

CNF INC
Form DEF 14A
March 16, 2004
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SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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CNF Inc.

(Name of Registrant as Specified In Its Certificate)

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Notice of Annual Meeting

and

Proxy Statement

Annual Meeting of Shareholders

APRIL 20, 2004

CNF INC.

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CNF INC.

3240 HILLVIEW AVENUE
PALO ALTO, CALIFORNIA 94304

TELEPHONE: 650/494-2900

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Tuesday, April 20, 2004

9:00 A.M., local time

Knowles Room, Hotel du Pont, 11th and Market Streets, Wilmington, Delaware

FELLOW SHAREHOLDER:

The Annual Meeting of Shareholders of CNF Inc. will be held at 9:00 A.M., local time, on Tuesday, April 20, 2004, to:

1. Elect four Class I directors for a three-year term.
2. Ratify the appointment of auditors.
3. Transact any other business properly brought before the meeting.

Shareholders of record at the close of business on March 1, 2004, are entitled to notice of and to vote at the meeting.

Your vote is important. Whether or not you plan to attend, I urge you to **SIGN, DATE AND RETURN THE ENCLOSED WHITE PROXY CARD IN THE ENVELOPE PROVIDED**, in order that as many shares as possible will be represented at the meeting. If you attend the meeting and prefer to vote in person, you will be able to do so and your vote at the meeting will revoke any proxy you may submit.

Sincerely,

/s/ Eberhard G.H. Scholler

EBERHARD G.H. SCHMOLLER
Secretary

March 16, 2004

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CNF INC.

3240 HILLVIEW AVENUE

PALO ALTO, CALIFORNIA 94304

TELEPHONE: 650/494-2900

PROXY STATEMENT

March 16, 2004

The Annual Meeting of Shareholders of CNF Inc. (the Company) will be held on Tuesday, April 20, 2004. Shareholders of record at the close of business on March 1, 2004 will be entitled to vote at the meeting. This proxy statement and accompanying proxy are first being sent to shareholders on or about March 16, 2004.

Board of Directors Recommendations

The Board of Directors of the Company is soliciting your proxy for use at the meeting and any adjournment or postponement of the meeting. The Board recommends a vote for the election of the nominees for directors described below and for ratification of the appointment of KPMG LLP as independent auditors.

Proxy Voting Procedures

To be effective, properly signed proxies must be returned to the Company prior to the meeting. The shares represented by your proxy will be voted in accordance with your instructions. However, if no instructions are given, your shares will be voted in accordance with the recommendations of the Board.

Voting Requirements

A majority of the votes attributable to all voting shares must be represented in person or by proxy at the meeting to establish a quorum for action at the meeting. Directors are elected by a plurality of the votes cast, and the four nominees who receive the

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greatest number of votes cast for election of directors at the meeting will be elected directors for a three-year term. The ratification of the appointment of auditors requires a favorable vote of the holders of a majority of the voting power represented at the meeting.

In the election of directors, broker non-votes, if any, will be disregarded and have no effect on the outcome of the vote. With respect to the ratification of the appointment of auditors, abstentions from voting will have the same effect as voting against such matter and broker non-votes, if any, will be disregarded and have no effect on the outcome of such vote.

Voting Shares Outstanding

At the close of business on March 1, 2004, the record date for the Annual Meeting, there were outstanding and entitled to vote 50,024,063 shares of Common Stock and 755,778 shares of Series B Cumulative Convertible Preferred Stock (Series B Preferred Stock). Each share of Common Stock has the right to one non-cumulative vote and each share of Series B Preferred Stock has the right to 6.1 non-cumulative votes. Therefore, an aggregate of 54,634,309 votes are eligible to be cast at the meeting.

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Proxy Voting Convenience

You are encouraged to exercise your right to vote by returning to the Company a properly executed **WHITE** proxy in the enclosed envelope, whether or not you plan to attend the meeting. This will ensure that your votes are cast.

You may revoke or change your proxy at any time prior to its use at the meeting. There are three ways you may do so: (1) give the Company a written direction to revoke your proxy; (2) submit a later dated proxy; or (3) attend the meeting and vote in person.

Attendance at the Meeting

All shareholders are invited to attend the meeting. Persons who are not shareholders may attend only if invited by the Board of Directors. **If you are a shareholder but do not own shares in your name, you must bring proof of ownership (e.g., a current broker's statement) in order to be admitted to the meeting.**

ELECTION OF DIRECTORS

The Board of Directors Recommends a Vote For All Nominees.

The Board of Directors of the Company, pursuant to the Bylaws, has determined that the number of directors of the Company shall be twelve. Unless you withhold authority to vote, your proxy will be voted for election of the nominees named below.

The following persons are the nominees of the Board of Directors for election as Class I directors to serve for a three-year term until the 2007 Annual Meeting of Shareholders and until their successors are duly elected and qualified:

W. Keith Kennedy, Jr.

John C. Pope

Gregory L. Quesnel

Peter W. Stott

If a nominee becomes unable or unwilling to serve, proxy holders are authorized to vote for election of such person or persons as shall be designated by the Board of Directors; however, the management knows of no reason why any nominee should be unable

or unwilling to serve.

The Company has three classes of directors, each of which is elected for a three-year term. Class II directors will be elected in 2005 and Class III directors will be elected in 2006. All directors have previously been elected by the shareholders, except John C. Pope, who was appointed by the Board as a Class I director in January 2003, Peter W. Stott, who was appointed by the Board as a Class I director in February 2004, and Chelsea C. White III, who was appointed by the Board as a Class II director in February 2004. Mr. Stott and Mr. Pope, each of whom has been nominated to stand for election as a Class I director, were recommended to the Company's Director Affairs Committee by a non-management director of the Company and by a third-party search firm, respectively. Kevin Burns, a Class I director appointed in January 2003, resigned from the Board in early 2004.

Mr. Quesnel has informed the Board of Directors that he will retire as President and Chief Executive Officer of the Company on July 6, 2004, and that he will resign as a director upon his retirement. It is anticipated that the individual who succeeds Mr. Quesnel as President and Chief Executive Officer will be appointed by the Board of Directors to fill the vacancy on the Board resulting from Mr. Quesnel's resignation as a director.

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CLASS I DIRECTORS

W. KEITH KENNEDY, JR. Director since 1996
Chairman of the Board,

CNF Inc.

Retired President and Chief Executive Officer,

Watkins-Johnson Company

a high-technology corporation specializing in semiconductor

manufacturing equipment and electronic products for telecommunications and defense

Dr. Kennedy was named Chairman of CNF Inc. in January 2004. From April 2002 to January 2004 he was the Vice Chairman of CNF. He retired as President and Chief Executive Officer of Watkins-Johnson Company in January 2000. He had held that position since January 1988. He joined Watkins-Johnson in 1968 and was a Division Manager, Group Vice President, and Vice President of Planning Coordination and Shareowner Relations prior to becoming President. Dr. Kennedy, age 60, is a graduate of Cornell University from which he holds B.S.E.E., M.S., and Ph.D. degrees. He is the past Chairman of Joint Venture: Silicon Valley Network, a non-profit regional organization and he serves on the Board of Lytton Gardens, a non-profit senior community. He had previously held Board and/or officer positions with Boy Scouts of America (Pacific Skyline Council), California State Chamber of Commerce, Silicon Valley Manufacturing Group and the Superschools Foundation of Fremont Union Schools District. Dr. Kennedy is a senior member of the Institute of Electrical and Electronics Engineers. He is Chairman of the Compensation Committee and Executive Committee and a member of the Director Affairs Committee of the Board.

JOHN C. POPE Director since 2003
Chairman,

PFI Group, LLC,

a financial management firm

Mr. Pope is Chairman of PFI Group, LLC, a financial management firm that invests primarily in venture capital opportunities. From December 1995 to November 1999, Mr. Pope was Chairman of the Board of MotivePower Industries, Inc., a NYSE-listed manufacturer and remanufacturer of locomotives and locomotive components until it merged with Westinghouse Air Brake. Prior to joining MotivePower Industries, Mr. Pope spent six and one-half years with United Airlines and UAL Corporation in various roles, including President and Chief Operating Officer and a member of the Board of Directors. Mr. Pope also spent 11 years with American Airlines and its parent, AMR Corporation, serving as Senior Vice President of Finance, Chief Financial Officer and Treasurer. He was employed by General Motors Corporation prior to entering the airline industry. Mr. Pope is a member of the Board of Directors of Air Canada, Dollar Thrifty Automotive Group, Federal-Mogul Corporation, Kraft Foods, Inc., Per-Se Technologies, Inc., R.R. Donnelley & Sons

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Company and Waste Management, Inc., as well

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as the Board of the John G. Shedd Aquarium in Chicago where he is also Chairman of the Finance Committee. Mr. Pope will resign as a director of Air Canada and Federal-Mogul Corporation upon each such corporation's emerging from reorganization proceedings, which is anticipated to occur for each corporation in the latter half of 2004. Mr. Pope holds a master's degree from the Harvard Graduate School of Business Administration and a bachelor's degree in engineering and applied science from Yale University. Mr. Pope, age 55, is a member of the Audit and Finance Committees of the Board of Directors.

GREGORY L. QUESNEL Director since 1998
President and Chief Executive Officer,

CNF Inc.

Mr. Quesnel, 55, was named President and CEO of the Company in May 1998. At that time, he was also elected as a member of the Company's Board of Directors. As part of a planned succession, Mr. Quesnel was elected President and Chief Operating Officer in July 1997. Prior to that, Mr. Quesnel was Executive Vice President and Chief Financial Officer of the Company. Mr. Quesnel has more than 28 years of experience in the transportation industry. He joined the Company in 1975, following several years of professional experience with major corporations in the petroleum and wood products industries. Mr. Quesnel advanced through increasingly responsible positions and, in 1990, Mr. Quesnel was elected Vice President and Treasurer of the Company; in 1991, he was elected Senior Vice President and Chief Financial Officer; and he was promoted to Executive Vice President and Chief Financial Officer in 1994. Mr. Quesnel is a member of the California Business Roundtable and the Conference Board. He also serves as a member of the Executive Committee of the Bay Area Council of the Boy Scouts of America and is a member of the Board of Directors of Potlatch Corporation. Mr. Quesnel earned a bachelor's degree in finance from the University of Oregon and holds a master's degree in business administration from the University of Portland. Mr. Quesnel is a member of the Executive Committee of the Board.

PETER W. STOTT Director since 2004
President and Chief Executive Officer,

Crown Pacific Partners L.P.

an integrated forest products company

Mr. Stott co-founded Crown Pacific Partners L.P. in 1988 as President and CEO. Crown Pacific Partners L.P. filed for Chapter 11 reorganization on June 29, 2003. Prior to Crown Pacific, Mr. Stott founded Market Transport, Ltd. in 1969, now the largest asset-based transportation and logistics services company headquartered in Oregon. He continues as Market Transport's Board Chairman. Mr. Stott also serves on the board of directors for Liberty Northwest Insurance. Additionally, he is a member of the President's Advisory Board for Athletics at Portland State University, a trustee for Lewis and Clark College and the Oregon Chapter of the National Football Foundation Hall of Fame, and the Chairman of the Founder's Circle of SOLV and the Crater Lake Park National Trust. Mr. Stott, 59, is a member of the Director Affairs and Executive Committees of the Board.

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CLASS II DIRECTORS

MICHAEL J. MURRAY Director since 1997
Retired President, Global Corporate and Investment Banking,

Bank of America Corporation

a financial institution

Mr. Murray retired in July 2000 as president of Global Corporate and Investment Banking at Bank of America Corporation and as a member of the corporation's Policy Committee. From March 1997 to the BankAmerica-Nations Bank merger in September 1998, Mr. Murray headed BankAmerica Corporation's Global Wholesale Bank and was responsible for its business with large corporate, international, and government clients around the world. Mr. Murray was named a BankAmerica vice chairman and head of the U.S. and International Groups in September 1995. He had been responsible for BankAmerica's U.S. Corporate Group since BankAmerica's merger with Continental Bank Corporation in September 1994. Prior to the BankAmerica-Continental merger, Mr. Murray was vice chairman and head of Corporate Banking for Continental Bank, which he joined in 1969. Mr. Murray is a member of the Board of Directors of the eLoyalty Corporation in Lake Forest, Illinois and Neofoma, Inc. in San Jose, CA. In addition, he is on the Board of Sapias, Inc., and on the advisory board of the Petkevich Group, both private companies headquartered in San Francisco. He is past Chairman of the United Way of the Bay Area and continues to serve on its board. Mr. Murray is also on the Board of the California Academy of Sciences in San Francisco and is a member of the Advisory Council for the College of Business of the University of Notre Dame. Mr. Murray, age 59, received his BBA from the University of Notre Dame in 1966 and his MBA from the University of Wisconsin in 1968. He is a member of the Audit and Compensation Committees of the Board.

ROBERT D. ROGERS Director since 1990
President and Chief Executive Officer,

Texas Industries, Inc.

a producer of steel, cement, aggregates and concrete

Mr. Rogers joined Texas Industries, Inc. in 1963 as General Manager/European Operations. In 1964, he was named Vice President-Finance; in 1968, Vice President-Operations; and in 1970, he became President and Chief Executive Officer. He is also a Director of Texas Industries, Inc. Mr. Rogers is a graduate of Yale University and earned an MBA from the Harvard Graduate School of Business. He is a member of the Executive Board for Southern Methodist University Cox School of Business and serves on the Board of Adams Golf. Mr. Rogers, age 67, served as Chairman of the Federal Reserve Bank of Dallas from 1984 to 1986 and was Chairman of the Greater Dallas Chamber of Commerce from 1986 to 1988. He is Chairman of the Finance Committee and a member of the Compensation Committee of the Board.

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WILLIAM J. SCHROEDER Director since 1996
President and Chief Executive Officer,

Vormetric, Inc.

a private, development-stage company designing and marketing

a system for securing enterprise data

Mr. Schroeder joined Vormetric as President and CEO in 2002, where he has served as a director since 2001. During 2000, Mr. Schroeder was President and CEO of CyberIQ Systems, Inc., a private start-up company in the Internet traffic switch market, which filed for bankruptcy on March 11, 2001. Mr. Schroeder was previously employed by Diamond Multimedia Systems, Inc. as President and CEO (1994-1999) and before that by Conner Peripherals, Inc., initially as President and Chief Operating Officer (1986-1989) and later as Vice Chairman (1989-1994). Earlier, Mr. Schroeder was the founder and CEO (1978-1986) of Priam Corporation. Mr. Schroeder also served in various management or technical positions at Memorex Corporation, McKinsey & Co., and Honeywell, Inc. and currently serves on the Board of Directors of WatchGuard Technologies, Inc. and AlphaSmart, Inc. Mr. Schroeder, age 59, holds the MBA degree with High Distinction from the Harvard Business School and the M.S.E.E. and B.E.E. degrees from Marquette University. He is a member of the Audit and Finance Committees of the Board.

CHELSEA C. WHITE III Director since 2004
ISyE Chair of Transportation and Logistics

Georgia Institute of Technology

School of Industrial and Systems Engineering

an institution of higher learning

Prof. White, 58, currently holds the ISyE (School of Industrial and Systems Engineering) Chair of Transportation and Logistics at the Georgia Institute of Technology and is the Director of the Trucking Industry Program and the Executive Director of The Logistics Institute. He is the Editor of the Institute of Electrical and Electronics Engineers (IEEE) Transactions on Systems, Man, and Cybernetics, Part C, and was the founding Editor of the IEEE Transactions in Intelligent Transportation Systems (ITS). He has also served as the ITS Series book editor for Artech House Publishing Company. Prof. White serves on the Boards of Directors for the ITS World Congress, ITS America and The Logistics Institute-Asia Pacific. He is former President and member of the ITS Michigan Board of Directors and has served on the advisory boards of Kinetic Computer Corporation and CenterComm Corporation. His research interests include the use of information technology for improved supply chain productivity and security. Prof. White is a member of the Compensation and Finance Committees of the Board.

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CLASS III DIRECTORS

ROBERT ALPERT Director since 1976
The Alpert Companies

a private investment group

Mr. Alpert has managed his own portfolio of companies since 1965. His business career includes over 40 years in banking, finance, real estate, and entertainment investments. He has served on over 30 boards as director, officer or in an advisory board capacity. He currently serves on the Boards of TXI, Inc. (Dallas, TX); Trio Consulting (UK) Ltd.; and The Empire AB (Stockholm, Sweden). Mr. Alpert is an advisory director for I.C. Deal Companies (Dallas, TX). Additionally, he is a life member of the Advisory Council for the University of Texas at Austin, College of Business Administration and a Trustee Emeritus for Colby College in Maine. He is a former Chairman for the Dallas Foundation for Health, Education and Research, a public charity. He served as Honorary Consul for Sweden in Dallas for 14 years, retiring from the diplomatic post in January 2003. In 1999, Mr. Alpert was awarded a medal of honor from King Carl Gustaf H.M. of Sweden when the King knighted him Officer First Class of the Royal Order of the Polar Star. He has belonged to the Royal Round Table of Swedish Councils of America, the Swedish-American Chamber of Commerce and the Dallas Consul Corp. Mr. Alpert is a former member of the Chief Executive Organization and a current member of the World Presidents Organization. Mr. Alpert, age 72, is a member of the Director Affairs, Executive, and Finance Committees of the Board.

MARGARET G. GILL Director since 1995
Former Senior Vice President-Legal, External Affairs and Secretary,

AirTouch Communications

a wireless communications company

Mrs. Gill served as Senior Vice President-Legal, External Affairs and Secretary of AirTouch Communications from January 1994 until July 1999, when AirTouch was acquired by Vodafone PLC. Prior to joining AirTouch she was, for 20 years, a partner in the law firm of Pillsbury, Madison & Sutro (now Pillsbury Winthrop) in San Francisco. From 1983 to 1993, she served as practice group manager and senior partner for the firm's corporate securities group. Mrs. Gill earned her law degree in 1965 from Boalt Hall Law School, University of California at Berkeley, and holds a Bachelor of Arts degree from Wellesley College. Mrs. Gill, age 64, manages the Stephen and Margaret Gill Family Foundation, of which she is Board Chair and President. She is also President of the Board of Directors of the Episcopal Diocese of California, a Director and Chair of Episcopal Charities, and a trustee and executive committee member of the San Francisco Ballet. Mrs. Gill is a member of the Audit and Director Affairs Committees of the Board.

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ROBERT JAUNICH II Director since 1992
Managing Director,

The Fremont Group

a private investment corporation

Mr. Jaunich joined The Fremont Group, a private investment corporation managing assets of \$11.0 billion, in January 1991. He is Managing Director and member of the Boards of Directors and the Executive Committees of the Boards for Fremont's principal entities, Fremont Group, L.L.C. and Fremont Investors Inc. He is also Managing Partner of Fremont Partners, L.P., which manages \$1.8 billion targeted to make and oversee majority equity investments in operating companies representing a broad spectrum of industries. Additionally, he is a Director of Fremont Capital, Inc., an SEC/NASD registered broker/dealer. In addition to serving on the Board of the Company, Mr. Jaunich serves as Chairman of several corporations including Crown Pacific Partners L.P., Kinetic Concepts, Inc. (NYSE), Software Architects Inc., Juno Lighting, Inc. (NASDAQ), Nellson Nutraceutical Inc. and serves on the board of Kerr Group, Inc. He is President of the non-profit National Recreation Foundation. He is a life member of the World Presidents Organization and was a member of Young Presidents Organization (1980-1990). Mr. Jaunich, age 64, received a BA from Wesleyan University, Middletown, Connecticut and an MBA from Wharton Graduate School, University of Pennsylvania. He is Chairman of the Directors Affairs Committee and a member of the Executive and Finance Committees of the Board.

ROBERT P. WAYMAN Director since 1994
Executive Vice President, Finance and Administration

and Chief Financial Officer,

Hewlett-Packard Company

a computer-manufacturing company

Mr. Wayman joined Hewlett-Packard Company in 1969. After serving in several accounting management positions, he was elected Vice-President and Chief Financial Officer in 1984. He became a Senior Vice President in 1987 and an Executive Vice President in 1992. Mr. Wayman, age 58, holds a bachelor's degree in science engineering and a master's degree in business administration from Northwestern University. He is a member of the Board of Directors of Sybase Inc., Portal Software Inc., and the Board of the Private Sector Council. He is a member of the Policy Council of the Tax Foundation, the Financial Executives Institute, the Council of Financial Executives of the Conference Board, and the Advisory Board to the Northwestern University School of Business. He is Chairman of the Audit Committee and a member of the Compensation Committee of the Board.

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The following table sets forth information regarding beneficial ownership of the Company's Common Stock and Series B Preferred Stock, as of February 1, 2004, by the directors, the executive officers identified in the Summary Compensation Table below and by the directors and executive officers as a group.

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership(1)</u>	<u>Percent of Class</u>
Robert Alpert	82,387 Common 0 Series B Preferred	*
Gerald L. Detter(2)	371,369 Common 272 Series B Preferred	*
Margaret G. Gill	24,248 Common 0 Series B Preferred	*
Robert Jaunich II	37,619 Common 0 Series B Preferred	*
W. Keith Kennedy, Jr.	34,673 Common 0 Series B Preferred	*
Michael J. Murray	28,516 Common 0 Series B Preferred	*
John C. Pope	12,455 Common 0 Series B Preferred	*
Gregory L. Quesnel(3)	862,073 Common 259 Series B Preferred	*
Sanchayan C. Ratnathicam(4)	331,418 Common 212 Series B Preferred	*
Robert D. Rogers	31,564 Common 0 Series B Preferred	*
Eberhard G.H. Schmoller(5)	333,594 Common 220 Series B Preferred	*
William J. Schroeder	20,397 Common 0 Series B Preferred	*
Peter W. Stott	1,330 Common 0 Series B Preferred	*
Robert P. Wayman	24,441 Common 0 Series B Preferred	*
Chelsea C. White III	1,330 Common 0 Series B Preferred	*
John H. Williford(6)	346,033 Common 187 Series B Preferred	*
All directors and executive officers as a group (18 persons)(7)	2,570,378 Common 1,292 Series B Preferred	4.8 %

* Less than one percent of the Company's outstanding shares of Common Stock.

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- (1) Represents shares as to which the individual has sole voting and investment power (or shares such power with his or her spouse). The shares shown for non-employee directors include the following number of shares of restricted stock and number of shares which the non-employee director has the right to acquire within 60 days of February 1, 2004 because of vested stock options: Mr. Alpert, 11,484 and 16,102; Mrs. Gill, 2,619 and 19,213; Mr. Jaunich, 2,619 and 20,749; Dr. Kennedy, 2,619 and 22,590; Mr. Murray, 2,619 and 14,822; Mr. Pope, 1,892 and 8,563; Mr. Rogers, 2,619 and 23,694; Mr. Schroeder, 2,619 and 12,514; Mr. Stott, 810 and 520; Mr. Wayman, 2,619 and 18,571; and Dr. White 810 and 520. The restricted stock and stock options were awarded under and are governed by the Amended and Restated Equity Incentive Plan for Non-Employee Directors.
- (2) The shares shown include 254,748 shares which Mr. Detter has the right to acquire within 60 days of February 1, 2004 because of vested stock options. In addition to the holdings described in the above table, Mr. Detter also holds 30,147 phantom stock units under the Company's Deferred Compensation Plan for Executives.
- (3) The shares shown include 785,143 shares which Mr. Quesnel has the right to acquire within 60 days of February 1, 2004 because of vested stock options. In addition to the holdings described in the above table, Mr. Quesnel also holds 20,576 phantom stock units under the Company's Deferred Compensation Plan for Executives.
- (4) The shares shown include 292,329 shares which Mr. Ratnathicam has the right to acquire within 60 days of February 1, 2004 because of vested stock options. In addition to the holdings described in the above table, Mr. Ratnathicam also holds 1,577 phantom stock units under the Company's Deferred Compensation Plan for Executives.
- (5) The shares shown include 269,715 shares which Mr. Schmoller has the right to acquire within 60 days of February 1, 2004 because of vested stock options.
- (6) The shares shown include 252,116 shares which Mr. Williford has the right to acquire within 60 days of February 1, 2004 because of vested stock options.
- (7) The shares shown include 1,879,267 shares which all directors and executive officers as a group have the right to acquire within 60 days of February 1, 2004 because of vested stock options.

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The Board of Directors has determined that each incumbent director, other than Gregory L. Quesnel, is an independent director under the New York Stock Exchange listing standards. In making such determination as to Robert P. Wayman, the Board considered all of the relevant facts and circumstances relating to the services provided by the Company and its subsidiaries to Hewlett-Packard Company, of which Mr. Wayman is Chief Financial Officer, and concluded that such services do not constitute a material relationship between Mr. Wayman and the Company.

Board Meetings; Executive Sessions of Non-Management Directors

During 2003, the Board of Directors held seven meetings. Each incumbent director attended at least 75% of all meetings of the Board and the committees of the Board on which he or she served.

Non-management members of the Board of Directors meet in executive session on a regularly scheduled basis. Neither the Chief Executive Officer nor any other member of management attends such meetings of non-management directors. The Chairman of the Board of Directors of the Company, W. Keith Kennedy, Jr., has been chosen as the Lead Non-Management Director to preside at such executive sessions. For information regarding how to communicate with the Lead Non-Management Director and other members of the Company's Board of Directors, see Communications with Directors on page 13.

Standing Committees

The Board of Directors currently has the following standing committees: Audit Committee, Compensation Committee, Director Affairs Committee, Executive Committee and Finance Committee, the members of which are shown in the table below. Each of the Audit, Compensation and Directors Affairs Committees is governed by a charter, current copies of which are available on the Company's corporate website at www.cnf.com under the headings Investor Relations/Corporate Governance. Copies of the charters are also available in print to shareholders upon request, addressed to the Corporate Secretary at 3240 Hillview Avenue, Palo Alto, California 94304. In addition, a current copy of the Audit Committee charter is attached as Appendix A to this Proxy Statement.

<u>Director</u>	<u>Audit</u>	<u>Compensation</u>	<u>Director Affairs</u>	<u>Executive</u>	<u>Finance</u>
Robert Alpert			X	X	X
Margaret G. Gill	X		X		
Robert Jaunich II			X*	X	X
W. Keith Kennedy, Jr.		X*	X	X*	
Michael J. Murray	X	X			

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John C. Pope	X			X
Gregory L. Quesnel			X	
Robert D. Rogers		X		X*
William J. Schroeder	X			X
Peter W. Stott			X	X
Robert P. Wayman	X*	X		
Chelsea C. White III		X		X

X = current member; * = chair

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Descriptions of the Audit, Compensation and Director Affairs Committees follow:

Audit Committee: The Audit Committee assists the Board in its oversight of matters involving the accounting, auditing, financial reporting, and internal control functions of the Company. The Committee receives reports on the work of the Company's outside auditors and internal auditors, and reviews with them the adequacy and effectiveness of the Company's accounting and internal control policies and procedures. Pursuant to Board policy, the Company's Chief Executive Officer, Chief Financial Officer, Controller and General Counsel are required to promptly notify the Chair of the Audit Committee upon receiving complaints regarding accounting, internal control and auditing matters involving the Company.

Each Committee member has been determined to be an independent director under the New York Stock Exchange listing standards. The Board has determined that each of Mr. Wayman and Mr. Pope qualifies as an audit committee financial expert as such term is defined in rules adopted by the Securities and Exchange Commission. The Board has determined that Mr. Pope's service on the audit committees of more than three public companies does not impair his ability to effectively serve on the Company's Audit Committee. The Committee met seventeen times during 2003.

Compensation Committee: The Compensation Committee approves the salary and other compensation of the Chief Executive Officer of the Company and of certain other executive officers and key employees. The Committee also oversees the administration of the Company's short-term and long-term incentive compensation plans, oversees grants of stock options and other awards under the Company's 1997 Equity and Incentive Plan, and reviews the retirement and benefit plans of the Company and its domestic subsidiaries for non-contractual employees. Each Committee member has been determined to be an independent director under the New York Stock Exchange listing standards. The Committee met five times during 2003.

Director Affairs Committee: The functions of the Director Affairs Committee include the following:

identifying and recommending to the Board individuals qualified to serve as directors of the Company;

recommending to the Board directors to serve on committees of the Board;

advising the Board with respect to matters of Board composition and procedures;

developing and recommending to the Board a set of corporate governance principles applicable to the Company and overseeing corporate governance matters generally; and

overseeing the annual evaluation of the Board and the Company's management.

Each Committee member has been determined to be an independent director under the New York Stock Exchange listing standards. The Director Affairs Committee met twice during 2003.

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The Director Affairs Committee will consider director candidates recommended by shareholders. In considering candidates submitted by shareholders, the Director Affairs Committee will take into consideration the needs of the Board and the qualifications of the candidate. To have a candidate considered by the Director Affairs Committee, a shareholder must submit the recommendation in writing and must include the following information:

the name of the shareholder and evidence of the person's ownership of Company stock; and

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the name of the candidate, the candidate's resume or a listing of his or her qualifications to be a director of the Company and the person's consent to be named as a director if selected by the Director Affairs Committee and nominated by the Board.

The shareholder recommendation and information described above must be sent to the Corporate Secretary at 3240 Hillview Avenue, Palo Alto, California 94304. The Director Affairs Committee will accept recommendations of director candidates throughout the year; however, in order for a recommended director candidate to be considered for nomination to stand for election at an upcoming annual meeting of shareholders, the recommendation must be received by the Corporate Secretary not less than 120 days prior to the anniversary date of the Company's most recent annual meeting of shareholders.

The Director Affairs Committee believes that the minimum qualifications for serving as a director of the Company are that a nominee demonstrate, by significant accomplishment in his or her field, an ability to make a meaningful contribution to the Board's oversight of the business and affairs of the Company and have a reputation for honest and ethical conduct in both his or her professional and personal activities. In addition, the Director Affairs Committee examines a candidate's specific experiences and skills, time availability in light of other commitments, potential conflicts of interest and independence from management and the Company. The Director Affairs Committee also seeks to have the Board represent a diversity of backgrounds and experience.

The Director Affairs Committee identifies potential nominees by asking current directors and executive officers to notify the Committee if they become aware of persons, meeting the criteria described above, who would be good candidates for service on the Board. The Director Affairs Committee also, from time to time, may engage firms that specialize in identifying director candidates. As described above, the Committee will also consider candidates recommended by shareholders.

Once a person has been identified by the Director Affairs Committee as a potential candidate, the Committee may collect and review publicly available information regarding the person to assess whether the person should be considered further. If the Director Affairs Committee determines that the candidate warrants further consideration, the Chairman or another member of the Committee contacts the person. Generally, if the person expresses a willingness to be considered and to serve on the Board, the Director Affairs Committee requests information from the candidate, reviews the person's accomplishments and qualifications, including in light of any other candidates that the Committee might be considering, and conducts one or more interviews with the candidate. In certain instances, Committee members may contact one or more references provided by the candidate or ma