

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

January 25, 2006

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))

Item 1.01 Entry into a Material Definitive Agreement

A. Executive Compensation. On January 22 and 23, 2006, the Company's Compensation Committee, together with (in the case of the compensation of the Company's Chief Executive Officer), the other independent members of the Board of Directors, approved the following:

Salary Increases:

Officer	Title	Current Salary	% Increase	New Salary
Douglas W. Stotlar (1)	President and Chief Executive Officer	\$650,000	3.85%	\$675,012
Robert L. Bianco (2)	President, Menlo Worldwide, LLC	\$339,976	6.0%	\$360,412
John G. Labrie (3)	President, Con-Way Supply Chain Services, LLC	\$325,000	5.0%	\$341,276
David S. McClimon (4)	President, Con-Way Transportation Services, Inc.	\$395,044	6.0%	\$418,756
Jennifer W. Pileggi	Senior Vice President, General Counsel & Secretary	\$310,024	5.0%	\$325,572
Kevin C. Schick (5)	Senior Vice President and Chief Financial Officer	\$310,024	12.9%	\$350,012

(1) Mr. Stotlar was appointed President and Chief Executive Officer of CNF Inc. on April 25, 2005.

(2) Mr. Bianco is also Vice President of CNF Inc.

(3) Mr. Labrie is also Vice President of CNF Inc.

(4) Mr. McClimon is also Senior Vice President of CNF Inc.

(5) Mr. Schick was appointed Senior Vice President and Chief Financial Officer, effective April 1, 2005.

2006 Incentive Compensation Awards. The annual incentive compensation awards are based upon performance objectives approved by the Compensation Committee. The 2006 awards to Messrs. Stotlar and Schick and Ms. Pileggi are based on the pre-tax, pre-incentive income of the Company; the award to Mr. Bianco is based in part on the pre-incentive operating income of Menlo Worldwide, LLC and in part on the pre-tax, pre-incentive income of the Company; the award to

Mr. McClimon is based in part on the pre-incentive operating income of Con-Way Transportation Services, Inc. and in part on the pre-tax, pre-incentive income of the Company; and the award to Mr. Labrie is based in part on the pre-incentive operating income of Con-Way Supply Chain Services, LLC and in part on the pre-tax, pre-incentive income of the Company. The maximum incentive compensation for any officer is equal to twice his or her target award.

Officer	Title	Target Award, as Percentage of Salary	Target Award (\$)	Maximum Award (\$)
Douglas W. Stotlar	President and Chief Executive Officer	100%	\$675,012	\$1,350,024
Robert L. Bianco	President, Menlo Worldwide, LLC	60%	\$216,247	\$432,494
John G. Labrie	President, Con-Way Supply Chain Services, LLC	60%	\$204,766	\$409,532
David S. McClimon	President, Con-Way Transportation Services, Inc.	75%	\$314,067	\$628,134
Jennifer W. Pileggi	Senior Vice President, General Counsel & Secretary	75%	\$244,179	\$488,358
Kevin C. Schick	Senior Vice President and Chief Financial Officer	75%	\$262,509	\$525,018

Value Management Plan Awards for Three-Year Cycle Ending December 31, 2008. Value Management awards are governed by the terms of the Company's Value Management Plan. Two-thirds of each award is based upon the "absolute performance" of one or more business units, as measured by EBITDA (earnings before interest, taxes, depreciation and amortization) and by ROCE (return on capital employed), and one-third on CNF's relative total shareholder return for the three-year cycle. The performance objectives are approved by the Compensation Committee.

For the 2006-2008 cycle, Mr. McClimon's award is based in part on the performance of Con-Way Transportation Services, Inc. and in part on the performance of the Company, Mr. Labrie's award is based in part on the performance of Con-Way Transportation Services, Inc. and in part on the performance of the Company, and Mr. Bianco's award is based in part on the performance of Menlo Worldwide, LLC and in part on the performance of the Company. Payments on the awards set forth in the table below are payable in 2009, based on actual performance for the three-year period commencing

January 1, 2006 and ending December 31, 2008. The maximum Value Management Plan award for any officer is equal to twice his or her target award. A copy of the amended and restated Value Management Plan is attached hereto as Exhibit 99.1. The foregoing description of the Value Management Plan is qualified in its entirety by reference to such exhibit.

Officer	Title	Target Award (% of Salary)	Target Award (\$)	Maximum Award (\$)
Douglas W. Stotlar	President and Chief Executive Officer	200%	\$1,350,024.00	\$2,700,048.00
Robert L. Bianco	President, Menlo Worldwide, LLC	62.5%	\$225,257.50	\$450,515.00
John G. Labrie	President, Con-Way Supply Chain Services, LLC	62.5%	\$213,297.50	\$426,595.00
David S. McClimon	President, Con-Way Transportation Services, Inc.	112.5%	\$471,100.50	\$942,201.00
Jennifer W. Pilleggi	Senior Vice President, General Counsel & Secretary	112.5%	\$366,268.50	\$732,537.00
Kevin C. Schick	Senior Vice President and Chief Financial Officer	112.5%	\$393,763.50	\$787,527.00

Stock Option Awards. Each stock option award described in the table below is made pursuant to, and is governed by the terms of, the Company's 1997 Equity and Incentive Plan and a stock option agreement in the form attached hereto as Exhibit 99.2 entered into by the Company and the executive. These documents provide that the options have a term of ten years, will vest in equal annual installments over three years, commencing January 1, 2007, or earlier in certain circumstances (including in the event of death or disability or upon a Change in Control). Upon retirement at age 65 or pursuant to the "Rule of 85" (providing for an unreduced retirement benefit upon early retirement), the options continue to vest in accordance with their terms. The foregoing description of the stock option awards is qualified in its entirety by reference to the form of stock option agreement attached hereto as Exhibit 99.2.

Officer	Title	Non-Qualified Option Shares	Incentive Stock Option Shares	Total Option Shares	Exercise Price
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Douglas W. Stotlar	President and Chief Executive Officer	53,189	1,811	55,000	\$55.20
Robert L. Bianco	President, Menlo Worldwide LLC	8,700	0	8,700	\$55.20
John G. Labrie	President, Con-Way Supply Chain Services, LLC	8,700	0	8,700	\$55.20
David S. McClimon	President, Con-Way Transportation Services, Inc.	16,589	1,811	18,400	\$55.20
Jennifer W. Pilleggi	Senior Vice President, General Counsel & Secretary	14,189	1,811	16,000	\$55.20
Kevin C. Schick	Senior Vice President and Chief Financial Officer	14,189	1,811	16,000	\$55.20

B. Adjustment to Value Management Plan Award Performance Goals

In December 2004, the Company closed the sale of its Menlo Worldwide Forwarding subsidiary ("Forwarding") to United Parcel Service, Inc. At its January 22, 2006 meeting, the Compensation Committee exercised its discretion under the terms of the Value Management Plan to amend the performance goals applicable to awards made to executives employed by the Company and by Menlo Worldwide for the 2004-2006 award cycle, in order to reflect the sale of Forwarding.

Under the Value Management Plan, two-thirds (2/3) of each award is based upon the "absolute performance" of one or more business units, as measured by EBITDA (earnings before interest, tax, depreciation and amortization) and by ROCE (return on capital employed). The performance goals originally approved by the Committee and applicable to awards made to executive employed by CNF and by Menlo Worldwide included EBITDA and ROCE for Forwarding for the entire three-year cycle; however, following the December 2004 sale Forwarding no longer contributed to EBITDA and ROCE. As a result, the Committee elected to amend the performance goals for the 2004-2006 cycle so as to remove Forwarding from the goals for the 2005 and 2006 (but not 2004) calendar years.

C. Value Management Plan

In 2005, the Compensation Committee approved certain changes to the Value Management Plan, including changes providing for executives who transfer from one business unit to another during a Value Management Plan award cycle to receive a pro rata payment for that award cycle, based on the performance of each of the business units which employed that executive during the cycle. At its January 22, 2006 meeting, the Committee amended the Value Management Plan to provide that the pro rata payment will be received by each affected executive unless the Committee determines otherwise. The Committee also determined that Mr. Stotlar will not receive a pro rata payment for the 2005-2007 award cycle (but instead will receive a payment based solely on the performance of Con-Way Transportation Services, Inc. for the cycle), even though he transferred from Con-Way Transportation Services, Inc. to the Company upon his promotion to President and CEO in April 2005. A copy of the amended and restated Value Management Plan is attached hereto as Exhibit

99.1. The foregoing description of the Plan is qualified in its entirety by reference to Exhibit 99.1.

D. Form of Stock Option Agreement

At the January 22, 2006 December meeting, the Compensation Committee approved certain amendments, which are largely clarifying and/or technical in nature, to the form of Stock Option Agreement used to evidence awards of stock options made to executives under the 1997 Equity and Incentive Plan. The amendments (i) clarify that all unvested options automatically vest upon the death or disability (as defined) of an executive who at the time of death or disability is an active full-time employee; (ii) provide that all unvested options held by retired executives automatically vest upon the executive's death; (iii) amend the definition of the term "disability;" and (iv) provide that options continue to be exercisable for a period of one year following an option holder's death (but not beyond the ten-year term of the option). A copy of the amended form of Stock Option Agreement is attached hereto as Exhibit 99.2. The foregoing description of the Stock Option Agreement is qualified in its entirety by reference to Exhibit 99.2.

E. Director Compensation

On January 23, 2006 the Board of Directors, based on the recommendation of the Director Affairs Committee, approved a supplemental chair retainer of \$200,000 for Dr. W. Keith Kennedy, Jr., the Chairman of the Company's Board of Directors, in calendar year 2006. In addition to the supplemental chair retainer, Dr. Kennedy also will receive the annual cash retainer of \$70,000 paid to all members of the Board of Directors. Each of these retainers is payable quarterly in advance. In 2006, Dr. Kennedy also will receive a grant of restricted stock having a value at the time of grant of \$65,000. The restricted stock grant will be made in April 2006, after directors are elected at the Company's annual meeting of shareholders. In 2005, Dr. Kennedy received an annualized chair retainer of \$750,000 during the period from April 25, 2005 (when he stepped down as interim Chief Executive Officer of the Company) through December 31, 2005, in recognition of his increased responsibilities and time commitment as Chair to ensure that the Board's strategic direction was communicated to and embraced by the new Chief Executive Officer, Mr. Stotlar, during the first few months following his assumption of such executive responsibilities.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

Exhibit No.	Description
99.1	Amended and Restated Value Management Plan
99.2	Amended Form of Stock Option 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)

January 25, 2006

/s/ Jennifer W. Pileggi

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

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 Performance 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.

Unless the Committee otherwise determines, 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.

prepared for: <<First_Name>> <<MI>>
<<Last_Name>>
<<EE>> - <<CORP>>

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: <<M_2005_SOP_GRANT>> shares
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.

Governing options awarded on _____, _____

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 as amended as of the Award effective date (the "Plan"), which Plan is incorporated herein by reference, the following provisions 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 (\$.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 the date the Option becomes fully exercisable 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, Subsidiary or Affiliate 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. The Committee may rely, in making its determination, upon the advice of one or more medical practitioners selected by the Committee and upon such evidence as may be presented by the Optionee. The Committee may take into account such factors as whether or not the disability qualifies for long-term disability benefits under a Company plan, and whether the disability qualifies for Social Security disability benefits. The Committee may refuse to determine Disability if the Optionee fails to provide such evidence as is required by the Committee or fails to submit to examination by a medical practitioner selected by the Committee.

- (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 unexercisable at Retirement, shall be forfeited and, 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 while the Optionee is a Regular Employee, 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 shall become fully exercisable and shall continue to be exercisable until one year after Optionee ceases to be a Regular Employee, but not beyond the Terminal Date of the Option.
- (g) Except as otherwise provided in Paragraph 4(b) of these Terms and Conditions, if Optionee dies --
 - (i) while the Optionee is a Regular Employee, the Option shall become fully exercisable and shall continue to be exercisable until one year after Optionee dies, but not beyond the Terminal Date of the Option,
 - (ii) after the Optionee ceases to be a Regular Employee (other than by reason of Normal Retirement or death) and during such time as the Option continues to be exercisable pursuant to Paragraph 4(a), 4(d) or 4(f) of these Terms and Conditions, the Option shall continue to be exercisable until one year after Optionee dies, but not beyond the Terminal Date of the Option, or
 - (iii) after the Optionee ceases to be a Regular Employee on account of Normal Retirement and during such time as the Option continues to be exercisable pursuant to Paragraph 4(c) of these Terms and Conditions, the Option shall become fully exercisable and shall continue to be exercisable until one year after Optionee dies, but not beyond the Terminal Date of the Option.

In each case, 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.

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 (or to the buyer in the case of a cashless exercise contemplated by the preceding paragraph) 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 (or such buyer), 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 (except that, if the Option is an ISO, any transfer must be consistent with that status). 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 [or a Subsidiary or Affiliate].
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.
16. 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