to afford an incentive to selected employees of CNF Inc. (the "Company") and its Subsidiaries and Affiliates to continue as employees, to increase their efforts on behalf of the Company and to promote the success of the Company's business. Pursuant to the Long-Term Incentive Program described herein, there may be granted stock options (including "incentive stock options" and "non-qualified stock options"), stock appreciation rights (either in connection with stock options granted under the Plan or independently of stock options), restricted stock, phantom stock units, dividend equivalents and other long-term stock-based or cash-based Awards, and pursuant to the Annual Incentive Compensation Program described herein, there may be granted short-term cash-based Awards. Phantom stock units may also be issued under the Plan to employees who have elected phantom stock units as an investment alternative under deferred compensation plans. The Plan is designed so that Awards granted hereunder intended to comply with the requirements for "performance-based compensation" under Section 162(m) of the Code may comply with such requirements and, insofar as may be applicable to such Awards, the Plan shall be interpreted in a manner consistent with such requirements.

2. Definitions.

For purposes of the Plan, the following terms shall be defined as set forth below:

"Affiliate" means an affiliate of the Company, as defined in Rule 12b-2 promulgated under Section 12 of the Exchange Act, including a Business Unit.

"Annual Incentive Compensation Program" means the program described in Section 6(c) hereof.

"Award" means any Option, SAR, Restricted Stock, Phantom Stock Unit, Dividend Equivalent or Other Stock-Based Award or Other Cash-Based Award granted under the Plan.

"Award Agreement" means any written agreement, contract, or other instrument or document evidencing an Award.

"Board" means the Board of Directors of the Company.

"Business Unit" means an entity, whether or not incorporated, more than 50% of the outstanding ownership interests of which are owned by the Company, directly or indirectly through one or more ownership chains

where each link in the chain owns more than 50% of the outstanding ownership interests of the next link (either alone or together with other links in the same chain or another chain).

"Change in Control" means the occurrence of any one of the following events:

- (a) 25% of the Company's Voting Securities Acquired by an Outsider. Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act, other than (i) the Company or its Affiliates, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or its Affiliates, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Stock) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company or its Affiliates) representing 25% or more of the combined voting power of the Company's then outstanding voting securities;
- (b) Members of the Board as of January 1, 2006 cease to constitute a majority of Directors. The following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on January 1, 2006, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on January 1, 2006 or whose appointment, election or nomination for election was previously so approved or recommended;
- (c) Merger or Consolidation. There is consummated a merger or consolidation of the Company, a Subsidiary or an Affiliate with any other corporation or other entity, which merger or consolidation --
 - (i) results in the voting securities of the Company outstanding immediately prior thereto failing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) more than 50% of the combined voting power of the voting securities of the Company or the surviving or parent entity outstanding immediately after such merger or consolidation, or
 - (ii) is effected to implement a recapitalization of the Company (or similar transaction) in which a "person" (as defined in clause (a) above), directly or indirectly, acquires 25% or more of the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such person any securities acquired directly from the Company or its Affiliates);
- (d) Complete Liquidation or Disposition of more than 75% of the Company's Assets. The stockholders of the Company approve a plan of complete liquidation of the Company or there is consummated an agreement for the sale or disposition by the Company of assets having an aggregate book value at the time of such sale or disposition of more than 75% of the total book value of the Company's assets on a consolidated basis (or any transaction having a similar effect), other than any such sale or disposition by the

Company (including by way of spin-off or other distribution) to an entity, at least 50% of the combined voting power of the voting securities of which are owned immediately following such sale or disposition by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale or disposition; or

- (e) Disposition of a Business Unit. There is consummated the Disposition of a Business Unit; provided, however, that this clause (e) shall apply only to employees who (i) immediately prior to the Disposition of a Business Unit were employed by (and on the payroll of) the Business Unit that was the subject of the Disposition of a Business Unit (for purposes of this clause (e) the "Subject Business Unit") and (ii) immediately following the Disposition of a Business Unit are employed by (and on the payroll of) either
- (i) in the case of a sale of ownership interests within the meaning of clause (a) of the definition of Disposition of a Business Unit (or similar transaction or course of action under clause (c) of the definition of Disposition of a Business Unit), the Subject Business Unit, its successor, or an employer affiliated with the Subject Business Unit or its successor, or
 - (ii) in the case of a sale of assets within the meaning of clause (b) of the definition of Disposition of a Business Unit (or similar transaction or course of action under clause (c) of the definition of Disposition of a Business Unit), the purchaser of the assets, its successor, or an employer affiliated with the purchaser of the assets or its successor.

Because severance agreements and severance plans are not intended to serve the same purpose as the Plan, whether benefits are payable under a severance agreement or a severance plan does not determine whether a "Change in Control" has taken place under the Plan.

"Claimant" means any person who believes that he or she is not receiving the full benefits to which he or she is entitled under the Plan.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Committee" means the committee established by the Board to administer the Plan, the composition of which shall at all times satisfy the provisions of Rule 16b-3, Section 162(m) of the Code and applicable New York Stock Exchange Rules; provided, however, that the Board may, if it so chooses, retain authority to administer all or any part of the Plan and, to the extent the Board does so, references in the Plan to "Committee" shall mean and be references to the Board.

"Company" means CNF Inc., a corporation organized under the laws of the State of Delaware, or any successor corporation.

"Disposition of a Business Unit" means a sale or other disposition, however effected, of a Business Unit which is either:

- (a) Sale of Ownership Interests. A sale by the Company or an Affiliate of the then outstanding ownership interests of the Business Unit having more than 50% of the then existing voting power of all outstanding ownership interests of the Business Unit, whether by merger, consolidation or otherwise, unless after the sale the Company, an Affiliate, or any trustee or other fiduciary holding securities under an employee benefit plan of the Company, the Business Unit or any other Affiliate, individually or collectively, directly or indirectly, owns the then outstanding ownership

interests of the Business Unit having 50% or more of the then existing voting power of all outstanding ownership interests of the Business Unit;

- (b) Sale of Assets. The sale of all or substantially all of the assets of the Business Unit as a going concern; or
- (c) Other Transaction. Any other transaction or course of action engaged in, directly or indirectly, by the Company, the Business Unit or an Affiliate that has a substantially similar effect as the transactions of the type referred to in clause (a) or (b) above,

except as provided in clause (y) or (z) below.

A Disposition of a Business Unit may occur even if such Business Unit constitutes part of a larger enterprise at the time of the relevant Disposition of a Business Unit transaction and such Disposition of a Business Unit involves such larger enterprise. However, a "Disposition of a Business Unit" shall not occur:

- (y) Spin-off or Public Offering. In the event of the sale or distribution of ownership interests (including, without limitation, a spin-off) of the Business Unit to stockholders of the Company, or the sale of assets of the Business Unit to any corporation or other entity owned, directly or indirectly, by the stockholders of the Company, in either case in substantially the same proportions as their ownership of stock in the Company, or a public offering of the ownership interests of the Business Unit (even if after the public offering the Company has no direct or indirect ownership interest in the Business Unit), or
- (z) Liquidation. In the event of the closing down or liquidation of the Business Unit, even if the Business Unit sells all or substantially all of its assets.

"Dividend Equivalent" means a right, granted to a Grantee under Section 6(b)(v), to receive cash or Stock equal in value to dividends paid with respect to a specified number of shares of Stock. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award, and may be paid currently or on a deferred basis.

"Effective Date" means January 27, 1997, the date that the Plan was adopted by the Board. The provisions of this 2006 Amendment and Restatement shall apply to Awards granted on or after January 1, 2006 and to Awards subject to the 2006 Amendment and Restatement of the CNF Inc. Value Management Plan. Other Awards shall be governed by the prior provisions of the Plan, except as provided in Section 8(g) hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and as now or hereafter construed, interpreted and applied by regulations, rulings and cases.

"Fair Market Value" per share of Stock as of a particular date means (i) the closing sales price per share of Stock on the national securities exchange on which the Stock is principally traded, for the last preceding date on which there was a sale of such Stock on such exchange, or (ii) if the shares of Stock are then traded in an over-the-counter market, the average of the closing bid and asked prices for the shares of Stock in such over-the-counter market for the last preceding date on which there was a sale of such Stock in such market, or (iii) if the shares of Stock are not then listed on a national securities exchange or traded in an over-the-counter market, such value as the Committee, in its sole discretion, shall determine.

"Grantee" means a person who, as an employee of the Company, a

Subsidiary or an Affiliate, has been granted an Award under the Plan.

"ISO" means any Option intended to be and designated as an incentive stock option within the meaning of Section 422 of the Code.

"Long-Term Incentive Program" means the program described in Section 6(b) hereof.

"NQSO" means any Option that is designated as a non-qualified stock option.

"Option" means a right, granted to a Grantee under Section 6(b)(i), to purchase shares of Stock. An Option may be either an ISO or an NQSO; provided that ISOs may be granted only to employees of the Company or a Subsidiary.

"Other Cash-Based Award" means an Award under the Annual Incentive Compensation Program or the Long-Term Incentive Program, which Award is not denominated or valued by reference to Stock, including an Award which is subject to the attainment of Performance Goals or otherwise as permitted under the Plan and including an Award under the CNF Inc. Value Management Plan.

"Other Stock-Based Award" means an Award under the Long-Term Incentive Program that is denominated or valued in whole or in part by reference to Stock and is payable in cash.

"Performance Goals" means performance goals based on one or more of the following criteria: (i) pre-tax income or after-tax income, (ii) operating profit, (iii) return on equity, assets, capital or investment, (iv) earnings or book value per share, (v) sales or revenues, (vi) operating expenses, (vii) Stock price appreciation, (viii) total stockholder return (i.e., Stock price appreciation plus dividends) and (ix) implementation or completion of critical projects or processes. Where applicable, the Performance Goals may be expressed in terms of attaining a specified level of the particular criteria or the attainment of a percentage increase or decrease in the particular criteria, and may be applied to one or more of the Company, a Subsidiary or Affiliate, or a division or strategic business unit of the Company, or may be applied to the performance of the Company relative to a market index, a group of other companies or a combination thereof, all as determined by the Committee. The Performance Goals may include a threshold level of performance below which no payment will be made (or no vesting will occur), levels of performance at which specified payments will be made (or specified vesting will occur), and a maximum level of performance above which no additional payment will be made (or at which full vesting will occur). Each of the foregoing Performance Goals shall be determined in accordance with generally accepted accounting principles and shall be subject to certification by the Committee; provided that the Committee shall have the authority to make equitable adjustments to the Performance Goals in recognition of unusual or non-recurring events affecting the Company or any Subsidiary or Affiliate or the financial statements of the Company or any Subsidiary or Affiliate, in response to changes in applicable laws or regulations, or to account for items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principles.

"Phantom Stock Unit" means a right granted under Section 6(b)(iv) or issued under Section 6(d) to receive Stock or cash at the end of a specified deferral period, which right may be conditioned on the satisfaction of certain requirements (including the satisfaction of certain Performance Goals).

"Plan" means this CNF Inc. 1997 Equity and Incentive Plan, as amended

from time to time.

"Plan Year" means a calendar year.

"Restricted Stock" means an Award of shares of Stock to a Grantee under Section 6(b)(iii) that may be subject to certain transferability and other restrictions and to a risk of forfeiture (including by reason of not satisfying certain Performance Goals).

"Rule 16b-3" means Rule 16b-3, as from time to time in effect promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act, including any successor to such Rule.

"Stock" means shares of the common stock, par value \$0.625 per share, of the Company.

"SAR" or "Stock Appreciation Right" means the right allowing a Grantee under Section 6(b)(ii), to elect to receive an amount equal to the appreciation in the Fair Market Value of Stock from the grant date to the exercise date, with payment to be made in cash or Stock as specified in the Award or determined by the Committee.

"Subsidiary" means any corporation in an unbroken chain of corporations beginning with the Company if, at the time of granting of an Award, each of the corporations (other than the last corporation in the unbroken chain) owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

3. Administration.

The Plan shall be administered by the Committee. The Committee shall have the authority in its discretion, subject to and not inconsistent with the express provisions of the Plan, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including, without limitation, the authority to grant Awards; to determine the persons to whom and the time or times at which Awards shall be granted; to determine the type and number of Awards to be granted, the number of shares of Stock to which an Award may relate and the terms, conditions, restrictions and Performance Goals relating to any Award; to determine Performance Goals no later than such time as is required to ensure that an underlying Award which is intended to comply with the requirements of Section 162(m) of the Code so complies; to determine whether, to what extent, and under what circumstances an Award may be settled, canceled, forfeited, exchanged, or surrendered; to make adjustments in the terms and conditions (including Performance Goals) applicable to Awards; to designate Affiliates; to construe and interpret the Plan and any Award; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of the Award Agreements (which need not be identical for each Grantee); and to make all other determinations deemed necessary or advisable for the administration of the Plan. Notwithstanding the foregoing and except as otherwise provided in the second paragraph of Section 5 below, the Committee shall not have the authority to lower the exercise price of any outstanding option or SAR, nor shall the Committee have the authority to settle, cancel or exchange any outstanding option or SAR in consideration for the grant of a new Award with a lower exercise price, and the Committee may only grant those Awards that either comply with the applicable requirements of Section 409A of the Code or do not result in the deferral of compensation within the meaning of Section 409A of the Code.

The Committee may appoint a chairperson and a secretary and may make such rules and regulations for the conduct of its business as it shall

deem advisable, and shall keep minutes of its meetings. All determinations of the Committee shall be made by a majority of its members either present in person or participating by conference telephone at a meeting or by written consent. The Committee may delegate to one or more of its members or to one or more agents such administrative duties as it may deem advisable, and the Committee or any person to whom it has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan. All decisions, determinations and interpretations of the Committee shall be final and binding on all persons, including the Company, and any Subsidiary, Affiliate or Grantee (or any person claiming any rights under the Plan from or through any Grantee) and any stockholder.

No member of the Board or Committee shall be liable for any action taken or determination made in good faith with respect to the Plan or any Award granted hereunder.

4. Eligibility.

Awards may be granted to selected employees of the Company and its present or future Subsidiaries and Affiliates, in the discretion of the Committee. In determining the persons to whom Awards shall be granted and the type of any Award (including the number of shares to be covered by such Award), the Committee shall take into account such factors as the Committee shall deem relevant in connection with accomplishing the purposes of the Plan.

5. Stock Subject to the Plan.

The maximum number of shares of Stock reserved for the grant or settlement of Awards under the Plan shall be 9,700,000, subject to adjustment as provided herein. No more than 2,425,000 shares of Stock may be awarded in the aggregate in respect of stock-based Awards (including Options, SARs, Restricted Stock and Phantom Stock Units) to a single individual over the term of the Plan and no more than 1,900,000 shares of Stock may be awarded in the aggregate in respect of Restricted Stock and Phantom Stock Units to all Grantees over the term of the Plan, in each case subject to adjustment as provided herein. Determinations made in respect of the limitation set forth in the preceding sentence shall be made in a manner consistent with Section 162(m) of the Code. No more than 9,700,000 shares of Stock may be issued under the Plan through ISOs, subject to adjustment as provided herein. Such shares may, in whole or in part, be authorized but unissued shares or shares that shall have been or may be reacquired by the Company in the open market, in private transactions or otherwise. If any shares subject to an Award are forfeited, canceled, exchanged or surrendered or if an Award otherwise terminates or expires without a distribution of shares to the Grantee, the shares of stock with respect to such Award shall, to the extent of any such forfeiture, cancellation, exchange, surrender, termination or expiration, again be available for Awards under the Plan. Upon the exercise of any Award granted in tandem with any other Awards or awards, such related Awards or awards shall be canceled to the extent of the number of shares of Stock as to which the Award is exercised and, notwithstanding the foregoing, such number of shares shall no longer be available for Awards under the Plan.

In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Stock, or recapitalization, Stock split, reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, or other similar corporate transaction or event) affects the Stock such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of Grantees under the Plan, then the Committee shall make such equitable changes or adjustments as it deems necessary

or appropriate to any or all of (i) the number and kind of shares of Stock or cash that may thereafter be issued in connection with Awards, (ii) the number and kind of shares of Stock or cash issued or issuable in respect of outstanding Awards, (iii) the exercise price, grant price, or purchase price relating to any Award; provided that, with respect to ISOs, such adjustment shall be made in accordance with Section 424(h) of the Code, (iv) the Performance Goals and (v) the individual limitations applicable to Awards.

6. Specific Terms of Awards.

- (a) General. The term of each Award shall be for such period as may be determined by the Committee. Subject to the terms of the Plan and any applicable Award Agreement, payments to be made by the Company or a Subsidiary or Affiliate upon the grant, maturation, or exercise of an Award may be made in Stock or cash, or a combination thereof, as the Committee shall determine at the date of grant or thereafter and may be made in a single payment or transfer, in installments, or on a deferred basis. The Committee may make rules relating to installment or deferred payments with respect to Awards, including the rate of interest to be credited with respect to such payments. In addition to the foregoing, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter, such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine.
- (b) Long-Term Incentive Program. The Committee is authorized to grant to Grantees the following Awards under the Long-Term Incentive Program, as deemed by the Committee to be consistent with the purposes of the Plan. The Committee shall determine the terms and conditions of such Awards at the date of grant or thereafter.
- (i) Options. The Committee is authorized to grant Options to Grantees on the following terms and conditions:
- (1) Type of Award. The Award Agreement evidencing the grant of an Option under the Plan shall designate the Option as an ISO or an NQSO.
 - (2) Exercise Price. The exercise price per share of Stock purchasable under an Option shall be determined by the Committee; provided that, such exercise price shall be not less than the Fair Market Value of a share on the date of grant of such Option. The exercise price for Stock subject to an Option may be paid in cash or by an exchange of Stock previously owned by the Grantee, or a combination of both, in an amount having a combined value equal to such exercise price.
 - (3) Term and Exercisability of Options. Options shall be exercisable over the exercise period (which shall not exceed ten years from the date of grant), at such times and upon such conditions as the Committee may determine, as reflected in the Award Agreement; provided that, the Committee shall have the authority to accelerate the exercisability of any outstanding Option at such time and under such circumstances as it, in its sole discretion, deems appropriate. An Option may be exercised to the extent of any or all full shares of Stock as to which the Option has become exercisable, by giving written notice of such exercise to the Committee or its agent.
 - (4) Termination of Employment, etc. An Option may not be

exercised unless the Grantee is then in the employ of the Company or a Subsidiary or an Affiliate (or a company or a parent or subsidiary company of such company issuing or assuming the Option in a transaction to which Section 424(a) of the Code applies), and unless the Grantee has remained continuously so employed since the date of grant of the Option; provided that, the Award Agreement may contain provisions extending the exercisability of Options, in the event of specified terminations, to a date not later than the expiration date of such Option.

- (5) Other Provisions. Options may be subject to such other conditions including, but not limited to, restrictions on transferability of the shares acquired upon exercise of such Options, as the Committee may prescribe in its discretion or as may be required by applicable law.

(ii) SARs. The Committee is authorized to grant SARs to Grantees on the following terms and conditions:

- (1) In General. Unless the Committee determines otherwise, an SAR (i) granted in tandem with an NQSO may be granted at the time of grant of the related NQSO or at any time thereafter or (ii) granted in tandem with an ISO may only be granted at the time of grant of the related ISO. An SAR granted in tandem with an Option shall be exercisable only to the extent the underlying Option is exercisable.

- (2) SARs. An SAR shall confer on the Grantee a right to receive an amount with respect to each share subject thereto, upon exercise thereof, equal to the excess of (i) the Fair Market Value of one share of Stock on the date of exercise over (ii) the grant price of the SAR (which in the case of an SAR granted in tandem with an Option shall be equal to the exercise price of the underlying Option, and which in the case of any other SAR shall be such price as the Committee may determine, but not less than the Fair Market Value of a share on the date of grant of such SAR).

(iii) Restricted Stock. The Committee is authorized to grant Restricted Stock to Grantees on the following terms and conditions:

- (1) Issuance and Restrictions. Restricted Stock shall be subject to such restrictions on transferability and other restrictions as the Committee may impose at the date of grant or thereafter, which restrictions may lapse separately or in combination at such times, under such circumstances, in such installments, or otherwise, as the Committee may determine; provided, however, notwithstanding the foregoing but subject to Section 7 hereof, each Restricted Stock Award shall be subject to restrictions, imposed at the date of grant, relating to either or both of (i) the attainment of Performance Goals by the Company or (ii) the continued employment of the Grantee with the Company, a Subsidiary or an Affiliate. All performance based Restricted Stock Awards will have a minimum performance period of one year, with no vesting prior to the end of the performance period except in the case of death, disability or a Change in Control. With respect to any shares of Restricted Stock subject to restrictions which lapse solely based on the

Grantee's continuation of employment with the Company, a Subsidiary or an Affiliate, such restrictions shall lapse over a vesting schedule (so long as the Grantee remains employed with the Company, a Subsidiary or an Affiliate) no shorter in duration than three years from the date of grant; provided that, such vesting schedule may provide for partial or installment vesting from time to time during such period, subject to acceleration in the case of death, disability or a Change in Control. Except to the extent otherwise provided in an Award Agreement, a Grantee granted Restricted Stock shall have all of the rights of a stockholder including, without limitation, the right to vote Restricted Stock and the right to receive dividends thereon (subject to subsection (4) below).

- (2) Forfeiture. Upon termination of employment with the Company or a Subsidiary or Affiliate, during the applicable restriction period, Restricted Stock and any accrued but unpaid dividends or Dividend Equivalents that are at that time subject to restrictions shall be forfeited; provided that, the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of terminations resulting from specified causes, and the Committee may in other cases waive in whole or in part the forfeiture of Restricted Stock.
 - (3) Certificates for Stock. Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Grantee, such certificates shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, and the Company shall retain physical possession of the certificate.
 - (4) Dividends. Dividends paid on Restricted Stock shall be paid at the dividend payment date, in cash or in shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends. Stock distributed in connection with a stock split or stock dividend, and distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock has been distributed.
- (iv) Phantom Stock Units. The Committee is authorized to grant Phantom Stock Units to Grantees, subject to the following terms and conditions:
- (1) Award and Restrictions. Delivery of Stock or cash, as determined by the Committee, will occur upon expiration of the deferral period specified for Phantom Stock Units by the Committee. The Committee may condition the vesting and/or payment of Phantom Stock Units, in whole or in part, upon the attainment of Performance Goals.
 - (2) Forfeiture. Upon termination of employment during the applicable deferral period or portion thereof to which forfeiture conditions apply, or upon failure to satisfy any other conditions precedent to the delivery of Stock

or cash to which such Phantom Stock Units relate, all Phantom Stock Units that are then subject to deferral or restriction shall be forfeited; provided that, the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Phantom Stock Units will be waived in whole or in part in the event of termination resulting from specified causes, and the Committee may in other cases waive in whole or in part the forfeiture of Phantom Stock Units.

- (v) Dividend Equivalents. The Committee is authorized to grant Dividend Equivalents to Grantees. The Committee may provide, at the date of grant, that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Stock, or other investment vehicles as the Committee may specify, provided that Dividend Equivalents (other than freestanding Dividend Equivalents) shall be subject to all conditions and restrictions of the underlying Awards to which they relate.
- (vi) Other Stock-Based or Cash-Based Awards. The Committee is authorized to grant Awards to Grantees in the form of Other Stock-Based Awards or Other Cash-Based Awards, as deemed by the Committee to be consistent with the purposes of the Plan. Awards granted pursuant to this paragraph may be granted with value and payment contingent upon the attainment of certain Performance Goals, so long as such goals relate to periods of performance in excess of one calendar year. The Committee shall determine the terms and conditions of such Awards at the date of grant or thereafter. The maximum payment that any Grantee may receive pursuant to an Award granted under this paragraph in respect of any performance period shall be \$3,000,000. Payments earned hereunder may be decreased or, with respect to any Grantee who is not a "covered employee" within the meaning of Section 162(m) of the Code (a "Covered Employee"), increased in the sole discretion of the Committee based on such factors as it deems appropriate. No payment shall be made prior to the certification by the Committee that any applicable Performance Goals have been attained. The Committee may establish such other rules applicable to the Other Stock-Based or Cash-Based Awards to the extent not inconsistent with Section 162(m) of the Code.
- (c) Annual Incentive Compensation Program. The Committee is authorized to grant Awards to Grantees pursuant to the Annual Incentive Compensation Program in the form of Other Cash-Based Awards, as deemed by the Committee to be consistent with the purposes of the Plan. Grantees will be selected by the Committee with respect to participation for a Plan Year and may include all employees. Each Award granted under the Annual Incentive Compensation Program in respect of a Plan Year will be contingent on the attainment by the Company of one or more Performance Goals. The maximum payment that any Grantee may receive pursuant to an Award granted under the Annual Incentive Compensation Program in respect of any Plan Year shall be \$3,000,000. Payments earned hereunder may be decreased or, with respect to any Grantee who is not a Covered Employee, increased in the sole discretion of the Committee based on such factors as it deems appropriate. No payment to any Covered Employee shall be made prior to the certification by the Committee that any applicable Performance Goals have been attained. The Committee may establish such other rules applicable to the Annual Incentive Compensation Program to the extent not inconsistent with Section 162(m) or 409A of the Code.

- (d) Phantom Stock Units under Deferred Compensation Plans. The Committee is authorized to issue Phantom Stock Units to employees who have elected phantom stock units as an investment alternative under deferred compensation plans, including the Company's Deferred Compensation Plan for Executives and the Company's 2005 Deferred Compensation Plan for Executives. Such Awards may be settled hereunder by the delivery of cash or shares of Stock and shall otherwise be subject to the terms and conditions of such plans.

7. Change in Control Provisions.

Unless otherwise determined by the Committee and evidenced in an Award Agreement or in a plan pursuant to which Awards are granted, in the event of a Change in Control:

- (a) any Award carrying a right to exercise that was not previously exercisable and vested shall become fully exercisable and vested; and
- (b) the restrictions, payment conditions, and forfeiture conditions applicable to any other Award granted under the Plan shall lapse and such Awards shall be deemed fully vested, and any Performance Goals imposed with respect to Awards shall be deemed to be fully achieved.

8. Claims Procedures

- (a) Claims. A Claimant may submit a claim for benefits in writing to the Committee. All benefit claims must be filed with the Committee within six months following the time the benefit was due.
- (b) Disposition of Claim. The Committee shall send a written notification to the Claimant as to the disposition of the claim within sixty (60) days after receipt of such written claim, unless special circumstances require an extension of time for processing the claim. If an extension is required, the Claimant must be given written notice prior to the termination of the initial 60-day period. In no event may such extension exceed a period of 60 days from the end of such initial period. The extension notice must indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render the benefit determination. In the event the claim is wholly or partially denied, such written notification shall (i) state the specific reason or reasons for the denial, (ii) make specific reference to pertinent Plan provisions on which the denial is based, (iii) provide a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary, (iv) set forth the procedure by which the Claimant may appeal the denial of his or her claim, including a statement of the Claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review, and (v) advise the Claimant that the Claimant's failure to appeal the action to the Committee in writing within the 60-day period will render the Committee's determination final, binding and conclusive. Notice may be written or electronic.
- (c) Appeals. In the event a Claimant wishes to appeal the denial of the claim, the Claimant may request a review of such denial by making application in writing to the Committee within sixty (60) days after receipt of such denial. The Claimant (or his or her duly authorized legal representative) may, upon written request to the Committee, review any documents pertinent to his or her claim, and submit in writing issues and comments in support of his or her

position.

- (d) Disposition of Appeal. Within sixty (60) days after receipt of a written appeal (unless special circumstances, such as the need to hold a hearing, require an extension of time, but in no event more than one hundred twenty (120) days after such receipt), the Committee shall notify the Claimant of the final decision. The final decision shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the Claimant, and specific references to the pertinent Plan provisions on which the decision is based.
- (e) Determinations. All benefit claim determinations shall be made in accordance with governing plan documents. Where appropriate, the Plan provisions must be applied consistently with respect to similarly-situated Claimants.
- (f) Exhaustion of Administrative Remedies. The Claimant must exhaust these administrative remedies prior to commencing any other proceeding with respect to claims arising under the Plan.
- (g) Effective Date. This Section 8 shall apply to all Awards outstanding as of January 1, 2006, in addition to the Awards referred to in the definition of Effective Date in this Plan.

9. General Provisions.

- (a) Nontransferability. Unless otherwise provided in an Award Agreement, Awards shall not be transferable by a Grantee except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined under the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, and shall be exercisable during the lifetime of a Grantee only by such Grantee or his guardian or legal representative.
- (b) No Right to Continued Employment, etc. Nothing in the Plan or in any Award granted or any Award Agreement or other agreement entered into pursuant hereto shall confer upon any Grantee the right to continue in the employ of the Company, any Subsidiary or any Affiliate or to be entitled to any remuneration or benefits not set forth in the Plan or such Award Agreement, or other agreement or to interfere with or limit in any way the right of the Company or any such Subsidiary or Affiliate to terminate such Grantee's employment.
- (c) Taxes. The Company or any Subsidiary or Affiliate is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Stock, or any other payment to a Grantee, amounts of withholding and other taxes due in connection with any transaction involving an Award (not to exceed the statutory minimum), and to take such other action as the Committee may deem advisable to enable the Company and Grantees to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Grantee's tax obligations.
- (d) Stockholder Approval; Amendment and Termination. The Board may at any time and from time to time alter, amend, suspend, or terminate the Plan in whole or in part; provided, however, that no amendment shall be effective without stockholder approval if such approval is required by law or New York Stock Exchange rules. Notwithstanding the foregoing, no amendment shall affect adversely any of the rights of any Grantee, without such Grantee's consent, under any

Award theretofore granted under the Plan. Unless earlier terminated by the Board pursuant to the provisions of the Plan, the Plan shall terminate on the tenth anniversary of its Effective Date. No Awards shall be granted under the Plan after such termination date.

- (e) Section 409A. If any provision of this Plan, an Award Agreement, or a plan pursuant to which Awards are granted would cause compensation to be includible in a Grantee's income pursuant to Section 409A(a)(1)(A) of the Code, such provision shall be void, and the Plan, Award Agreement, or such plan shall be amended retroactively in such a way as to achieve substantially similar economic results without causing such inclusion.
- (f) No Rights to Awards; No Stockholder Rights. No Grantee shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Grantees. Except as provided specifically herein, a Grantee or a transferee of an Award shall have no rights as a stockholder with respect to any shares covered by the Award until the date of the issuance of a stock certificate to him for such shares.
- (g) Unfunded Status of Awards. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Grantee pursuant to an Award, nothing contained in the Plan or any Award shall give any such Grantee any rights that are greater than those of a general creditor of the Company.
- (h) No Fractional Shares. No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash or other Awards shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.
- (i) Regulations and Other Approvals.
 - (i) The obligation of the Company to sell or deliver Stock with respect to any Award granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee.
 - (ii) Each Award is subject to the requirement that, if at any time the Committee determines, in its absolute discretion, that the listing, registration or qualification of Stock issuable pursuant to the Plan is required by any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of an Award or the issuance of Stock, no such Award shall be granted or

payment made or Stock issued, in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Committee.

(iii) In the event that the disposition of Common Stock acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act of 1933, as amended, and is not otherwise exempt from such registration, such Stock shall be restricted against transfer to the extent required by the Securities Act of 1933, as amended, or regulations thereunder, and the Committee may require a Grantee receiving Stock pursuant to the Plan, as a condition precedent to receipt of such Stock, to represent to the Company in writing that the Stock acquired by such Grantee is acquired for investment only and not with a view to distribution.

(j) Governing Law. The Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of Delaware without giving effect to the conflict of laws principles thereof.

CNF Inc.

By: _____

Jennifer W. Pileggi
Senior Vice President, General Counsel and
Secretary
2006 Amended and Restated Equity and Incentive Plan
Executed: _____

CNF INC.
VALUE MANAGEMENT PLAN
(2006 Amendment and Restatement)

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1. Purpose; Effective Date; Administration.

The Board of Directors of CNF Inc. (the "Company") adopted the CNF Inc. 1997 Equity and Incentive Plan (the "EIP") on January 27, 1997 and has amended the EIP from time to time. Section 6(b)(vi) of the EIP authorizes the Committee to grant Awards to Grantees in the form of Other Cash-Based Awards, as deemed by the Committee to be consistent with the purposes of the EIP. The Committee has adopted this CNF Inc. Value Management Plan (the "VMP") pursuant to the EIP to implement the grant of such Other Cash-Based Awards. The VMP is subject to all of the applicable terms and provisions of the EIP, as amended from time to time, including without limitation (i) Section 3 (Administration), (ii) Section 4 (Eligibility), (iii) Section 6(b)(vi) (Other Cash-Based Awards), (iv) Section 7 (Change in Control Provisions), (v) Section 8 (Claims Procedures), and (vi) Section 9 (General Provisions). Capitalized terms used in the VMP that are not defined in the VMP are defined in the EIP.

The VMP was originally effective December 1, 1999. This 2006 Amendment and Restatement of the VMP is effective with respect to Award Cycles ending after December 1, 2005 except that:

- (a) the third paragraph of Section 3 and changes made to the definition of Beginning Base Salary shall instead apply to Award Cycles beginning on or after January 1, 2005;
- (b) changes made by this 2006 Amendment and Restatement shall not serve to increase an Award Payout to any "covered employee" within the meaning of Section 162(m) of the Internal Revenue Code with respect to any Award Cycle beginning before January 1, 2006; and
- (c) Awards that vested prior to December 1, 2005 shall be subject to the terms of the VMP as in effect immediately prior to this 2006 Amendment and Restatement.

2. Definitions.

For purposes of the VMP, the following terms shall be defined as set forth below:

"Absolute Performance Matrix" means a table consisting of two axes, one axis showing Cumulative EBITDA for the applicable Business Unit for an Award Cycle, and the second axis showing Average ROCE for the applicable Business Unit. No Absolute Performance Payout will be made for performance below the minimum Cumulative EBITDA or the minimum Average ROCE shown on the Absolute Performance Matrix. Each Absolute Performance Matrix shall have a point beyond which no additional Absolute Perfor-

mance Payout will be made (with the maximum payout pursuant to each Absolute Performance Matrix being 200% of a Participant's Absolute Performance Target Award). The intersection points on the Absolute Performance Matrix shall be expressed as percentages. An illustrative example of an Absolute Performance Matrix is shown in Appendix A annexed hereto.

"Absolute Performance Payout" means the product of (i) a Participant's Absolute Performance Target Award and (ii) the Absolute Performance Payout Percentage.

"Absolute Performance Payout Percentage" means a percentage indicated on the Absolute Performance Matrix for an Award Cycle which reflects the actual Cumulative EBITDA and Average ROCE of the applicable Business Unit for such Award Cycle. For purposes of determining a Participant's Absolute Performance Payout Percentage, straight-line interpolation shall be utilized to the extent necessary to reflect results that fall between the percentages indicated on the Absolute Performance Matrix.

"Absolute Performance Target Award" means the product, rounded to the nearest whole Dollar, of (i) a Participant's Total Target Award and (ii) the fraction 2/3.

"Affiliate" is defined in Section 2 of the EIP.

"Average ROCE" means, with respect to a Business Unit for an Award Cycle, the arithmetic average of Return on Capital Employed of such Business Unit as determined for each year of the Award Cycle.

"Award Cycle" means a period of three consecutive calendar years except in the case of a special Award Cycle provided in Section 7. Each Award Cycle shall be identified by its first calendar year. For example, the 2006 Award Cycle runs from January 1, 2006 to December 31, 2008.

"Award Opportunity" means a percentage of a Participant's Beginning Base Salary, which percentage shall be established by the Committee in its discretion, subject to adjustment by reason of any promotion occurring during the first 90 days of an Award Cycle.

"Award Payout" means, for any Award Cycle, the cash award that a Participant is eligible to receive under the VMP for that Award Cycle.

"Beginning Base Salary" means a Participant's annual base salary as in effect at the beginning of an Award Cycle, subject to any adjustment made to such Participant's annual base salary in connection with the annual review and adjustment of executive salaries generally and in connection with any promotion, provided in each case that such adjustment occurs during the first 90 days of the Award Cycle.

"Business Unit" is defined in Section 3 of the VMP for purposes of the VMP. "Business Unit" is also defined in Section 2 of the EIP, but that definition does not apply to the VMP (except indirectly for purposes of the definition of Change in Control).

"Capital Employed" means, with respect to a Business Unit for each year during an Award Cycle, a twelve-month average, determined as of the end of such year, of total assets minus current liabilities, plus short-term debt and current maturities of long-term debt.

"Change in Control" is defined in Section 2 of the EIP.

"Cumulative EBITDA" means the sum of the EBITDA of the applicable Business Unit for each year in the Award Cycle.

"DJTA Companies" means, for any Award Cycle, companies (other than the

Company) that were included in the Dow Jones Transportation Average for the entirety of such Award Cycle.

"EBITDA" means, with respect to any year in an Award Cycle, the applicable Business Unit's earnings before interest, taxes, depreciation and amortization, calculated in accordance with GAAP.

"EIP" means the 2006 Amendment and Restatement of the CNF Inc. 1997 Equity and Incentive Plan, as amended from time to time, or any successor plan.

"GAAP" means United States generally accepted accounting principles.

"Participant" means an employee designated by the Committee pursuant to Section 3 of the VMP. The Participants are also Grantees, as that term is defined in Section 2 of the EIP.

"Relative Performance Target Award" means the product, rounded to the nearest whole Dollar, of (i) a Participant's Total Target Award and (ii) the fraction 1/3.

"Relative Performance Payout" means the product of (i) a Participant's Relative Performance Target Award and (ii) the Relative Performance Payout Percentage.

"Relative Performance Payout Percentage" means a percentage indicated on the Relative Performance Table for an Award Cycle, which reflects the Company's percentile ranking in TSR for such Award Cycle against the DJTA Companies. For purposes of determining a Participant's Relative Performance Payout Percentage, straight-line interpolation shall be utilized to the extent necessary to reflect results that fall between the percentile rankings indicated on the Relative Performance Table.

"Relative Performance Table" means a table determined by the Committee for an Award Cycle, pursuant to which the TSR of the Company for such Award Cycle shall be percentile ranked against the TSR of the DJTA Companies for such Award Cycle. Each Relative Performance Table shall have a point at and below which no Relative Performance Payout shall be made and a point beyond which no additional Relative Performance Payout shall be made (the maximum payout pursuant to each Relative Performance Table shall be 200% of a Participant's Relative Performance Target Award). An illustrative example of a Relative Performance Table is shown in Appendix A attached hereto.

"Return on Capital Employed" means, with respect to a Business Unit for each year of an Award Cycle, income before income taxes and interest expense of such Business Unit for such year, divided by Capital Employed of such Business Unit for such year.

"Subsidiary" is defined in Section 2 of the EIP.

"Total Shareholder Return" or "TSR" for any company means the percentage (expressed as a decimal) obtained by dividing (i) the sum of (A) the appreciation in the value of a share of common stock of such company during an Award Cycle, as measured by the difference between the market price of such share of stock at the beginning and end dates of such Award Cycle, plus (B) the dividends payable on such share of common stock during such Award Cycle, divided by (ii) the market price of such share of stock at the beginning date of such Award Cycle. For purposes of determining "Total Shareholder Return," (iii) the term "market price" shall mean the average closing price of such share of stock for the 60 trading days immediately preceding the applicable date, and (iv) appropriate adjustments shall be made to reflect stock splits, reverse stock splits, spinoffs, recapitalizations and other similar transactions to the extent that they materially alter the equity value of a share of

common stock.

"Total Target Award" means, with respect to a Participant for an Award Cycle, such Participant's Beginning Base Salary multiplied by such Participant's Award Opportunity.

3. Eligibility.

The Committee shall designate the employees eligible to participate in an Award Cycle ("Participants"), pursuant to Section 4 of the EIP. A Participant must be an employee of the Company or one of its Subsidiaries or Affiliates as designated by the Committee, and must be designated as eligible as of the beginning of each Award Cycle, except as otherwise provided in the last paragraph of this Section 3. The Company shall maintain in its records a list of Participants for each Award Cycle.

The Committee shall also designate, for each Participant during each Award Cycle, whether such Participant's Absolute Performance Payout is to be based upon the performance of (i) the Company, (ii) a Subsidiary, (iii) a business unit or division of the Company or a Subsidiary, or (iv) a combination of the foregoing. Any entity upon whose performance an Absolute Performance Payout is based, in whole or in part, whether such entity is the Company, a Subsidiary, or a business unit or division of the Company or a Subsidiary, is referred to herein as a "Business Unit." The terms and conditions applicable to awards made to Participants for an Award Cycle need not be identical.

If a Participant transfers from one Business Unit to another during an Award Cycle, the Participant's Absolute Performance Payout shall be prorated based on the performance of each Business Unit, based on the amount of time the Participant was working for each Business Unit. A transfer shall be considered to occur on the first day of the month following the month in which the transfer is effective in the Company's payroll records. For example, assume a Participant starts out in Business Unit A, and the Committee provides that the Participant's Absolute Performance Payout shall be determined 60% on the performance of Business Unit A and 40% on the performance of the Company. At the end of the first year of the Award Cycle, the Participant transfers from the payroll of Business Unit A to the payroll of Business Unit B and remains on the payroll of Business Unit B until the end of the Award Cycle. The Participant's Absolute Performance Payout for the entire Award Cycle, based 60% on the performance of Business Unit A and 40% on the performance of the Company, would be \$3,000. The Participant's Absolute Performance Payout for the entire Award Cycle, based 60% on the performance of Business Unit B and 40% on the performance of the Company, would be \$6,000. The Participant's Absolute Performance Payout for the entire Award Cycle is \$5,000 (one third of \$3,000 plus two thirds of \$6,000).

If an employee first becomes eligible within the first 90 days of an Award Cycle (because hired or promoted), the employee may be designated as eligible to participate in that Award Cycle as of the first day of the month following the month in which the employee is hired or promoted (determined in accordance with payroll records). The Participant's Absolute Performance Payout shall be based on the prorated performance of the Business Unit to which the Participant is assigned. For example, an employee hired on the first March 15 of an Award Cycle may participate as of April 1. If the Participant is still employed at the end of the Award Cycle, the Participant's Absolute Performance Payout will be what it would have been if the Participant had participated for the full Award Cycle times 33/36.

4. Vesting.

A Participant shall become vested in his or her right to receive an Award Payout if the Participant is continuously employed by the Company or one of its Business Units until the end of the applicable Award Cycle or until the occurrence of one of the events described below. A Participant who ceases to be so continuously employed before the last day of an Award Cycle shall forfeit his or her right to receive an Award Payout unless the departure coincides with one of the following (in which case the Participant's right to receive an Award Payout shall vest):

- (a) The Participant's death.
- (b) The Participant's total disability as defined in the Company's Long Term Disability Plan or a successor to that plan.
- (c) The Participant's (i) early retirement under the Company's tax qualified Retirement Plan if the Participant elects within 60 days from the last day of regular employment to receive monthly pension benefits under such Retirement Plan starting on the first day of the month following the last day of employment, or (ii) normal or deferred retirement under such Retirement Plan.

In addition, a Participant's right to receive an Award Payout shall vest upon the occurrence of a Change in Control.

Award Payouts that vest pursuant to this Section 4 shall be payable as provided in Section 6; provided, however, that, if a Participant's employment is terminated for cause, or cause is found to exist after termination of employment, no further vesting shall take place, any unpaid Award Payments shall be forfeited, whether or not previously vested, and no payment shall be made. In case of doubt, the Committee shall determine whether or not cause exists, in its sole discretion, using whatever standard it deems appropriate.

5. Amount of Award Payout.

Subject to Section 6(c) and the other terms and provisions of the VMP, a Participant shall be eligible to receive an Award Payout, payable as provided in Section 6, in an amount equal to the sum of such Participant's (i) Absolute Performance Payout and (ii) Relative Performance Payout.

- (a) Establishment of Total Target Award. Not later than 90 days following the commencement of an Award Cycle, the Committee shall establish an Award Opportunity with respect to each Participant who is participating in such Award Cycle.
- (b) Absolute Performance Component. Not later than 90 days following the commencement of an Award Cycle, the Committee shall establish the Absolute Performance Matrix for each Business Unit for that Award Cycle. The Committee may assign to a Business Unit the Absolute Performance Matrix of another Business Unit or a blend of the Absolute Performance Matrices of two or more Business Units. As soon as practicable following the end of an Award Cycle, the Committee shall certify the Absolute Performance Payout Percentage for each Business Unit for such Award Cycle.
- (c) Relative Performance Component. Not later than 90 days following the commencement of an Award Cycle, the Committee shall establish the Relative Performance Table. As soon as practicable following the end of an Award Cycle, the Committee shall certify the Relative Performance Payout Percentage for such Award Cycle.

6. Payment of Award.

- (a) Normal Payment. Except as otherwise provided in Section 6(b), the Company shall pay a Participant's award for an Award Cycle to the Participant in a lump sum of cash within 60 days after the end of such Award Cycle, unless the Participant has made a valid election to defer payment under the CNF Inc. Deferred Compensation Plan for Executives or the 2005 CNF Inc. Deferred Compensation Plan for Executives.
- (b) Payments Upon Early Vesting. In the event that, pursuant to Section 4, a Participant shall become vested in his or her right to receive an Award Payout prior to the end of an Award Cycle, then (i) the Award Cycle applicable to such Participant shall be deemed to have ended (A) in the case of a Change in Control, as of the end of the month immediately preceding such Change in Control and (B) in all other cases, as of the end of the calendar year in which such vesting occurs, (ii) the Award Payout shall be determined pursuant to Section 5 based upon the actual performance of the applicable Business Unit(s) and the Company for such Award Cycle, and (iii) such Award Payout shall be paid to such Participant within 60 days after the end (or deemed end) of such Award Cycle or, in the event of a Participant's death, as provided in the next paragraph.

In the event of a Participant's death, the Award Payout payable to the Participant for an Award Cycle shall be paid to the Participant's Beneficiary. "Beneficiary" means the person or persons designated by the Participant pursuant to a beneficiary designation form properly completed and delivered to the Corporate Secretary. If no such beneficiary designation form is in effect, then the Beneficiary shall be the Participant's estate. Payment to the Beneficiary shall be made within 60 days after the end (or deemed end) of the applicable Award Cycle.

- (c) Adjustments. In the event that the Committee determines (i) that the Award Payout payable to one or more Participants for an Award Cycle has been materially affected as a result of events or circumstances that were unanticipated at the beginning of the Award Cycle and/or extraordinary in nature and (ii) that the goals of the VMP would be frustrated if adjustments were not made to such Award Payouts, then the Committee, in its sole discretion, may make such adjustments to such Award Payouts as it deems appropriate, which adjustments may have the effect of increasing or decreasing the amount of the Award Payouts otherwise payable pursuant to the VMP (subject to the prohibition of increases with respect to covered employees imposed by Section 6(b)(vi) of the EIP).

7. Special Award Cycles.

Notwithstanding any provision thereof to the contrary, the Committee may elect at any time and from time to time to designate employees to participate in special Award Cycles, which may be periods of one, two or three years. All designations and determinations required under the VMP with respect to such special Award Cycles (including, without limitation, those under Sections 3 and 5) shall be made prior to or within 90 days after the commencement of the special Award Cycle.

8. Amendment; Termination.

- (a) Amendment. The Committee may amend the VMP at any time by notice to the Participants, except that no amendment shall reduce the Award determined for an Award Cycle that has ended before the date of the amendment.
- (b) Termination. The VMP will automatically terminate when the EIP terminates, and the Committee may terminate the VMP at any earlier time. Notwithstanding the termination of the VMP, the Award Payouts for each Award Cycle then in progress shall be calculated, and be payable, following the completion of each such Award Cycle, in accordance with the provisions of Sections 5 and 6.

CNF Inc.

By: _____
Jennifer W. Pileggi
Senior Vice President, General Counsel and
Secretary
2006 Amended and Restated Value Management Plan
Executed: _____

CNF INC.

2005 DEFERRED COMPENSATION PLAN FOR EXECUTIVES

EFFECTIVE JANUARY 1, 2005

CNF INC.

2005 DEFERRED COMPENSATION PLAN FOR EXECUTIVES

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CNF INC.

2005 DEFERRED COMPENSATION PLAN FOR EXECUTIVES

Effective January 1, 2005

Preamble

The purpose of this Plan is to enhance the motivational value of the salaries and incentive compensation of a select group of management or highly compensated employees who contribute materially to the continued growth, development and future business success of the Company and its subsidiaries by providing them the opportunity to defer cash compensation. The Plan is intended to aid the Company and its subsidiaries in attracting and retaining key employees and give them an incentive to increase the profitability of the Company and its subsidiaries. In the future, the Company, in its discretion, may amend the Plan to include a Company contribution.

ARTICLE 1

Definitions

For purposes hereof, unless otherwise clearly apparent from the context, the following phrases or terms shall have the following indicated meanings:

- 1.1 "Account Balance" means the sum of (i) amounts credited to a Participant's Dollar-Denominated Account, plus (ii) Phantom Stock Units credited to a Participant's Phantom Stock Account, reduced by (iii) all distributions made pursuant to the terms and conditions of this Plan. Amounts credited to a Participant's Dollar-Denominated Account shall derive from Base Annual Salary Deferral Amounts, Annual Bonus Deferral Amounts, and Value Management Deferral Amounts.
- 1.2 "Annual Bonus" means any bonus or incentive compensation, other than a Value Management Award, earned by a Participant in a Plan Year under any annual incentive compensation plan or program of the Company or any subsidiary that involves performance-based compensation based on services performed over a period of at least 12 months, within the meaning of Code Section 409A(a)(4)(B)(iii).
- 1.3 "Annual Bonus Deferral Amount" means that portion of a Participant's Annual Bonus that a Participant elects to have and is deferred, in accordance with Article 3, for any one Plan Year.
- 1.4 "Base Annual Salary" means a Participant's base annual salary that is to be paid to a Participant for each Plan Year, determined as of the first day of that year, excluding bonuses, commissions, overtime, incentive payments, non-monetary awards, and other fees, before reduction for compensation deferred pursuant to all qualified, nonqualified and Internal Revenue Code Section 125 plans and all qualified transportation fringe benefits of the Company or any subsidiary.
- 1.5 "Base Annual Salary Deferral Amount" means that portion of a Participant's Base Annual Salary that a Participant elects to have and is deferred, in accordance with Article 3, for any one Plan Year. In the event of Retirement, Disability, death or a Termination of Employment prior to the end of a Plan Year, such year's Base Annual Salary Deferral Amount shall be the actual amount withheld prior to such event. In the event a Participant has no paycheck with respect to a payroll period, no amount shall be deferred with respect to that payroll period for that Participant, either before, during or after the payroll

period.

- 1.6 "Beneficiary" means one or more persons, trusts, estates or other entities, designated in accordance with Article 9, that are entitled to receive benefits under this Plan upon the death of a Participant.
- 1.7 "Beneficiary Designation Form" means the form established from time to time by the Committee that a Participant completes, signs and returns to the Committee to designate one or more Beneficiaries.
- 1.8 "Board" means the Board of Directors of the Company.
- 1.9 "Change in Control" means the occurrence of an event described in Code Section 409A(a)(2)(v) with respect to the Company or the Participant's Employer.
- 1.10 "Claimant" means any Participant or Beneficiary of a deceased Participant who makes a claim for determination under Section 13.1.
- 1.11 "Code" means the Internal Revenue Code of 1986, as amended.
- 1.12 "Committee" means the Compensation Committee of the Board or its delegates.
- 1.13 "Common Stock" means the common stock, par value \$0.625 per share, of the Company.
- 1.14 "Company" means CNF Inc., a Delaware corporation.
- 1.15 "Disability" means the Participant has become "disabled," as that term is used in Code Section 409A(a)(2)(C).
- 1.16 "Dividend Equivalent" means an amount representing the dividend paid on that number of shares of Common Stock equal to the number of Phantom Stock Units credited to a Participant's Phantom Stock Account as of the record date for such dividend.
- 1.17 "Dollar-Denominated Account" shall mean that portion of a Participant's Account Balance that is not credited to such Participant's Phantom Stock Account.
- 1.18 "Election Form" means the form established from time to time by the Committee that a Participant completes, signs and returns to the Committee to make an election under the Plan.
- 1.19 "Employer" means the Company or any of its subsidiaries that employs a Participant.
- 1.20 "Fair Market Value" of a share of Common Stock as of a particular date shall mean the closing price per share of Common Stock on the New York Stock Exchange on the last trading day immediately preceding such date; provided, however, that, with respect to calculations made pursuant to Section 3.7(b), relating to the crediting of an Investment Change, the Fair Market Value of a share of Common Stock shall mean the closing price per share of Common Stock on the New York Stock Exchange on February 1 of the relevant year (or, if February 1 falls on a non-trading day, the immediately preceding trading day).
- 1.21 "Investment Change" has the meaning specified in Section 3.4.
- 1.22 "Participant" for any Plan Year means any employee of an Employer who is selected to participate in the Plan for such Plan Year by the Committee and commences participation in accordance with Article 2.
- 1.23 "Phantom Stock Account" shall mean that portion of a Participant's

Account Balance which is credited with Phantom Stock Units as set forth in Section 3.7(b).

- 1.24 "Phantom Stock Unit" shall mean a unit which shall at all times be equal in value to one whole share of Common Stock.
- 1.25 "Plan" means the Company's 2005 Deferred Compensation Plan for Executives, evidenced by this instrument, as amended from time to time.
- 1.26 "Plan Entry Date" means the date on which an employee selected by the Committee to participate in the Plan commences participation in the Plan in accordance with Article 2. The Plan Entry Date shall be January 1 of the Plan Year following selection by the Committee. If an employee is first selected for participation in the Plan subsequent to January 1 of a Plan Year, but prior to July 1, such July 1 shall be an additional Plan Entry Date. The Committee may in its discretion add other Plan Entry Dates for the Plan Year in which an employee is first selected for participation in the Plan. July 1 shall also be a Plan Entry Date for purposes of Annual Bonus Deferral Amount elections.
- 1.27 "Plan Year" means the period beginning on January 1 of each year (or, in certain limited cases, July 1 or other Plan Entry Date) and continuing through December 31 of that year.
- 1.28 "Pre-Retirement Distribution" means the payout set forth in Section 4.1 below.
- 1.29 "Pre-Retirement Survivor Benefit" means the benefit set forth in Article 6 below.
- 1.30 "Prime Rate," means the published Bank of America prime rate. For each calendar quarter, the rate shall be the published rate as of ten days prior to the end of the quarter; provided that, if publication is delayed, the rate shall be the published rate as of the latest date available when calculations are made.
- 1.31 "Retirement", "Retires" or "Retired" means (i) early retirement as defined in the CNF Inc. Retirement Plan, if the Participant elects within 60 days from the last day of regular employment to receive monthly pension benefits under such Retirement Plan starting on the first day of the month following the last day of employment, or (ii) normal or deferred retirement under such Retirement Plan.
- 1.32 "Retirement Benefit" means the benefit set forth in Article 5.
- 1.33 "Spouse" has the meaning set forth in the Defense of Marriage Act of 1996 (P.L. 104-199), as amended. (As of January 1, 2005, this definition is a legal union between one man and one woman as husband and wife.)
- 1.34 "Termination Benefit" means the benefit set forth in Article 7.
- 1.35 "Termination of Employment" means the earlier of
 - (a) a separation from service, as that term is used in Code Section 409A(a)(2)(A)(i) from the Company and its subsidiaries voluntarily or involuntarily, for any reason other than Retirement, Disability or death., or
 - (b) the ceasing of employment with the Company and its subsidiaries at the time of or following a Change in Control voluntarily or involuntarily, for any reason other than Retirement, Disability or death.,
- 1.36 "Unforeseeable Emergency" means a severe financial hardship to the

Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Code Section 152(a)) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

- 1.37 "Value Management Award" means the Participant's Award for an award cycle under the CNF Inc. Value Management Plan, as amended from time to time, or any successor plan or program.
- 1.38 "Value Management Deferral Amount" means that portion of a Participant's Value Management Award that a Participant elects to have and is deferred, in accordance with Article 3, for any one award cycle.

ARTICLE 2

Selection, Enrollment, Eligibility

- 2.1 Selection by Committee. Participation in the Plan shall be limited to a select group of management or highly compensated employees of the Company and its subsidiaries. The Committee shall select for each Plan Year, in its sole discretion, those employees eligible to participate in the Plan for that Plan Year.
- 2.2 Enrollment Requirement. The Committee shall establish from time to time such enrollment requirements as it determines in its sole discretion are necessary or appropriate.
- 2.3 Commencement of Participation. Provided an employee selected to participate in the Plan has met all enrollment requirements set forth by the Committee, that employee shall commence participation in the Plan on the Plan Entry Date that immediately follows the employee's election to participate in the Plan.

ARTICLE 3

Deferral Commitments>Returns

- 3.1 Minimum Deferral.
 - (a) Minimum. A Participant may not elect to defer less than \$2,000 of Base Annual Salary for any Plan Year, less than \$2,000 of Annual Bonus for any Plan Year, or less than \$2,000 of any Value Management Award for any award cycle.
 - (b) Short Participation Year. If a Participant's Plan Entry Date is July 1 of any Plan Year, he must defer a minimum of \$1,000 of Base Annual Salary or a minimum of \$1,000 of Annual Bonus for such Plan Year. The Committee may set other minimums for other Plan Entry Dates.
- 3.2 Maximum Deferral.
 - (a) Base Annual Salary. For each Plan Year, a Participant may defer up to 90% of Base Annual Salary stated as a dollar amount.
 - (b) Annual Bonus. For each Plan Year, a Participant may defer up to 90% of Annual Bonus stated as a dollar or percentage amount.
 - (c) Value Management Award. For each award cycle under the CNF Inc. Value Management Plan (as amended from time to time), a Participant who participates in that plan may defer up to 90% of the Participant's Value Management Award for that award cycle stated as a dollar or percentage amount.
 - (d) Reductions of Deferrals. The amount of Base Annual Salary, Annual

Bonus, and/or Value Management Award that a Participant elects to defer shall be reduced, without the consent of the affected Participant, to the extent necessary to provide for (i) other deferrals of Base Annual Salary, Annual Bonus and/or Value Management Award, as the case may be, by such Participant under all qualified and nonqualified plans of the Company or any subsidiary and Code Section 125 plans of the Company or any subsidiary, (ii) any taxes that are required to be withheld with respect to deferrals under the Plan, and (iii) any other amounts deducted from Base Annual Salary, Annual Bonus and/or Value Management Award pursuant to applicable law or authorization by Participant.

3.3 Election to Defer.

- (a) Base Annual Salary Deferrals. The Participant may make a Base Annual Salary deferral election by delivering to the Committee a completed and signed Election Form prior to the Plan Entry Date applicable to that Participant. For each succeeding Plan Year, a new Election Form must be delivered to the Committee, in accordance with the rules set forth above.
- (b) Annual Bonus Deferrals. The Participant may make an Annual Bonus deferral election prior to the January 1 Plan Entry Date that coincides with the first day of the performance period.
- (c) Value Management Award Deferrals. The Participant may make a Value Management Award deferral election with respect to an award cycle by delivering to the Committee a completed and signed Election Form prior to the Plan Entry Date coinciding with the beginning of the award cycle. For each succeeding award cycle, a new Election Form may be delivered to the Committee.
- (d) Subsequent Elections or Changes. In addition, the Company may in its sole discretion allow a Participant to make or change an election under subsection (b) or (c) at a later time, provided that Company has determined that such compensation has not become both substantially certain to be paid and readily ascertainable and provided further that any election or change in election must be made not later than the July 1 Plan Entry Date that is 6 months before the end of the performance period.
- (e) No Subsequent Deferrals. If an Election Form is not delivered prior to the dates indicated above, no Base Annual Salary Deferral Amount, Annual Bonus Deferral Amount, or Value Management Deferral Amount, as the case may be, shall be deferred for that Plan Year or award cycle.

3.4 Annual Election of Phantom Stock Units. During January of each Plan Year prior to the commencement of installment payments, each Participant who is currently eligible to make deferrals shall have the opportunity to elect (an "Investment Change") to transfer all or a portion of such Participant's Dollar-Denominated Account to such Participant's Phantom Stock Account; provided, however, that an Investment Change may not be elected with respect to any portion of a Participant's Dollar-Denominated Account that has been designated for a Pre-Retirement Distribution, as defined in Section 4.1 (the "Excluded Portion"). The amount to be subject to an Investment Change may be determined as a dollar amount or a percentage of the Participant's Dollar-Denominated Account (excluding the Excluded Portion); provided, however, that no less than five thousand dollars (\$5,000) may be made subject to an Investment Change. The amount subject to an Investment Change shall be transferred, first, from such Participant's earliest deferral under the Plan, and thereafter from subsequent deferrals under the Plan in the order in which they were elected until the entire amount subject to the Investment Change shall have been transferred. Each Investment Change made pursuant to this Section 3.4 shall be

irrevocable. An Investment Change shall be effective as of February 1 of the Plan Year in which the election is made. The number of Phantom Stock Units to be credited to a Participant's Phantom Stock Account pursuant to an Investment Change shall be determined in accordance with Section 3.7(b).

- 3.5 Withholding of Deferral Amounts. For each Plan Year, the Base Annual Salary portion of the Annual Deferral Amount shall be withheld each payroll period in equal amounts from the Participant's Base Annual Salary. The Annual Bonus portion of the Annual Deferral Amount shall be withheld at the time or times the Annual Bonus is or otherwise would be paid to the Participant. The deferred portion of a Value Management Award shall be withheld at the time the Value Management Award otherwise would be paid to the Participant.
- 3.6 FICA Tax. Any applicable FICA and other payroll taxes on amounts deferred under this Article, including Base Annual Salary, Annual Bonus and Value Management Award, may be withheld from that portion of the Participant's Base Salary, Annual Bonus and/or Value Management Award that is not being deferred. If necessary, the Committee may reduce the amount of Base Annual Salary, Annual Bonus and/or Value Management Award deferred, in order to enable the Company to withhold all applicable FICA and other payroll taxes on amounts deferred under this Article.
- 3.7 Returns and Crediting of Phantom Stock Units and Dividend Equivalents During Deferral Period. Prior to any distribution of benefits under Articles 4, 5, 6 or 7, returns in respect of a Participant's Dollar-Denominated Account and Phantom Stock Units in respect of a Participant's Phantom Stock Account shall be credited as follows:
 - (a) Dollar-Denominated Account.
 - (i) With respect to the portion of a Base Annual Salary Deferral Amount for a Plan Year which a Participant has elected to have credited to his or her Dollar-Denominated Account, returns shall be credited to such Participant's Dollar-Denominated Account as though the portion of such Base Annual Salary Deferral Amount withheld during any calendar quarter was withheld on the first day of such calendar quarter.
 - (ii) With respect to the portion of an Annual Bonus Deferral Amount which a Participant has elected to have credited to his or her Dollar-Denominated Account, returns shall be credited to such Participant's Dollar-Denominated Account as though the deferral amount was withheld on the day immediately following the last day of the applicable award cycle.
 - (iii) With respect to the portion of a deferred Value Management Award which a Participant has elected to have credited to his or her Dollar-Denominated Account, returns shall be credited to such Participant's Dollar-Denominated Account as though the deferral amount was withheld on the day immediately following the last day of the applicable award cycle.
 - (iv) The balance in each Participant's Dollar-Denominated Account shall be compounded quarterly, using the Prime Rate, or such other rate as the Committee may determine in its sole discretion prior to the beginning of a Plan Year. For this purpose, (i) amounts that are transferred to a Participant's Phantom Stock Account in a Plan Year pursuant to an Investment Change shall be credited with a return in respect of such Plan Year equal to one-twelfth (1/12) of the return for the full Plan Year and (ii) in the event of Retirement, death or a Termination of Employment prior to the end of a Plan Year, that Plan Year's return will be calculated using a fraction of a full Plan Year's return, based on the number of days

the Participant was employed with the Employer during the Plan Year prior to the occurrence of such event.

(b) Phantom Stock Account. A Participant's Phantom Stock Account shall consist of that number of Phantom Stock Units credited with respect to (i) amounts transferred pursuant to an Investment Change in accordance with Section 3.4 and (ii) Dividend Equivalents credited in respect of Phantom Stock Units previously credited to the Participant's Phantom Stock Account, in each case as set forth below:

(i) The number of Phantom Stock Units to be credited to a Participant's Phantom Stock Account pursuant to an Investment Change shall be determined by dividing (A) the dollar amount subject to the Investment Change by (B) the Fair Market Value per share of Common Stock as of February 1 of the Plan Year to which the Investment Change relates; and

(ii) The number of Phantom Stock Units to be credited to a Participant's Phantom Stock Account in respect of Dividend Equivalents shall be equal to (A) the per share dividend paid on a share of Common Stock, multiplied by (B) the number of Phantom Stock Units credited to the Participant's Phantom Stock Account as of the record date for such dividend, divided by (C) the Fair Market Value per share of Common Stock as of the payment date for such dividend, such crediting to be made as of such payment date.

3.8 Date on Which Crediting Occurs. A Participant's Dollar-Denominated Account will be credited with returns in accordance with Section 3.7 up to the date of distribution for a lump sum payment and up to the first date of distribution for installment payments. For purposes of crediting subsequent returns in the event that installment payments are made, a Participant's Dollar-Denominated Account shall be reduced as of the day on which each distribution is made.

3.9 Dollar-Denominated Account Returns and Installment Distributions. In the event a benefit is paid in installments, a Participant's unpaid Dollar-Denominated Account shall be credited as follows:

(a) Crediting. For each Plan Year, the undistributed Dollar-Denominated Account shall be credited with a return equal to the Prime Rate or such other rate as the Committee may determine in its sole discretion prior to the beginning of a Plan Year. Returns shall start to accrue under this Section 3.9 as of the date that returns cease to accrue under Section 3.8 above.

(b) Installments. The installment payments shall be determined by dividing the Participant's Dollar-Denominated Account at the time of the commencement of the installment payments by the number of payments over the installment period. Each payment determined above will be considered the principal portion of the installment payment. In addition, each installment payment will include a return calculated for the preceding quarter using the rate determined in Section 3.9(a) above. Installment payments shall commence on the first day of the quarter following the first full quarter following such Participant's date of Retirement, Termination of Employment or death, but not before the time permitted by Section 5.2(b) or 7.2(c). All additional installment payments shall be paid on the first day of the remaining calendar quarters of the payment period.

3.10 Phantom Stock Account Distributions. Unless the Committee, in its sole discretion, elects to make all or part of a distribution in cash, distributions from a Participant's Phantom Stock Account shall be made in the form of (i) one share of Common Stock for each whole Phantom Stock Unit, plus (ii) cash in lieu of any fractional Phantom Stock Unit.

- (a) If a Participant's Phantom Stock Account balance is to be distributed in a lump sum and all or part of the balance is to be distributed in cash, including cash in lieu of a fractional Phantom Share Unit, the amount of cash will be determined based on the Fair Market Value of a share of Common Stock as of:
 - (i) In the case of a withdrawal for an Unforeseeable Emergency, the date the Committee approves the payout,
 - (ii) In the case of a Retirement Benefit, the date of Retirement,
 - (iii) In the case of a Pre-Retirement Survivor Benefit, the date of death,
 - (iv) In the case of a Termination Benefit, the date of Termination of Employment, and
 - (v) In the case of a Disability distribution, the date the Committee approves the payout.
- (b) If a Participant's Phantom Stock Account balance is to be distributed in installments,
 - (i) Dividend Equivalents shall continue to accrue and be credited to such Participant's Phantom Stock Account in accordance with Section 3.7(b)(ii) during the installment period with respect to Phantom Stock Units that remain credited to such Phantom Stock Account,
 - (ii) the number of shares of Common Stock to be delivered in a particular installment shall be determined by dividing the number of Phantom Stock Units credited to the Participant's Phantom Stock Account immediately prior to such installment by the remaining number of installments, with any fractional Phantom Stock Units paid in cash, and
 - (iii) if all or part of the balance is to be distributed in cash, including cash in lieu of a fractional Phantom Share Unit, the amount of cash will be determined based on the Fair Market Value of a share of Common Stock as of ten (10) days prior to the end of each quarter.

3.11 Statement of Accounts. The Committee shall send to each Participant, within 120 days after the close of each Plan Year, a statement in such form as the Committee deems desirable setting forth the amount of the Participant's Account Balance.

ARTICLE 4

Pre-Retirement Distribution/ Unforeseeable Financial Emergencies

4.1 Pre-Retirement Distributions.

- (a) In the event that a Participant elects to defer a Base Annual Salary Deferral Amount, an Annual Bonus Deferral Amount and/or a Value Management Deferral Amount in a Plan Year, such Participant may, subject to subsection (b), elect to receive all, but not less than all, of the amounts so deferred as a lump sum distribution (a "Pre-Retirement Distribution") on a specified date prior to such Participant's Retirement. The Pre-Retirement Distribution shall be in an amount equal to the amounts so deferred, plus returns credited in accordance with Section 3.7, and shall be paid within 60 days following the first day of the Plan Year chosen by the Participant on

the Election Form for such distribution. The earliest date that a Participant may receive a Pre-Retirement Distribution is 5 years after the first day of the Plan Year in which such deferral occurs (i.e., the Plan Entry Date for Base Annual Salary deferrals, the first day of the performance period for Annual Bonus deferrals, and the first day of the award cycle for Value Management Award deferrals).

(b) If a Participant who has elected one or more Pre-Retirement Distributions has a Retirement or Termination of Employment before the start of the Plan Year chosen by the Participant for such Pre-Retirement Distribution, the Participant's Account Balance shall be paid at the time and in the form elected by the Participant in accordance with 5.2 and not as the elected Pre-Retirement Distribution.

- 4.2 Withdrawal Payout/Suspensions for Unforeseeable Emergencies. If the Participant experiences an Unforeseeable Emergency, the Participant may petition the Committee to (i) suspend any deferrals required to be made by a Participant and/or (ii) receive a partial or full payout from the Plan. The Committee may, in its sole discretion, accept or deny such petition. Any suspension or payout shall not exceed the lesser of the Participant's Account Balance, calculated as if such Participant were receiving a Termination Benefit, or the amount necessary to satisfy such Unforeseeable Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship). If the petition for a suspension and/or payout is approved, suspension shall take effect upon the date of approval and any payout shall be made within 60 days of the date of approval. In the event of a suspension or payout, the Participant may not make up the lost deferral opportunity.

ARTICLE 5

Retirement Benefit

- 5.1 Retirement Benefit. A Participant who Retires shall receive, as a Retirement Benefit, the Participant's Account Balance.
- 5.2 Payment of Retirement Benefit. A Participant may elect on the Election Form prior to the beginning of each Plan Year to receive the Retirement Benefit in a lump sum or in quarterly payments over a period of 5 or 10 years. The lump sum payment shall be made within 60 days of the Participant's Retirement. For purposes of payment, the Participant's Account Balance shall be divided into subaccounts, one for each year elected by the Participant. Any installment payment shall be made in accordance with Section 3.9 and 3.10 above. Notwithstanding the foregoing -

(a) If the balance in a Participant's Dollar-Denominated Account plus the Fair Market Value of the shares of Common Stock underlying the Phantom Stock Units credited to such Participant's Phantom Stock Account is less than \$25,000 on the date of Retirement, such Account Balance shall be paid to the Participant in a lump sum as soon as practicable following the date of such Retirement (subject to Section 5.2(b)).

(b) If the Participant is a specified employee, the lump sum may not be paid, and installments may not commence before the date which is 6 months after the date of separation from service (or, if earlier, the date of death of the Participant). For purposes of the preceding sentence, a specified employee is a key employee as defined in Code

Section 416(i) of a corporation any stock in which is publicly traded on an established securities market or otherwise.

- 5.3 Death Prior to Completion of Retirement Benefit. If a Participant dies after Retirement but before the Retirement Benefit is paid in full, the Participant's unpaid Retirement Benefit payments shall continue and shall be paid to the Participant's Beneficiary over the remaining number of calendar quarters and in the same amounts as that benefit would have been paid to the Participant had the Participant survived.

ARTICLE 6

Pre-Retirement Survivor Benefit

- 6.1 Pre-Retirement Survivor Benefit. If a Participant dies before he Retires, experiences a Termination of Employment or suffers a Disability, the Participant's Beneficiary shall receive a Pre-Retirement Survivor Benefit equal to the Participant's Account Balance as of the date of death.
- 6.2 Payment of Pre-Retirement Survivor Benefit. The Pre-Retirement Survivor Benefit shall be paid to the Participant's Beneficiary in a lump sum within 60 days of the Committee's receiving proof of the Participant's death.

ARTICLE 7

Termination Benefit

- 7.1 Termination Benefit. If a Participant experiences a Termination of Employment prior to Retirement, death or Disability, the Participant shall receive a Termination Benefit which shall be equal to the Participant's Account Balance determined as of the date of the Termination of Employment.
- 7.2 Payment of Termination Benefit. The Termination Benefit shall be the then current Account Balance as of the date of Termination of Employment, paid in a lump sum within 60 days after the Termination of Employment or in installments as the Participant elected on the Election Form in effect at the time of the Termination of Employment under the rules in 5.2. For purposes of payment, the Participant's Account Balance shall be divided into subaccounts, one for each form elected by the Participant. Notwithstanding the foregoing -
 - (a) If the balance in a Participant's Dollar-Denominated Account plus the Fair Market Value of the shares of Common Stock underlying the Phantom Stock Units credited to such Participant's Phantom Stock Account is less than \$25,000 on the date of such Participant's Termination of Employment, such Account Balance shall be paid to the Participant in a lump sum as soon as practicable following the date of such Termination of Employment (subject to Section 7.2(c)).
 - (b) If the Participant incurs a Termination of Employment within one year after a Change in Control, the Termination Benefit shall be paid in a lump sum within 20 days of the Termination of Employment (subject to Section 7.2(c)).
 - (c) If the Participant is a specified employee, the lump sum may not be paid, and installments may not commence before the date which is 6 months after the date of separation from service (or, if earlier, the date of death of the Participant). For purposes of the preceding sentence, a specified employee is a key employee as defined in Code Section 416(i) of a corporation any stock in which is publicly traded on an established securities market or otherwise.

ARTICLE 8

Disability Waiver and Benefit

- 8.1 Disability Waiver. A Participant who is determined by the Committee to be suffering from a Disability shall be excused from fulfilling that portion of the Base Annual Salary Deferral Amount or Annual Bonus Deferral Amount commitment that would otherwise have been withheld from a Participant's Base Annual Salary or Annual Bonus for the Plan Year or portion thereof during which the Participant has a Disability, with no make-up for the period of Disability.
- 8.2 Disability Benefit. A Participant suffering a Disability shall for benefit purposes under this Plan, continue to be considered an employee and shall be eligible for the benefits provided for in Articles 4, 5, 6 or 7 in accordance with the provisions of those Articles.

ARTICLE 9

Beneficiary Designation

- 9.1 Beneficiary. Each Participant shall designate a Beneficiary to receive any benefits payable under the Plan upon the Participant's death.
- 9.2 Beneficiary Designation. A Participant shall designate a Beneficiary by completing and signing the Beneficiary Designation Form, and submitting it to the Committee or its delegate. A Participant shall have the right to change a Beneficiary at any time without the consent of the Beneficiary, by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Committee's rules and procedures, as in effect from time to time. Upon the receipt by the Committee of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be canceled. The Committee shall be entitled to rely on the last Beneficiary Designation Form filed by the Participant with the Committee prior to death.
- 9.3 Spousal Consent. A married Participant's designation of someone other than the Participant's Spouse as primary beneficiary shall not be effective unless the Spouse executes a consent in writing that acknowledges the effect of the designation and is witnessed by a notary public. No consent is required if it is established to the satisfaction of the Committee that consent cannot be obtained because the Spouse cannot be located.
- 9.4 No Beneficiary Designation. If a Participant fails to designate a Beneficiary as provided above, the Participant's designated Beneficiary shall be deemed to be the surviving Spouse. If the Participant has no surviving Spouse, the benefits otherwise payable to a Beneficiary shall be paid to the Participant's estate.
- 9.5 Doubt as to Beneficiaries. If the Committee has any doubt as to the proper Beneficiary to receive payments pursuant to this Plan, the Committee shall have the right, exercisable in its discretion, to withhold such payments until the matter is resolved to the Committee's satisfaction, and/or to require indemnification.
- 9.6 Discharge of Obligations. The payment of benefits under the Plan to a Participant or Participant's Beneficiary shall fully and completely discharge the Company and the Participant's Employer from all obligations under this Plan with respect to the deceased Participant, Beneficiaries, and any others that may be entitled to such benefits.

ARTICLE 10

Leave of Absence

- 10.1 Paid Leave of Absence. If a Participant is authorized by the Company to take a paid leave of absence, the Participant shall continue to be considered employed by the Employer and the Base Annual Salary and Annual Bonus deferred by the Participant shall continue to be withheld during such paid leave of absence in accordance with Section 3.4.
- 10.2 Unpaid Leave of Absence. If a Participant is authorized by the Company to take an unpaid leave of absence, the Participant shall continue to be considered employed by the Employer and the Participant shall be excused from making deferrals until the earlier of the date the leave of absence expires or the Participant returns to a paid employment status. Upon such expiration or return, deferrals shall resume for the remaining portion of the Plan Year in which the expiration or return occurs, based on the deferral election, if any, made for that Plan Year, with no make-up for the period of the leave of absence.

ARTICLE 11

Termination, Amendment or Modification

- 11.1 Termination. The Company reserves the right to terminate the Plan at any time.
- 11.2 Amendment. The Board may, at any time, amend or modify the Plan in whole or in part, provided, however, that no amendment or modification shall decrease or restrict a Participant's Account Balance at the time the amendment or modification is made, calculated as if the Participant had experienced a Termination of Employment as of the effective date of the amendment or modification, or, if the amendment or modification occurs after the date upon which the Participant was eligible to Retire, the Participant had Retired as of the effective date of the amendment or modification. The amendment or modification of the Plan shall not affect the payment of benefits to any Participant or Beneficiary who has become entitled to the payment of benefits under the Plan as of the date of the amendment or modification. Notwithstanding the foregoing, the Board may amend the Plan retroactively to the extent required to qualify the Plan under Code Section 409A, provided that no such amendment may reduce any Participant's Account Balance.
- 11.3 Effect of Payment. The full payment of the applicable benefit under Articles 4, 5, 6 or 7 of the Plan shall completely discharge all obligations to a Participant under this Plan.

ARTICLE 12

Administration

- 12.1 Committee Duties. This Plan shall be administered by the Committee or its delegates. The Committee shall also have the discretion and authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and decide or resolve any and all questions including interpretations of this Plan, as may arise in connection with the Plan. The Company intends the Plan to meet the requirements of Code Section 409A, the regulations thereunder, and any additional guidance provided by the Treasury Department. The Committee shall interpret the Plan in such a way as to meet such requirements. Committee action may be (i) by the vote of a majority of the members present at a meeting at which a quorum is present in person or by telephone or (ii) by unanimous written consent. A majority of the Committee shall constitute a quorum.
- 12.2 Agents. In the administration of this Plan, the Committee may, from time to time, delegate to such persons as it deems appropriate such administrative duties as it sees fit and may from time to time consult

with counsel who may be counsel to the Company or a subsidiary.

- 12.3 Binding Effect of Decisions. The decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.
- 12.4 Indemnification. The Company shall indemnify and hold harmless the named fiduciaries and any officers or employees of the Company and its subsidiaries to which fiduciary responsibilities have been delegated from and against any and all liabilities, claims, demands, costs and expenses including attorneys fees, arising out of an alleged breach in the performance of their fiduciary duties under the Plan and ERISA, other than such liabilities, claims, demands, costs and expenses as may result from the gross negligence or willful misconduct of such person. The Company shall have the right, but not the obligation, to conduct the defense of such person in any proceeding to which this paragraph applies.
- 12.5 Stock Subject to the Plan. Unless otherwise determined by the Board, shares of Common Stock utilized for purposes of distributions pursuant to Section 3.10 shall consist of shares held in the Company's treasury.
- 12.6 Equitable Adjustment. In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash or Common Stock or other property), or recapitalization, Common Stock split, reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, or other similar corporate transaction or event affects the Common Stock such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of Participants under the Plan, then the Committee shall make such equitable changes or adjustments as it deems necessary to any or all of the number of Phantom Stock Units credited to Participants' Phantom Stock Accounts and/or the number and kind of shares of stock to which such Phantom Stock Units relate or that may be thereafter be distributed in respect of amounts credited to a Participant's Phantom Stock Account.

ARTICLE 13

Claims Procedures

- 13.1 Presentation of Claim. Any Participant or Beneficiary of a deceased Participant may deliver to the Committee a written claim for a determination with respect to the amounts distributable to such Claimant from the Plan. If such a claim relates to the contents of a notice received by the Claimant, the claim must be made within 60 days after such notice was received by the Claimant. All other claims must be made within 180 days of the date on which the event that caused the claim to arise occurred. The claim must state with particularity the determination desired by the Claimant.
- 13.2 Notification of Decision. The Committee shall consider a Claimant's claim within a reasonable time, and shall notify the Claimant in writing:
- (a) that the Claimant's requested determination has been made, and that the claim has been allowed in full; or
 - (b) that the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant:
 - (i) the specific reason(s) for the denial of the claim, or any part of it;

(ii) specific reference(s) to pertinent provisions of the Plan upon which such denial was based;

(iii) a description of any additional material or information necessary for the Claimant to clarify or perfect the claim, and an explanation of why such material or information is necessary; and

(iv) an explanation of the claim review procedure set forth in Section 13.3 below.

13.3 Review of a Denied Claim. Within 60 days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Committee a written request for a review of the denial of the claim. Thereafter, but not later than 30 days after the review procedure began, the Claimant (or the Claimant's duly authorized representative):

(a) may review pertinent documents;

(b) may submit written comments or other documents; and/or

(c) may request a hearing, which the Committee, in its sole discretion, may grant.

13.4 Decision on Review. The Committee shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of the denial, unless a hearing is held or other special circumstances require additional time, in which case the Committee's decision must be rendered within 120 days after such date. Such decision must be written in a manner calculated to be understood by the Claimant and it must contain:

(a) specific reasons for the decision;

(b) specific reference(s) to the pertinent Plan provisions upon which the decision was based; and

(c) such other matters as the Committee deems relevant.

13.5 Legal Action. A Claimant's compliance with the foregoing provisions of this Article 13 is a mandatory prerequisite to a Participant's right to commence any legal action with respect to any claim for benefits under this Plan.

ARTICLE 14

Miscellaneous

14.1 Unsecured General Creditor. Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interest or claims in any property or assets of the Company or an Employer. Any and all of the Company's assets shall be, and remain, its general, unpledged and unrestricted assets. The Company's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.

14.2 Employer's Liability. An Employer other than the Company shall have no liability to a Participant or a Participant's Beneficiary for payment of any benefits under the Plan.

14.3 Company's Liability. Amounts payable to a Participant or Beneficiary under this Plan shall be paid from the general assets of the Company

(including without limitation the assets of any trust established to fund payment of obligations hereunder) exclusively.

- 14.4 Nonassignability. Neither a Participant nor any other person shall have the right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency. Notwithstanding the preceding provisions of this section, the Committee will recognize the provisions of a qualified domestic relations order as defined in Section 206(d) of the Employee Retirement Income Security Act of 1974 that does not change the timing of the Participant's benefit payments.
- 14.5 Not a Contract of Employment. The adoption and maintenance of the Plan shall not confer on any Participant any right to continue in the employ of an Employer, and shall not interfere with the right of an Employer to discharge any person without regard to the effect that such discharge might have on the person as a Participant. This Plan shall only create a contractual obligation on the part of the Company, and shall not be construed as creating a trust or any fiduciary relationship.
- 14.6 Furnishing Information. A Participant will cooperate with the Committee by furnishing any and all information requested by the Committee and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits hereunder.
- 14.7 Captions. The captions of the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.
- 14.8 Governing Use. The provisions of this Plan shall be construed and interpreted according to the laws of the State of California.
- 14.9 Notice. Any notice or filing required or permitted to be given to the Committee under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, return receipt requested, to:

CNF Inc.
Compensation Committee
Deferred Compensation Plan for Executives
3240 Hillview Avenue
Palo Alto, California 94304

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

- 14.10 Successors. The provisions of this Plan shall be binding upon and inure to the benefit of the Company and its successors and assigns and the Participant, the Participant's Beneficiaries, and their permitted successors and assigns.
- 14.11 Spouse's Interest. The interest in the benefits hereunder of a Spouse of a Participant who has predeceased the Participant shall automatically

pass to the Participant and shall not be transferable by such Spouse in any manner, including but not limited to such Spouse's will, nor shall such interest pass under the laws of intestate succession.

- 14.12 Incompetent. If the Committee determines in its discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Committee may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Committee may require proof of minority, incompetency, incapacity or guardianship, as it may deem appropriate and/or such indemnification of the Committee, the Company and the Participant's Employer and security, as it deems appropriate, in its sole discretion, prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.
- 14.13 Saving Clause. The Company intends the Plan to meet the requirements of Code Section 409A, the regulations thereunder, and any additional guidance provided by the Treasury Department. Any Plan provision that does not meet such requirements shall be void.
- 14.14 Legal Fees To Enforce Rights. If the Company has failed to comply with any of its obligations under the Plan or any agreement thereunder or, if the Company, the Participant's Employer or any other person takes any action to declare the Plan void or unenforceable or institutes any litigation or other legal action designed to deny, diminish or to recover from any Participant the benefits intended to be provided, then the Company irrevocably authorizes such Participant to retain counsel chosen by the Participant and agrees to pay the reasonable legal fees and expenses of the Participant incurred in connection with the initiation or defense of any litigation or other legal action, whether by or against the Company, or any director, officer, shareholder or other person affiliated with the Company, or any successor thereto in any jurisdiction, provided that such Participant prevails in such action.
- 14.15 Payment of Withholding. As a condition of receiving benefits under the Plan, the Participant shall pay the Company and/or the applicable Employer not less than the amount of all applicable federal, state, local and foreign taxes required by law to be paid or withheld relating to the receipt or entitlement to benefits hereunder. The Company may withhold taxes from any benefits paid and/or from Base Annual Salary, Annual Bonus, or Value Management Award, in its sole discretion.
- 14.16 Coordination with Other Benefits. The benefits provided for a Participant and Participant's Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program for employees of the Company and its subsidiaries. In no event shall distributions under the Plan prior to Retirement have the effect of increasing payments otherwise due under the various retirement

plans of the Company and its subsidiaries.

14.17 Value Management Deferral Amounts Previously Deferred. Code Section 409 appears to apply to the 2005 and 2006 portions of the Value Management Deferral Amounts that were subject to deferral elections made in December of 2002 and December of 2003 under the Deferred Compensation Plan for Executives for cycles that end on December 31, 2005 and December 31, 2006. To the extent required by Code Section 409A, the regulations thereunder, and any additional guidance provided by the Treasury Department, such portions shall be governed by this Plan instead of by the Deferred Compensation Plan for Executives, with payout conditions roughly similar to the payouts elected under the Deferred Compensation Plan for Executives.

IN WITNESS WHEREOF, the Company has adopted this Plan as of January 1, 2005.

CNF Inc.

By: _____

Its: Senior Vice President, General
Counsel and Secretary

Terms and Conditions

Governing options awarded on _____, _____

The Compensation Committee of the Board of Directors of CNF Inc. has awarded you, as Optionee, the following option ("Option") to purchase shares of CNF common stock:

Award effective date: _____, _____

Non-qualified stock options:

Grant price per share: \$_____

Vesting: One-third on January 1, ____; an additional one-third on January 1, ____; and an additional one-third on January 1, ____

Fully vested: January 1, ____

Expiration date: _____, _____ [ten years from grant date]

Please refer to the enclosed Highlights of Your Stock Options brochure for information about how stock options work.

This Option is subject to the provisions of the CNF Inc. 1997 Equity and Incentive Plan, and the attached Terms and Conditions which are part of this Stock Option Agreement. These documents and any related documents that may be issued in the future constitute part of a Prospectus under the Securities Act of 1933, as amended, covering the securities issuable to you upon exercise of your options.

I accept the Option described above and the attached Terms and Conditions of the Stock Option Agreement. I also accept the provisions of the CNF Inc. 1997 Equity and Incentive Plan, as amended as of the Award effective date indicated above.

Signature _____ Date _____

If you have questions regarding your options, or you wish to take action with respect to your options, please call Jennifer W. Pileggi, Senior Vice President, General Counsel and Secretary at 650-378-5326 or Gary S. Cullen, Vice President, Deputy General Counsel at 650-378-5371.

For your convenience a return envelope is included with this packet.

This document constitutes part of a prospectus of CNF Inc. covering securities that have been registered under the Securities Act of 1933.

Except as otherwise stated in the Stock Option Agreement (the 'Agreement') to

which these Terms and Conditions are attached and form a part, and subject to the terms and conditions of the CNF Inc. 1997 Equity and Incentive Plan (the 'Plan'), which Plan is incorporated herein by reference, the following apply to the Option (as defined below). (Capitalized terms used herein without definition shall have the meanings given to such terms in the Plan.)

1. The Company grants to Optionee the right and option to purchase (the 'Option'), on the terms and conditions of the Agreement and as hereinafter set forth, shares of the presently authorized but unissued Common Stock (\$0.625 par value) of the Company (hereinafter called the 'Stock'), or shares of authorized and issued Stock reacquired by the Company and held in its treasury. The purchase price of the Stock subject to the Option shall be as set forth in the Agreement but shall not be less than the Fair Market Value of a share of Common Stock on the grant date (award effective date) of the Option.
2. In consideration of the Option, Optionee agrees to remain an active full-time employee of the Company or of a Subsidiary or Affiliate (a 'Regular Employee') at all times during the period beginning with the date on which the Option was granted and ending on January 1, _____ or at the time of Normal Retirement, whichever occurs first, and, except to the extent that the Option becomes exercisable and continues to be exercisable pursuant to Paragraphs 3 and 4 below, if Optionee ceases to be a Regular Employee within said period the Option shall become null and void.

As used herein:

Retirement means retirement under a qualified defined benefit plan of the Company or a Subsidiary or an Affiliate as in effect on the date of Optionee's termination of employment. For this purpose, an employee shall be deemed to have retired under such a plan only if the employee elects within sixty (60) days from his or her last day of employment to commence receiving monthly benefits under the plan. The Company may, in its sole discretion, revise any such plan at any time or from time to time.

Normal Retirement means Retirement on or after age 65 (Normal Retirement Date) or after attaining age 55 with combined age in whole or partial years (rounded to the nearest whole month) plus years of service (as defined in such qualified defined benefit plan) equal to at least 85 (the Rule of 85).

3. Except as otherwise provided in Paragraph 4, the period for exercising the Option (the 'Option Period') shall be the period, which will commence when the Option becomes exercisable (as specified below) and will end on the tenth anniversary of the date on which the Option was granted (referred to herein as the 'Terminal Date' of the Option).

One third of the Option will become exercisable on January 1, _____; an additional one-third shall become exercisable on January 1, _____; and an additional one-third shall become exercisable on January 1, _____. If the Option consists of incentive stock options ("ISOs") and non-qualified stock options ("NQSOs"), the ISOs and NQSOs will become exercisable on a pro rata basis on such anniversaries.

4. In the following circumstances, the Option Period specified in Paragraph 3 shall not apply, and the Option shall be exercisable as set forth below:
 - (a) If Optionee ceases to be a Regular Employee during the Option Period (other than (i) for Cause (as defined below), (ii) on account of Retirement, (iii) following a Change in Control applicable to Optionee or (iv) as a result of Optionee's death or Disability), the Option shall thereafter be exercisable only to the extent exercisable at the time Optionee ceases to be a Regular Employee and only prior to the end of the

3-month period commencing with such cessation or prior to the Terminal Date of the Option, whichever shall first occur (except as otherwise provided in subparagraph (g) in the case of subsequent death).

If Optionee is absent from work with the Company, a Subsidiary or an Affiliate because of his or her Disability or if he or she is on leave of absence for the purpose of serving the government of the country in which the principal place of employment of Optionee is located, either in a military or civilian capacity, or for such other purpose or reason as the Committee may approve, Optionee shall not be deemed during the period of any such absence, by virtue of such absence alone, to have ceased to be a Regular Employee, except as the Committee may otherwise expressly provide.

As used herein:

Disability means a substantial mental or physical disability, as determined by the Committee in its sole discretion.

- (b) If the employment of Optionee is terminated for Cause, the Option (including any portion of the Option that may have become exercisable) shall terminate on the date of such termination of employment, the Option shall thereupon not be exercisable to any extent whatsoever, and Paragraphs 4(c), (d), (e), (f) and (g) of these Terms and Conditions shall not apply. As used herein, 'Cause' means (i) the failure or refusal by Optionee to perform, or neglect in the performance of, his or her duties, functions or responsibilities, (ii) Optionee's commission of acts of dishonesty, fraud, misrepresentation or other acts of moral turpitude, or (iii) such other acts or omissions of Optionee, as the Committee, in the exercise of its sole discretion, considers to constitute Cause. For purposes of these Terms and Conditions, an Optionee's employment shall be treated as having terminated for Cause if after termination of employment Cause is discovered to have existed before termination of employment.
- (c) Except as otherwise provided in Paragraph 4(b) of these Terms and Conditions, if the Optionee ceases to be a Regular Employee on account of Normal Retirement (i) if the Option has not yet become fully exercisable at such time, the Option shall continue to become exercisable in installments under Paragraph 3, and (ii) the Option shall continue to be exercisable until one year after the final installment has become exercisable, or one year after the Optionee ceases to be a Regular Employee, whichever is later, but not beyond the Terminal Date of the Option.
- (d) Except as otherwise provided in Paragraph 4(b) of these Terms and Conditions, if the Optionee ceases to be a Regular Employee on account of Retirement and subparagraph (c) does not apply, the Option, to the extent exercisable at Retirement, shall continue to be exercisable until one year after Retirement, or the Terminal Date of the Option, whichever shall first occur.
- (e) Except as otherwise provided in Paragraph 4(b) of these Terms and Conditions, in the event of a Change in Control applicable to Optionee, the Option shall become fully exercisable and shall continue to be exercisable until three months after Optionee ceases to be a Regular Employee (or one year after Optionee ceases to be a Regular Employee if Optionee ceases to be a Regular Employee on account of Normal Retirement as provided in subparagraph (c)), but not beyond the Terminal Date of the Option.
- (f) Except as otherwise provided in Paragraph 4(b) of these Terms and Conditions, if Optionee ceases to be a Regular Employee as a result of Optionee's Disability, the Option may be exercised by Optionee within one year after Optionee ceases to be a Regular Employee, or on or prior to the Terminal Date of the Option, whichever shall first occur.

- (g) Except as otherwise provided in Paragraph 4(b) of these Terms and Conditions, if Optionee should die while the Option is exercisable, the Option may be exercised by Optionee's executor or administrator, or by the person or persons to whom Optionee's rights under the Option shall pass by will or by the applicable laws of descent and distribution, within one year from date of death of Optionee (or one year after the final installment has become exercisable, if later), or the Terminal Date of the Option, whichever shall first occur.
5. Optionee may exercise the Option, to the extent exercisable and with respect to all or part of the shares of Stock then subject to such exercise, by giving the Company written notice of such exercise, specifying the number of shares as to which the Option is so exercised and tendering either (i) cash or a certified check, bank draft or postal or express money order payable to the order of the Company for an amount in lawful money of the United States equal to the Grant price of such shares, or (ii) properly endorsed or transferable shares of Stock with a value equal to the Grant price of such shares, or (iii) a combination of (i) and (ii) above having an aggregate value equal to the Grant price of such shares. In addition, if administratively feasible, Optionee may effect a 'cashless' exercise of the Option by borrowing the Grant price from any lender other than the Company or its Affiliates, immediately selling part or all of the Option shares and using the proceeds to repay the loan. For a cashless exercise, Optionee shall be responsible for all brokerage commissions, transaction fees and other charges of the executing broker. No partial exercise of the Option may be for less than 100 shares unless fewer than 100 shares are outstanding under the Option, in which case the Option may be exercised as to the total of such shares. In no event shall the Company be required to issue fractional shares.

As soon as practicable after receipt of such notice, the Company shall, without transfer or issue tax and (except for withholding tax arrangements contemplated by paragraph 14 hereof) without other incidental expense to Optionee, deliver to Optionee at the office of the Company, 2855 Campus Drive, Suite 300, San Mateo, California 94403, or such other place as may be mutually acceptable to the Company and Optionee, a certificate or certificates for such shares; provided, however, that the time of such delivery may be postponed by the Company for such period as may be required for it with reasonable diligence to comply with applicable requirements under the Federal securities acts, as amended, any applicable listing requirements of any national securities exchange, and requirements under any other law or regulation applicable to the issuance or transfer of such shares. If Optionee fails to pay for or accept delivery of all or any part of the number of shares specified in the notice of exercise, his or her right to purchase such undelivered shares may be terminated by the Company at its election.

6. In the event that a corporate transaction or event described in the last paragraph of Section 5 of the Plan shall occur, the terms of such last paragraph of Section 5 of the Plan shall govern.

7. The Option shall, during Optionee's lifetime, be exercisable only by him or her, and neither the Option nor any right hereunder shall be transferable by Optionee by operation of law or otherwise, other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order ('QDRO'); provided, however, the Committee may, in its discretion, (i) pursuant to rules adopted by the Committee, permit transfer(s) of all or part of the Option in connection with Optionee's estate planning, and (ii) permit transfers upon divorce or marital dissolution other than pursuant to a QDRO. In the event of an attempt by Optionee to alienate, assign, pledge, hypothecate, or otherwise dispose of the Option or of any right hereunder, except as provided for herein, or in the event of the levy of any attachment, execution, or similar process upon the rights or interest hereby conferred, the Company at its election may terminate the Option by notice to Optionee and the Option shall thereupon become null and void.
8. Neither Optionee nor any person entitled to exercise Optionee's Option in the event of his or her death shall have any of the rights of a shareholder with respect to the shares of stock subject to the Option except to the extent that shares of stock are issued upon such person's proper exercise of the Option.
9. Optionee agrees to promptly notify the Company of the sale of any shares that were initially issued upon exercise of ISOs and not held for at least two years from the date of grant and one year from the date of exercise, in order for the Company to be able to comply with applicable withholding tax laws.
10. Any notice required to be given by Optionee under the terms of the Option shall be addressed to the Company in care of its General Counsel at 2855 Campus Drive, Suite 300, San Mateo, California 94403, and any notice to be given to Optionee shall be addressed to him or her at his or her last known address as shown on the Company's records or such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed to have been duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered or certified and deposited (postage or registration or certification fee prepaid) in a post office or branch post office regularly maintained by the United States.
11. All decisions of the Committee upon any question arising under the Plan or any Stock Option Agreement shall be final and binding on all parties (except for any change occurring pursuant to the claims procedures set forth in Section 8 of the Plan).
12. Nothing herein contained shall affect Optionee's right to participate in and receive benefits from and in accordance with the then current provisions of any pension, insurance, or other employment welfare plan or program of the Company.
13. Nothing in the Stock Option Agreement (including these Terms and Conditions) or any other agreement entered into pursuant hereto (i) shall confer upon Optionee the right to continue in the employ of the Company,

any Subsidiary or any Affiliate or to be entitled to any remuneration or benefits not set forth herein or in any such other agreement or (ii) interfere with or limit in any way the right of the Company or any such Subsidiary or Affiliate to terminate Optionee's employment.

14. Optionee agrees, in connection with the Option, to make appropriate arrangements with the Company or his or her employer for satisfaction of any applicable withholding requirements (including federal, state, local, and foreign income, Social Security, and Medicare tax requirements).
15. The Agreement and these Terms and Conditions shall be binding upon and inure to the benefit of any successor or successors of the Company.

The interpretation, performance, and enforcement of the Stock Option Agreement and these Terms and Conditions shall be governed by the laws of the State of Delaware.

CNF INC.

RESTRICTED STOCK AWARD AGREEMENT

THIS AGREEMENT, entered into as of the ____ day of _____, _____, between CNF Inc., a Delaware corporation (hereinafter called "Company"), [Name of Executive] (hereinafter called "Recipient"), and the Secretary of the Company (hereinafter called "Escrow Holder").

WITNESSETH:

WHEREAS, the Company has adopted the CNF Inc. 1997 Equity and Incentive Plan, as amended (as so amended, the "Plan"), which Plan is incorporated into this Agreement by reference;

WHEREAS, the Company encourages its executive officers to own shares of the Company's stock and thereby to align their interests more closely with the interests of the other stockholders of the Company, desires to motivate Recipient by providing Recipient with a direct interest in the Company's attainment of its financial goals, and desires to provide a financial incentive that will help attract and retain the most qualified executive officers; and

WHEREAS, the Company has determined that it would be to the advantage and interest of the Company and its stockholders to issue to Recipient the restricted stock provided for in this Agreement as an incentive for increased efforts and successful achievements;

NOW, THEREFORE, in consideration of the foregoing premises, and the mutual covenants herein contained, the parties hereto agree with each other as follows:

1. **Defined Terms.** Except as otherwise indicated herein, all capitalized terms used in this Agreement without definition shall have the meanings given to such terms in the Plan.
2. **Restricted Stock Award.** As of the date of this Agreement, the Company has issued to Recipient _____ shares of its Common Stock (hereinafter called the "Stock") as a restricted stock award ("Restricted Stock Award"). Stock certificates evidencing the Stock will be delivered to Escrow Holder, accompanied by blank stock powers executed by Recipient, to be held by Escrow Holder as provided herein, for the use and benefit of, and subject to the rights of and limitations upon Recipient as the owner thereof as herein set forth. Subject to Paragraphs 3, 4 and 5 below, Recipient shall have all rights of a stockholder with respect to shares of Stock issued hereunder, including the right to vote, to receive dividends (including stock dividends), to participate in stock splits or other recapitalizations, and to exchange such shares in a merger, consolidation or other reorganization. The Company shall pay the costs and charges of Escrow Holder and any applicable stock transfer taxes. Recipient hereby acknowledges that Recipient is acquiring the Stock issued hereunder for investment and not with a view to the distribution thereof, and that Recipient does not intend to subdivide Recipient's interest in the Stock with any other person.
3. **Restrictions.** Until such time as a share of Stock vests or is forfeited in accordance with Paragraph 4 below, such share shall be classified as a "Restricted Security" and shall be subject to the following:
 - (a) All Restricted Securities shall be evidenced by one or more certificates which are held by Escrow Holder and which bear the following legend:

"These shares are subject to the restrictions enumerated in the CNF Inc. 1997 Equity and Incentive Plan and in the Restricted Stock Award Agreement dated as of _____," _____ between CNF Inc. and the registered holder of these shares."

Upon vesting of any shares of Stock, the Company shall cause new stock certificates to be issued to evidence the Stock. All shares of Stock that have vested, and that therefore are no longer classified as Restricted Securities, shall be evidenced by a new certificate which does not bear the legend referred to above, which certificate shall be delivered by Escrow Holder to Recipient.

All shares (if any) of Stock which remain unvested at such time, and which therefore continue to be classified as Restricted Securities, shall be evidenced by a new certificate bearing the legend referred to above, which certificate shall be delivered to and held by Escrow Holder.

- (b) All Restricted Securities shall be subject to the limitations on transferability set forth in Section 9(a) of the Plan, except that the Committee may, in its discretion, (i) pursuant to rules adopted by the Committee, permit transfer(s) of Restricted Securities in connection with Recipient's estate planning, and (ii) permit transfers upon divorce or marital dissolution other than pursuant to a Qualified Domestic Relations Order.
- (c) All distributions on or in respect of any Restricted Securities (including dividends on any Restricted Securities, whether payable in cash, stock or other property) shall be subject to the provisions of Paragraph 5 below.

4. Vesting; Forfeiture.

- (a) Subject to subparagraph (b) of this Paragraph 4, the shares of Stock shall vest in three (3) equal installments, commencing on _____, _____ and continuing on each _____ thereafter to and including _____, _____, provided that Recipient has been an active full-time employee of the Company, a Subsidiary, or an Affiliate at all times during the period from the date of this Agreement until such date.
- (b) All shares of Stock (if any) which have not vested shall vest upon the earliest to occur of the following, provided that Recipient has been an active full-time employee of the Company, a Subsidiary or an Affiliate at all times during the period from the date of this Agreement until the date of such occurrence:
 - (1) Recipient's death;
 - (2) Termination of Recipient's employment with the Company, a Subsidiary or an Affiliate as a result of a Disability; or
 - (3) Upon a "Change in Control" (as defined in the Plan) applicable to Recipient (whether or not Recipient remains an employee of the Company, a Subsidiary or Affiliate following such Change in Control).

As used herein, "Disability" means a substantial mental or physical disability, as determined by the Committee in its sole discretion.

- (c) All shares of Stock (if any) which have not vested shall be automatically, immediately and irrevocably forfeited if Recipient ceases to be an active full-time employee of the Company, a Subsidiary or an Affiliate for any reason other than as a result of an occurrence described in subparagraph (b) above. For avoidance of

doubt, all shares of Stock (if any) which have not vested shall be automatically, immediately and irrevocably forfeited if Recipient retires, whether prior to, at or after normal retirement age. Upon forfeiture of any shares of Stock, all right, title and interest of Recipient in such Stock, and in any distributions contemplated by Paragraph 5 (other than cash dividends received by Recipient pursuant to Paragraph 5 prior to such forfeiture), shall thereupon cease; and all right, title and interest in and to such Stock and distributions shall vest in the Company, with no compensation or consideration to Recipient.

5. Distributions on Restricted Securities

- (a) Any securities or other property (other than cash) received as the result of ownership of Restricted Securities ("Additional Securities") including, but not by way of limitation, warrants and securities received as a stock dividend or stock split, or as a result of a recapitalization or reorganization, shall be held by Escrow Holder in the same manner and subject to the same restrictions as the Restricted Securities with respect to which they were issued. Recipient shall be entitled to direct Escrow Holder to exercise any warrant or option received as Additional Securities upon supplying the funds necessary to do so, in which event the securities so purchased shall constitute Additional Securities, or Recipient may direct Escrow Holder to sell any such warrant or option, in which case the proceeds shall be held by Escrow Holder in accordance with the provisions of subparagraph (b) below.

In the event any Restricted Securities or Additional Securities consist of a security that is by its terms or otherwise convertible into or exchangeable for another security at the election of the holder thereof, Recipient may exercise any such right of conversion or exchange in the event the failure to exercise or delay in exercising such right would result in its loss or diminution in value, and any securities so acquired shall constitute Additional Securities. In the event of any change in certificates evidencing Restricted Securities or Additional Securities by reason of any recapitalization, reorganization or other transaction which results in the creation of Additional Securities, Escrow Holder is authorized to deliver to the issuer the certificates evidencing Restricted Securities or Additional Securities in exchange for the certificates which they replace, which shall be deemed to be Additional Securities.

- (b) All cash dividends payable in respect of any Restricted Securities shall be paid to Recipient on the dividend payment date on which such cash dividends are paid to other registered holders of the Company's Common Stock. The Company shall deliver to Escrow Holder for the account of Recipient all distributions, other than cash dividends on the Restricted Securities, paid or made in cash with respect to Restricted Securities and Additional Securities ("Cash Distributions"). Escrow Holder shall hold all such Cash Distributions until deliverable to Recipient in accordance with subparagraph (c) below.
- (c) Concurrently with the delivery to Recipient, pursuant to Paragraph 3 above, of certificates evidencing any shares of Stock that have vested and therefore are no longer Restricted Securities, Escrow Holder shall also deliver to Recipient (i) one or more certificates evidencing all shares of Additional Securities distributed to Escrow Holder in respect of such Stock (which certificate(s) shall not contain the legend referred to in Paragraph 3 above) and (ii) all Cash Distributions received by Escrow Holder in respect of such Stock and Additional Securities, less any applicable withholding

requirements (including federal, state, local, and foreign income, Social Security, and Medicare tax requirements).

6. Taxes

- (a) Recipient agrees to make appropriate arrangements for the satisfaction of any applicable federal, state or local income, employment or other tax withholding requirements (collectively, the "Taxes") applicable to the receipt of Stock hereunder upon the lapse of restrictions with respect thereto or upon the exercise of an election by Recipient under Section 83(b) of the Internal Revenue Code.
- (b) Upon demand, Recipient shall promptly pay to the Company the amount of all applicable Taxes that the Company is required to withhold and pay on behalf of Recipient with respect to the shares of Stock issued hereunder. At its discretion, the Company may withhold any distribution under this Agreement in whole or in part until such payment is made to the Company. In lieu thereof, the Company or an Affiliate may withhold such amounts as are necessary to pay such Taxes from any fees, salary, bonus or other amounts payable by the Company or an Affiliate to Recipient, or the Company may withhold a number of shares of Stock having a market value not exceeding the amount of such Taxes and cancel (in whole or in part) any such shares in order to satisfy the payment of such Taxes. Alternatively, the Recipient may elect to have the Company withhold a number of shares of Stock having a market value not exceeding the amount of such Taxes. In determining the market value of shares of Stock for purposes of paying Taxes pursuant to this subparagraph (b), the Company shall use (i) in the case of Taxes arising as a result of the lapse of restrictions with respect to shares of Stock, the closing price of a share of Stock on the New York Stock Exchange on the date that such restrictions lapse, and (ii) in the case of Taxes arising as a result of a timely and valid exercise by Recipient of an election under Section 83(b) of the Internal Revenue Code, the closing price of a share of Stock on the New York Stock Exchange on the date of issuance of the shares of Stock subject to such election.

- 7. Committee Decisions Conclusive. All decisions of the Committee upon any question arising under the Plan or under this Agreement shall be final and binding on all parties (except for any change occurring pursuant to the claims procedures set forth in Section 8 of the Plan).
- 8. No Right to Continued Employment, etc. Nothing in this Agreement, the Restricted Stock Award granted hereunder or any other agreement entered into pursuant hereto (i) shall confer upon Recipient the right to continue in the employ of the Company, any Subsidiary or any Affiliate or to be entitled to any remuneration or benefits not set forth herein or in any such other agreement or (ii) interfere with or limit in any way the right of the Company or any such Subsidiary or Affiliate to terminate Recipient's employment.
- 9. Notice. Any notice or other paper required to be given or sent pursuant to the terms of this Agreement shall be sufficiently given or served hereunder to any party when transmitted by registered or certified mail, postage prepaid, addressed to the party to be served as follows:

Company: CNF Inc., 2855 Campus Drive, Suite 300, San Mateo, CA 94403
Attn.: Corporate Secretary

Recipient: At Recipient's address as it appears under Recipient's signature to this Agreement, or to such other address as Recipient may specify in writing to Escrow Holder

Any party may designate another address for receipt of notices so long as notice is given in accordance with this Paragraph 9.

10. Amendment; Modification. This Agreement may not be modified or amended, and any provision hereof may not be waived, except pursuant to a written agreement signed by the Company and Recipient. Any such modification, amendment or waiver signed by, or binding upon, Recipient, shall be valid and binding upon any and all persons or entities who may, at any time, have or claim any rights under or pursuant to this Agreement.
11. Severability. If any provision of this Agreement shall be invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render invalid or unenforceable any other severable provision of this Agreement, and this Agreement shall be carried out as if such invalid or unenforceable provision were not contained herein.
12. Successors. Except as otherwise expressly provided herein, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and assigns.
13. Governing Law. The interpretation and enforcement of this Agreement shall be governed by the internal laws of the State of Delaware without regard to principles of conflicts of laws.
14. Counterparts. This Agreement may be executed in counterparts, all of which taken together shall be deemed one original.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

RECIPIENT

CNF INC.

By: _____

Name
[Address]
{Address}

By: _____

Jennifer W. Pileggi
Sr VP General Counsel & Secretary
2855 Campus Drive, Suite 300
San Mateo, CA 94403

By: _____

Escrow Holder