

# RYDER SYSTEM INC

## FORM 10-K (Annual Report)

Filed 03/26/97 for the Period Ending 12/31/96

Address	11690 N.W. 105TH STREET MIAMI, FL 33178
Telephone	3055003726
CIK	0000085961
Symbol	R
SIC Code	7510 - Automotive Rental And Leasing, Without Drivers
Industry	Rental & Leasing
Sector	Services
Fiscal Year	12/31

# RYDER SYSTEM INC

## FORM 10-K (Annual Report)

Filed 3/26/1997 For Period Ending 12/31/1996

Address	3600 NW 82ND AVE MIAMI, Florida 33166
Telephone	305-500-3726
CIK	0000085961
Industry	Rental & Leasing
Sector	Services
Fiscal Year	12/31

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# FORM 10-K

## SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

FOR THE TRANSITION PERIOD FROM \_\_\_\_ TO \_\_\_\_

*Commission file number 1-4364*

### RYDER SYSTEM, INC.

(Exact name of registrant as specified in its charter)

FLORIDA  
(State or other jurisdiction of  
incorporation or organization)

3600 N.W. 82 AVENUE, MIAMI, FLORIDA 33166  
(Address of principal executive  
offices including zip code)

59-0739250  
(I.R.S. Employer  
Identification No.)

(305) 500-3726  
(Telephone number  
including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: YES X NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K: [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant computed by reference to the price at which the stock was sold as of January 31, 1997, was \$2,198,773,354. The number of shares of Ryder System, Inc. Common Stock (\$.50 par value) outstanding as of January 31, 1997, was 77,911,779.

DOCUMENTS INCORPORATED BY  
REFERENCE INTO THIS REPORT

-----  
Ryder System, Inc. 1996 Annual  
Report to Shareholders\*

Ryder System, Inc. 1997 Proxy  
Statement

PART OF FORM 10-K INTO WHICH  
DOCUMENT IS INCORPORATED

-----  
Parts I, II and IV

Part III

\*The Ryder System, Inc. 1996 Annual Report to Shareholders is incorporated  
herein only to the extent specifically stated.

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS OF SECURITIES -----	EXCHANGE ON WHICH REGISTERED -----
Ryder System, Inc. Common Stock (\$ .50 par value) and Preferred Share Purchase Rights (the Rights are not currently exercisable, transferable or exchangeable apart from the Common Stock)	New York Stock Exchange Pacific Stock Exchange Chicago Stock Exchange
Ryder System, Inc. 9% Series G Bonds, due May 15, 2016	New York Stock Exchange
Ryder System, Inc. 8 3/8% Series H Bonds, due February 15, 2017	New York Stock Exchange
Ryder System, Inc. 8 3/4% Series J Bonds, due March 15, 2017	New York Stock Exchange
Ryder System, Inc. 9 7/8% Series K Bonds, due May 15, 2017	New York Stock Exchange
Ryder System, Inc. 9 1/4% Series N Notes, due May 15, 2001	None
Ryder System, Inc. Medium-Term Notes due from 9 months to 10 years from date of issue at rate based on market rates at time of issuance	None
Ryder System, Inc. Medium-Term Notes, Series 7, due from 9 months to 30 years from date of issue at rate based on market rates at time of issuance	None
Ryder System, Inc. Medium-Term Notes, Series 8, due from 9 months to 30 years from date of issue at rate based on market rates at time of issuance	None
Ryder System, Inc. Medium-Term Notes, Series 9, due 9 months or more from date of issue at rate based on market rates at time of issuance	None

TITLE OF EACH CLASS OF SECURITIES	EXCHANGE ON WHICH REGISTERED
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Ryder System, Inc. Medium-Term Notes, Series 10, due 9 months or more from date of issue at rate based on market rates at time of issuance	None
Ryder System, Inc. Medium-Term Notes, Series 11, due 9 months or more from date of issue at rate based on market rates at time of issuance	None
Ryder System, Inc. Medium-Term Notes, Series 12, due 9 months or more from date of issue at rate based on market rates at time of issuance	None
Ryder System, Inc. Medium-Term Notes, Series 13, due 9 months or more from date of issue at rate based on market rates at time of issuance	None
Ryder System, Inc. Medium-Term Notes, Series 14, due 9 months or more from date of issue at rate based on market rates at time of issuance.	None
SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:	None

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RYDER SYSTEM, INC.  
Form 10-K Annual Report

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## PART I

### ITEM 1. BUSINESS

#### GENERAL

Ryder System, Inc. ("the Company") was incorporated in Florida in 1955. Through its subsidiaries, the Company engages primarily in the following businesses: 1) integrated logistics, including dedicated contract carriage, the management of carriers, and inventory deployment; 2) full service leasing, maintenance and short-term rental of trucks, tractors and trailers; 3) public transportation management, operations and maintenance services, and student transportation services; and 4) transportation of new automobiles and trucks. The Company's main operating segments are Vehicle Leasing & Services (which is engaged in the businesses described in 1) through 3) above) and Automotive Carrier Services (which is engaged in the business described in 4) above).

At December 31, 1996, the Company and its subsidiaries had a fleet of 168,397 vehicles and 44,765 employees.<sup>(1)</sup> General Motors Corporation ("GM") is the largest single customer of the Company, accounting for approximately 8%, 9% and 10% of consolidated revenue of the Company in 1996, 1995 and 1994, respectively.

#### SEGMENT INFORMATION

Financial information about industry segments is incorporated by reference from the "Financial Review" on pages 16 through 28 and the "Notes to Consolidated Financial Statements - Segment Information" on page 42 of the Ryder System, Inc. 1996 Annual Report to Shareholders.

#### VEHICLE LEASING & SERVICES

The Vehicle Leasing & Services Division, which comprises Ryder's logistics business, including Ryder Integrated Logistics, Inc. ("Ryder Integrated Logistics") and Ryder International, Inc. ("Ryder International"), Ryder Truck Rental, Inc. which does business as Ryder Transportation Services ("Ryder Transportation Services"), and the Ryder Public Transportation Services group of companies ("Ryder Public Transportation Services"), provides a wide variety of highway transportation services, including integrated logistics, full service leasing of trucks, tractors and trailers, truck rental, contract and non-contract truck maintenance, public transportation management, operations and maintenance services, and student transportation services. The former Consumer Truck Rental division of Ryder Truck Rental, Inc. was sold on October 17, 1996. As of December 31, 1996, the Vehicle Leasing & Services Division had 161,749 vehicles and 39,975 employees (excluding the personnel described in footnote 1 below). The total revenue contributed by the Vehicle Leasing & Services Division was 89%, 89% and 86% of the consolidated revenue of the Company in 1996, 1995 and 1994, respectively.

Through Ryder Integrated Logistics, the Vehicle Leasing & Services Division provides integrated logistics services (a system-wide management view of a customer's entire supply chain, from raw materials supply through finished goods distribution), and custom-tailored commercial and consumer product distribution, including dedicated contract carriage, the management of carriers, and inventory deployment, utilizing information technology, from 738 locations in the U.S. and Canada. Services include varying combinations of logistics system design, provision of vehicles and equipment, maintenance, provision of drivers, warehouse management (including cross docking and flow-through distribution), transportation management, vehicle dispatch, and just-in-time delivery. Logistics systems include modal procurement and management of all modes of transportation, shuttles, interstate long-haul operations, just-in-time service to assembly plants, and factory-to-warehouse-to-retail facility service. These services are used in the automotive, paper and paper

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{1} This number does not include: (a) operating personnel of local transit authorities managed by certain subsidiaries of the Company (in such situations, generally the entire cost of compensation and benefits for such personnel is passed through to the transit authority, which reimburses the Company's subsidiaries); or (b) drivers obtained by certain subsidiaries of the Company under driver leasing agreements.

packaging, chemical, electronic and office equipment, news, food and beverage, housing, and general retail industries, along with other industries. Ryder Integrated Logistics specializes in inbound and aftermarket automotive parts delivery. In 1996, Ryder Integrated Logistics continued to expand its presence in the logistics market through internal growth.

Ryder International provides a wide variety of highway transportation services in international markets outside the United States and Canada, including integrated logistics, full service leasing of trucks, tractors and trailers, commercial truck rental, and contract truck maintenance. As of December 31, 1996, Ryder International had 13,659 vehicles, 3,544 employees, and provided service through 101 locations in the United Kingdom, Germany, Mexico, Poland, Argentina and Brazil. Ryder International has developed, and is in the process of implementing, a strategy for growth in international markets outside the United States and Canada and in providing global logistics solutions to multinational customers. This strategy is designed to enable Ryder International to take full advantage of, and build upon, the Company's expertise in providing logistics solutions to businesses involved in the over-the-road transportation of goods as well as to those who move goods around the world using any mode of transportation. In 1996, Ryder International continued to expand its presence in Mexico, Argentina and Brazil through internal growth. Additionally, in 1996, the Company opened an office in the Netherlands as a base from which to provide freight management services to large multinationals throughout Europe.

Through Ryder Transportation Services, the Vehicle Leasing & Services Division provides full service truck leasing to more than 13,000 customers (ranging from large national enterprises to small companies), with a fleet of 101,507 vehicles (including 14,016 vehicles leased to affiliates), through 983 locations in 49 states, Puerto Rico, and 8 Canadian provinces. Under a full service lease, Ryder Transportation Services provides customers with vehicles, maintenance, supplies and related equipment necessary for operation, while the customers furnish and supervise their own drivers, and dispatch and exercise control over the vehicles. Additionally, Ryder Transportation Services provides contract maintenance services to more than 1,250 customers, servicing 36,516 vehicles (including approximately 8,600 vehicles owned by affiliates) under maintenance contracts, and provides short-term truck rental, which tends to be seasonal, to commercial customers to supplement their fleets during peak business periods. A fleet of 35,420 vehicles, ranging from heavy-duty tractors and trailers to light-duty trucks, is available for commercial short-term rental. In 1996, Ryder Transportation Services focused on the expansion of its long-term contractual businesses such as the full service leasing of trucks, tractors and trailers, and contract truck maintenance, through internal growth. Additionally in 1996, Ryder Transportation Services implemented new services for customers. Such new services include the Ryder Citicorp Finance Lease, which was rolled out on a national basis in 1996. By expanding its vehicle financing options, Ryder Transportation Services gives customers the flexibility to choose a full service lease or the combination of a finance lease and contract maintenance for their vehicles.

Through Ryder Public Transportation Services, the Vehicle Leasing & Services Division provides public transportation management, operations and maintenance services, student transportation services and manages and maintains vehicles and equipment primarily for municipalities and utilities. Ryder Public Transportation Services now manages or operates 83 public transportation systems with 4,575 vehicles in 25 states and the District of Columbia, operates 8,519 school buses in 21 states, maintains approximately 27,000 public transportation or fleet vehicles in 20 states and Puerto Rico, and provides public transportation management consulting services. In 1996, Ryder Public Transportation Services continued to expand its presence in the public transportation management, operations and maintenance markets and student transportation markets through internal growth and acquisitions. An increasing number of U.S. school districts now have the option of contracting with private operators such as Ryder Public Transportation Services for student transportation services.

The Vehicle Leasing & Services Division has historically disposed of its used surplus revenue earning equipment at prices in excess of book value. The Vehicle Leasing & Services Division reported gains on the sale of revenue earning equipment (reported as reductions in depreciation expense) of approximately 27%, 20% and 19% of the Vehicle Leasing & Services Division's earnings before interest and taxes in 1996, 1995 and 1994, respectively. The extent to which the Vehicle Leasing & Services Division may consistently continue to realize gains on disposal of its revenue earning equipment is dependent upon various factors including the general state of the used vehicle market, the condition and utilization of the Vehicle Leasing & Services Division's fleet and depreciation methods with respect to its vehicles.



## **AUTOMOTIVE CARRIER SERVICES**

The Automotive Carrier Services Division transports new automobiles and trucks to dealers, and to and from various distribution points, throughout the United States and several Canadian provinces for GM, Chrysler, Toyota, Ford, Honda, and for most other automobile and light truck manufacturers. GM remains the Automotive Carrier Services Division's largest single customer accounting for 52%, 54% and 54% of the Automotive Carrier Services Division's revenue in 1996, 1995 and 1994, respectively. The total revenue contributed by the Automotive Carrier Services Division was 11%, 11% and 14% of the consolidated revenue of the Company in 1996, 1995 and 1994, respectively.

The GM carriage contracts are typically subject to cancellation upon 30 days notice by either party. The business is primarily dependent upon the level of North American production, importation and sales by GM and various other manufacturers. Consequently, the business is adversely affected by any significant reductions in, or prolonged curtailments of, production by customers because of market conditions, strikes or other conditions.

As of December 31, 1996, the Automotive Carrier Services Division had 3,349 auto transport vehicles (including owner-operator vehicles), 4,478 employees (excluding leased drivers), and provided service through 91 locations in 34 states and 3 Canadian provinces. Most of the Automotive Carrier Services Division's employees are covered by an industry-wide collective bargaining agreement, the term of which ends May 31, 1999.

## **COMPETITION**

As an alternative to using the Company's services, customers may choose to provide similar services for themselves, or may choose to purchase similar or alternative services from other third-party vendors.

The integrated logistics operations of the Vehicle Leasing & Services Division and the Automotive Carrier Services Division compete with companies providing similar services on a national, regional and local level. Additionally, these businesses are subject to potential competition in most of the regions they serve from railroads and motor carriers. Competitive factors include price, equipment, maintenance, geographical coverage and expertise in logistics related technology. Value-added differentiation of these service offerings has been, and will continue to be, the Company's strategy.

Ryder International competes, on a country-by-country basis, and on a global basis, with companies providing similar services in international markets outside the United States and Canada. In the United Kingdom, the markets for full service leasing of trucks, tractors and trailers, and dedicated contract carriage services are well developed and competitive, similar to those in the U.S. and Canada. Recent developments in Mexico following the approval of the North American Free Trade Agreement (NAFTA), Germany's continued integration into the European Community and the resulting deregulation, and Poland's transformation to a market economy, create a growing opportunity for Ryder International to provide services in these new markets. Additionally, recent developments in Argentina and Brazil, such as the expanded investment in automotive manufacturing, create growing opportunities for Ryder International to provide services in the southern cone of South America. Ryder International expects that competition with its services in these emerging markets and in the global integrated logistics marketplace will develop. Competitive factors include price, equipment, maintenance, geographical coverage, market knowledge and expertise in logistics related technology. Value-added differentiation of the Company's service offerings continues to be Ryder International's strategy in those markets.

The full service truck leasing, truck rental, and contract and non-contract truck maintenance operations of the Vehicle Leasing & Services Division compete with companies providing similar services on a national, regional and local level. Regional and local competitors may sometimes provide services on a national level through their participation in various cooperative programs and through their membership in various industry associations. Competitive factors include price, equipment, maintenance and geographical coverage. The Vehicle Leasing & Services Division also competes, to an extent, with a number of truck and trailer manufacturers who provide truck and trailer leasing, extended warranty maintenance, rental and other transportation services. Value-added differentiation of the Vehicle Leasing & Services Division's full service truck leasing, truck rental, and contract and non-contract truck maintenance service offerings has been, and will continue to be, the Company's emphasis.

The public transportation management, operations and maintenance services and the student transportation services of the Vehicle Leasing & Services Division compete with companies providing similar services on a national, regional and local level. Additionally, many governmental entities choose to provide these services for themselves. In geographical areas where third-party vendors are used, the market tends to be fragmented and competitive. Competitive factors include price, equipment, maintenance and geographical coverage. Value-added differentiation of these service offerings has been, and will continue to be, the Company's strategy.

#### **OTHER DEVELOPMENTS AND FURTHER INFORMATION**

Many federal, state and local laws designed to protect the environment, and similar laws in some foreign jurisdictions, have varying degrees of impact on the way the Company and its subsidiaries conduct their business operations, primarily with regard to their use, storage and disposal of petroleum products and various wastes associated with vehicle maintenance activities. Compliance with these laws and with the Company's environmental protection policies involves the expenditure of considerable funds. Based on information presently available, management believes that the ultimate disposition of such matters, although potentially material to the Company's results of operations in any one year, will not have a material adverse effect on the Company's financial condition or liquidity.

For further discussion concerning the business of the Company and its subsidiaries see the information referenced under Items 7 and 8 of this report.

## EXECUTIVE OFFICERS OF THE REGISTRANT

All of the executive officers of the Company were elected or re-elected to their present offices either at or subsequent to the meeting of the Board of Directors held on May 3, 1996 in conjunction with the Company's 1996 Annual Meeting on the same date. They all hold such offices, at the discretion of the Board of Directors, until their removal, replacement or retirement.

NAME ----	AGE ---	POSITION -----
M. Anthony Burns	54	Chairman, President and Chief Executive Officer
Dwight D. Denny	53	Executive Vice President - Development
John H. Dorr	50	President - Ryder Public Transportation Services, Inc.
James B. Griffin	42	President - Ryder Transportation Services
James M. Herron	62	Former Senior Executive Vice President and General Counsel
Edwin A. Huston	58	Senior Executive Vice President - Finance and Chief Financial Officer
Thomas E. McKinnon	52	Executive Vice President - Human Resources and Corporate Services
Larry S. Mulkey	53	President - Ryder Integrated Logistics, Inc.
Lisa A. Rickard	41	Senior Vice President - Government Relations
George P. Scanlon	39	Vice President - Planning and Controller
Randall E. West	48	President - Ryder Automotive Carrier Services, Inc.

M. Anthony Burns has been Chairman of the Board since May 1985, Chief Executive Officer since January 1983, and President and a director since December 1979.

Dwight D. Denny has been Executive Vice President - Development since January 1996, and was President - Ryder Commercial Leasing & Services from December 1992 to December 1995. Mr. Denny served Ryder Truck Rental, Inc. as Executive Vice President and General Manager - Commercial Leasing & Services from June 1991 to December 1992. Mr. Denny served Ryder Truck Rental, Inc. as Senior Vice President and General Manager - Eastern Area from March 1991 to June 1991, and Senior Vice President - Central Area from December 1990 to March 1991. Mr. Denny previously served Ryder Truck Rental, Inc. as Region Vice President in Tennessee from July 1985 to December 1990.

John H. Dorr has been President - Ryder Public Transportation Services, Inc. since January 1997. Mr. Dorr served as Senior Vice President and General Manager of Ryder Public Transportation Services since July 1993 and prior to that was Vice President and General Manager of Ryder Student Transportation Services from September 1990 to July 1993.

James B. Griffin has been President - Ryder Transportation Services (formerly Commercial Leasing & Services) since January 1996, and was President - Ryder Automotive Carrier Group, Inc. from February 1993 to December 1995. Mr. Griffin served Ryder Truck Rental, Inc. as Vice President and General Manager - Mid-South Region from December 1990 to February 1993. Mr. Griffin previously served Ryder Truck Rental, Inc. as Region Vice President in Syracuse, New York from April 1988 to December 1990.

James M. Herron was Senior Executive Vice President from July 1989 until his retirement at the end of 1996. Mr. Herron has been General Counsel since April 1973 and continues to serve in that capacity pending the selection of his successor. Mr. Herron was also Secretary from February 1983 through February 1986.

Edwin A. Huston has been Senior Executive Vice President - Finance and Chief Financial Officer since January 1987. Mr. Huston was Executive Vice President - Finance from December 1979 to January 1987.

Thomas E. McKinnon has been Executive Vice President - Human Resources and Corporate Services since February 1997. Mr. McKinnon served as Executive Vice President - Human Resources from June 1995 until February 1997. Mr. McKinnon previously served Unisys Corporation as Vice President - Human Resources from August 1990 to June 1995.

Larry S. Mulkey has been President - Ryder Integrated Logistics, Inc. (formerly Ryder Dedicated Logistics, Inc.) since November 1990. Mr. Mulkey was President - Ryder Public Transportation Services from June 1993 to October 1994, and, prior to the organization of the Ryder Public Transportation Services group, was President of each of the companies comprising that group from November 1990 to June 1993. From November 1990 to December 1992, Ryder's operations in the United Kingdom and Germany reported to Mr. Mulkey. Mr. Mulkey was Senior Vice President and General Manager - Central Area of Ryder Truck Rental, Inc. from January 1986 to November 1990, and was Senior Vice President and General Manager - Eastern Area of Ryder Truck Rental, Inc. from August 1985 to January 1986.

Lisa A. Rickard has been Senior Vice President - Government Relations since January 1997. Ms. Rickard served as Vice President - Federal Affairs from January 1994 until January 1997. Prior to that, Ms. Rickard was with the Washington law firm of Akin, Gump, Strauss, Hauer & Feld, LLP from June 1982 until December 1993.

George P. Scanlon has been Vice President - Planning and Controller since January 1997. Mr. Scanlon is the Company's principal accounting officer. Prior to that, Mr. Scanlon served as Vice President - Corporate Planning since August 1996. Mr. Scanlon served as Group Director - Corporate Planning from October 1993 until August 1996 and Group Director - Audit Services from March 1991 until October 1993.

Randall E. West has been President - Ryder Automotive Carrier Services, Inc. (formerly Ryder Automotive Carrier Group, Inc.) since January 1996, and was Senior Vice President and General Manager of the International Division from December 1993 to December 1995. Mr. West served Ryder Truck Rental, Inc. as Vice President and General Manager - Southwest Region from September 1991 to December 1993. Mr. West previously served Ryder Truck Rental, Inc. as Region Vice President in New Orleans from November 1988 to September 1991.

## **ITEM 2. PROPERTIES**

The Company's property consists primarily of vehicles, vehicle maintenance and repair facilities, and other real estate and improvements. Information regarding vehicles is included in Item 1, which is incorporated herein by reference.

The Vehicle Leasing & Services Division has 2,026 locations in the United States, Canada and Puerto Rico; 456 of these facilities are owned and the remainder are leased. Such locations generally include a repair shop and administrative offices. Through Ryder International, the Vehicle Leasing & Services Division has 101 locations in the United Kingdom, Germany, Mexico, Poland, Argentina and Brazil; 15 of these facilities are owned and the remainder are leased. Such locations generally include a repair shop and administrative offices.

The Automotive Carrier Services Division has 91 locations in 34 states throughout the United States and 8 locations in Canada; 24 of these facilities are owned and the remainder are leased.

### **ITEM 3. LEGAL PROCEEDINGS**

The Company and its subsidiaries are involved in various claims, lawsuits, and administrative actions arising in the course of their businesses. Some involve claims for substantial amounts of money and/or claims for punitive damages. While any proceeding or litigation has an element of uncertainty, management believes that the disposition of such matters, in the aggregate, will not have a material impact on the consolidated financial condition, results of operation or liquidity of the Company and its subsidiaries.

### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

There were no matters submitted to a vote of security holders during the quarter ended December 31, 1996.

## **PART II**

### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

The information required by Item 5 is incorporated by reference from page 43 ("Common Stock Data") of the Ryder System, Inc. 1996 Annual Report to Shareholders.

### **ITEM 6. SELECTED FINANCIAL DATA**

The information required by Item 6 is incorporated by reference from pages 44 and 45 of the Ryder System, Inc. 1996 Annual Report to Shareholders.

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

The information required by Item 7 is incorporated by reference from pages 16 through 28 of the Ryder System, Inc. 1996 Annual Report to Shareholders.

### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The information required by Item 8 is incorporated by reference from pages 30 through 42 and page 43 ("Quarterly Data") of the Ryder System, Inc. 1996 Annual Report to Shareholders.

### **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not applicable.

## **PART III**

### **ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

The information required by Item 10 regarding directors is incorporated by reference from pages 4 through 7 of the Ryder System, Inc. 1997 Proxy Statement.

The information required by Item 10 regarding executive officers is set out in Item 1 of Part I of this Form 10-K Annual Report.

Additional information required by Item 10 is incorporated by reference from page 17 ("Section 16(a) Beneficial Ownership Reporting Compliance") of the Ryder System, Inc. 1997 Proxy Statement.

### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by Item 11 is incorporated by reference from pages 8, 9 ("Compensation of Directors") and 21 through 25 of the Ryder System, Inc. 1997 Proxy Statement.

### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The information required by Item 12 is incorporated by reference from pages 16 and 17 of the Ryder System, Inc. 1997 Proxy Statement.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The information required by Item 13 is incorporated by reference from page 10 of the Ryder System, Inc. 1997 Proxy Statement.

**PART IV**

**ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES,  
AND REPORTS ON FORM 8-K**

(a) 1. Financial Statements for Ryder System, Inc. and Consolidated Subsidiaries:

Items A through E are incorporated by reference from pages 29 through 42 of the Ryder System, Inc. 1996 Annual Report to Shareholders.

A) Consolidated Statements of Operations for years ended December 31, 1996, 1995 and 1994.

B) Consolidated Balance Sheets for December 31, 1996 and 1995.

C) Consolidated Statements of Cash Flows for years ended December 31, 1996, 1995 and 1994.

D) Notes to Consolidated Financial Statements.

E) Independent Auditors' Report.

2. Not applicable.

All other schedules and statements are omitted because they are not applicable or not required or because the required information is included in the consolidated financial statements or notes thereto.

Supplementary Financial Information consisting of selected quarterly financial data is incorporated by reference from page 43 of the Ryder System, Inc. 1996 Annual Report to Shareholders.



### 3. Exhibits:

The following exhibits are filed with this report or, where indicated, incorporated by reference (Forms 10-K, 10-Q and 8-K referenced herein have been filed under the Commission's file No. 1-4364). The Company will provide a copy of the exhibits filed with this report at a nominal charge to those parties requesting them.

#### EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
3.1	The Ryder System, Inc. Restated Articles of Incorporation, dated November 8, 1985, as amended through May 18, 1990, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1990, are incorporated by reference into this report.
3.2	The Ryder System, Inc. By-Laws, as amended through November 23, 1993, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1993, are incorporated by reference into this report.
4.1	The Company hereby agrees, pursuant to paragraph (b)(4)(iii) of Item 601 of Regulation S-K, to furnish the Commission with a copy of any instrument defining the rights of holders of long-term debt of the Company, where such instrument has not been filed as an exhibit hereto and the total amount of securities authorized thereunder does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis.
4.2(a)	The Form of Indenture between Ryder System, Inc. and The Chase Manhattan Bank (National Association) dated as of June 1, 1984, filed with the Commission on November 19, 1985 as an exhibit to the Company's Registration Statement on Form S-3 (No. 33-1632), is incorporated by reference into this report.
4.2(b)	The First Supplemental Indenture between Ryder System, Inc. and The Chase Manhattan Bank (National Association) dated October 1, 1987, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated by reference into this report.
4.3	The Form of Indenture between Ryder System, Inc. and The Chase Manhattan Bank (National Association) dated as of May 1, 1987, and supplemented as of November 15, 1990 and June 24, 1992, filed with the Commission on July 30, 1992 as an exhibit to the Company's Registration Statement on Form S-3 (No. 33-50232), is incorporated by reference into this report.
4.4	The Rights Agreement between Ryder System, Inc. and Boston Equiserve, L.P., dated as of March 8, 1996, filed with the Commission on April 3, 1996 as an exhibit to the Company's Registration Statement on Form 8-A is incorporated by reference into this report.
10.1(a)	The change of control severance agreement for the Company's chief executive officer dated as of January 1, 1992, and the severance agreement for the Company's chief executive officer dated as of January 1, 1992, previously filed

with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1991, are incorporated by reference into this report.

- 10.1(b) Amendments dated as of August 20, 1993 to the change of control severance agreement for the Company's chief executive officer dated as of January 1, 1992, and the severance agreement for the Company's chief executive officer dated as of January 1, 1992, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1993, are incorporated by reference into this report.
- 10.2(a) The form of amended and restated change of control severance agreement for executive officers dated as of February 24, 1989, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated by reference into this report.
- 10.2(b) Amendment dated as of August 20, 1993 to the form of amended and restated change of control severance agreement for executive officers dated as of February 24, 1989, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1993, is incorporated by reference into this report.
- 10.2(c) The form of change of control severance agreement for executive officers effective as of July 1, 1993, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1993, is incorporated by reference into this report.
- 10.2(d) The form of change of control severance agreement for executive officers effective as of May 1, 1996.
- 10.3(a) The form of amended and restated severance agreement for executive officers dated as of February 24, 1989, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated by reference into this report.
- 10.3(b) Amendment dated as of August 20, 1993 to the form of amended and restated severance agreement for executive officers dated as of February 24, 1989, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1993, is incorporated by reference into this report.
- 10.3(c) The form of severance agreement for executive officers effective as of July 1, 1993, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1993, is incorporated by reference into this report.
- 10.3(d) The form of severance agreement for executive officers effective as of May 1, 1996.
- 10.4 The form of Ryder System, Inc. Incentive Compensation Deferral Agreement dated as of November 30, 1995, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.

- 10.5 The form of Ryder System, Inc. Salary Deferral Agreement dated as of November 30, 1995, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
- 10.6 The form of Ryder System, Inc. director's fee deferral agreement dated as of December 31, 1995, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
- 10.7(a) The Ryder System, Inc. 1996 Incentive Compensation Plan for Headquarters Executive Management, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
- 10.7(b) The Ryder System, Inc. 1996 Hybrid Incentive Compensation Plan for Headquarters Executive Management, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
- 10.8 The Ryder System, Inc. 1996 Incentive Compensation Plan for Ryder System, Inc. Senior Executive Vice Presidents and Executive Vice President - Development, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
- 10.9 The Ryder System, Inc. 1996 Incentive Compensation Plan for President - Ryder International, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
- 10.10 The Ryder System, Inc. 1996 Incentive Compensation Plan for President - Automotive Carrier Division, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
- 10.11 The Ryder System, Inc. 1996 Incentive Compensation Plan for Chairman, President & Chief Executive Officer, Ryder System, Inc., previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
- 10.12 The Ryder System, Inc. 1996 Incentive Compensation Plan for President - Commercial Leasing & Services, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
- 10.13 The Ryder System, Inc. 1996 Incentive Compensation Plan for President - Consumer Truck Rental, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
- 10.14 The Ryder System, Inc. 1996 Incentive Compensation Plan for President - Ryder Dedicated Logistics, previously filed with the Commission as an exhibit to the

- Company's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
- 10.15 The Ryder System, Inc. 1997 Incentive Compensation Plan for Headquarters Executive Management Levels MS 11 and Higher.
- 10.16(a) The Ryder System, Inc. 1980 Stock Incentive Plan, as amended and restated as of August 18, 1995, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
- 10.16(b) The form of Ryder System, Inc. 1980 Stock Incentive Plan, United Kingdom Section, dated May 4, 1995, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
- 10.16(c) The form of Ryder System, Inc. 1980 Stock Incentive Plan, United Kingdom Section, dated October 3, 1995, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
- 10.16(d) Combined Non-Qualified Stock Option and Limited Stock Appreciation Right Agreement, dated January 15, 1996, between Ryder System, Inc. and E.A. Huston, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
- 10.16(e) Appendix to Ryder System, Inc. 1980 Stock Incentive Plan (applicable to the United Kingdom).
- 10.16(f) Appendix 1 to Ryder System, Inc. 1980 Stock Incentive Plan (applicable to the United Kingdom).
- 10.16(g) Appendix 2 to Ryder System, Inc. 1980 Stock Incentive Plan (applicable to the United Kingdom).
- 10.17 The Ryder System, Inc. Directors Stock Plan, as amended and restated as of December 17, 1993, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1993, is incorporated by reference into this report.
- 10.18(a) The Ryder System Benefit Restoration Plan, effective January 1, 1985, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1992, is incorporated by reference into this report.
- 10.18(b) The First Amendment to the Ryder System Benefit Restoration Plan, effective as of December 16, 1988, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated by reference into this report.
- 10.19 Letter agreement, dated April 9, 1993, between Ryder System, Inc. and James Ernest Riddle, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated by reference into this report.
- 10.20 Distribution and Indemnity Agreement dated as of November 23, 1993 between Ryder System, Inc. and Aviall, Inc., previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1993, is incorporated by reference into this report.
- 10.21 Tax Sharing Agreement dated as of November 23, 1993 between Ryder System, Inc. and Aviall, Inc., previously filed with the Commission as an exhibit to the

Company's Annual Report on Form 10-K for the year ended December 31, 1993, is incorporated by reference into this report.

- 10.22(a) The Ryder System, Inc. Stock for Merit Increase Replacement Plan, as amended and restated as of August 18, 1995, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
- 10.22(b) The form of Ryder System, Inc. Non-Qualified Stock Option Agreement, dated as of July 1, 1996.
- 10.23(a) The Ryder System, Inc. 1995 Stock Incentive Plan, as amended and restated as of August 18, 1995, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
- 10.23(b) The form of Combined Non-Qualified Stock Option and Limited Stock Appreciation Right Agreement, dated October 2, 1996.
- 10.24 The Ryder System, Inc. Savings Restoration Plan effective April 1, 1995, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
- 10.25 The Ryder System, Inc. Deferred Compensation Plan effective January 1, 1997.
- 10.26(a) Severance Agreement, dated as of May 1, 1996, between Ryder System, Inc. and J.M. Herron.
- 10.26(b) Amendment, dated December 19, 1996, to the Severance Agreement, dated as of May 1, 1996, between Ryder System, Inc. and J.M. Herron.
- 10.27 Agreement and Release, dated as of November 7, 1996, between Ryder System, Inc. and J.E. Riddle.
- 10.28 The Asset and Stock Purchase Agreement by and between Ryder Truck Rental, Inc. and RCTR Holdings, Inc. dated as of September 19, 1996, filed with the Commission on September 20, 1996 as an exhibit to the Company's report on Form 8-K, is incorporated by reference into this report.
- 11.1 Statement regarding computation of per share earnings.
- 13.1 Portions of the Ryder System, Inc. 1996 Annual Report to Shareholders. Those portions of the Ryder System, Inc. 1996 Annual Report to Shareholders which are not incorporated by reference into this report are furnished to the Commission solely for information purposes and are not to be deemed "filed" as part of this report.

- 21.1 List of subsidiaries of the registrant, with the state or other jurisdiction of incorporation or organization of each, and the name under which each subsidiary does business.
- 23.1 Auditors' consent to incorporation by reference in certain Registration Statements on Forms S-3 and S-8 of their reports on consolidated financial statements and schedules of Ryder System, Inc. and its subsidiaries.
- 24.1 Manually executed powers of attorney for each of:
- Arthur H. Bernstein  
Joseph L. Dionne  
Edward T. Foote II  
John A. Georges  
Vernon E. Jordan, Jr.  
David T. Kearns  
Lynn M. Martin  
Paul J. Rizzo  
Alva O. Way  
Mark H. Willes
- 27.1 Financial Data Schedule.

(b) Reports on Form 8-K:

A report on Form 8-K, dated November 1, 1996, was filed by the registrant with respect to a press release reporting that the registrant was exploring strategic options for its Automotive Carrier Services business unit.

A report on Form 8-K, dated November 1, 1996, was filed by the registrant announcing the completion of the sale of its Consumer Truck Rental business unit. The report also included pro forma consolidated condensed financial information for the registrant, after giving effect to the sale of its Consumer Truck Rental business unit.

(c) Executive Compensation Plans and Arrangements:

Please refer to the description of Exhibits 10.1 through 10.27 set forth under Item 14(a)3 of this report for a listing of all management contracts and compensation plans and arrangements filed with this report pursuant to Item 601(b)(10) of Regulation S-K.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

*Date: March 26, 1997*

*RYDER SYSTEM, INC.*

*By: /S/ M. ANTHONY BURNS*

-----  
*M. Anthony Burns  
Chairman, President and Chief  
Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

*Date: March 26, 1997*

*By: /S/ M. ANTHONY BURNS*

-----  
*M. Anthony Burns  
Chairman, President and Chief  
Executive Officer  
(Principal Executive Officer)*

*Date: March 26, 1997*

*By: /S/ EDWIN A. HUSTON*

-----  
*Edwin A. Huston  
Senior Executive Vice President - Finance  
and Chief Financial Officer  
(Principal Financial Officer)*

*Date: March 26, 1997*

*By: /S/ GEORGE P. SCANLON*

-----  
*George P. Scanlon  
Vice President - Planning and Controller  
(Principal Accounting Officer)*

Date: March 26, 1997 By: /S/ ARTHUR H. BERNSTEIN \*  
-----  
Arthur H. Bernstein  
Director

Date: March 26, 1997 By: /S/ JOSEPH L. DIONNE \*  
-----  
Joseph L. Dionne  
Director

Date: March 26, 1997 By: /S/ EDWARD T. FOOTE II \*  
-----  
Edward T. Foote II  
Director

Date: March 26, 1997 By: /S/ JOHN A. GEORGES \*  
-----  
John A. Georges  
Director

Date: March 26, 1997 By: /S/ VERNON E. JORDAN, JR. \*  
-----  
Vernon E. Jordan, Jr.  
Director

Date: March 26, 1997 By: /S/ DAVID T. KEARNS \*  
-----  
David T. Kearns  
Director

Date: March 26, 1997 By: /S/ LYNN M. MARTIN \*  
-----  
Lynn M. Martin  
Director

Date: March 26, 1997 By: /S/ PAUL J. RIZZO \*  
-----  
Paul J. Rizzo  
Director

Date: March 26, 1997 By: /S/ ALVA O. WAY \*  
-----  
Alva O. Way  
Director



Date: March 26, 1997

By: /S/ MARK H. WILLES \*

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Mark H. Willes  
Director

\*By: /S/ DAVID M. BEILIN

-----  
David M. Beilin  
Attorney-in-Fact

## EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
10.2(d)	The form of change of control severance agreement for executive officers effective as of May 1, 1996.
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10.16(f)	Appendix 1 to Ryder System, Inc. 1980 Stock Incentive Plan (applicable to the United Kingdom).
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- 24.1 Manually executed powers of attorney for each of:
- Arthur H. Bernstein
  - Joseph L. Dionne
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  - David T. Kearns
  - Lynn M. Martin
  - Paul J. Rizzo
  - Alva O. Way
  - Mark H. Willes
- 27.1 Financial Data Schedule.

**EXHIBIT 10.2(d)**

**CHANGE OF CONTROL  
SEVERANCE AGREEMENT**

THIS AGREEMENT dated as of May 1, 1996 amends, restates and supersedes the provisions of a certain Change of Control Severance Agreement or Amended and Restated Change of Control Severance Agreement between RYDER SYSTEM, INC., a Florida corporation (the "Corporation"), and \_\_\_\_\_ (the "Executive"), dated as of the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ (the "Prior Agreement").

**WITNESSETH:**

WHEREAS, the Executive is an officer and/or key employee of the Corporation and/or its subsidiaries or affiliates and an integral part of its management; and

WHEREAS, in order to retain the Executive and to assure both the Executive and the Corporation of the continuity of management in the event of any actual or threatened Change of Control (as defined in Section 2) of the Corporation, the Corporation desires to provide severance benefits to the Executive if the Executive's employment with the Corporation and/or its subsidiaries or affiliates terminates as provided herein concurrent with or subsequent to a Change of Control;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, it is hereby agreed by and between the Corporation and the Executive as follows:

I. TERM OF AGREEMENT. This Agreement shall become effective as of the date hereof and shall terminate upon the occurrence of the earliest of the events specified below; provided, however, that Section 5, including the release referenced therein, shall survive termination of this Agreement:

(a) the last day of the Severance Period (as defined in Section 3(f));

(b) the termination of the Executive's employment by the Corporation or its subsidiaries or affiliates for Death, Disability or Cause, or by the Executive other than for Good Reason (as defined in Section 3(b), (a), and (c) respectively);

(c) one (1) year following the date of receipt of a mailing (by overnight express mail or registered or certified mail, return receipt requested) or hand delivery to the Executive by the Corporation of written notice of its intent to terminate this Agreement; provided, however, that such written notice shall have been received by the Executive prior to the date of a Change of Control (as defined in Section 2);

(d) three (3) years following the date of a Change of Control (as defined in Section 2) if the Executive's employment with the Corporation or its subsidiaries or affiliates has not been terminated as of such time; or

(e) the material breach by the Executive of the provisions of Section 5, including the release referenced therein.

Additionally, notwithstanding anything in this Agreement to the contrary, if the Executive should die while receiving severance pay or benefits pursuant to Section 4 as a result of the termination of the Executive's employment by the Corporation or its subsidiaries or affiliates other than for Death, Disability or Cause, or by the Executive for Good Reason (as defined in Sections 3(b), (a), and (c) respectively), this Agreement shall terminate immediately upon the Executive's death and both parties shall be released from all obligations under this Agreement other than those under the release referenced in Section 5(b)(II) and those relating to amounts or benefits which are payable under this Agreement within five (5) business days after the Executive's Date of Termination (if not already paid), are vested under any plan, program, policy or practice, or the Executive is otherwise entitled to receive upon his death, including, but not limited to, life insurance. Any payment due pursuant to the preceding sentence upon the Executive's death shall be made to the estate of the deceased Executive, unless the plan, program, policy, practice or law provides otherwise.

2. CHANGE OF CONTROL. For the purpose of this Agreement, a "Change of Control" shall be deemed to have occurred if:

(a) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) (a "Person") becomes the beneficial owner, directly or indirectly, of twenty percent (20%) or more of the combined voting power of the Corporation's outstanding voting securities ordinarily having the right to vote for the election of directors of the Corporation; provided, however, that for purposes of this subparagraph (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition by any employee benefit plan or plans (or related trust) of the Corporation and its subsidiaries and affiliates or (ii) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subparagraph (c) of this Section 2; or

(b) the individuals who, as of August 18, 1995, constituted the Board of Directors of the Corporation (the "Board" generally and as of August 18, 1995 the "Incumbent Board") cease for any reason to constitute at least two-thirds (2/3) of the Board, provided that any person becoming a director subsequent to August 18, 1995 whose election, or nomination for election, was approved by a vote of the persons comprising at least two-thirds (2/3) of the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the 1934 Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; or

(c) there is a reorganization, merger or consolidation of the Corporation (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Corporation's outstanding common stock and outstanding voting securities ordinarily having the right to vote for the election of directors of the Corporation immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities ordinarily having the right to vote for the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Corporation's outstanding common stock and outstanding voting securities ordinarily having the right to vote for the election of directors of the Corporation, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan or plans (or related trust) of the Corporation or such corporation resulting from such Business Combination and their subsidiaries and affiliates) beneficially owns, directly or indirectly, 20% or more of the combined voting power of the then outstanding voting securities of the corporation resulting from such Business Combination and (iii) at least two-thirds (2/3) of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) there is a liquidation or dissolution of the Corporation approved by the shareholders; or

(e) there is a sale of all or substantially all of the assets of the Corporation.

If a Change of Control occurs and if the Executive's employment is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (A) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (B) otherwise arose in connection with or in anticipation of a Change of Control, a Change of Control shall be deemed to have retroactively occurred on the date immediately prior to the date of such termination of employment.

### 3. CERTAIN DEFINITIONS.

(a) CAUSE. The Executive's employment may be terminated for Cause only if a majority of the Incumbent Board determines that Cause (as defined below) exists. For purposes of this Agreement, "Cause" means (i) an act or acts of fraud, misappropriation, or embezzlement on the Executive's part which result in or are intended to result in his or another's personal enrichment at the expense of the Corporation or its subsidiaries or affiliates,

(ii) conviction of a felony, (iii) conviction of a misdemeanor involving moral turpitude, or (iv) willful failure to report to work for more than thirty (30) continuous days not attributable to eligible vacation or supported by a licensed physician's statement.

(b) DEATH OR DISABILITY.

(i) The Executive's employment will be terminated by the Corporation or its subsidiaries or affiliates automatically upon the Executive's death ("Death").

(ii) After having established the Executive's Disability (as defined below), the Corporation may give to the Executive written notice of the Corporation's and/or its subsidiaries' or affiliates' intention to terminate the Executive's employment for Disability. The Executive's employment will terminate for Disability effective on the thirtieth (30th) day after the Executive's receipt of such notice (the "Disability Effective Date") if within such thirty (30) day period after such receipt the Executive shall fail to return to full-time performance of his duties. For purposes of this Agreement, "Disability" means disability which after the expiration of more than five (5) months after its commencement is determined to be total and permanent by an independent licensed physician mutually agreeable to the parties.

In the event of the Executive's termination for Death or Disability, the Executive and, to the extent applicable, his legal representatives, executors, heirs, legatees and beneficiaries, shall have no rights under this Agreement and their sole recourse, if any, shall be under the death or disability provisions of the plans, programs, policies and practices of the Corporation and/or its subsidiaries and affiliates, as appropriate.

(c) GOOD REASON. For purposes of this Agreement, "Good Reason" means:

(i) any failure by the Corporation and/or its subsidiaries or affiliates to furnish the Executive and/or where applicable, his family, with (A) total annual cash compensation (including annual incentive compensation), (B) total aggregate value of perquisites, (C) total aggregate value of benefits, or (D) total aggregate value of long term compensation, including but not limited to, stock options, in each case at least equal to or otherwise comparable to in the aggregate or exceeding the highest level received by the Executive from the Corporation and/or its subsidiaries or affiliates during the six (6) month period (or the one (1) year period for compensation, perquisites and benefits which are paid less frequently than every six (6) months) immediately preceding the Change of Control, other than an inadvertent failure remedied by the Corporation within five (5) business days after receipt of notice thereof given by the Executive;

(ii) the Corporation's and/or its subsidiaries' or affiliates' requiring the Executive to be based or to perform services at any site or location more than fifteen (15) miles from the site or location at which the Executive is based at the time of the Change of Control, except for travel reasonably required in the performance of the Executive's responsibilities (which does not materially exceed the level of travel required of the Executive in the six (6) month period immediately preceding the Change of Control);

(iii) any failure by the Corporation to obtain the assumption and agreement to perform this Agreement by a successor as contemplated by Section 8(b);

(iv) any failure by the Corporation to pay into the Trust(s) (as defined in Section 4(c)) the amounts and at the time or times as are required pursuant to the terms of such Trust(s);

(v) any purported termination by the Corporation or its subsidiaries or affiliates of the Executive's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 3(d), which purported termination shall not be effective for purposes of this Agreement; or

(vi) if the Executive is in management level 14 or above immediately prior to the Change of Control, (A) any assignment to the Executive of duties inconsistent in any material respect with the highest level of the Executive's position (including titles and reporting relationships), authority, responsibilities or status as in effect at any time during the six (6) month period immediately preceding the Change of Control without the express prior written consent of the Executive (which consent the Executive has the absolute right to withhold), or (B) any other material adverse change in such position, authority, responsibilities or status without the express prior written consent of the Executive (which consent the Executive has the absolute right to withhold).

For the purposes of this Section 3(c), any good faith interpretation by the Executive of the foregoing definitions of "Good Reason" shall be conclusive on the Corporation. Additionally, the Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

(d) NOTICE OF TERMINATION. Any termination of the Executive's employment by the Executive for Good Reason or by the Corporation or its subsidiaries or affiliates for any reason other than Death shall be communicated by a Notice of Termination to the other party, with a copy to the Trustee (as defined in Section 4(c)) hereto given in accordance with Section 9(b). For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets 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, and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than fifteen (15) days after the giving of such notice or, in the event of Disability, the Disability Effective Date).

(e) DATE OF TERMINATION. Date of Termination means the date of receipt by the Executive or the Corporation or its subsidiaries or affiliates of the Notice of Termination or any later date specified therein, as the case may be; provided, however, that if the Executive's employment is terminated by reason of Death or Disability, the Date of Termination shall be the date of Death of the Executive or the Disability Effective Date, as the case may be.

(f) SEVERANCE PERIOD. Unless terminated sooner pursuant to Section 1, the Severance Period means the period set forth below depending on the Executive's management



level immediately preceding either the Notice of Termination or, if greater, the Change of Control, which period shall begin on the day following the Executive's Date of Termination:

Chief Executive Officer	Three (3) years
Mgmt. Level 19 or above	Three (3) years
Mgmt. Level 15-18	Two (2) years
Mgmt. Level 14	One (1) year and six (6) months
Mgmt. Level 13	One (1) year
Mgmt. Level 12	Nine (9) months
Mgmt. Level 11	Six (6) months

#### 4. OBLIGATIONS OF THE CORPORATION.

##### (a) CIRCUMSTANCES OF TERMINATION.

(i) If, within the three (3) year period commencing on a Change of Control of the Corporation, (A) the Corporation or its subsidiaries or affiliates shall terminate the Executive's employment for any reason other than for Death, Disability or Cause, or (B) the Executive shall terminate his employment with the Corporation or its subsidiaries or affiliates for Good Reason, the Corporation agrees to provide the Executive with compensation, benefits and perquisites in accordance with the terms and provisions set forth in Subsection (iii) below and the other provisions of this Agreement, and the Executive agrees that he shall be subject to such terms and provisions. The Executive shall not be deemed to have terminated his employment with the Corporation or any of its subsidiaries or affiliates if he leaves the employ of the Corporation or any of its subsidiaries or affiliates for immediate reemployment with the Corporation or any of its subsidiaries or affiliates.

(ii) If during the term of this Agreement, (A) the Corporation or its subsidiaries or affiliates shall terminate the Executive's employment for Death, Disability or Cause or (B) the Executive shall terminate his employment with the Corporation or its subsidiaries or affiliates other than for Good Reason, then the Executive shall not be entitled to any of the benefits set forth in Subsection (iii) below or in any other section of this Agreement, except to the extent of the amounts which represent vested benefits or which the Executive is otherwise entitled to receive under any plan, program, policy or practice of the Corporation or any of its subsidiaries or affiliates at or subsequent to the Executive's Date of Termination.

(iii) If the Executive is entitled to receive severance pay and benefits under Subsection (i) above, the Corporation agrees to provide the Executive with the following compensation, benefits and perquisites, subject to Section 5(b):

(I) CASH ENTITLEMENT. The Corporation and/or the Trustee (as defined in Section 4(c)) shall pay to the Executive the aggregate of the amounts determined pursuant to clauses a through f below:

a. UNPAID SALARY AND VACATION. If not already paid, the Executive's base salary and unused vacation entitlement through the Executive's Date of Termination at the rate in effect at the time the Notice of Termination was given, or if greater, at the highest rate in effect during the six (6) month period immediately preceding the Change of Control.

b. **SALARY MULTIPLE.** The Executive's annual base salary at the rate in effect at the time the Notice of Termination was given, or if greater, at the highest rate in effect during the six (6) month period immediately preceding the Change of Control ("Annual Base Salary"), MULTIPLIED BY the following salary multiple depending on the Executive's management level immediately preceding either the Notice of Termination or, if greater, the Change of Control:

Chief Executive Officer	3
Mgmt. Level 19 or above	3
Mgmt. Level 15-18	2
Mgmt. Level 14	1.5
Mgmt. Level 13	1
Mgmt. Level 12	.75
Mgmt. Level 11	.5

c. **TENURE - RELATED BONUS.** An amount equal to the PRODUCT OF (i) the Executive's Annual Base Salary MULTIPLIED BY (ii) the stated maximum bonus opportunity percentage available to the Executive under the respective incentive compensation plan immediately preceding either the Notice of Termination or, if greater, the Change of Control MULTIPLIED BY (iii) the "Executive's Three Year Average Bonus Percentage" (as defined below) (the product of

(i), (ii) and (iii) hereinafter referred to as the "Bonus Opportunity") MULTIPLIED BY the number of the Executive's full and prorated partial years of service with the Corporation and/or its subsidiaries or affiliates, subject to a maximum of twelve (12) years, divided by twelve (12).

The "Executive's Three Year Average Bonus Percentage" is the SUM OF the bonus percentages paid to the Executive DIVIDED BY the stated maximum bonus opportunity percentages available to the Executive rounded to one decimal place (e.g., 86.3%) FOR EACH OF the three (3) fiscal years immediately preceding either the Notice of Termination or, if greater, the Change of Control DIVIDED BY three (3).

If the Executive has been employed by the Corporation and/or its subsidiaries or affiliates for less than three (3) fiscal years prior to the Change of Control, or if the Executive was not eligible to receive an incentive compensation award pursuant to an incentive compensation plan of the Corporation and/or its subsidiaries or affiliates for one (1) or more of the three (3) fiscal years immediately preceding either the Change of Control or the Notice of Termination, the bonus percentage to be applied in the "Executive's Three Year Bonus Percentage" calculation for any year in which the Executive was not employed or eligible to receive an incentive award will be the average bonus percentage paid for such year to all executives in the Corporation or the Executive's respective division, as appropriate, with a stated maximum bonus opportunity level similar to that of the Executive immediately preceding either the Notice of Termination or, if greater, the Change of Control DIVIDED BY the average stated maximum bonus opportunity available to these executives rounded to one decimal place (e.g., 86.3%).

#### **CALCULATION EXAMPLE OF EXECUTIVE'S THREE YEAR AVERAGE BONUS PERCENTAGE**

(2)

(1) STATED (1)/(2)  
BONUS MAXIMUM BONUS PERCENTAGE BONUS OPPORTUNITY

YEAR	PAID	OPPORTUNITY	PERCENT
----	-----	-----	-----
1	55.1%	60.0%	91.8%
2	71.8%	80.0%	89.8%
3	102.0%	100.0%	102.0%
			-----
Sum			283.6%
Executive's Three Year Average			
Bonus Percentage (Sum DIVIDED BY 3)			94.5%

d. BONUS MULTIPLE. For the Chief

Executive Officer and executives in management level 17 and above ONLY, an amount equal to the PRODUCT OF the Bonus Opportunity determined in clause c above MULTIPLIED BY the following multiple depending on the Executive's management level immediately preceding either the Notice of Termination or, if greater, the Change of Control:

Chief Executive Officer 2 Mgmt. Level 17 or above 1

e. CHANGE OF CONTROL YEAR BONUS. If the Executive has not yet been paid an incentive compensation award for the calendar year in which the Change of Control occurred in accordance with the terms of the respective incentive compensation plan in effect immediately preceding the Change of Control, the Executive shall receive an amount equal to the PRODUCT OF (i) the actual salary earned by the Executive during the calendar year in which the Change of Control occurred MULTIPLIED BY (ii) the sum of (a) the greater of actual company performance or eighty percent (80%) of maximum company performance opportunity for such calendar year under the respective incentive compensation plan as in effect immediately preceding the Change of Control PLUS (b) the greater of actual individual performance or eighty percent (80%) of maximum individual performance opportunity for the Executive for such calendar year under the respective incentive compensation plan as in effect immediately preceding the Change of Control; provided, however, if a "Big Six" accounting firm chosen by the Corporation does not verify the actual company and individual performance in accordance with the terms of the respective incentive compensation plan in effect immediately preceding the Change of Control, the Executive shall receive an amount equal to the PRODUCT OF

(i) above MULTIPLIED BY the sum of (a) one hundred percent (100%) of maximum company performance opportunity for such calendar year under the respective incentive compensation plan as in effect immediately preceding the Change of Control PLUS (b) one hundred percent (100%) of maximum individual performance opportunity for the Executive for such calendar year under the respective incentive compensation plan as in effect immediately preceding the Change of Control.

f. PRIOR YEAR BONUS. If bonuses for the calendar year prior to the Executive's Date of Termination (other than those payable pursuant to clause e above) have been distributed and the Executive is entitled to and has not yet been paid his incentive compensation award for such calendar year, and his Date of Termination is subsequent to the incentive compensation award payment date for such calendar year, then the Executive shall receive an additional amount equal to the PRODUCT OF the actual salary earned by the Executive during the prior calendar year MULTIPLIED BY the actual bonus percentage approved for the Executive for such calendar year under the respective incentive compensation plan.

The Corporation and/or the Trustee (as defined in Section 4(c)) shall pay to the Executive the aggregate of the amounts determined pursuant to clauses a through d and clause f above in a lump sum by cashier's check within five (5) business days after the later of the Executive's Date of Termination or the date of receipt by the Corporation and the Trustee (as defined in Section 4(c)) of the Executive's written demand for payment accompanied by notarized copies of the Notice of Termination, release and, to the extent applicable, letter of resignation (as described in Section 5(b)(II)). The Corporation and/or the Trustee (as defined in Section 4(c)) shall pay to the Executive the amount determined pursuant to clause e above by cashier's check no later than (i) the first March 15th following the calendar year in which the Change of Control occurred or (ii) five (5) business days after the later of the Executive's Date of Termination or the date of receipt by the Corporation and the Trustee (as defined in Section 4(c)) of the Executive's written demand for payment accompanied by notarized copies of the Notice of Termination, release and, to the extent applicable, letter of resignation (as described in Section 5(b)(II)), whichever is the last to occur.

(II) MEDICAL, DENTAL, DISABILITY, LIFE INSURANCE AND OTHER SIMILAR PLANS AND PROGRAMS. Until the earliest to occur of

(i) the last day of the Severance Period, (ii) the date on which the Executive becomes eligible for the designated or comparable coverage as an employee of another employer which provides or offers such coverage to its employees, or (iii) in the case of benefits requiring employee contributions, the date the Executive fails to make such contributions pursuant to the Corporation's or the plan's instructions (which instructions shall be reasonable and given to the Executive by the Corporation within five (5) business days following the Executive's Date of Termination) or otherwise cancels his coverage in accordance with plan provisions (the "Benefits Continuation Period"), the Corporation shall continue to provide all benefits which the Executive and/or his family is or would have been entitled to receive under all medical, dental, disability, supplemental life, group life, and accidental death and dismemberment insurance plans and programs, and other similar plans and programs of the Corporation and/or its subsidiaries or affiliates not otherwise provided for in this Agreement, in each case on a basis providing the Executive and/or his family with the opportunity to receive benefits at least equal to the greatest level of benefits provided by the Corporation and/or its subsidiaries or affiliates for the Executive under such plans and programs if and as in effect at any time during the six (6) month period immediately preceding either the Notice of Termination or, if greater, the Change of Control whether or not such plans or programs were in effect at the time of the execution of this Agreement. The non-contributory benefits will be paid for by the Corporation. The medical and dental plan benefits, to the extent applicable, will be provided in accordance with the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), except that the Corporation shall pay the COBRA premiums for the standard medical and dental plan benefits during the Benefits Continuation Period minus the Executive's contributory obligation determined as if the Executive were still an executive employee of the Corporation. If the Executive's participation in any such plan or program is barred by COBRA or for any other reason, the Corporation shall pay or provide for payment of such benefits or substantially similar benefits to the Executive and/or his family. Upon termination of his coverage under this paragraph, the Executive may be eligible under COBRA to continue some of his benefits for an additional period of time. If such is the case, the Executive will be responsible for the entire COBRA premium. Additionally, the Executive has thirty-one (31) days from the last day of coverage in which to convert his group life insurance to an individual policy. The Executive must arrange for conversion through an agent of Standard Insurance Company of America, or such other insurance company as is then providing coverage.

(III) CAR. a. If, immediately prior to the Change of Control, the Executive was assigned a car and was in management level 14 or above, within five (5) business days after the Executive's Date of Termination, the Corporation shall transfer to the Executive free and clear title to the car assigned to the Executive on the Executive's Date of Termination, if any, or if the Executive chooses, to a car comparable to that assigned to the Executive at any time during the six (6) month period immediately preceding the Change of Control.

b. If, immediately prior to the Change of Control, the Executive was assigned a car and was in management level 13 or below, then the following provisions will apply:

If the Executive has less than one (1) full year of service with the Corporation and/or its subsidiaries or affiliates, the Executive may purchase from the Corporation free and clear title to the car assigned to the Executive on the Executive's Date of Termination, if any, or if the Executive chooses, to a car comparable to that assigned to the Executive at any time during the six (6) month period immediately preceding the Change of Control, for the average retail value of the car listed in the National Automobile Dealer's Association, Official Used Car Guide as of the date of the purchase, less \$1,000.

If the Executive has one (1) or more but fewer than five (5) full years of service with the Corporation and/or its subsidiaries or affiliates, the Executive may purchase from the Corporation free and clear title to the car assigned to the Executive on the Executive's Date of Termination, if any, or if the Executive chooses, to a car comparable to that assigned to the Executive at any time during the six (6) month period immediately preceding the Change of Control, for fifty percent (50%) of the average retail value of the car listed in the National Automobile Dealer's Association, Official Used Car Guide as of the date of the purchase.

If the Executive has completed five (5) or more full years of service with the Corporation and/or its subsidiaries or affiliates, the Corporation shall transfer to the Executive free and clear title to the car assigned to the Executive on the Executive's Date of Termination, if any, or if the Executive chooses, to a car comparable to that assigned to the Executive at any time during the six (6) month period immediately preceding the Change of Control.

Purchase arrangements and title transfer must be completed within five (5) business days after the Executive's Date of Termination.

c. The Executive will be responsible for the sales tax on transfer of the car as well as for all insurance, maintenance, taxes and other liabilities associated with the car after title transfer. Additionally, the Corporation shall assign to the Executive all claims for breach of warranty and other similar matters against the vendor and manufacturer of the car. The Executive agrees to accept such car in an "As-Is" condition. **THE EXECUTIVE WAS SOLELY RESPONSIBLE FOR THE SELECTION AND MAINTENANCE OF THE CAR AND THEREFORE ACKNOWLEDGES THAT THE CORPORATION DOES NOT MAKE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE CAR, INCLUDING, BUT NOT LIMITED TO THE CONDITION OR DESIGN OF**

**THE CAR, ANY LATENT DEFECTS OF THE CAR, THE MERCHANTABILITY OF THE CAR  
OR ITS FITNESS FOR ANY PARTICULAR PURPOSE.**

d. Notwithstanding the Executive's management level, if the Executive was receiving a car allowance immediately preceding the Change of Control, the Corporation and/or the Trustee (as defined in Section 4(c)) shall pay to the Executive, in a lump sum by cashier's check within five (5) business days after the later of the Executive's Date of Termination or the date of receipt by the Corporation and the Trustee (as defined in Section 4(c)) of the Executive's written demand for payment accompanied by notarized copies of the Notice of Termination, release and, to the extent applicable, letter of resignation (as described in Section 5(b)(II)), an amount equal to the PRODUCT OF the Executive's monthly car allowance in effect at the time the Notice of Termination was given, or if greater, the highest monthly car allowance in effect for the Executive during the six (6) month period immediately preceding the Change of Control, MULTIPLIED BY the salary multiple for the Executive set forth in clause

(I)b above MULTIPLIED BY 12.

e. The Executive shall not be entitled to any car telephone provided by the Corporation or its subsidiaries or affiliates and such car telephone, if applicable, shall be returned to the Corporation immediately upon title transfer.

(IV) OUTPLACEMENT. The Corporation and/or the Trustee (as defined in Section 4(c)) shall pay to the Executive, in a lump sum by cashier's check within five (5) business days after the later of the Executive's Date of Termination or the date of receipt by the Corporation and the Trustee (as defined in Section 4(c)) of the Executive's written demand for payment accompanied by notarized copies of the Notice of Termination, release and, to the extent applicable, letter of resignation (as described in Section 5(b)(II)), an amount equal to twenty percent (20%) of the aggregate of the Executive's Annual Base Salary and Bonus Opportunity (as defined in clauses (I)b and (I)c above respectively), subject to a maximum cost of \$50,000 if the Executive was in management level 11-19 immediately prior to either the Notice of Termination, or if greater, the Change of Control and a maximum cost of \$75,000 if the Executive was above management level 19 or Chief Executive Officer immediately prior to either the Notice of Termination, or if greater, the Change of Control, which amount may be used by the Executive as he sees fit and, at his sole discretion, in seeking new employment, including outplacement services.

(V) PERQUISITE, COUNTRY CLUB, FINANCIAL PLANNING/TAX PREPARATION, AND EXECUTIVE PHYSICAL ALLOWANCES. The Corporation and/or the Trustee (as defined in Section 4(c)) shall pay to the Executive, in a lump sum by cashier's check within five (5) business days after the later of the Executive's Date of Termination or the date of receipt by the Corporation and the Trustee (as defined in Section 4(c)) of the Executive's written demand for payment accompanied by notarized copies of the Notice of Termination, release and, to the extent applicable, letter of resignation (as described in Section 5(b)(II)), an amount equal to the perquisite, country club, financial planning/tax preparation and executive physical allowances, as appropriate, the Executive would have been entitled to receive under the plans, programs, policies and practices of the Corporation and/or its subsidiaries or affiliates for the twelve (12) month perquisite and financial planning/tax preparation payment period of the Corporation or the Executive's respective division, as appropriate (i.e., January - December or September - August), in which the Notice of Termination was given, if not yet paid, and one (1) additional twelve (12) month period thereafter, but in no event for longer than the Severance Period, in each case on a basis providing the Executive with benefits at least equal to the greatest level of benefits provided by the Corporation and/or its subsidiaries or affiliates for the Executive under

such plans, programs, policies and practices if and as in effect at any time during the six (6) month period immediately preceding either the Notice of Termination, or if greater, the Change of Control.

(VI) SPLIT-DOLLAR LIFE INSURANCE AND DEFERRED COMPENSATION. Notwithstanding anything in the applicable agreements, plans or policies to the contrary, if the Executive is covered by the Corporation's split-dollar life insurance with its attendant deferred compensation benefit on his Date of Termination, and the Executive wishes to retain both the life insurance coverage and its future deferred compensation benefit, the Executive may purchase the policy from the Corporation by paying the Corporation an amount equal to the cash value of the policy. If the Executive elects to purchase the policy from the Corporation, the Executive will have all the benefits inherent in ownership of the whole-life policy, including the cash value of the policy.

If the Executive wishes to retain the life insurance coverage only, the Executive may convert the policy by forfeiting the deferred compensation benefit. If the Executive chooses this alternative, the Corporation will transfer ownership of the policy to the Executive, and contemporaneously the Executive will execute an agreement relinquishing the deferred compensation benefit. This alternative transfers the entire cash value of the policy to the Executive and relieves the Corporation of the administrative record-keeping associated with the Executive's deferred compensation benefit.

The Executive must notify the Corporation of his election for the transfer of his split-dollar life insurance policy and deferred compensation benefit within thirty (30) days following the Executive's Date of Termination and the Corporation shall complete the transfer immediately upon receipt of such notice and the required payment or executed agreement.

(b) GROSS-UP FOR EXCISE TAX. In the event that it shall be determined that any payment or benefit by the Corporation to or for the benefit of the Executive pursuant to the terms of this Agreement or any other payments or benefits received or to be received by the Executive in connection with or as a result of the Change of Control or the Executive's termination of employment or any event which is deemed by the Internal Revenue Service or any other taxing authority to constitute a change in the ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation ("Change of Control Payments") shall be subject to the tax (the "Excise Tax") imposed by Section 4999 (or any successor section) of the Internal Revenue Code of 1986, as it may be amended from time to time (the "Code"), the Corporation and/or the Trustee (as defined in Paragraph 4(c)) shall pay to the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive, after (i) payment of any Excise Tax on the Change of Control Payments and (ii) payment of any federal and state and local income tax and Excise Tax upon the Gross-Up Payment, shall be equal to the Change of Control Payments. The determination of whether the Executive is subject to the Excise Tax and the amount of the Gross-Up Payment, if any, shall be made by a "Big Six" accounting firm chosen by the Trustee (as defined in Section 4(c)) and reasonably agreeable to the Executive, which determination shall be binding upon the Executive and the Corporation. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income taxes 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 calendar year in which the Gross-Up Payment is to be made in the state or locality of the Executive's residence on the Executive's Date of Termination. The Gross-Up Payment shall be paid to the Executive by cashier's check within five (5) business days following the receipt by the Trustee (as defined in

Section 4(c) of the Gross-Up Payment determination from the selected "Big Six" accounting firm.

(c) TRUST(S).

(i) In order to ensure in the event of a Change of Control that timely payment will be made of certain obligations of the Corporation to the Executive provided for under this Agreement, the Corporation shall pay into one or more trust(s) (the "Trust(s)") established between the Corporation and any financial institution with assets in excess of \$100 million selected by the Corporation prior to the Change of Control, as trustee (the "Trustee"), such amounts and at such time or times as are required in order to fully pay all amounts due the Executive pursuant to Section 4 that are payable in cash or by cashier's check, or as are otherwise required pursuant to the terms of the Trust(s). Thereafter, all such payments required to be paid hereunder shall be made out of the Trust(s); provided, however, that the Corporation shall retain liability for and pay the Executive any amounts or provide for such other benefits due the Executive under this Agreement for which there are insufficient funds in the Trust(s), for which no funding of the Trust(s) is required or in the event that the Trustee fails to make such payment to the Executive within the time frames set forth in this Agreement. Prior to the Change of Control, and to the extent necessary because of a change in the Trustee, after the Change of Control, the Corporation shall provide the Executive with the name and address of the Trustee.

(ii) For purposes of this Agreement, the term "the Corporation and/or the Trustee" shall mean the Trustee to the extent the Corporation has put funds in the Trust(s) and the Corporation to the extent the Corporation has not funded or fully funded the Trust(s); provided, however, that in accordance with Subsection (i) above, the Corporation shall retain liability for and pay the Executive any amounts or provide for such other benefits due the Executive under this Agreement for which the Trustee fails to make adequate payment to the Executive within the time frames set forth in this Agreement.

## 5. OBLIGATIONS OF THE EXECUTIVE.

(a) COVENANT OF CONFIDENTIALITY. All documents, records, techniques, business secrets and other information of the Corporation, its subsidiaries and affiliates, which have or will come into the Executive's possession from time to time during the Executive's affiliation with the Corporation and/or any of its subsidiaries or affiliates and which the Corporation treats as confidential and proprietary to the Corporation and/or any of its subsidiaries or affiliates shall be deemed as such by the Executive and shall be the sole and exclusive property of the Corporation, its subsidiaries and affiliates. The Executive agrees that the Executive will keep confidential and not use or divulge to any other party any of the Corporation's or its subsidiaries' or affiliates' confidential information and business secrets, including, but not limited to, such matters as costs, profits, markets, sales, products, product lines, key personnel, pricing policies, operational methods, customers, customer requirements, suppliers, plans for future developments, and other business affairs and methods and other information not readily available to the public. Additionally, the Executive agrees that upon his termination of employment, the Executive shall promptly return to the Corporation any and all confidential and proprietary information of the Corporation and/or its subsidiaries or affiliates that is in his possession.

(b) If, within the three (3) year period commencing on a Change of Control of the Corporation, (i) the Corporation or its subsidiaries or affiliates shall terminate the Executive's employment for any reason other than for Death, Disability or Cause, or (ii) the Executive shall terminate his employment with the Corporation or its subsidiaries or affiliates for Good Reason,



and the Executive shall elect to receive severance pay and benefits in accordance with Section 4, the Executive shall be subject to the following additional provisions:

(I) COVENANT AGAINST COMPETITION AND SOLICITATION. During the Severance Period (without any reduction or modification) or the one (1) year period following the Executive's Date of Termination, whichever is shorter, the Executive shall not, without the prior written consent of the Corporation's Chief Executive Officer, directly or indirectly engage or become a partner, director, officer, principal, employee, consultant, investor, creditor or stockholder in any business, proprietorship, association, firm or corporation not owned or controlled by the Corporation or its subsidiaries or affiliates which is engaged or proposes to engage or hereafter engages in a business competitive directly with the business conducted by the Corporation or any of its subsidiaries or affiliates immediately prior to the Change of Control in any geographic area where such business of the Corporation or its subsidiaries or affiliates is conducted; provided, however, that the Executive is not prohibited from owning one percent (1%) or less of the outstanding capital stock of any corporation whose stock is listed on a national securities exchange.

During the Severance Period (without any reduction or modification) or the one (1) year period following the Executive's Date of Termination, whichever is shorter, the Executive shall not, either on the Executive's own account or for any person, firm or company, solicit, interfere with or induce, or attempt to induce, any employee of the Corporation or any of its subsidiaries or affiliates to leave his employment or to breach his employment agreement, if any.

(II) RELEASE. Upon the Executive's termination of employment, the Executive and the Corporation shall execute a release agreement in the form attached as Exhibit A. The only condition to the Executive's receipt of any payments or benefits pursuant to this Agreement shall be his tender of such release, executed by him, to the Corporation, and the Executive's obligations and limitations under such release as executed by him shall be conditioned upon the execution of such release by the Corporation and delivery to the Executive within thirty (30) days of the Executive's tender thereof to the Corporation. In addition, to the extent applicable, upon the Executive's termination of employment, the Executive shall execute a resignation letter in the form attached as Exhibit B.

(III) AMENDMENT. The Covenant Against Competition and Solicitation and Release may be amended from time to time solely to comply with any federal, state or local law in order to effectuate their intent.

(c) SPECIFIC REMEDY. The Executive acknowledges and agrees that if the Executive commits a material breach of the Covenant of Confidentiality or, if applicable, the Covenant Against Competition and Solicitation (as provided in Subsections (a) and (b) above), the Corporation shall have the right to have the covenant specifically enforced by any court having appropriate jurisdiction on the grounds that any such breach will cause irreparable injury to the Corporation, and that money damages will not provide an adequate remedy to the Corporation. The Executive further acknowledges and agrees that the Covenant of Confidentiality and, if applicable, the Covenant Against Competition and Solicitation, contained in this Agreement are fair, do not unreasonably restrict the Executive's future employment and business opportunities, and are commensurate with the compensation arrangements set out in this Agreement. In addition, once the Executive makes an election to receive severance pay and benefits pursuant to

Section 4 and is subject to Subsection (b) above, the Executive shall have no right to return any amounts or benefits that are already paid or to refuse to accept any amounts or benefits that are payable in the future in lieu of his specific performance of his obligations under Subsection (b) above.

6. **NON-EXCLUSIVITY OF RIGHTS.** Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plans, programs, policies or practices provided by the Corporation or any of its subsidiaries or affiliates and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under such plans, programs, policies or practices or under any stock option or other agreements with the Corporation or any of its subsidiaries or affiliates, specifically including but not limited to the Corporation's 1980 and 1995 Stock Incentive Plans, the deferred compensation agreements, the Corporation's and/or its subsidiaries' or affiliates' retirement, 401(k) and profit sharing plans, the Corporation's Benefit Restoration Plan, Savings Restoration Plan, supplemental disability and retiree life insurance. In the event there are any amounts which represent vested benefits or which the Executive is otherwise entitled to receive under these or any other plans, programs, policies or practices, including any plan, program, policy or practice adopted after the execution of this Agreement, of the Corporation or any of its subsidiaries or affiliates at or subsequent to the Executive's Date of Termination, the Corporation shall pay or cause the relevant plan, program, policy or practice to pay such amounts, to the extent not already paid, in accordance with the provisions of such plan, program, policy or practice. The phrase "Termination Date" as used in the Corporation's 1980 and 1995 Stock Incentive Plans shall mean the end of the Severance Period with respect to Non-Qualified Stock Options granted to the Executive, if any, pursuant to such plan, and the Executive's Date of Termination with respect to Incentive Stock Options and Restricted Stock Rights granted to the Executive, if any, thereunder. The last day of the Severance Period will be considered to be the Executive's termination date for purposes of the Executive's deferred compensation agreement(s), if any.

7. **FULL SETTLEMENT.** Except as specifically provided otherwise in this Agreement, the Corporation's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any setoff, counterclaim, recoupment, defense or other right which the Corporation may have against the Executive or others. The Executive shall not be obligated to seek other employment by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement nor, except as specifically provided otherwise in this Agreement, shall the amount of any payment provided for under this Agreement be reduced by any compensation or benefits earned by the Executive as the result of employment by another employer after the Date of Termination, or otherwise. The Corporation agrees to pay all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Corporation, the Executive or others of the validity or enforceability of, or liability under any provision of this Agreement or any guarantee of performance thereof, in each case plus interest, compounded daily, on the total unpaid amount determined to be payable under this Agreement, such interest to be calculated on the basis of the greater of (a) two percent (2%) over the base or prime commercial lending rate announced by the First National Bank of Boston in effect from time to time during the period of such nonpayment or (b) eighteen percent (18%), but in no event greater than the highest interest rate permitted by law for such payments.

8. **SUCCESSORS.** (a) This Agreement is personal to the Executive and the Executive does not have the right to assign this Agreement or any interest herein.

(b) This Agreement shall inure to the benefit of and be binding upon the Corporation and its successors. The Corporation shall require any successor to all or substantially all of the business and/or assets of the Corporation, whether directly or indirectly, by purchase, merger, consolidation, acquisition of stock, or otherwise, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Corporation would be required to perform if no such succession had taken place, by a written agreement in form and substance reasonably satisfactory to the Executive, delivered to the Executive within five (5) business days after such succession. As used in this Agreement, "Corporation" shall mean the Corporation as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

9. MISCELLANEOUS. (a) This Agreement shall be governed by and construed in accordance with the laws of the state of Florida, without reference to principles of conflict of laws. The parties agree to submit to the non-exclusive jurisdiction of the courts in the state of Florida. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. Except as provided in Section 5(b)(III), this Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given to the other party and/or the Trustee, as applicable, by hand delivery, by overnight express mail or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

IF TO THE EXECUTIVE: at the Executive's last address appearing in the payroll/personnel records of the Corporation;

**IF TO THE CORPORATION:**

Ryder System, Inc.  
3600 N.W. 82nd Avenue  
Miami, Florida 33166  
Attention: General Counsel

IF TO THE TRUSTEE: at the address provided pursuant to

Section 4(c);

or to such other address as either party or the Trustee shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. The Executive's failure to insist upon strict compliance with any provision hereof shall not be deemed to be a waiver of such provision or any other provision thereof.

(d) The Executive understands and acknowledges that the payment and benefits provided to the Executive pursuant to this Agreement may be unsecured obligations of the Corporation. The Executive further understands and acknowledges that the payments and benefits under this Agreement may be compensation and as such may be included in either the Executive's W-2 earnings statements or 1099 statements. The Corporation may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation, as well as any other deductions consented to in writing by the Executive.

(e) This Agreement, including its attached Exhibits, contains the entire understanding of the Corporation and the Executive with respect to the subject matter hereof. No agreements or representations, oral or written, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement and its attached Exhibits.

(f) The employment of the Executive by the Corporation or its subsidiaries or affiliates may be terminated by either the Executive or the Corporation or its subsidiaries or affiliates at any time and for any reason, with or without cause. Nothing contained in this Agreement shall affect such rights to terminate; provided, however, that nothing in this Section 9(f) shall prevent the terms and provisions of this Agreement from being enforced in the event of a termination described in Section 4(a).

(g) Whenever used in this Agreement, the masculine gender shall include the feminine or neuter wherever necessary or appropriate and vice versa and the singular shall include the plural and vice versa.

(h) This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. AMENDMENT AND RESTATEMENT. The Corporation and the Executive agree that this Agreement amends and correctly restates the entire agreement between the parties as of May 1, 1996; that the provisions of this Agreement supersede and replace the provisions of the Prior Agreement; and that the terms and provisions of this Agreement shall be binding on the Corporation and the Executive in all respects.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and the Corporation has caused these presents to be executed in its name on its behalf, and its corporate seal to be hereunto affixed and attested by its assistant secretary, all as of the day and year first above written.

-----  
Witness

-----  
Executive

-----  
Witness

-----  
Social Security Number

ATTEST:

RYDER SYSTEM, INC.  
(the "Corporation")

\_\_\_\_\_  
Assistant Secretary

By: \_\_\_\_\_  
Executive Vice President

(Seal)

**CHANGE OF CONTROL  
SEVERANCE AGREEMENT**

**EXHIBIT A**

**MUTUAL RELEASE AGREEMENT**

FOR AND IN CONSIDERATION OF (A) THE PAYMENT TO (EXECUTIVE'S NAME) OF THE SEVERANCE BENEFITS PURSUANT TO THE CHANGE OF CONTROL SEVERANCE AGREEMENT BETWEEN RYDER SYSTEM, INC. ("THE CORPORATION") AND (EXECUTIVE'S NAME) DATED MAY 1, 1996 (THE "CHANGE OF CONTROL SEVERANCE AGREEMENT") AND (B) THE EXECUTION OF THIS MUTUAL RELEASE AGREEMENT (THE "RELEASE AGREEMENT") BY BOTH THE CORPORATION AND (EXECUTIVE'S NAME), WITH THE EXECUTION OF THIS RELEASE AGREEMENT BY THE CORPORATION AND THE DELIVERY THEREOF TO (EXECUTIVE'S NAME) OCCURRING WITHIN THIRTY (30) DAYS OF (EXECUTIVE'S NAME)'S TENDER OF THIS RELEASE AGREEMENT TO THE CORPORATION, (EXECUTIVE'S NAME), ON BEHALF OF HIMSELF/HERSELF, HIS/HER HEIRS, SUCCESSORS AND ASSIGNS (COLLECTIVELY THE "EXECUTIVE"), AND THE CORPORATION, ON BEHALF OF ITSELF, AND AS AGENT FOR ALL OF ITS SUBSIDIARIES AND AFFILIATES, THEIR CURRENT AND FORMER AGENTS, EMPLOYEES, OFFICERS, DIRECTORS, SUCCESSORS AND ASSIGNS (COLLECTIVELY "RYDER"), HEREBY RELEASE AND FOREVER DISCHARGE EACH OTHER AND RYDER FROM ANY AND ALL CLAIMS, DEMANDS, ACTIONS, AND CAUSES OF ACTION, AND ALL LIABILITY WHATSOEVER, WHETHER KNOWN OR UNKNOWN, FIXED OR CONTINGENT, WHICH THEY HAVE OR MAY HAVE AGAINST EACH OTHER AND RYDER AS A RESULT OF THE EXECUTIVE'S EMPLOYMENT BY AND SUBSEQUENT TERMINATION AS AN EMPLOYEE OF RYDER, UP TO THE DATE OF THE EXECUTION OF THIS RELEASE AGREEMENT. THIS INCLUDES BUT IS NOT LIMITED TO CLAIMS AT LAW OR EQUITY OR SOUNDING IN CONTRACT (EXPRESS OR IMPLIED) OR TORT ARISING UNDER FEDERAL, STATE, OR LOCAL LAWS PROHIBITING AGE, SEX, RACE, DISABILITY, VETERAN OR ANY OTHER FORMS OF DISCRIMINATION. THIS FURTHER INCLUDES ANY AND ALL CLAIMS ARISING UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT, THE AMERICANS WITH DISABILITIES ACT OF 1990, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, OR THE EMPLOYEE RETIREMENT INCOME SECURITY ACT (ERISA), AS AMENDED, OR CLAIMS GROWING OUT OF ANY LEGAL RESTRICTIONS ON RYDER'S RIGHT TO TERMINATE ITS EMPLOYEES.

This Release Agreement does not release Ryder or the Executive from any of their current, future or ongoing obligations under the Change of Control Severance Agreement, specifically including but not limited to cash payments and benefits due the Executive in the case of the Corporation, and the Covenant of Confidentiality and, to the extent applicable, the Covenant Against Competition and Solicitation, in the case of the Executive.

The Executive and the Corporation understand and agree that this Release Agreement and the Change of Control Severance Agreement shall not in any way be construed as an admission by Ryder or the Executive of any unlawful or wrongful acts whatsoever against each other or any other person, and both Ryder and the Executive specifically disclaim any liability to or wrongful acts against each other or any other person.

The Corporation and the Executive agree that the terms and provisions of this Release Agreement and the Change of Control Severance Agreement, as well as any and all incidents leading to or resulting from this Release Agreement and the Change of Control Severance Agreement, are confidential and may not be discussed with anyone without the prior written consent of the other party, except as required by law; provided, however, that the Executive and the Corporation or its successor agree to immediately give the other party notice of any request to discuss this Release Agreement or the Change of Control Severance Agreement and to provide the other party with the opportunity to contest such request prior to their response.

This Release Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without reference to principles of conflict of laws. Except as provided in Section 5(b)(III) of the Change of Control Severance Agreement, this Release Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

The invalidity or unenforceability of any provision of this Release Agreement shall not affect the validity or enforceability of any other provision of this Release Agreement.

WE CERTIFY THAT WE HAVE FULLY READ, HAVE RECEIVED AN EXPLANATION OF, HAVE NEGOTIATED AND COMPLETELY UNDERSTAND THE PROVISIONS OF THIS RELEASE AGREEMENT, THAT WE HAVE HAD ADEQUATE TIME TO REVIEW AND CONSIDER THE PROVISIONS OF THIS RELEASE AGREEMENT, AND THAT WE ARE SIGNING THIS RELEASE AGREEMENT FREELY AND VOLUNTARILY, WITHOUT DURESS, COERCION OR UNDUE INFLUENCE. IN ADDITION, THE EXECUTIVE FURTHER CERTIFIES THAT THE EXECUTIVE HAS BEEN ADVISED BY THE CORPORATION THAT THE EXECUTIVE SHOULD CONSULT WITH AN ATTORNEY BEFORE SIGNING

THIS RELEASE AGREEMENT.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

-----  
Witness

-----  
Executive

-----  
Witness

-----  
Social Security Number

ATTEST:

RYDER SYSTEM, INC., on behalf of  
itself and as agent for the Corporation

\_\_\_\_\_  
Secretary

By: \_\_\_\_\_

(Seal)

Its: \_\_\_\_\_

Executive's Date of Termination: \_\_\_\_\_

STATE OF \_\_\_\_\_ )

) ss:

COUNTY OF \_\_\_\_\_ )

Before me personally appeared \_\_\_\_\_, to me well known and known to me to be the person described in and who executed the foregoing instrument, and acknowledged to and before me that he/she executed said instrument for the purposes therein expressed.

WITNESS my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

-----  
Notary Public

My Commission Expires:  
\_\_\_\_\_

(Seal)

STATE OF \_\_\_\_\_ )

) ss:  
COUNTY OF \_\_\_\_\_ )

Before me personally appeared \_\_\_\_\_ and \_\_\_\_\_, to me well known and known to me to be the \_\_\_\_\_ and \_\_\_\_\_ of Ryder System, Inc. who executed the foregoing instrument, and acknowledged to and before me that they executed said instrument for the purposes therein expressed.

WITNESS my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_ (Seal)

**CHANGE OF CONTROL  
SEVERANCE AGREEMENT**

**EXHIBIT B**

**RESIGNATION LETTER**

**TO THE BOARD OF DIRECTORS  
OF RYDER SYSTEM, INC.**

Gentlemen:

Effective immediately, I hereby resign as an officer and/or director of Ryder System, Inc. and/or its subsidiaries and affiliates and, to the extent applicable, from all committees of which I am a member.

Sincerely,

---

**Executive's Name**

---

**Date**



**EXHIBIT 10.3(d)**

**SEVERANCE AGREEMENT**

THIS AGREEMENT dated as of May 1, 1996 amends, restates and supersedes the provisions of a certain Severance Agreement or Amended and Restated Severance Agreement between RYDER SYSTEM, INC., a Florida corporation (the "Corporation"), and \_\_\_\_\_ (the "Executive"), dated as of the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_\_.

**WITNESSETH:**

WHEREAS, the Executive is an officer and/or key employee of the Corporation and/or its subsidiaries or affiliates and an integral part of its management; and

WHEREAS, in order to retain the Executive, the Corporation desires to provide severance benefits to the Executive if the Executive's employment with the Corporation or its subsidiaries or affiliates terminates as provided herein prior to a Change of Control (as defined in Section 2);

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, it is hereby agreed by and between the Corporation and the Executive as follows:

1. **TERM OF AGREEMENT.** This Agreement shall become effective as of the date hereof and shall terminate upon the occurrence of the earliest of the events specified below; provided, however, that Section 5 shall survive termination:

(a) the last day of the Severance Period (as defined in Section 3(e));

(b) the termination of the Executive's employment by the Executive for any reason or by the Corporation or its subsidiaries or affiliates for Death, Disability or Cause (as defined in Sections 3(b) and (a) respectively);

(c) one (1) year following the date of receipt of a mailing (by overnight express mail or registered or certified mail, return receipt requested) or hand delivery to the Executive by the Corporation of written notice of its intent to terminate this Agreement, provided that the Executive is not then receiving severance pay and benefits pursuant to Section 4 as a result of his termination by the Corporation or its subsidiaries or affiliates other than for Death, Disability or Cause (as defined in Sections 3(b) and (a) respectively) prior to the end of the one (1) year period;

(d) a Change of Control of the Corporation (as defined in Section 2), provided that the Executive is not then receiving severance pay and benefits pursuant to Section 4 as a result of his termination by the Corporation or its subsidiaries or affiliates other than for Death, Disability or Cause (as defined in Sections 3(b) and (a) respectively) prior to the Change of Control;

(e) the material breach by the Executive of the provisions of Section 5; or

(f) the termination of this Agreement pursuant to Section 4(a)(i) or Section 4(a)(iii)(II).

Additionally, notwithstanding anything in this Agreement to the contrary, if the Executive should die while receiving severance pay or benefits pursuant to Section 4 as a result of his termination by the Corporation or its subsidiaries or affiliates other than for Death, Disability or Cause (as defined in Sections 3(b) and (a) respectively), this Agreement shall terminate immediately upon the Executive's death and both parties shall be released from all obligations under this Agreement other than those under the release referenced in Section 5(b)(IV) and those relating to amounts or benefits which are payable under this Agreement within five (5) business days after the Executive's Date of Termination (if not yet paid), are vested under any plan, program, policy or practice or which the Executive is otherwise entitled to receive upon his death, including, but not limited to, life insurance. Any payment due pursuant to the preceding sentence upon the Executive's death shall be made to the estate of the deceased Executive, unless the plan, program, policy, practice or law provides otherwise.

2. CHANGE OF CONTROL. For the purpose of this Agreement, a "Change of Control" shall be deemed to have occurred if:

(a) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) (a "Person") becomes the beneficial owner, directly or indirectly, of twenty percent (20%) or more of the combined voting power of the Corporation's outstanding voting securities ordinarily having the right to vote for the election of directors of the Corporation; provided, however, that for purposes of this subparagraph (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition by any employee benefit plan or plans (or related trust) of the Corporation and its subsidiaries and affiliates or (ii) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subparagraph (c) of this Section 2; or

(b) the individuals who, as of August 18, 1995, constituted the Board of Directors of the Corporation (the "Board" generally and as of August 18, 1995 the "Incumbent Board") cease for any reason to constitute at least two-thirds (2/3) of the Board, provided that any person becoming a director subsequent to August 18, 1995 whose election, or nomination for election, was approved by a vote of the persons comprising at least two-thirds (2/3) of the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the 1934 Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; or

(c) there is a reorganization, merger or consolidation of the Corporation (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Corporation's outstanding common stock and outstanding voting securities ordinarily having the right to vote for the election of directors of the Corporation immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of,

respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities ordinarily having the right to vote for the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Corporation's outstanding common stock and outstanding voting securities ordinarily having the right to vote for the election of directors of the Corporation, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan or plans (or related trust) of the Corporation or such corporation resulting from such Business Combination and their subsidiaries and affiliates) beneficially owns, directly or indirectly, 20% or more of the combined voting power of the then outstanding voting securities of the corporation resulting from such Business Combination and (iii) at least two-thirds (2/3) of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) there is a liquidation or dissolution of the Corporation approved by the shareholders; or

(e) there is a sale of all or substantially all of the assets of the Corporation.

If a Change of Control occurs and if the Executive's employment is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (A) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (B) otherwise arose in connection with or in anticipation of a Change of Control, a Change of Control shall be deemed to have retroactively occurred on the date immediately prior to the date of such termination of employment.

### 3. CERTAIN DEFINITIONS.

(a) CAUSE. The Executive's employment may be terminated for Cause only if the Corporation's Chief Executive Officer determines that Cause (as defined below) exists. For purposes of this Agreement, "Cause" means (i) an act or acts of fraud, misappropriation, or embezzlement on the Executive's part which result in or are intended to result in his or another's personal enrichment at the expense of the Corporation or its subsidiaries or affiliates,

(ii) conviction of a felony, (iii) conviction of a misdemeanor involving moral turpitude, (iv) willful failure to report to work for more than thirty (30) continuous days not attributable to eligible vacation or supported by a licensed physician's statement, or (v) any other activity which would constitute grounds for termination for cause by the Corporation or its subsidiaries or affiliates. For the purposes of this Section 3(a), any good faith interpretation by the Corporation of the foregoing definition of "Cause" shall be conclusive on the Executive.

(b) DEATH OR DISABILITY.

(i) The Executive's employment will be terminated by the Corporation or its subsidiaries or affiliates automatically upon the Executive's death ("Death").

(ii) After having established the Executive's Disability (as defined below), the Corporation may give to the Executive written notice of the Corporation's and/or its subsidiaries' or affiliates' intention to terminate the Executive's employment for Disability. The Executive's employment will terminate for Disability effective on the thirtieth (30th) day after the Executive's receipt of such notice (the "Disability Effective Date") if within such thirty (30) day period after such receipt the Executive shall fail to return to full-time performance of his duties. For purposes of this Agreement, "Disability" means disability which after the expiration of more than five (5) months after its commencement is determined to be total and permanent by a licensed physician selected by the Corporation or its insurers and reasonably acceptable to the Executive or his legal representative.

In the event of the Executive's termination for Death or Disability, the Executive and, to the extent applicable, his legal representatives, executors, heirs, legatees and beneficiaries shall have no rights under this Agreement and their sole recourse, if any, shall be under the death or disability provisions of the plans, programs, policies and practices of the Corporation and/or its subsidiaries and affiliates, as appropriate.

(c) NOTICE OF TERMINATION. Any termination by the Corporation or its subsidiaries or affiliates other than for Death shall be communicated by notice to the Executive setting forth the basis for termination of the Executive's employment and, if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifying the termination date (the "Notice of Termination").

(d) DATE OF TERMINATION. Date of Termination means the date of receipt of the Notice of Termination or any later date specified therein, as the case may be; provided, however, that if the Executive's employment is terminated by reason of Death or Disability, the Date of Termination shall be the date of Death of the Executive or the Disability Effective Date, as the case may be.

(e) SEVERANCE PERIOD. Unless terminated sooner pursuant to Section 1, the Severance Period means the period set forth below depending on the Executive's management level at the time the Notice of Termination was given, which period shall begin on the day following the Executive's Date of Termination:

Chief Executive Officer	Three (3) years
Mgmt. Level 19 or above	Three (3) years
Mgmt. Level 15-18	Two (2) years
Mgmt. Level 14	One (1) year and six (6) months
Mgmt. Level 13	One (1) year
Mgmt. Level 12	Nine (9) months
Mgmt. Level 11	Six (6) months

#### 4. OBLIGATIONS OF THE CORPORATION.

##### (a) CIRCUMSTANCES OF TERMINATION.

(i) If, during the term of this Agreement prior to a Change of Control, the Corporation or its subsidiaries or affiliates shall terminate the Executive's employment for any reason other than for Death, Disability or Cause, the Corporation agrees to provide the Executive with compensation, benefits and perquisites in accordance with the terms and provisions set forth in Subsection (iii) below and the other provisions of this Agreement, and the Executive agrees that he shall be subject to such terms and provisions. The Executive shall not be deemed to have terminated his employment with the Corporation or any of its subsidiaries or affiliates, and thus shall not be entitled to any amounts or benefits pursuant to this Agreement, if he leaves the employ of the Corporation or any of its subsidiaries or affiliates for immediate reemployment with the Corporation or any of its subsidiaries or affiliates. Additionally, notwithstanding anything in this Agreement to the contrary, the Executive shall not be entitled to any amounts or benefits pursuant to this Agreement if, as a result of the sale of all or substantially all of the stock or assets of one or more of the Corporation's subsidiaries or affiliates not constituting a Change of Control, the Executive continues as an employee of any of the companies whose stock or assets were sold or the Executive leaves the employ of the Corporation or any of its subsidiaries or affiliates and the Executive (A) is offered employment with the purchasing company or any of its subsidiaries or affiliates, or (B) is offered continuing employment with the Corporation or any of its remaining subsidiaries or affiliates. In the event of the occurrence of any of the events set forth in the preceding sentence, this Agreement shall terminate immediately and the Executive shall not be entitled to any amounts or benefits hereunder; provided, however, that this Agreement shall continue in effect if the Executive accepts the offer of continuing employment with the Corporation or any of its remaining subsidiaries or affiliates.

(ii) If during the term of this Agreement, the Executive shall terminate his employment with the Corporation or its subsidiaries or affiliates for any reason, or the Corporation or its subsidiaries or affiliates shall terminate the Executive's employment for Death, Disability or Cause, then the Executive shall not be entitled to any of the benefits set forth in Subsection (iii) below or in any other provision of this Agreement, except to the extent of the amounts which represent vested benefits or which the Executive is otherwise entitled to receive under any plan, program, policy or practice of the Corporation or any of its subsidiaries or affiliates at or subsequent to the Executive's Date of Termination.

(iii) If the Executive is entitled to receive severance pay and benefits under Subsection (i) above, the Corporation agrees to provide the Executive with the following compensation, benefits and perquisites, subject to Section 5(b):

(I) CASH ENTITLEMENT. The Corporation shall pay to the Executive the aggregate of the amounts determined pursuant to clauses a through e below:

a. UNPAID SALARY AND VACATION. If not already paid, the Executive's base salary and unused vacation entitlement through the Executive's Date of Termination at the rate in effect at the time the Notice of Termination was given.

b. SALARY MULTIPLE. A continuation of the Executive's annual base salary at the rate in effect at the time the Notice of Termination was given ("Annual Base Salary") for the Executive's applicable Severance Period (as defined in Section 3(e)).

c. TENURE - RELATED BONUS. An amount equal to the PRODUCT OF (i) the Executive's Annual Base Salary MULTIPLIED BY (ii) the stated maximum bonus opportunity percentage available to the Executive under the respective incentive compensation plan immediately preceding the Notice of Termination MULTIPLIED BY (iii) the "Executive's Three Year Average Bonus Percentage" (as defined below) (the product of (i), (ii) and (iii) hereinafter referred to as the "Bonus Opportunity") MULTIPLIED BY the number of the Executive's full and prorated partial years of service with the Corporation and/or its subsidiaries or affiliates, subject to a maximum of twelve (12) years, DIVIDED BY twelve (12).

The "Executive's Three Year Average Bonus Percentage" is the SUM OF the bonus percentages paid to the Executive DIVIDED BY the stated maximum bonus opportunity percentages available to the Executive rounded to one decimal place (e.g., 86.3%) FOR EACH OF the three (3) fiscal years immediately preceding the date the Notice of Termination was given DIVIDED BY three (3).

If the Executive has been employed by the Corporation and/or its subsidiaries or affiliates for less than three (3) fiscal years at the time the Notice of Termination was given, or if the Executive was not eligible to receive an incentive compensation award pursuant to an incentive compensation plan of the Corporation and/or its subsidiaries or affiliates for one (1) or more of the three (3) fiscal years immediately preceding the date the Notice of Termination was given, the bonus percentage to be applied in the "Executive's Three Year Bonus Percentage" calculation for any year in which the Executive was not employed or eligible to receive an incentive award will be the average bonus percentage paid for such year to all executives in the Corporation or the Executive's respective division, as appropriate, with a stated maximum bonus opportunity level similar to that of the Executive at the date the Notice of Termination was given DIVIDED BY the average stated maximum bonus opportunity percentage available to these executives for such year rounded to one decimal place (e.g., 86.3%).

**CALCULATION EXAMPLE OF EXECUTIVE'S THREE YEAR AVERAGE  
BONUS PERCENTAGE**

(2)

(1) STATED (1)/(2)

YEAR	BONUS PERCENTAGE PAID	MAXIMUM BONUS OPPORTUNITY	BONUS OPPORTUNITY PERCENT
----	-----	-----	-----
1	55.1%	60.0%	91.8%
2	71.8%	80.0%	89.8%
3	102.0%	100.0%	102.0%
Sum			----- 283.6%

Executive's Three Year Average  
Bonus Percentage (Sum DIVIDED BY 3) 94.5%

d. **BONUS MULTIPLE.** For the Chief Executive Officer and executives in management level 17 and above at the time the Notice of Termination was given ONLY, an amount equal to the **PRODUCT OF** the Bonus Opportunity determined in clause c above **MULTIPLIED BY** the following multiple depending on the Executive's management level at the time the Notice of Termination was given:

Chief Executive Officer 2 Mgmt. Level 17 or above 1

e. **PRIOR YEAR BONUS.** If bonuses for the calendar year prior to the Executive's Date of Termination have been distributed and the Executive has not yet been paid his incentive compensation award for such calendar year, and his Date of Termination is subsequent to the incentive compensation award payment date for such calendar year, then the Executive shall receive an additional amount equal to the **PRODUCT OF** the actual salary earned by the Executive during the prior calendar year **MULTIPLIED BY** the actual bonus percentage approved for the Executive for such calendar year under the respective incentive compensation plan.

The Executive agrees that he shall not be eligible for or entitled to any other incentive compensation award, including any pro rata incentive compensation award, pursuant to the Corporation's and/or its subsidiaries' or affiliates' incentive compensation plans. The Executive's agreement to this provision is a material consideration for the Corporation's executing this Agreement.

The Corporation shall pay to the Executive the amounts determined in clauses a through e above as follows:

CLAUSE A: In a lump sum no later than the next normal pay period for the Executive, unless otherwise required by law.

CLAUSE B: In equal semi-monthly installments on the fifteenth and last day of each month during the Severance Period.

CLAUSE D: No later than the first March 1st following the Executive's Date of Termination.

CLAUSES C AND E: In a lump sum within five (5) business days after the Executive's Date of Termination.

(II) MEDICAL, DENTAL, DISABILITY, LIFE INSURANCE AND OTHER SIMILAR PLANS AND PROGRAMS. Until the earliest to occur of (i) the last day of the Severance Period, (ii) the date on which the Executive becomes eligible for the designated coverage as an employee of another employer which provides or offers such coverage to its employees, or (iii) in the case of benefits requiring employee contributions, the date the Executive fails to make such contributions pursuant to the Corporation's or the plan's instructions or otherwise cancels his coverage in accordance with plan provisions (the "Benefits Continuation Period"), the Corporation shall continue to provide the benefits which the Executive and/or his family is or would have been entitled to receive under all medical, dental, disability, supplemental life, group life, and accidental death and dismemberment insurance plans and programs, and other similar plans and programs of the Corporation and/or its subsidiaries or affiliates not otherwise provided for in this Agreement, in each case on a basis providing the Executive and/or his family with the opportunity to receive benefits at least equal to those benefits provided by the Corporation and/or its subsidiaries or affiliates to their comparably situated active executives during the Benefits Continuation Period. The non-contributory benefits will be paid for by the Corporation. The medical and dental plan benefits, to the extent applicable, will be provided in accordance with the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), except that the Corporation shall pay the COBRA premiums for the standard medical and dental plan benefits during the Benefits Continuation Period minus the Executive's contributory obligation determined as if the Executive were still an executive employee of the Corporation. If the Executive's participation in any such plan or program is barred by COBRA or for any other reason, the Corporation shall pay or provide for payment of such benefits or substantially similar benefits to the Executive and/or his family. Failure of the Executive to accept available coverage from another employer or to notify the Corporation, in writing, within thirty (30) days of the Executive's eligibility for coverage under another employer's plan shall terminate the Severance Period and this Agreement immediately, and the Corporation shall have no further obligations to the Executive under this Agreement; provided, however, that the Executive will, if applicable, continue to be subject to the provisions of Section 5 of this Agreement. Upon termination of his coverage under this paragraph, the Executive may be eligible under COBRA to continue some of his benefits for an additional period of time. If such is the case, the Executive



will be responsible for the entire COBRA premium. Additionally, the Executive has thirty-one (31) days from the last day of coverage in which to convert his group life insurance to an individual policy. The Executive must arrange for conversion through an agent of Standard Insurance Company of America, or such other insurance company as is then providing coverage.

(III) CAR. a. If, at the time the Notice of Termination was given, the Executive was assigned a car and was in management level 14 or above, within five (5) business days after the Executive's Date of Termination, the Corporation shall transfer to the Executive free and clear title to the car assigned to the Executive at the time the Notice of Termination was given.

b. If, at the time the Notice of Termination was given, the Executive was assigned a car and was in management level 13 or below, then the following provisions will apply:

If the Executive has less than one (1) full year of service with the Corporation and/or its subsidiaries or affiliates, the Executive shall have no right to purchase or receive from the Corporation the car assigned to the Executive at the time the Notice of Termination was given since the Executive shall have no rights under this Agreement pursuant to Section 4(c).

If the Executive has one (1) or more but fewer than five (5) full years of service with the Corporation and/or its subsidiaries or affiliates, the Executive may purchase from the Corporation free and clear title to the car assigned to the Executive at the time the Notice of Termination was given for fifty percent (50%) of the average retail value of the car listed in the National Automobile Dealer's Association, Official Used Car Guide as of the date of the purchase.

If the Executive has completed five (5) or more full years of service with the Corporation and/or its subsidiaries or affiliates, the Corporation shall transfer to the Executive free and clear title to the car assigned to the Executive at the time the Notice of Termination was given.

Purchase arrangements and title transfer must be completed within five (5) business days after the Executive's Date of Termination.

c. The Executive will be responsible for the sales tax on transfer of the car as well as for all insurance, maintenance, taxes and other liabilities associated with the car after title transfer. Additionally, the Corporation shall assign to the Executive all claims for breach of warranty and other similar matters against the vendor and manufacturer of the car. The Executive agrees to accept such car in an "As-Is" condition. **THE EXECUTIVE WAS SOLELY RESPONSIBLE FOR THE SELECTION AND MAINTENANCE OF THE CAR AND THEREFORE ACKNOWLEDGES THAT THE CORPORATION DOES NOT MAKE ANY**

WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE CAR, INCLUDING, BUT NOT LIMITED TO THE CONDITION OR DESIGN OF THE CAR, ANY LATENT DEFECTS OF THE CAR, THE MERCHANTABILITY OF THE CAR OR ITS FITNESS FOR ANY PARTICULAR PURPOSE.

d. Notwithstanding the Executive's management level, if the Executive was receiving a car allowance at the time the Notice of Termination was given, the Corporation shall pay to the Executive, in a lump sum within five (5) business days after the Executive's Date of Termination, an amount equal to the PRODUCT OF the Executive's monthly car allowance in effect at the time the Notice of Termination was given MULTIPLIED BY 12 MULTIPLIED BY the following multiple depending on the Executive's management level at the time the Notice of Termination was given:

Chief Executive Officer	3
Mgmt. Level 19 or above	3
Mgmt. Level 15-18	2
Mgmt. Level 14	1.5
Mgmt. Level 13	1
Mgmt. Level 12	.75
Mgmt. Level 11	.5

e. The Executive shall not be entitled to any car telephone provided by the Corporation or its subsidiaries or affiliates and such car telephone, if applicable, shall be returned to the Corporation immediately upon title transfer.

(IV) OUTPLACEMENT. Until the end of the Severance Period or until the Executive obtains another full-time job or becomes self-employed, whichever occurs first, the Corporation shall provide the Executive with professional outplacement services of the Corporation's choice and shall reimburse the Executive for documented incidental outplacement expenses directly related to job search such as resume mailing, interviewing trips, and clerical support, subject to a maximum cost of the lesser of (i) ten percent (10%) of the Executive's Annual Base Salary (as defined in clause (I)b above), or (ii) \$20,000 if the Executive was in management level 11-19 at the time the Notice of Termination was given or \$30,000 if the Executive was above management level 19 or Chief Executive Officer at the time the Notice of Termination was given. The Executive shall not be entitled to receive cash in lieu of the professional outplacement services or reimbursed incidental outplacement expenses provided by the Corporation.

(V) PERQUISITE, COUNTRY CLUB, FINANCIAL PLANNING/TAX PREPARATION AND EXECUTIVE PHYSICAL ALLOWANCES. For the twelve (12) month perquisite, country club, financial planning/tax preparation and executive physical payment period of the Corporation or the Executive's respective division, as appropriate (i.e., January - December or September - August), in which the Notice of Termination was given, if not yet paid, and one (1) additional twelve (12) month period thereafter, but in no event for

longer than the Severance Period, the Corporation shall continue to provide the Executive with the perquisite, country club, financial planning/tax preparation and executive physical allowances, as appropriate, the Executive would have been entitled to receive under the plans, programs, policies and practices of the Corporation and/or its subsidiaries or affiliates (subject to the Corporation's receipt of appropriate documented evidence of such expenses), in each case on a basis providing the Executive with an opportunity to receive benefits at least equal to those provided by the Corporation and/or its subsidiaries or affiliates to their comparably situated active executives during the applicable period.

(VI) SPLIT-DOLLAR LIFE INSURANCE AND DEFERRED COMPENSATION. Notwithstanding anything in the applicable agreements, plans or policies to the contrary, if the Executive is covered by the Corporation's split-dollar life insurance with its attendant deferred compensation benefit at the time the Notice of Termination is given, and the Executive wishes to retain both the life insurance coverage and its future deferred compensation benefit, the Executive may purchase the policy from the Corporation by paying the Corporation an amount equal to the cash value of the policy. If the Executive elects to purchase the policy from the Corporation, the Executive will have all the benefits inherent in ownership of the whole-life policy, including the cash value of the policy.

If the Executive wishes to retain the life insurance coverage only, the Executive may convert the policy by forfeiting the deferred compensation benefit. If the Executive chooses this alternative, the Corporation will transfer ownership of the policy to the Executive, and contemporaneously the Executive will execute an agreement relinquishing the deferred compensation benefit. This alternative transfers the entire cash value of the policy to the Executive and relieves the Corporation of the administrative record-keeping associated with the Executive's deferred compensation benefit.

The Executive must notify the Corporation of his election for the transfer of his split-dollar life insurance policy and deferred compensation benefit within thirty (30) days following the Executive's Date of Termination and the Corporation shall complete the transfer immediately upon receipt of such notice and the required payment or executed agreement.

(b) If a Change of Control occurs and the Executive is then receiving severance pay and benefits pursuant to Section 4(a) as a result of his termination by the Corporation or its subsidiaries or affiliates other than for Death, Disability or Cause prior to the Change of Control, the Corporation shall pay to the Executive in a lump sum, within five (5) business days after the Change of Control, an amount (in lieu of future periodic payments) equal to the present value of all future cash payments due to the Executive under this Agreement (including the maximum outplacement and perquisite, country club, financial planning/tax preparation and executive physical allowances, as appropriate) using the First National Bank of Boston's base or prime commercial lending rate then in effect for such computation. The Corporation and the

Executive shall continue to be liable to each other for all of their other respective obligations under this Agreement.

(c) Notwithstanding anything in this Agreement to the contrary, no amount shall be paid or payable under this Agreement unless the Executive has been employed by the Corporation and/or its subsidiaries or affiliates for at least twelve (12) consecutive months at the time of his termination. In the event the Executive is employed for less than twelve (12) consecutive months, the Executive hereby agrees that he shall not receive or be entitled to anything under this Agreement.

## 5. OBLIGATIONS OF THE EXECUTIVE.

(a) **COVENANT OF CONFIDENTIALITY.** All documents, records, techniques, business secrets and other information of the Corporation, its subsidiaries and affiliates which have or will come into the Executive's possession from time to time during the Executive's affiliation with the Corporation and/or any of its subsidiaries or affiliates and which the Corporation treats as confidential and proprietary to the Corporation and/or any of its subsidiaries or affiliates shall be deemed as such by the Executive and shall be the sole and exclusive property of the Corporation, its subsidiaries and affiliates. The Executive agrees that the Executive will keep confidential and not use or divulge to any other party any of the Corporation's or its subsidiaries' or affiliates' confidential information and business secrets, including, but not limited to, such matters as costs, profits, markets, sales, products, product lines, key personnel, pricing policies, operational methods, customers, customer requirements, suppliers, plans for future developments, and other business affairs and methods and other information not readily available to the public. Additionally, the Executive agrees that upon his termination of employment, the Executive shall promptly return to the Corporation any and all confidential and proprietary information of the Corporation and/or its subsidiaries or affiliates that is in his possession.

(b) If, at any time during the term of this Agreement, the Corporation or its subsidiaries or affiliates shall terminate the Executive's employment for any reason other than for Death, Disability or Cause, and the Executive shall elect to receive severance pay and benefits in accordance with Section 4, the Executive shall be subject to the following additional provisions:

(I) **COVENANT AGAINST COMPETITION.** During the Severance Period (without any reduction or modification), the Executive shall not, without the prior written consent of the Corporation's Chief Executive Officer, directly or indirectly engage or become a partner, director, officer, principal, employee, consultant, investor, creditor or stockholder in any business, proprietorship, association, firm or corporation not owned or controlled by the Corporation or its subsidiaries or affiliates which is engaged or proposes to engage or hereafter engages in a business competitive directly with the business conducted by the Corporation or any of its subsidiaries or affiliates in any geographic area where such business of the Corporation or its subsidiaries or affiliates is conducted; provided, however, that the Executive is not prohibited from owning one percent (1%) or less of the

outstanding capital stock of any corporation whose stock is listed on a national securities exchange.

(II) COVENANT OF NON-SOLICITATION. During the Severance Period (without any reduction or modification), the Executive shall not, either on the Executive's own account or for any person, firm or company, solicit, interfere with or induce, or attempt to induce, any employee of the Corporation or any of its subsidiaries or affiliates to leave his employment or to breach his employment agreement, if any.

(III) COVENANT OF NON-DISPARAGEMENT AND COOPERATION. The Executive agrees not to make any remarks disparaging the conduct or character of the Corporation or any of its subsidiaries or affiliates, their current or former agents, employees, officers, directors, successors or assigns ("Ryder"). In addition, the Executive agrees to cooperate with Ryder, at no extra cost, in any litigation or administrative proceedings (e.g., EEOC charges) involving any matters with which the Executive was involved during the Executive's employment with the Corporation. The Corporation shall reimburse the Executive for travel expenses approved by the Corporation or its subsidiaries or affiliates incurred in providing such assistance.

(IV) RELEASE. Upon his termination of employment, the Executive shall execute and agree to be bound by a release agreement substantially in the form attached as Exhibit A and, to the extent applicable, a resignation letter substantially in the form attached as Exhibit B, prior to and as a condition to receiving any payments or benefits pursuant to this Agreement. If applicable, the release agreement may contain provisions required by federal, state or local law (e.g., the Older Worker's Benefit Protection Act) to effectuate a general release of all claims.

(c) SPECIFIC REMEDY. The Executive acknowledges and agrees that if the Executive commits a material breach of the Covenant of Confidentiality or, if applicable, the Covenant Against Competition, the Covenant of Non-Solicitation, or the Covenant of Non-Disparagement and Cooperation (as provided in Subsections (a) and (b) above, the Corporation shall have the right to have the covenant specifically enforced by any court having appropriate jurisdiction on the grounds that any such breach will cause irreparable injury to the Corporation, and that money damages will not provide an adequate remedy to the Corporation. The Executive further acknowledges and agrees that the Covenant of Confidentiality and, if applicable, the Covenant Against Competition, the Covenant of Non-Solicitation, and the Covenant of Non-Disparagement and Cooperation contained in this Agreement are fair, do not unreasonably restrict the Executive's future employment and business opportunities, and are commensurate with the compensation arrangements set out in this Agreement. In addition, once the Executive makes an election to receive severance pay and benefits pursuant to Section 4 and is subject to Subsection (b) above, the Executive shall have no right to return any amounts or benefits that are already paid

or to refuse to accept any amounts or benefits that are payable in the future in lieu of his specific performance of his obligations under Subsection (b) above.

6. **NON-EXCLUSIVITY OF RIGHTS.** Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plans, programs, policies or practices provided by the Corporation or any of its subsidiaries or affiliates and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under such plans, programs, policies or practices or under any stock option or other agreements with the Corporation or any of its subsidiaries or affiliates, specifically including but not limited to the Corporation's 1980 and 1995 Stock Incentive Plans, the deferred compensation agreements, the Corporation's and/or its subsidiaries' or affiliates' retirement, 401(k) and profit sharing plans, the Corporation's Benefit Restoration Plan, Savings Restoration Plan, supplemental disability and retiree life insurance. In the event there are any amounts which represent vested benefits or which the Executive is otherwise entitled to receive under these or any other plans, programs, policies or practices, including any plan, program, policy or practice adopted after the execution of this Agreement, of the Corporation or any of its subsidiaries or affiliates at or subsequent to the Executive's Date of Termination, the Corporation shall cause the relevant plan, program, policy or practice to pay such amount, to the extent not already paid, in accordance with the provisions of such plan, program, policy or practice. The phrase "Termination Date" as used in the Corporation's 1980 and 1995 Stock Incentive Plans shall mean the end of the Severance Period with respect to Non-Qualified Stock Options granted to the Executive, if any, pursuant to such plan, and the Executive's Date of Termination with respect to Incentive Stock Options and Restricted Stock Rights granted to the Executive, if any, thereunder. The last day of the Severance Period will be considered to be the Executive's termination date for purposes of the Executive's deferred compensation agreement(s), if any.

7. **NO MITIGATION.** In no event shall the Executive be obligated to seek other employment by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement nor, except as specifically provided otherwise in this Agreement, shall the amount of any payment provided for under this Agreement be reduced by any compensation or benefits earned by the Executive as the result of employment by another employer after the Date of Termination, or otherwise.

8. **ASSIGNMENT.** This Agreement is personal to the Executive and the Executive does not have the right to assign this Agreement or any interest herein. This Agreement shall inure to the benefit of and be binding upon the Corporation and its successors.

9. **MISCELLANEOUS.** (a) This Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without reference to principles of conflict of laws. The parties hereto agree that the appropriate forum for any action brought hereunder shall be Miami, Florida. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. The Executive acknowledges and agrees that the Corporation may amend this Agreement at any time to comply with any federal, state or local law or regulation or as necessary to enforce the intent of Section 5. Otherwise, this Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder, other than those under Section 3(c), shall be in writing and shall be given to the other party by hand delivery, by overnight express mail, or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

IF TO THE EXECUTIVE: at the Executive's last address appearing in the payroll/personnel records of the Corporation.

**IF TO THE CORPORATION:**

Ryder System, Inc.  
3600 N.W. 82nd Avenue  
Miami, Florida 33166  
Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Executive understands and acknowledges that the payments and benefits provided to the Executive pursuant to this Agreement may be unsecured, unfunded obligations of the Corporation. The Executive further understands and acknowledges that the payments and benefits under this Agreement may be compensation and as such may be included in either the Executive's W-2 earnings statements or 1099 statements. The Corporation may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation, as well as any other deductions consented to in writing by the Executive.

(e) This Agreement, including its attached Exhibits, contains the entire understanding of the Corporation and the Executive with respect to the subject matter hereof. No agreements or representations, oral or written, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement and its attached Exhibits.

(f) The employment of the Executive by the Corporation or its subsidiaries or affiliates may be terminated by either the Executive or the Corporation or its subsidiaries or affiliates at any time and for any reason, with or without cause. Nothing contained in this Agreement shall affect such rights to terminate; provided, however, that nothing in this Section 9(f) shall prevent the terms and provisions of this Agreement from being enforced in the event of a termination described in Section 4(a).

(g) Whenever used in this Agreement, the masculine gender shall include the feminine or neuter wherever necessary or appropriate and vice versa and the singular shall include the plural and vice versa.

(h) This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. AMENDMENT AND RESTATEMENT. The Corporation and the Executive agree that this Agreement amends and correctly restates the entire agreement between the parties as of May 1, 1996; that the provisions of this Agreement supersede and replace the provisions of the Prior Agreement; and that the terms and provisions of this Agreement shall be binding on the Corporation and the Executive in all respects.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and the Corporation has caused these presents to be executed in its name on its behalf, and its corporate seal to be hereunto affixed and attested by its assistant secretary, all as of the day and year first above written.

-----  
Witness

-----  
Executive

-----  
Witness

-----  
Social Security Number

ATTEST:

RYDER SYSTEM, INC.  
(the "Corporation")

\_\_\_\_\_ By: \_\_\_\_\_ Assistant Secretary Executive Vice President

(Seal)



## **SEVERANCE AGREEMENT**

### **EXHIBIT A**

#### **RELEASE AGREEMENT**

FOR AND IN CONSIDERATION OF THE PAYMENT TO ME OF THE SEVERANCE BENEFITS PURSUANT TO THE SEVERANCE AGREEMENT BETWEEN RYDER SYSTEM, INC. ("THE CORPORATION") AND ME DATED MAY 1, 1996 (THE "SEVERANCE AGREEMENT"), I, (EXECUTIVE'S NAME), ON BEHALF OF MYSELF, MY HEIRS, SUCCESSORS AND ASSIGNS (COLLECTIVELY "I" OR "ME"), HEREBY RELEASE AND FOREVER DISCHARGE THE CORPORATION AND ALL OF ITS SUBSIDIARIES AND AFFILIATES, THEIR CURRENT AND FORMER AGENTS, EMPLOYEES, OFFICERS, DIRECTORS, SUCCESSORS AND ASSIGNS (COLLECTIVELY "RYDER"), FROM ANY AND ALL CLAIMS, DEMANDS, ACTIONS, AND CAUSES OF ACTION, AND ALL LIABILITY WHATSOEVER, WHETHER KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, FIXED OR CONTINGENT, WHICH I HAVE OR MAY HAVE AGAINST RYDER AS A RESULT OF MY EMPLOYMENT BY AND SUBSEQUENT TERMINATION AS AN EMPLOYEE OF RYDER, UP TO THE DATE OF THE EXECUTION OF THIS RELEASE AGREEMENT. THIS INCLUDES BUT IS NOT LIMITED TO CLAIMS AT LAW OR EQUITY OR SOUNDING IN CONTRACT (EXPRESS OR IMPLIED) OR TORT ARISING UNDER FEDERAL, STATE, OR LOCAL LAWS PROHIBITING AGE, SEX, RACE, DISABILITY, VETERAN OR ANY OTHER FORMS OF DISCRIMINATION. THIS FURTHER INCLUDES ANY AND ALL CLAIMS ARISING UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT, THE AMERICANS WITH DISABILITIES ACT OF 1990, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, OR THE EMPLOYEE RETIREMENT INCOME SECURITY ACT ("ERISA"), AS AMENDED, OR CLAIMS GROWING OUT OF ANY LEGAL RESTRICTIONS ON RYDER'S RIGHT TO TERMINATE ITS EMPLOYEES. I COVENANT AND AGREE THAT I WILL NOT SUE OR FILE ANY LAWSUIT OR ACTION AGAINST RYDER IN THE FUTURE WITH RESPECT TO ANY CLAIM OR CAUSE OF ACTION RELEASED AS PART OF THIS RELEASE AGREEMENT. I FURTHER AGREE THAT IF I VIOLATE THIS COVENANT OR ANY OTHER PROVISION OF THIS RELEASE AGREEMENT OR THE SEVERANCE AGREEMENT, I SHALL INDEMNIFY RYDER FOR ALL COSTS AND ATTORNEY'S FEES INCURRED BY RYDER IN ENFORCING THIS RELEASE AGREEMENT AND THE SEVERANCE AGREEMENT.

This Release Agreement does not release Ryder from any of its current, future or ongoing obligations under the Severance Agreement, specifically including but not limited to cash payments and benefits due me.

I understand and agree that this Release Agreement and the Severance Agreement shall not in any way be construed as an admission by Ryder of any unlawful or wrongful acts whatsoever against me or any other person, and Ryder specifically disclaims any liability to or wrongful acts against me or any other person.

I agree that the terms and provisions of this Release Agreement and the Severance Agreement, as well as any and all incidents leading to or resulting from this Release Agreement and the Severance Agreement, are confidential and that I may not discuss them with anyone without the prior written consent of the Corporation's or its successor's Chief Executive Officer, except as required by law; provided, however, that I agree to immediately give the Corporation or

its successor notice of any request to discuss this Release Agreement or the Severance Agreement and to provide the Corporation or its successor with the opportunity to contest such request prior to my response.

This Release Agreement shall be governed by and construed in accordance with the laws of the state of Florida, without reference to principles of conflict of laws. Except as provided in Sections 5(b)(IV) and 9(a) of the Severance Agreement, this Release Agreement may not be amended or modified otherwise than by a written agreement executed by the Corporation and me or our respective successors and legal representatives.

The invalidity or unenforceability of any provision of this Release Agreement shall not affect the validity or enforceability of any other provision of this Release Agreement.

I CERTIFY THAT I HAVE FULLY READ, HAVE RECEIVED AN EXPLANATION OF, HAVE NEGOTIATED AND COMPLETELY UNDERSTAND THE PROVISIONS OF THIS RELEASE AGREEMENT, AND THAT I HAVE BEEN ADVISED BY THE CORPORATION THAT I SHOULD CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS RELEASE AGREEMENT. I FURTHER CERTIFY THAT I HAVE HAD ADEQUATE TIME TO REVIEW AND CONSIDER THE PROVISIONS OF THIS RELEASE

AGREEMENT AND THAT I AM SIGNING THIS RELEASE AGREEMENT FREELY AND VOLUNTARILY, WITHOUT DURESS, COERCION OR UNDUE INFLUENCE.

Dated this \_\_\_ day of \_\_\_\_\_, 19\_\_.

-----  
Witness

-----  
Executive

-----  
Witness

-----  
Social Security Number

Executive's Date of Termination:\_\_\_\_\_

STATE OF \_\_\_\_\_ )  
 ) ss:  
COUNTY OF \_\_\_\_\_ )

Before me personally appeared \_\_\_\_\_, to me well known and known to me to be the person described in and who executed the foregoing instrument, and acknowledged to and before me that he/she executed said instrument for the purposes therein expressed.

WITNESS my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

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**Notary Public**

**My Commission Expires:**

\_\_\_\_\_ (Seal)

**SEVERANCE AGREEMENT**

**EXHIBIT B**

**RESIGNATION LETTER**

**TO THE BOARD OF DIRECTORS  
OF RYDER SYSTEM, INC.**

Gentlemen:

Effective immediately, I hereby resign as an officer and/or director of Ryder System, Inc. and/or its subsidiaries and affiliates and, to the extent applicable, from all committees of which I am a member.

Sincerely,

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**Executive's Name**

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**Date**

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**RYDER RSI HEADQUARTERS**

**EXECUTIVE MANAGEMENT**

**1997 INCENTIVE COMPENSATION PLAN LEVELS MS 11 AND HIGHER**

PAGE 1

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**Supersedes 1996 Executive Management Incentive Compensation Plans**

**INTRODUCTION**

The following material explains the operation and administration of the 1997 Incentive Compensation Plan (the "Plan") for Ryder System, Inc. ("RSI" or "the Company") headquarters Officers and Directors whose positions are evaluated at Management Level 11 (MS11) or higher and other members of the Company's Executive Committee ("participants"). The Plan is intended to serve as a single, comprehensive source of information that will explain your bonus for achieving various levels of performance.

The Plan is based on the Economic Value Added ("EVA") performance measurement system. EVA is a measurement tool that determines whether a business is earning more than its true cost of capital by incorporating the cost of equity capital as well as debt capital. EVA will assess financial performance and will also serve as a management tool for setting goals, evaluating strategies, and analyzing results.

EVA can be expressed in the following formula:  $EVA = NAT - AN \text{ EQUITY CHARGE}$

**PERFORMANCE TARGETS**

Target EVA is the level of EVA performance required over a one-year time frame whereby participants will receive a target bonus payout. RSI's Target EVA for 1997 is \$18 million.

The Plan is intended to provide participants with competitive compensation for achieving targeted performance. Target awards are expressed as a percentage of a participant's base salary and will be declared when Target EVA is achieved.

**TARGET BONUS OPPORTUNITY**

Target Bonus Opportunity is expressed as a percentage of base salary for each participant. The following table summarizes the Target Bonus Opportunity for each participating management level:

**TARGET BONUS OPPORTUNITY AS A PERCENTAGE OF BASE SALARY**

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**MANAGEMENT LEVEL TARGET BONUS OPPORTUNITY**

**Chief Executive Officer 85%**

**Management Levels 17 - 20; including Division Presidents 75%**

**Management Levels 14 - 16 70%**

**Management Level 13 40%**

**Management Levels 11 - 12 30%**

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## BONUS OPPORTUNITY

The Plan has uncapped bonus opportunity, both positive and negative. Bonus opportunity will increase as EVA exceeds the expected level. Similarly, bonus opportunity will decrease as EVA falls short of target. Participants in this Plan will be subject to the Bonus Reserve which is discussed later in this document.

## BONUS PAYOUT MECHANISM

In 1997, 100% of the bonus calculation will be based on EVA performance. Actual bonus award amounts will be distributed with 80% of the declared bonus based on EVA and the remaining 20% of the declared bonus based on performance for pre-established Value Enhancement Measures ("VEMs") subject to the Bonus Reserve discussed below. VEMs for 1997 will be 10% for Safety and 10% for Diversity.

### EVA CALCULATION

Funded by RSI, Divisions and/or

Sub-Divisions EVA Performance

EVA 80%	Distribution	VALUE ENHANCEMENT 20%
Total Award Amount 1997 100%		(Target Bonus plus 1/3rd of any remaining balance)
Beginning Reserve Balance	Amount Available for payout	Amount Paid
	Ending Reserve Balance	

The bonus calculation is based on EVA performance. Once the bonus calculation is determined, bonuses will be distributed to participants based 80% on EVA and 20% on the relative performance of VEMs.

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**SAFETY VEM**

10% of the overall bonus payout will be based on consolidated RSI safety performance, with 5% based on the Bodily Injury and Property Damage (BIPD) performance measure of Claims per Million Miles and 5% based on the workers' compensation performance measure of the Lost Workday Case Rate.

For the RSI target of Claims per Million Miles, the source of the data will be claims (provided by Risk Management) and mileage (provided by the business units). All business units, except RTS which is excluded due its lack of influence over the lease and rental driver pool, will comprise the consolidated RSI goal.

For the RSI target of Lost Workday Case Rate, the source of the data will be the Ryder Services claims offices for the number of lost time injuries and Human Resource systems for headcount data. The Lost Workday Case Rate represents the number of lost workday cases experienced for every 100 employees. The 1997 goal of 4.36 represents the percentage of the workforce experiencing lost time injuries, in this case 4.36% of the employees. All business units will comprise the consolidated RSI goal.

The goals for 1997 are shown below:

	PERCENTAGE OF VEM AWARD				
	1%	2%	3%	4%	5%
CLAIMS PER MILLION MILES	5.90	5.69	5.48	5.27	5.06
LOST WORKDAY CASE RATE	4.75	4.65	4.55	4.45	4.36

**DIVERSITY VEM**

10% of each participant's payout will be determined by diversity. Individual or organizational diversity goals must be developed by each participant with the participant's manager. Each participant must recognize the impact that specific diversity goals can have on the organization. The concept of diversity is not limited to numbers; it embraces the inclusion of others and a value of every person's uniqueness.



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## BONUS RESERVE

Participants in the Plan will be subject to a Bonus Reserve.

The Bonus Reserve promotes a long-term perspective for the Plan and aligns participants with owners by simulating ownership. Sustained improvements are rewarded and consistently exceeding EVA performance targets increases the Bonus Reserve balance. The Bonus Reserve also makes managers accountable for performance shortfalls since the Reserve can carry a negative balance if performance is significantly lower than expected. The Bonus Reserve provides a mechanism to smooth the impact of performance cycles.

The Bonus Declared in any year is added to the Bonus Reserve. The Bonus Reserve will then pay participants up to their Target Bonus levels plus one-third of any residual balance. The remaining two-thirds is carried forward and will be held in the Bonus Reserve.

The Bonus Reserve is specifically identified with each individual and will follow that individual through other positions within any business unit of the Company. The Bonus Reserve balance will not exceed 3 times Target Bonus and any residual balance above 3 times Target Bonus will be immediately paid out to the participant.

The Bonus Reserve is illustrated below:

Current Award Declaration	Previous Reserve Balance	Reserve Available	Pay	Pay Target Award + 1/3 of Residual Balance
			Retain in Reserve	

2/3 of Residual Balance  
after paying a Target Award

The Bonus Reserve Balance, while linked to each Plan participant, is not considered "earned" by that individual until performance is sustained over time. The Bonus Reserve is designed to reward long-term performance, and participants will receive one-third of any excess over target levels in any given year. The remaining balance in the Bonus Reserve will be distributed in future years if performance improvements are sustained, and will be used to pay up to Target Bonus in years where performance falls short of target financial performance.

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### **1997 PLAN SCALE - EVA**

The following scale illustrates how the Plan will work. Noted are the points where Target Bonus, two times Target Bonus, and zero bonus are achieved. Bonus amounts are dependent on the multiple declared.

**[GRAPH OMITTED]**

\* In the 1997 Business Plan, NBT=\$299.3 million, NAT=\$173.7 million, EVA=\$18.0 million

Follow the steps on the following example to understand how your bonus is calculated.

#### **STEPS TO CALCULATE YOUR BONUS:**

1. Calculate Variance from Target EVA
  2. Calculate Bonus Multiple Contribution
  3. Calculate Bonus Contribution
  4. Calculate Financial Bonus Contribution
  5. Calculate VEM Bonus Contribution
  6. Calculate Total Bonus Declared
  7. Calculate Bonus Reserve and Bonus Payment
-

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To fully appreciate these steps, the following definitions describe key terms of the Plan.

**KEY TERMS:**

TARGET EVA	The level of EVA performance required to earn a Target Bonus. For RSI, Target EVA for 1997 will be \$18 million.
BONUS INTERVAL	The performance above Target EVA or the performance below Target EVA that will cause a 2x bonus contribution or a zero bonus contribution. For RSI, the Bonus Interval will be \$34 million. With an RSI 1997 Target EVA of \$18 MM, a 2x bonus multiple contribution will result if EVA of \$52 million is achieved. If actual EVA reaches \$(16) million or less, then a zero bonus will occur.
VEMs	VEMs are important non-quantitative measures that impact how bonuses will be paid out. For 1997, 80% of bonus payments will be based on EVA and 20% will be based on two VEMs, which are Safety (10%) and Diversity (10%).
VEM POTENTIAL BONUS	20% of your Bonus Contribution
VEM AWARD	The percent of your VEM Potential Bonus that you have earned. This award % will be based on how well you achieved your departmental goals pertaining to Safety and Diversity.
VEM BONUS CONTRIBUTION	Your VEM Potential Bonus x VEM Award
BONUS DECLARED	The bonus dollars available for payment OR reserve after all declarations have been made.
AVAILABLE BALANCE	The Bonus Declared plus the Beginning Bonus Reserve Balance.

**1997 INCENTIVE COMPENSATION PLAN LEVELS MS 11 AND HIGHER**  
**PAGE 7**

KEY TERMS (CONTINUED):

NAT	The consolidated Net Earnings After Tax from continuing operations (before accounting changes) for bonus year, including appropriate accruals for all incentive awards estimated to be payable for that bonus year.
EQUITY CHARGE	The average equity x the cost of equity determined by Chief Financial Officer.

**EXAMPLE:**

The following is an example of how bonus calculations are determined using a 1997 RSI Target EVA of \$18 MM.

Assume your base salary is \$100,000 and your Target Bonus is 30% of your salary, or \$30,000. 80% of your bonus is determined by EVA, and 20% determined by VEMs.

As you will recall, Target EVA for Year 1 is \$18 MM.

The EVA Bonus Interval ("Interval") is the EVA needed, over and above Target, to declare a double bonus. It is also the shortfall from Target that will cause a zero bonus being declared. Assume that the EVA Bonus Interval is \$34 MM. Therefore:

$$\begin{array}{l}
 \text{-----} \\
 \text{Zero Bonus Contribution at: Target EVA - Interval} = \$18 \text{ MM} - \$34 \text{ MM} = (\$16 \text{ MM}) \\
 \text{-----} \\
 \text{or,} \\
 \text{-----} \\
 \text{Twice Target Bonus Contribution at:} = \text{Target EVA} + \text{Interval} = \$18 \text{ MM} + \$34 \text{ MM} = \$52 \text{ MM} \\
 \text{-----}
 \end{array}$$

For any level of EVA, determine the difference between Actual and Target EVA, and divide that difference by the Interval. Add that number to 1.0x to calculate the Bonus Contribution.

**STEP ONE: CALCULATE VARIANCE FROM TARGET EVA:**

Assume that EVA in Year 1 was \$35 MM. As stated previously, 1997 Target EVA is \$18 MM. First, determine the difference between Actual EVA and Target EVA. This is your Variance from Target EVA. The calculation is shown below.

	Year 1 Actual EVA	\$35 MM
-	Year 1 Target EVA	- \$18 MM
	-----	-----
=	Variance from Target EVA	\$17 MM

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**STEP TWO: CALCULATE BONUS MULTIPLE CONTRIBUTION:**

In Year 1, RSI's EVA is \$17 MM above Target. From above, this should be divided by the EVA Bonus Interval to determine the amount of Bonus to be added to Target.

	Variance from Target EVA	\$17 MM
divided by	EVA Bonus Interval -----	divided by \$34 MM -----
=	Bonus Above Target	0.5x

Next, add the Bonus Above Target to the Target Bonus of 1.0x to determine your Bonus Contribution.

	Bonus Above Target	0.5x
+	Target Bonus Multiple -----	+ 1.0x -----
=	Bonus Multiple Contribution	1.5x

**STEP THREE: CALCULATE BONUS CONTRIBUTION:**

The Bonus Multiple Contribution is then multiplied by your Target Bonus, to determine your Bonus Contribution, in dollars.

	Bonus Multiple Contribution	1.5x
x	Target Bonus -----	x \$30,000 -----
=	Bonus Contribution	\$45,000

**STEP FOUR: CALCULATE FINANCIAL BONUS CONTRIBUTION:**

For all RSI participants, 20% of your Bonus Contribution will be determined by VEMs. The other 80% is determined by EVA.

	Bonus Contribution	\$45,000
x	EVA Component -----	x 80% -----
=	Financial Bonus Contribution	\$36,000

**STEP FIVE: CALCULATE VALUE ENHANCEMENT MEASURES BONUS CONTRIBUTION:**

To determine the amount subject to VEMs (your VEM Potential Bonus) multiply your Bonus Contribution by 20%.

	Bonus Contribution	\$45,000
x	Value Enhancement Measures -----	x 20% -----
=	VEM Potential Bonus	\$9,000



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**STEP FIVE: CALCULATE VALUE ENHANCEMENT MEASURES BONUS CONTRIBUTION (CONTINUED):**

Your VEM Potential Bonus is then modified by your performance evaluation on the VEMs. This is illustrated below.

	VEM Potential Bonus		\$9,000
x	VEM Award	x	90%
	-----		-----
=	VEM Bonus Contribution		\$8,100

**STEP SIX: CALCULATE TOTAL BONUS DECLARED:**

Add the VEM Bonus Contribution to the EVA Bonus Contribution to get the Total Bonus Declared, which is then subject to the Bonus Reserve.

	VEM Bonus Contribution		\$8,100
+	EVA Bonus Contribution	+	\$36,000
	-----		-----
=	Total Bonus Declared		\$44,100

**STEP SEVEN: CALCULATE THE BONUS RESERVE AND BONUS PAYMENT:**

The Bonus Reserve will only apply to those in MS 11 and above. Before any Bonus can be paid, the Bonus Declared must flow through the Bonus Reserve. First, the Bonus Declared is added to the Beginning Reserve Balance to determine how much is available to be paid.

	Bonus Declared (Year 1)		\$44,100
+	Beginning Reserve Balance	+	\$0
	-----		-----
=	Available Balance		\$44,100

Second, the reserve then pays out up to Target Bonus; if less than Target Bonus is in the Bonus Reserve, the entire Bonus Reserve is paid out.

	Available Balance		\$44,100
-	(Up To) Target Bonus	-	\$30,000
	-----		-----
=	Residual Balance		\$14,100

Next, ONE-THIRD OF ANY RESIDUAL BALANCE is paid out...

	Residual Balance		\$14,100
x	1/3	x	1/3
	---		-----
=	Additional Payment		\$4,700



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	Target Bonus	\$30,000
+	Additional Payment	+ \$4,700
	-----	-----
=	Total Bonus Payment	\$34,700

...with the remaining two-thirds staying in the reserve.

	Residual Balance	\$14,100
-	Additional Payment	- \$4,700
	-----	-----
=	Ending Reserve Balance	\$9,400

The Ending Reserve Balance from Year 1 then becomes the Beginning Reserve Balance for Year 2.

**BASE SALARY CALCULATION**

For the purpose of bonus calculations, base salary is defined as the average annual rate of pay for the calendar year, excluding all other compensation paid to the employee during the year, e.g. bonus, commissions, car allowance, employee benefits, moving expenses, any imputed income and amounts attributable to any of the Company's stock plans.

The average annual rate of pay for a participant whose base salary changes within the bonus year is calculated below. Salaried employees are paid semi-monthly, each check representing 1/24 of the annual base salary. Daily pay for a salaried employee is calculated by dividing the annual salary by 360 working days per year.

**BASE SALARY CALCULATION EXAMPLE**

Average annual rate of pay would be calculated as follows for a participant who begins a bonus year with a base salary of \$100,000, then effective June 1 receives an increase to a base salary of \$104,000:

JANUARY 1 THROUGH MAY 31 OF BONUS YEAR:

5 MONTHS X 30 DAYS PER MONTH	=	150	=	.417 x \$100,000/yr.	=	\$	41,700
-----		-----					
360 days		360					

JUNE 1 THROUGH DECEMBER 31 OF BONUS YEAR:

360 - 150	=	210	=	.583 x \$104,000/yr.	=	\$	60,667
-----		-----					-----
360 days		360					

AVERAGE ANNUAL RATE OF PAY FOR BONUS YEAR =						\$	102,367
---	--	--	--	--	--	----	---------



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**PLAN RULES**

The following rules apply to Plan participants. The Company reserves the right to alter, modify, change or terminate any of the provisions described below at any time.

/bullet/ **ELIGIBILITY:** Employees whose positions are designated on page 1 and who are employed in good standing at the time bonus payments are made are eligible to participate in this Plan. Individuals who have agreements which specifically provide for incentive compensation other than that which is provided in this Plan or who are participants in any other incentive compensation plan of RSI, its subsidiaries or affiliates are not eligible to participate in this Plan.

Employees who are newly hired, promoted or transferred into or out of eligible positions and those who move from one eligibility level to another will receive pro-rata bonus awards based on the average annual rate of pay and Bonus Opportunity in eligible positions, provided they are employed in good standing at the time bonus awards are distributed.

/bullet/ **PROMOTION:** A participant who is promoted during the bonus year will receive a pro-rata bonus declaration based on the average annual rate of pay and bonus opportunity in the eligible positions. The participant will receive a pro-rata bonus based on the appropriate Plan for his/her management level, position and the portion of time spent in each position during the year.

/bullet/ **WORKERS' COMPENSATION OR LEAVE OF ABSENCE ("LOA"):** A participant who leaves the payroll due to a workers' compensation leave or LOA will receive no additional bonus declarations while off the payroll, but will be eligible to receive a pro-rata bonus for the year in which they leave the payroll. Such payment may be made in a lump sum or over time at the discretion of the Company, the Board of Directors or the Compensation Committee of the Board of Directors.

/bullet/ **TRANSFERS:** A participant who transfers from one business unit to another will have their Bonus Reserve transferred with them. At the time of transfer the award will be prorated with respect to the year in which the transfer occurs.

/bullet/ **DEMOTION:** If an individual is demoted from level 11 or above to level 10 or below, the person will no longer be subject to the Bonus Reserve mechanism. The reserve balance will be paid out in thirds over the next 3 years in accordance with the other provisions of this Plan.



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**PLAN RULES (CONTINUED)**

/bullet/ **TERMINATION (DISMISSAL):** Participants leaving the Company under any conditions other than those outlined in the Eligibility or Change of Control sections of this Plan are not eligible for bonus awards for the bonus year in which they leave, nor are they eligible for awards for the preceding bonus year, if such awards have not yet been distributed. A participant who is terminated and who has a positive Reserve Balance will forfeit any Reserve Balance. Unless terminated for cause, the individual may be eligible for severance which may include a provision for bonus.

/bullet/ **RESIGNATIONS:** Except as provided otherwise in this Plan, voluntary termination of employment with the Company will result in forfeiture of any unpaid declared bonuses and of the balance in a participant's Bonus Reserve.

/bullet/ **RETIREMENT OR PERMANENT DISABILITY RETIREMENT:** A participant who retires or takes disability retirement from the Company will receive full payment of their Reserve Balance and a pro-rata bonus for the year in which they retire. Such payment will be made in a lump sum or over time at the Company's discretion.

/bullet/ **DEATH:** The estate of a participant who dies while in the employ of the Company will receive full payment of their Reserve Balance and a pro-rata bonus for the year in which they die. Such payment will be made at the regular time for making bonus payments in respect to the year of such death, and will be paid to the designated beneficiary or estate.

/bullet/ **SALE OF BUSINESS:** If a business is sold, the reserve will be paid out to participants of the sold business.

/bullet/ **NO GUARANTEE:** Participation provides no guarantee that a bonus will be paid. The success of the Company, its business units and individual participants as measured by the achievement of EVA will determine the extent to which participants will be entitled to receive bonuses hereunder; provided, however, all bonuses are subject to the sole discretion of the Board of Directors or the Compensation Committee of the Board of Directors of the Company.

/bullet/ **EXCLUSION CRITERIA:** Participation in the Plan is not a right, but a privilege subject to annual review by the Company. RSI retains the right to withhold payment from any participant who violates Company principles or policies, or the rules contained in this Plan.

/bullet/ **NEGATIVE BALANCES:** The entire Bonus Declared is credited to each participant's personal Bonus Reserve account, with the Target Bonus and one third of any net positive balance paid out. Residual amounts, including negative balances, are reserved forward to be credited or debited against future declared bonus amounts. Negative balances will not be held as claims against participants who leave the payroll for any reason.

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## **ADMINISTRATION**

The Chairman, President, and Chief Executive Officer of RSI will administer this Plan, except for bonus awards to the Chief Executive Officer, which will be administered by the Compensation Committee of the Board of Directors of RSI.

## **BONUS YEAR**

The bonus year is defined as the calendar year in which bonus awards are earned.

## **BONUS ELIGIBILITY ON CHANGE OF CONTROL**

Notwithstanding anything in this Plan to the contrary, in the event of a Change of Control of the Company (as defined and adopted by the Board of Directors on August 18, 1995), the funds necessary to pay incentive awards, including the Reserve Balances, will be placed in a trust administered by an outside financial institution.

The amount of each participant's incentive award will be determined in accordance with the provisions of the Plan by a "Big 6" accounting firm chosen by the Company. The Company will be responsible for all legal fees and expenses which participants may reasonably incur in enforcing their rights under the Plan in the event of a Change of Control of the Company.

Should a Change of Control occur during 1997, participants will receive instructions regarding the collection of incentive awards.

## **BONUS PAYMENT**

Shortly after the end of the calendar year and after considering the recommendations of the Administrator of the Plan, the Compensation Committee of the Board of Directors or the Board of Directors of RSI will, in its sole discretion, determine the participants, if any, who will receive bonus awards and the amounts of such awards. Bonus award payments will be distributed to eligible participants following such Board or Committee approval and subsequent to certification of consolidated financial statements by an independent auditor.

## **BONUS FUNDING**

A maximum of 13% of consolidated RSI NBT may be allotted by RSI throughout the bonus year as an accrual to fund all awards under all incentive compensation plans of the Company, including this Plan, as well as any incentive or bonus payments resulting from employment commitments or agreements.

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**BONUS FUNDING (CONTINUED)**

Bonus payout maximums are limited by the lower of the total declared bonus provided under this Plan, the amount of the accrual at the time of any bonus payment, or the maximum funding limitation. Should the funding limitation or accrual not provide for bonus allotments under this Plan, proration will be performed at the discretion of the Chairman, President and Chief Executive Officer of RSI. Unused funds may not be carried forward for subsequent bonus years.

**DISCRETIONARY AWARDS**

With the approval of the Board of Directors or the Compensation Committee of the Board of Directors of RSI, the Chairman, President, and Chief Executive Officer of RSI has the authority to grant discretionary bonus awards for exemplary performance to non-participants or to enhance the awards of participants. Discretionary awards are not subject to the funding limitations of this Plan.

While it is common to grant discretionary awards at the same time as regular awards, it may be appropriate, on occasion, to recognize an employee off-cycle due to extremely unusual performance. Off-cycle discretionary awards must be approved by the Chairman, President and Chief Executive Officer of RSI.

The total of all discretionary awards for participants under all RSI incentive compensation plans, including this Plan as well as awards granted off-cycle, may not exceed \$500,000 per year.

**AMENDMENTS**

The Board of Directors of RSI, or the Compensation Committee, reviews RSI's, its subsidiaries' and affiliates' incentive compensation plans annually to ensure equitability both within the Company, and in relation to current economic conditions.

**THE BOARD OF DIRECTORS, OR THE COMPENSATION COMMITTEE, RESERVES THE RIGHT TO AMEND, SUSPEND, TERMINATE OR MAKE EXCEPTIONS TO THIS PLAN AT ANY TIME.**

**RYDER SYSTEM, INC.**

**1980 STOCK INCENTIVE PLAN**

**APPENDIX**

**(APPLICABLE TO THE UNITED KINGDOM)**

**ALLEN & OVERY,  
9 CHEAPSIDE,  
LONDON, EC2V 6AD**

**RYDER SYSTEM, INC.  
1980 STOCK INCENTIVE PLAN**

**APPENDIX**

(applicable to the United Kingdom)

**1. INTERPRETATION**

In this Appendix

(a) References to legislation shall be to legislation enacted in the United Kingdom and the following words and expressions have the following meanings except where the context otherwise requires:

"Act"	The Income and Corporation Taxes Act 1988;
"Approval"	Approval under Schedule 9;
"Approved Scheme"	A share option scheme approved under Schedule 9;
"Dollars"	United States dollars;
"Eligible Employee"	An Employee who is required to devote to his duties not less than 25 hours (or, in the case of an Employee who is not a director of RSI or any Subsidiary, 20 hours) per week (excluding meal breaks) and is not precluded by paragraph 8 of Schedule 9 from participating in the Plan;
"Remuneration"	At any particular time, an Eligible Employee's relevant emoluments for the current or preceding year of assessment (whichever of those years gives the greater amount) or, if there were no relevant emoluments for the preceding year of assessment, his relevant emoluments for the period of twelve months beginning with the first day during the current year of assessment in respect of which there are relevant emoluments and "relevant emoluments" has the meaning ascribed thereto in paragraph 28 of Schedule 9;
"Schedule 9"	Schedule 9 to the Act;

(b) other words or expressions, so far as not inconsistent with the context, shall have the same meanings as in Schedule 9;

(c) any reference to a statutory provision shall be deemed to include that provision as the same may from time to time be amended or re-enacted.

## 2. APPLICATION OF APPENDIX

This Appendix shall apply to an Award granted by the Committee which the Committee designates is to be an option granted under an Approved Scheme. In the event of such an Award being granted the provisions of the Plan shall apply as amended by the Appendix. In the event of any conflict between the Appendix and the provisions of the Plan the Appendix shall prevail.

## 3. EXTENT OF PLAN

The Plan shall apply as if "Subsidiary" within the meaning of paragraph (aa) of Section 2 of the Plan were restricted to any Subsidiary which is under the control of RSI "control" having the same meaning as in Section 840 of the Act.

## 4. SHARES OF STOCK SUBJECT TO THE PLAN

Shares which are the subject of Stock Options shall satisfy the requirements of paragraphs 10 to 14 of Schedule 9.

## 5. PARTICIPATION

No Stock Option shall be granted unless on the date of grant, being the date on which the Committee makes the Award, the recipient is an Eligible Employee.

## 6. ADMINISTRATION AND TERMS OF STOCK OPTIONS

Any terms and conditions, including those relating to exercise in instalments, applicable to Awards made under the Plan under Sections 5 or 7 of the Plan and the amendment of any Stock Option Agreement under Section 5 of the Plan shall be subject to the prior agreement of the United Kingdom Inland Revenue.

The final sentence in section 7 (c) of the Plan shall not apply.

## 7. AWARDS-STOCK OPTIONS

The Plan shall apply as if "Award" were restricted to Stock Option and, accordingly, so much of the Plan as relates to SARs, Limited SARs, Performance Units or Restricted Stock Rights and, in particular, Sections 8, 9, 10 and 11 of the Plan shall not apply.

## 8. PURCHASE PRICE

The purchase price per Share subject to a Stock Option shall not be less than 100% of the Fair Market Value of a Share on the date of grant of the Stock Option.

## 9. REVENUE LIMIT

In this Appendix, the aggregate Fair Market Value of Shares which an Eligible Employee may acquire in pursuance of rights obtained under the Plan or under any other Approved Scheme established by RSI or by any associated company (within the meaning of Section 187 (2) of the Act) of RSI (and not exercised), such aggregate Fair Market Value being determined at the time the rights are obtained, shall not exceed the greater of (pound)100,000 and four times his Remuneration or such other amount as may from time to time be the appropriate limit for the purpose of paragraph 28 of Schedule 9.

Notwithstanding that the purchase price is expressed and payable in Dollars it shall be deemed to be translated into pounds sterling at the World Rate published in the Financial Times as reported on or most recently before the date of grant or at such other rate as may be agreed with the Inland Revenue for the purpose of the application of this rule.

#### 10. LAPSE OF STOCK OPTION

A Stock Option shall lapse to the extent that it has not been exercised on the expiration of twelve months from the date of the Grantee's death, and Section 7 (i) of the Plan shall be restricted accordingly.

#### 11. RESTRICTION ON THE EXERCISE OF STOCK OPTIONS

A Stock Option granted under the Plan shall not be exercised by a Grantee at any time when he or she is ineligible to participate by virtue of paragraph 8 of Schedule 9.

#### 12. PAYMENT OF PURCHASE PRICE

Section 7 (f) (ii) (B) of the Plan shall not apply. Payment of the purchase price shall be made either in cash or by certified or bank cashier's cheque made payable to RSI.

#### 13. DILUTION AND OTHER ADJUSTMENTS, SUBSTITUTE OPTIONS

No adjustment of Stock Options or amendments to the Plan shall be made pursuant to Sections 12 and 16 of the Plan without the prior approval of the Inland Revenue. No Stock Option shall be granted under Section 13 of the Plan without the prior approval of the Inland Revenue.

#### 14. MISCELLANEOUS PROVISIONS

Section 14 (a) of the Plan shall apply with the addition of the word "materially" after the word "breached" in the first sentence, and with the deletion of the third sentence which begins with the words "The Committee may waive..."

Section 14 (d) of the Plan shall not apply. Certificates for Shares shall be issued within 30 days of the date of exercise of a Stock Option.

#### 15. CHANGE IN CONTROL

If any company (the "acquiring company") obtains Control of RSI (or any other company whose shares are scheme shares) as a result of making:

(i) a general offer to acquire the whole of the issued share capital of RSI (or any such other company) which is made on a condition such that if it is satisfied the person making the offer will have Control of RSI (or any such other company), or

(ii) a general offer to acquire all the shares in RSI (or any such other company) which are of the same class as the scheme shares

any Grantee may at any time within the appropriate period, by agreement with the acquiring company, release his Stock Option (hereinafter in this Section 15 called "old rights") in consideration of the grant to him of rights (hereinafter in this Section 15 called "the new rights") which are equivalent to his Stock Option but relate to shares in a different company (whether the acquiring company itself or some other company falling within

paragraph 10(b) or (c) of Schedule 9). In this Section 15 "the appropriate period" and "equivalent" have the same meaning as in paragraph 15 of Schedule 9 and accordingly the new rights shall not be regarded for the purpose of the Plan as equivalent to the old rights unless:

- (a) the shares to which they relate satisfy the conditions specified, in relation to scheme shares, in paragraphs 10 to 14 of Schedule 9; and
- (b) the new rights will be exercisable in the same manner as the old rights and subject to the provisions of the Plan as it had effect immediately before the release of the old rights; and
- (c) the total market value, immediately before the release, of the shares which were subject to the Grantee's old rights is equal to the total market value, immediately after the grant of the shares in respect of which the new rights are granted to the Grantee; and
- (d) the total amount payable by the Grantee for the acquisition of shares in pursuance of the new rights is equal to the total amount that would have been payable for the acquisition of shares in pursuance of the old rights.

The new rights shall for the purposes of the Plan be treated as having been granted at the time when the old rights were granted. In this Section 15 "Control" has the same meaning as in Section 840 of the Act.

If the provisions of this Section 15 are applied, the Plan as amended by this Appendix 1 shall apply with the following amendments:

- (a) In Section 2 (c) of the Plan, there shall be inserted after the word "constituted", the words "or of such other company whose common stock are scheme shares".
- (b) In Section 7 (f) of the Plan, there shall be inserted after the words "Company" where it first appears, the words "or such other company whose common stock are scheme shares" and after the word "Company" where it subsequently appears, the words "or such other company".
- (c) In Section 12 (a) of the Plan, after the word "Company" and in Section 14 (a) of the Plan, after the final use of the word "Company", there shall be inserted the words "or such other company whose common stock are scheme shares".

**RYDER SYSTEM, INC.**

**1980 STOCK INCENTIVE PLAN**

**APPENDIX 1**

(APPLICABLE TO THE UNITED KINGDOM)

**ALLEN & OVERY,  
9 CHEAPSIDE,  
LONDON, EC2V 6AD**



**RYDER SYSTEM, INC.  
1980 STOCK INCENTIVE PLAN**

**APPENDIX 1**

(applicable to the United Kingdom)

**1. INTERPRETATION**

In this Appendix 1

(a) References to legislation shall be to legislation enacted in the United Kingdom and the following words and expressions have the following meanings except where the context otherwise requires:

"Act"	The Income and Corporation Taxes Act 1988;
"Approval"	Approval under Schedule 9;
"Approved Scheme"	A share option scheme approved under Schedule 9;
"Dollars"	United States dollars;
"Eligible Employee"	An Employee who is required to devote to his duties not less than 25 hours (or, in the case of an Employee who is not a director of RSI or any Subsidiary, 20 hours) per week (excluding meal breaks) and is not precluded by paragraph 8 of Schedule 9 from participating in the Plan;
"Schedule 9"	Schedule 9 to the Act;

(b) other words or expressions, so far as not inconsistent with the context, shall have the same meanings as in Schedule 9;

(c) any reference to a statutory provision shall be deemed to include that provision as the same may from time to time be amended or re-enacted.

**2. APPLICATION OF APPENDIX**

This Appendix 1 shall apply to an Award granted by the Committee which the Committee designates is to be an option granted under an Approved Scheme. In the event of such an Award being granted the provisions of the Plan shall apply as amended by this Appendix 1. In the event of any conflict between this Appendix 1 and the provisions of the Plan, this Appendix 1 shall prevail.

### 3. EXTENT OF PLAN

The Plan shall apply as if "Subsidiary" within the meaning of paragraph (gg) of Section 2 of the Plan were restricted to any Subsidiary which is under the control of RSI "control" having the same meaning as in Section 840 of the Act.

### 4. SHARES OF STOCK SUBJECT TO THE PLAN

Shares which are the subject of Stock Options shall satisfy the requirements of paragraphs 10 to 14 of Schedule 9.

### 5. PARTICIPATION

No Stock Option shall be granted unless on the date of grant, being the date on which the Committee makes the Award, the recipient is an Eligible Employee.

### 6. ADMINISTRATION AND TERMS OF STOCK OPTIONS

Any terms and conditions, including those relating to exercise in installments, applicable to Awards made under the Plan under Sections 5 or 7 of the Plan and the amendment of any Stock Option Agreement under Section 5 of the Plan shall be subject to the prior agreement of the United Kingdom Inland Revenue.

The final sentence in section 7 (c) of the Plan shall not apply.

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The Plan shall apply as if "Award" were restricted to Stock Option and, accordingly, so much of the Plan as relates to SARs, Limited SARs, Performance Units or Restricted Stock Rights and, in particular, Sections 8, 9, 10 and 11 of the Plan shall not apply.

### 8. PURCHASE PRICE

The purchase price per Share subject to a Stock Option shall not be less than 100% of the Fair Market Value of a Share on the date of grant of the Stock Option.

### 9. REVENUE LIMIT

In this Appendix 1, the aggregate Fair Market Value of Shares which an Eligible Employee may acquire in pursuance of rights obtained under the Plan or under any other Approved Scheme established by RSI or by any associated company (within the meaning of Section 187 (2) of the Act) of RSI (and not exercised), such aggregate Fair Market Value being determined at the time the rights are obtained, shall not exceed /pound sterling/30,000 or such other amount as may from time to time be the appropriate limit for the purpose of paragraph 28 of Schedule 9.

Notwithstanding that the purchase price is expressed and payable in Dollars it shall be deemed to be translated into pounds sterling at the World Rate published in the Financial Times as reported on or most recently before the date of grant or at such other rate as may be agreed with the Inland Revenue for the purpose of the application of this rule.

#### 10. LAPSE OF STOCK OPTION

A Stock Option shall lapse to the extent that it has not been exercised on the expiration of twelve months from the date of the Grantee's death, and Section 7 (i) of the Plan shall be restricted accordingly.

#### 11. RESTRICTION ON THE EXERCISE OF STOCK OPTIONS

A Stock Option granted under the Plan shall not be exercised by a Grantee at any time when he or she is ineligible to participate by virtue of paragraph 8 of Schedule 9.

#### 12. PAYMENT OF PURCHASE PRICE

Section 7 (f) (ii) (B) of the Plan shall not apply. Payment of the purchase price shall be made either in cash or by certified or bank cashier's cheque made payable to RSI.

#### 13. DILUTION AND OTHER ADJUSTMENTS, SUBSTITUTE OPTIONS

No adjustment of Stock Options or amendments to the Plan shall be made pursuant to Sections 12 and 16 of the Plan without the prior approval of the Inland Revenue. No Stock Option shall be granted under Section 13 of the Plan without the prior approval of the Inland Revenue.

#### 14. MISCELLANEOUS PROVISIONS

Section 14 (a) of the Plan shall apply with the addition of the word "materially" after the word "breached" in the first sentence, and with the deletion of the third sentence which begins with the words "The Committee may waive..."

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#### 15. CHANGE IN CONTROL

If any company (the "acquiring company") obtains Control of RSI (or any other company whose shares are scheme shares) as a result of making:

- (i) a general offer to acquire the whole of the issued share capital of RSI (or any such other company) which is made on a condition such that if it is satisfied the person making the offer will have Control of RSI (or any such other company), or
- (ii) a general offer to acquire all the shares in RSI (or any such other company) which are of the same class as the scheme shares

any Grantee may at any time within the appropriate period, by agreement with the acquiring company, release his Stock Option (hereinafter in this Section 15 called "old rights") in consideration of the grant to him of rights (hereinafter in this Section 15 called "the new rights") which are equivalent to his Stock Option but relate to shares in a different company (whether the acquiring company itself or some other company falling within

paragraph 10(b) or (c) of Schedule 9). In this Section 15 "the appropriate period" and "equivalent" have the same meaning as in paragraph 15 of Schedule 9 and accordingly the new rights shall not be regarded for the purpose of the Plan as equivalent to the old rights unless:

- (a) the shares to which they relate satisfy the conditions specified, in relation to scheme shares, in paragraphs 10 to 14 of Schedule 9; and
- (b) the new rights will be exercisable in the same manner as the old rights and subject to the provisions of the Plan as it had effect immediately before the release of the old rights; and
- (c) the total market value, immediately before the release, of the shares which were subject to the Grantee's old rights is equal to the total market value, immediately after the grant of the shares in respect of which the new rights are granted to the Grantee; and
- (d) the total amount payable by the Grantee for the acquisition of shares in pursuance of the new rights is equal to the total amount that would have been payable for the acquisition of shares in pursuance of the old rights.

The new rights shall for the purposes of the Plan be treated as having been granted at the time when the old rights were granted. In this Section 15 "Control" has the same meaning as in Section 840 of the Act.

If the provisions of this Section 15 are applied, the Plan as amended by this Appendix 1 shall apply with the following amendments:

- (a) In Section 2 (c) of the Plan, there shall be inserted after the word "constituted", the words "or of such other company whose common stock are scheme shares".
- (b) In Section 7 (f) of the Plan, there shall be inserted after the words "Company" where it first appears, the words "or such other company whose common stock are scheme shares" and after the word "Company" where it subsequently appears, the words "or such other company".
- (c) In Section 12 (a) of the Plan, after the word "Company" and in Section 14 (a) of the Plan, after the final use of the word "Company", there shall be inserted the words "or such other company whose common stock are scheme shares".

**RYDER SYSTEM, INC.  
1980 STOCK INCENTIVE PLAN**

**APPENDIX 2; UNAPPROVED SCHEME**

(applicable to the United Kingdom)

**1. APPLICATION OF APPENDIX**

This Appendix 2 shall apply to a Stock Option granted by the Committee which the Committee designates is to be an option granted under the Unapproved Scheme. In the event of such a Stock Option being granted and so designated, the provisions of the Plan shall apply as amended by this Appendix 2. In the event of any conflict between this Appendix 2 and the provisions of the Plan, this Appendix shall prevail.

**2. ADMINISTRATION AND TERMS OF STOCK OPTIONS**

Section 7(c) of the Plan shall apply as if the reference to ten years was a reference to seven years.

**3. MISCELLANEOUS PROVISIONS**

Section 14(a) of the Plan shall apply with the addition of the word "materially" after the word "breached" in the first sentence, and the deletion of the third sentence which begins with the words "The Committee may waive..."

Section 14(d) of the Plan shall not apply. Certificates for Shares shall be issued within 30 days of the date of exercise of a Stock Option.

**RYDER SYSTEM, INC**

**NON-QUALIFIED STOCK OPTION AGREEMENT**

THIS AGREEMENT, made as of this 1st day of July, 1996, between Ryder System, Inc., a Florida corporation ("RSI"), and \_\_\_\_\_ (the "Grantee");

**WITNESSETH:**

WHEREAS, the Board of Directors of RSI has adopted and the shareholders of RSI have approved the Ryder System, Inc. Stock for Merit Increase Replacement Plan, as amended (the "Plan"), which provides for the grant of non-qualified stock options ("Non-qualified Stock Options") in lieu of merit salary increases to key executive employees of the Company; and

WHEREAS, the Grantee is a key executive employee and has been selected by the Compensation Committee of the Board of Directors of RSI (the "Committee") to receive Non-qualified Stock Options under the Plan;

NOW, THEREFORE, in consideration of the premises, RSI and the Grantee agree as follows:

**I. NON-QUALIFIED STOCK OPTION**

**GRANT OF OPTION** Subject to the limitations and other terms and conditions set forth in this Agreement and the Plan, the Committee grants to the Grantee as of \_\_\_\_\_, 1996 a Non-qualified Stock Option to purchase an aggregate of \_\_\_\_\_ shares of RSI's common stock, par value \$.50 per share (the "Common Stock"), at a price of \$\_\_\_\_\_ per share of Common Stock, the Fair Market Value on the date of grant.

**LIMITATIONS ON EXERCISE OF OPTION** Subject to the limitations and other terms and conditions set forth in this Agreement and the Plan, the Non-qualified Stock Option shall be exercisable in installments on or before \_\_\_\_\_, 2006, the expiration of the term of the Non-Qualified Stock Option, as follows:

- (i) 20% of the shares of Common Stock subject to the Non-qualified Stock Option effective immediately;
- (ii) 20% of the shares of Common Stock subject to the Non-qualified Stock Option on or after \_\_\_\_\_, 1997;
- (iii) 20% of the shares of Common Stock subject to the Non-qualified Stock Option on or after \_\_\_\_\_, 1998;
- (iv) 20% of the shares of Common Stock subject to the Non-qualified Stock Option on or after \_\_\_\_\_, 1999;

(v) and the final 20% of the shares of Common Stock subject to the Non-qualified Stock Option on or after \_\_\_\_\_.

**EXERCISE AND PAYMENT OF OPTION** Subject to the limitations and other terms and conditions set forth in this Agreement and the Plan, the Non-qualified Stock Option may be exercised in whole or, from time-to-time, in part with respect to the number of then exercisable shares by delivering written notice to RSI addressed to the Controller of RSI specifying the number of shares of Common Stock the Grantee then elects to purchase under the Non-qualified Stock Option, together with the full purchase price of the shares being purchased in cash or a certified or bank cashier's check payable to the order of RSI, or in shares of Common Stock having a Fair Market Value on the date of exercise equal to the purchase price, or a combination of the foregoing having an aggregate Fair Market Value equal to the purchase price. As promptly as practicable after any such exercise, RSI will deliver to the Grantee certificates for the number of shares of Common Stock with respect to which the Non-qualified Stock Option has been exercised, issued in the name of the Grantee.

**EXERCISE AND PAYMENT UPON A CHANGE OF CONTROL** Subject to the limitations and other terms and conditions set forth in this Agreement and the Plan:

(i) Notwithstanding any other provision of this Agreement, pursuant to Section 12 of the Plan, in the event of a Change of Control, the Non-qualified Stock Option granted under Section I of this Agreement, to the extent not previously exercised or expired under the terms of this Agreement and the Plan, shall become immediately exercisable in full and shall remain exercisable to the full extent of the shares of Common Stock available thereunder, regardless of any installment provisions applicable thereto, for the remainder of its term, unless the Grantee has been terminated for Cause, in which case the Non-qualified Stock Option shall automatically terminate.

(ii) The Grantee may, in lieu of exercising, require RSI to purchase for cash all or any portion of the Non-qualified Stock Option granted under Section I of this Agreement, which is not otherwise exercised or expired under the terms of this Agreement and the Plan, for a period of sixty days following the occurrence of a Change of Control at the Price upon a Change of Control specified below.

**PRICE UPON A CHANGE OF CONTROL** Subject to the limitations and other terms and conditions set forth in this Agreement and the Plan, upon the occurrence of a Change of Control, the Price of the Non-qualified Stock Option or portions thereof shall be the excess of the highest of:

(i) the highest closing price of the Common Stock reported by the composite transaction reporting system for securities listed on the New York Stock Exchange within the sixty days preceding the date of exercise;

(ii) the highest price per share of Common Stock included in a filing made by any Person, but excluding any employee benefit plan or plans (or related trust) of RSI and its subsidiaries and affiliates, who becomes the beneficial owner, directly or indirectly, of twenty percent or more of the combined voting power of RSI's outstanding voting securities ordinarily having the right to vote for the election of directors of RSI, on any Schedule 13D pursuant to Section 13(d) of the 1934 Act as paid within the sixty days prior to the date of such report; and

(iii) the value of the consideration to be received by the holders of Common Stock, expressed on a per share basis, in any Business Combination affecting RSI, any liquidation or dissolution of RSI approved by the shareholders or any sale of all or substantially all of the assets of RSI, with all noncash consideration being valued in good faith by the Incumbent Board;

over the purchase price per share of Common Stock at which the related Non-qualified Stock Option is exercisable, as applicable.

## II. GENERAL

**TRANSFERABILITY OF OPTIONS** No Options shall be assignable or transferable by the Grantee except by will or the laws of descent and distribution. During the lifetime of the Grantee, an Option shall be exercisable only by the Grantee or the Grantee's guardian or legal representative.

**NOTICES** All notices provided for in this Agreement or the Plan shall be in writing and shall be deemed to have been duly given if delivered in person or mailed by registered mail, return receipt requested:

- (a) If to RSI, at Ryder System, Inc., P. O. Box 020816, Miami, Florida 33102-0816, Attention: Controller; and
- (b) If to the Grantee, at the Grantee's business address or address appearing in the payroll records of RSI; or
- (c) At such other addresses as may be furnished to RSI or the Grantee in accordance with this paragraph.

**DEFINITIONS AND INTERPRETATION** Capitalized terms not otherwise defined in this Agreement are defined as in the Plan. This Agreement and the grant, exercise, adjustment, modification, cancellation and termination of the Non-qualified Stock Option and the issuance of shares of Common Stock subject thereto are subject in all respects to the terms of the Plan and in the event that any provision of this Agreement shall be inconsistent with the terms of the Plan, then the terms of the Plan shall govern. The Committee shall have plenary authority, subject to the express provisions of the Plan, to interpret this Agreement and the Plan and to make all determinations deemed necessary or advisable for the administration of the Plan. The Committee's interpretations and determinations shall be conclusive.

**ACKNOWLEDGEMENT** The Grantee acknowledges that he/she has read the entire Plan including the provisions thereof relating to termination of employment and Change of Control. Additionally, Grantee acknowledges that this Agreement is not an employment agreement between the Grantee and RSI, and RSI and the Grantee each has the right to terminate the Grantee's employment at any time for any reason whatsoever, unless there is a written employment agreement to the contrary.

**GOVERNING LAW** This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of Florida.



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

Attest:

Ryder System, Inc. ("RSI")

By: \_\_\_\_\_

By: \_\_\_\_\_

Yasmine B. Zyne  
Assistant Secretary

Stephen N. Karp  
Vice President

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GRANTEE

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Social Security Number

**EXHIBIT 10.23(b)**

**RYDER SYSTEM, INC.**

**COMBINED NON-QUALIFIED STOCK OPTION  
AND  
LIMITED STOCK APPRECIATION RIGHT  
AGREEMENT**

THIS AGREEMENT, made as of this 2nd day of October, 1996, between Ryder System, Inc., a Florida corporation ("RSI"), and \_\_\_\_\_ (the "Grantee");

**WITNESSETH:**

WHEREAS, the Board of Directors of RSI has adopted and the shareholders of RSI have approved the Ryder System, Inc. 1995 Stock Incentive Plan, as amended (the "Plan"), which provides for the issuance of (i) Non-qualified Stock Options ("Non-qualified Stock Options") to purchase shares of Common Stock and (ii) Limited Stock Appreciation Rights ("Limited SARs") to key executive Employees of the Company; and

WHEREAS, the Grantee is a key executive Employee and has been selected by the Compensation Committee of the Board of Directors of RSI (the "Committee") to receive Non-qualified Stock Options and Limited SARs under the Plan;

NOW, THEREFORE, in consideration of the premises, RSI and the Grantee agree as follows:

**I. NON-QUALIFIED STOCK OPTION**

**GRANT OF OPTION** Subject to the limitations and other terms and conditions set forth in this Agreement and the Plan, the Committee grants to the Grantee as of October 2, 1996 a Non-qualified Stock Option to purchase an aggregate of [shares] shares of RSI's Common Stock, par value \$.50 per share (the "Shares"), at a price of \$29.6875 per Share, the Fair Market Value on the date of grant.

**LIMITATIONS ON EXERCISE OF OPTION** Subject to the limitations and other terms and conditions set forth in this Agreement and the Plan, the Non-qualified Stock Option shall be exercisable in installments on or before October 1, 2006 as follows:

- (i) None of the Shares subject to the Non-qualified Stock Option for a period of one year from the date of grant;
- (ii) 33 1/3% of the Shares subject to the Non-qualified Stock Option on or after October 2, 1997;

(iii) 33 1/3% of the Shares subject to the Non-qualified Stock Option on or after October 2, 1998;

(iv) the final 33 1/3% of the Shares subject to the Non-qualified Stock Option on or after October 2, 1999.

Subject to the foregoing and the provisions of the Plan, any installment portion of the Non-qualified Stock Option that becomes exercisable shall thereafter accumulate and be exercisable at any time on or before the expiration of the term of the Non-qualified Stock Option on October 1, 2006.

**EXERCISE AND PAYMENT OF OPTION** Subject to the limitations and other terms and conditions set forth in this Agreement and the Plan, the Non-qualified Stock Option, to the extent then exercisable, may be exercised in whole or in part from time-to-time by delivering written notice to RSI addressed to the Controller of RSI specifying the number of Shares the Grantee then elects to purchase under the Non-qualified Stock Option, together with the full purchase price of the Shares being purchased in cash or a certified or bank cashier's check payable to the order of RSI, or in Shares having a Fair Market Value on the date of exercise equal to the purchase price, or a combination of the foregoing having an aggregate Fair Market Value equal to the purchase price. As promptly as practicable after any such exercise, RSI will deliver to the Grantee certificates for the number of Shares with respect to which the Non-qualified Stock Option has been exercised, issued in the name of the Grantee. The exercise of a Non-qualified Stock Option shall reduce on a one-for-one basis the number of Shares subject to the related Limited SAR granted under Section II of this Agreement.

**EXERCISE AND PAYMENT UPON A CHANGE OF CONTROL** Subject to the limitations and other terms and conditions set forth in this Agreement and the Plan:

(i) Notwithstanding any other provision of this Agreement, pursuant to Section 7(h) of the Plan, unless otherwise determined by the Committee prior to a Change of Control, in the event of a Change of Control, the Non-qualified Stock Option granted under Section I of this Agreement, to the extent not previously exercised or expired under the terms of this Agreement and the Plan, shall become immediately exercisable in full and shall remain exercisable to the full extent of the Shares available thereunder, regardless of any installment provisions applicable thereto, for the remainder of its term, unless Section 14(a) of the Plan applies or the Grantee has been terminated for cause, in which case the Non-qualified Stock Option shall automatically terminate as of the Incumbent Board's determination pursuant to Section 14(a) of the Plan or the Grantee's Termination Date, as appropriate.

(ii) If the Committee so determines prior to or during the thirty day period following the occurrence of a Change of Control, the Grantee may, in lieu of exercising, require RSI to purchase for cash all or any portion of the Non-qualified Stock Option granted under Section I of this Agreement, which is not otherwise exercised or expired under the terms of this Agreement and the Plan as to which no Limited SAR is then exercisable, for a period of sixty days following the occurrence of a Change of Control at the Price upon a Change of Control specified below.

**PRICE UPON A CHANGE OF CONTROL** Subject to the limitations and other terms and conditions set forth in this Agreement and the Plan, upon the occurrence of a Change of Control, the Price of the Limited SAR and the Non-qualified Stock Option or portions thereof as to which no Limited SAR is then exercisable, shall be the excess of the highest of:

(i) the highest closing price of the Common Stock reported by the composite transaction reporting system for securities listed on the New York Stock Exchange within the sixty days preceding the date of exercise;

(ii) the highest price per share of Common Stock included in a filing made by any Person, but excluding any employee benefit plan or plans (or related trust) of RSI and its Subsidiaries and affiliates, who becomes the beneficial owner, directly or indirectly, of twenty percent or more of the combined voting power of RSI's outstanding voting securities ordinarily having the right to vote for the election of directors of RSI, on any Schedule 13D pursuant to Section 13(d) of the 1934 Act as paid within the sixty days prior to the date of such report; and

(iii) the value of the consideration to be received by the holders of Common Stock, expressed on a per Share basis, in any Business Combination affecting RSI, any liquidation or dissolution of RSI or any sale of all or substantially all of the assets of RSI, with all noncash consideration being valued in good faith by the Incumbent Board;

over the purchase price per Share at which the related Non-qualified Stock Option is exercisable, as applicable.

## II. LIMITED STOCK APPRECIATION RIGHT

**GRANT OF LIMITED SAR** Subject to the limitations and other terms and conditions set forth in this Agreement and the Plan, the Committee grants to the Grantee as of October 2, 1996 a Limited SAR with respect to all Shares subject to the related Non-qualified Stock Option granted under Section I of this Agreement. Such Limited SAR shall be exercisable only in the event of a Change of Control and only if the Grantee is subject, in the opinion of counsel to RSI, to Section 16(b) of the 1934 Act with respect to RSI at the time of the Change of Control. The Limited SAR is the right to receive an amount (the "Limited SAR Spread") equal to the product computed by multiplying (i) the Price upon a Change of Control specified in Section I above by (ii) the number of Shares with respect to which such Limited SAR is being exercised.

**LIMITATIONS ON EXERCISE OF LIMITED SAR** Subject to the limitations and other terms and conditions set forth in this Agreement and the Plan, the Limited SAR shall be exercisable only if and to the extent that the related Non-qualified Stock Option is exercisable, but no later than October 1, 2006, the expiration date of the related Non-qualified Stock Option. The Limited SAR may be exercised only during the sixty day period commencing after the occurrence of a Change of Control.

**EXERCISE AND PAYMENT OF LIMITED SAR** Subject to the limitations and other terms and conditions set forth in this Agreement and the Plan, the Limited SAR may be exercised by delivering a written notice to RSI addressed to the Controller of RSI specifying the number of Shares with respect to which the Grantee is exercising the Limited SAR. As promptly as practicable after any such exercise, RSI will deliver to the Grantee an amount in cash equal to the Limited SAR Spread. The exercise of a Limited SAR shall reduce the number of Shares subject to the related Non-qualified Stock Option on a one-for-one basis.

### III. GENERAL

**TRANSFERABILITY OF AWARDS** No Awards or any rights or interests therein shall be assignable or transferable by the Grantee except by will or the laws of descent and distribution. During the lifetime of the Grantee, an Award shall be exercisable only by the Grantee or the Grantee's guardian or legal representative.

**NOTICES** All notices provided for in this Agreement or the Plan shall be in writing and shall be deemed to have been duly given if delivered in person or mailed by registered mail, return receipt requested:

(a) If to RSI, at Ryder System, Inc., P. O. Box 020816, Miami, Florida 33102-0816, Attention:

Controller; and

(b) If to the Grantee, at the Grantee's business address or address appearing in the payroll records of RSI; or

(c) At such other addresses as may be furnished to RSI or the Grantee in accordance with this paragraph.

**DEFINITIONS AND INTERPRETATION** Capitalized terms not otherwise defined in this Agreement are defined as in the Plan. This Agreement and the grant, exercise, adjustment, modification, cancellation and termination of the Non-qualified Stock Option and the Limited SAR, the issuance of Shares subject thereto and the payment of cash thereunder are subject in all respects to the terms of the Plan and in the event that any provision of this Agreement shall be inconsistent with the terms of the Plan, then the terms of the Plan shall govern. The Committee shall have plenary authority to interpret this Agreement and the Plan and to make all determinations deemed necessary or advisable for the administration of the Plan. The Committee's interpretations and determinations shall be conclusive.

ACKNOWLEDGEMENT The Grantee acknowledges that he/she has read the entire Plan including the provisions thereof relating to termination of employment and Change of Control. Additionally, Grantee acknowledges that this Agreement is not an employment agreement between the Grantee and RSI, and RSI and the Grantee each has the right to terminate the Grantee's employment at any time for any reason whatsoever, unless there is a written employment agreement to the contrary.

GOVERNING LAW This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of Florida.

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

Attest:

RSI

By: \_\_\_\_\_  
Yasmine B. Zyne  
Assistant Secretary

By: \_\_\_\_\_  
Stephen N. Karp  
Vice President  
Compensation & Benefits

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**GRANTEE**

\_\_\_\_\_  
**Social Security Number**

## EXHIBIT 10.25

### RYDER SYSTEM, INC. DEFERRED COMPENSATION PLAN

This Ryder System, Inc. Deferred Compensation Plan (the "Plan") is adopted effective January 1, 1997. The Plan is established and maintained by Ryder System, Inc. ("RSI") solely for the purpose of providing specified benefits to the members of the Board of Directors of RSI and a select group of management and highly compensated Employees who contribute materially to the continued growth, development and future business success of RSI, and its subsidiaries, that elect to sponsor this Plan. This Plan shall be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

#### ARTICLE I

#### DEFINITIONS

Wherever used herein the following terms shall have the meanings hereinafter set forth:

1.1. "ACCOUNTING DATE" means the last day of each calendar month and such other date or dates as the Committee may designate from time to time as an Accounting Date.

1.2. "ACCOUNTING PERIOD" means each period beginning on the day following an Accounting Date and ending on the following Accounting Date.

1.3. "AFFILIATE" means any Employer, and any member of a controlled group of corporations, a group of trades or businesses under common control, an affiliated service group of which any Employer is a member or any other entity required to be aggregated with the Employer pursuant to regulations under Section 414(o) of the Code. For purposes hereof: (i) a "controlled group of corporations" shall mean a controlled group of corporations as defined in Section 1563(a) of the Code, determined without regard to Sections 1563(a)(4) and (e)(3)(c) thereof, (ii) a "group of trades or businesses under common control" shall mean a group of trades or businesses under common control as defined in the regulations promulgated under Section 414(c) of the Code; and (iii) an "affiliated service group" shall mean an affiliated service group as defined in Section 414(m) of the Code.

1.4. "BENEFICIARY" means the person or persons designated by a Participant, upon such forms as shall be provided by the Committee, to receive payments of the vested portion of the Participant's Account after the Participant's death. If the Participant shall fail to designate a Beneficiary, or if for any reason such designation shall be ineffective, or if such Beneficiary shall predecease the Participant or die simultaneously with him, then the Beneficiary shall be, in the following order of preference:

(i) the Participant's surviving spouse, or

(ii) the Participant's estate.

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

1.6. "CHANGE OF CONTROL" shall be deemed to have occurred if:

(i) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) (a "Person") becomes the beneficial owner, directly or indirectly, of twenty percent (20%) or more of the combined voting power of RSI's outstanding voting securities ordinarily having the right to vote for the election of directors of RSI; provided, however, that for purposes of this subparagraph (i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition by any employee benefit plan or plans (or related trust) of RSI and its subsidiaries and affiliates or (B) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subparagraph (iii) of this Section 1.6; or

(ii) the individuals who, as of August 18, 1995, constituted the Board of Directors of RSI (the "Board" generally and as of August 18, 1995 the "Incumbent Board") cease for any reason to constitute at least two-thirds (2/3) of the Board, provided that any person becoming a director subsequent to August 18, 1995 whose election, or nomination for election, was approved by a vote of the persons comprising at least two-thirds (2/3) of the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the 1934 Act) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board; or

(iii) there is a reorganization, merger or consolidation of RSI (a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of RSI's outstanding Company Stock and outstanding voting securities ordinarily having the right to vote for the election of directors of RSI immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities ordinarily having the right to vote for the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns RSI or all or substantially all of RSI's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of RSI's outstanding Company Stock and outstanding voting securities ordinarily having the right to vote for the election of directors of RSI, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan or plans (or related trust) of RSI or such corporation resulting from such Business Combination and their subsidiaries and affiliates)



beneficially owns, directly or indirectly, 20% or more of the combined voting power of the then outstanding voting securities of the corporation resulting from such Business Combination and (C) at least two-thirds (2/3) of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) there is a liquidation or dissolution of RSI approved by the shareholders; or

(v) there is a sale of all or substantially all of the assets of RSI.

If a Change of Control occurs and if a Participant's employment is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Participant that such termination of employment (A) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (B) otherwise arose in connection with or in anticipation of a Change of Control, a Change of Control shall be deemed to have retroactively occurred on the date immediately prior to the date of such termination of employment.

1.7. "CODE" means the Internal Revenue Code of 1986, as amended from time to time, and any regulations relating thereto.

1.8. "COMMITTEE" means the Committee appointed by the Board to administer the Savings Plan in accordance with Article X of the Savings Plan or when applicable, the person to whom the Committee has delegated authority pursuant to Article X of the Savings Plan for the matter in question.

1.9. "COMPANY" means Ryder System, Inc., a Florida corporation, or any successor corporation or other entity resulting from a merger or consolidation into or with the Company or a transfer or sale of substantially all of the assets of the Company.

1.10. "COMPANY STOCK" means the common stock of the Company, par value \$.50, which is readily traceable on an established securities market.

1.11. "COMPENSATION" means (i) in the case of an Employee, the sum of the total of all amounts paid to a Participant by an Employer as salary (including commissions) or bonuses for personal services and any Savings Plan Contributions or Tax-Deferred Contributions made by the Employer on behalf of a Participant for the Plan Year and any other amounts earned by the Participant for the Plan Year but that are deferred under any other plan or arrangement maintained by the Employer, or (ii) in the case of a Director, the Director's fees including the Director's annual cash retainer, committee retainer and per diem meeting fees earned by the Director.

1.12. "DIRECTOR" means a member of the Board.

1.13. "DISABILITY" means a Participant's inability to engage in any substantial gainful activity by reason of any medically determined physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months, as determined in a uniform and non-discriminatory manner by the Committee after requiring any medical examinations by a physician or reviewing any medical evidence which the Committee considers necessary, and which results in the Participant's Separation from Employment.

1.14. "ELIGIBLE EMPLOYEE" means any Employee who is (i) employed by the Employer, (ii) designated by the Committee to be eligible to participate in the Plan, and (iii) is part of a select group of management or highly compensated employees within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, and any regulations relating thereto.

1.15. "EMPLOYEE" means any employee of (i) the Company or (ii) any other entity that is an Employer as defined in the Savings Plan.

1.16. "EMPLOYER" means (i) the Company and (ii) any other entity that is an Employer as defined in the Savings Plan.

1.17. "INVESTMENT FUNDS" means those investment options that shall from time to time be made available as investment options under the Plan, as determined by the Committee.

1.18. "LEAVE OF ABSENCE" means an Employee's leave of absence from active employment with the Company or an Affiliate because of military service, illness which does not constitute a Disability, educational pursuits, services as a juror, or temporarily with a government agency, or any other leave of absence, if (i) such leave of absence is approved by the Company or an Affiliate that employs the Employee, and (ii) upon termination of any such leave of absence, such Employee promptly returns or has returned to the employ of the Company or an Affiliate, without employment (other than military service) elsewhere in the meantime except with the consent of the Company or an Affiliate. The Company or an Affiliate shall determine the first and last days of any Leave of Absence that it approves.

1.19. "MATCHING CONTRIBUTIONS" means the matching contributions credited to the Participant's Account in accordance with Section 3.2 of the Plan.

1.20. "MATCHING CONTRIBUTIONS ACCOUNT" means the account maintained by the Company under the Plan for a Participant that is credited with the Participant's Matching Contributions, and any gains or losses allocable thereto.

1.21. "PARTICIPANT" means a Director or an Eligible Employee of the Employer who elects to participate in the Plan.

1.22. "PARTICIPANT'S ACCOUNT" means the total amount credited to the account maintained in the Plan in accordance with the provisions of the Plan for each Participant, which represents his total proportionate interest of all accounts under the Plan as of any Accounting Date, and which consists of his Tax-Deferred Contributions Account and his Matching Contributions Account.

1.23. "PLAN" means the Ryder System, Inc. Deferred Compensation Plan.

1.24. "PLAN YEAR" means the calendar year.

1.25. "RETIREMENT" means either (i) in the case of an Employee, termination of employment from an Employer at or after Retirement Age or (ii) in the case of a Director, retirement as a member of the Board.

1.26. "RETIREMENT AGE" means the earlier of (i) the date on which a Participant attains age 65, and (ii) the date on which a Participant has both (a) attained age 55 and (b) completed at least 10 years of Service. For purposes of this provision, Service shall mean that period of an Employee's continuous uninterrupted employment with an Employer and any Affiliate, and with any predecessor businesses of the Employer or an Affiliate, conducted as corporations, partnerships, or proprietorships, from the Employee's last date of hire to the date of termination of his employment for any reason; provided however, that the employment of an Employee, who immediately before his current employment was employed by a predecessor or acquired business continuously up to the date of its merger with or acquisition by the Employer or an Affiliate, shall include only that part of his employment for said business which has occurred after the date fixed for this purpose by the Company and provided that the same date is uniformly fixed for this purpose as to all of the employees of a given predecessor or acquired business. An Employee may work simultaneously for more than one Employer and Affiliate, but the total period of his employment shall not be increased by reason of such simultaneous employment.

1.27. "SAVINGS PLAN" means the Ryder System, Inc. Employee Savings Plan A, established effective January 1, 1984, and as amended from time to time, and the Ryder System, Inc. Employee Savings Plan B, established effective January 1, 1993, and as amended from time to time, and each successor or replacement salaried employees' cash or deferred arrangement.

1.28. "SAVINGS PLAN LIMITATIONS" means those limitations applicable to the Savings Plan imposed by (i) Section 402(g) of the Code (ii) Section 415 of the Code, (iii) Section 401(a)(17) of the Code, or (iv) any other limitations imposed under the Code on contributions under the Savings Plan.

1.29. "SAVINGS PLAN MATCHING CONTRIBUTIONS" means the total of all Matching Contributions made by the Employer for the benefit of a Participant under and in accordance with the terms of the Savings Plan.

1.30. "SAVINGS PLAN TAX-DEFERRED CONTRIBUTIONS" means the Tax Deferred Contributions made by the Employer for the benefit of a Participant under and in accordance with the terms of the Savings Plan.

1.31. "SEPARATION FROM EMPLOYMENT" means a discontinuance of the Participant's employment relationship with the Company and its Affiliates due to Retirement, Disability, death, or other termination of employment (voluntary or involuntary). For purposes of this provision, the employment relationship with the Company and its Affiliates of a Participant entitled to accrued vacation time and/or severance pay after he ceases to perform services for the Company and its Affiliates shall be deemed to terminate upon the date his accrued vacation time, if any, expires, or if the Participant is entitled to severance pay, then upon the earlier of (i) the last date on which the Participant is entitled to receive payment of such severance pay from the Company or any Affiliate, and (ii) the date which is 13 weeks after both (a) the Participant has ceased to perform services for the Company and its Affiliates and, (b) the Participant's accrued vacation time, if any, has expired. The fact that an Employee who is a Participant ceases to elect to have any Tax-Deferred Contributions credited to his Account under the Plan shall not constitute a Separation from Employment, and a Participant's absence from active employment due to military service or Leave of Absence shall not constitute a Separation from Employment.

1.32. "TAX-DEFERRED CONTRIBUTIONS" means the compensation reduction contributions credited to the Participant's Account under Section 3.1 of the Plan.

1.33. "TAX-DEFERRED CONTRIBUTIONS ACCOUNT" means the account maintained by the Company under the Plan for a Participant that is credited with the Participant's Tax-Deferred Contributions, and any gains or losses allocable thereto.

## **ARTICLE II**

### **ELIGIBILITY**

2.1. **ELIGIBILITY.** An Employee that becomes an Eligible Employee as of January 1, 1997 and all Directors as of January 1, 1997 shall be eligible to participate in the Plan on January 1, 1997. Any other Employee or Director shall be eligible to participate on the January 1 coincident with or immediately following the date as of which he becomes an Eligible Employee or a Director.

## ARTICLE III

### CONTRIBUTIONS AND VESTING

3.1. TAX-DEFERRED CONTRIBUTIONS. (i) Each Participant who is an Eligible Employee, so long as he remains a Participant, may elect (on a form furnished by the Committee and in accordance with Committee rules) to reduce and defer receipt pursuant to this Plan of his Compensation by an amount equal to the excess of (i) a minimum of 1% and a maximum of 100% of his Compensation, over (ii) the amount of his Savings Plan Tax-Deferred Contributions for the Plan Year after taking into account the Savings Plan Limitations. The amount of deferral so elected shall be applied against and reduce the Participant's (x) salary (including commissions), (y) bonuses, or (z) salary (including commissions) and bonuses, earned during the Plan Year as elected by the Participant and as shall be determined by the Committee.

(ii) Each Participant who is a Director, so long as he remains a Participant, may elect (on a form furnished by the Committee and in accordance with Committee rules) to reduce and defer receipt pursuant to this Plan of his Compensation by an amount equal to a minimum of 1% and a maximum of 100% of his Compensation.

(iii) Participant Election and Enrollment Forms are effective on a Plan Year basis, and must be filed before the beginning of the Plan Year to which they relate. Participant Election and Enrollment Forms may not be amended or revoked after the beginning of the Plan Year. The Employer shall withhold, by payroll deduction, the Compensation deferred pursuant to this Section 3.1 from the current compensation payments of a Participant and credit such withheld amount to a Participant's Tax-Deferred Contributions Account under the Plan.

3.2. MATCHING CONTRIBUTION. For Participant's who are Eligible Employees, and specifically excluding Participants who are Directors, the Employer shall credit to the Participant's Matching Contributions Account of each such Participant who elects to make a Tax-Deferred Contribution for the Plan Year an amount equal to the excess, if any, of:

(i) the amount of the Savings Plan Matching Contribution that would have been credited to such Participant's Account under the Savings Plan if the Tax-Deferred Contribution had been made into the Savings Plan and the Savings Plan Limitations were not taken into account thereunder, over

(ii) the Savings Plan Matching Contributions actually allocated to such Participant's Account under the Savings Plan for the Plan Year.

Each Matching Contribution for each Participant shall be credited to the Participant's Account as of the end of the Accounting Period for which the Tax-Deferred Contribution is withheld, or as soon as practicable thereafter.

Participants who are Directors shall not be credited with Matching Contributions under this Section 3.2.

### 3.3. VESTING.

(i) A Participant's interest in his Tax-Deferred Contributions Account shall be 100% nonforfeitable at all times. A Participant's interest in his Matching Contribution Account shall become non-forfeitable and vest in accordance with the following schedule, based upon the number of the Participant's Years of Service as determined under the Savings Plan.

NUMBER OF YEARS OF SERVICE -----	VESTED PERCENTAGE OF ACCOUNT -----
Less than 1	0%
1 to 2	25%
2 to 3	50%
3 to 4	75%
4 or more	100%

Notwithstanding the foregoing, a Participant's vested percentage shall be 100%

(a) if the Participant's employment with the Employer terminates due to Retirement, or by reason of the Participant's death or Disability, or (b) in the event that a Change of Control shall occur while the Participant is an Employee of the Employer or an Affiliate.

(ii) The nonvested portion of a Participant's Account that is forfeited shall not be allocated to the Participant's Account of any other Participant.

## ARTICLE IV

### INVESTMENT OF PARTICIPANT'S ACCOUNTS

4.1. INVESTMENT. Amounts credited to a Participant's Account shall be treated as if they were actually invested in the Investment Funds selected by the Participant in accordance with the Plan, and shall be credited with gains and losses allocable thereto at such times and in such manner as shall be determined by the Committee. Each Director and Eligible Employee upon becoming a Participant shall elect on the Participant Election and Enrollment Form the portion of the Participant's Account, in any whole percentage multiples (or in such other proportions as the Committee may from time to time determine), that are to be treated as if invested in each of the Investment Funds. A Participant may, at such times and in such manner as shall be permitted by the Committee, change such election as to the investment of his Participant's Account.

## ARTICLE V

### DISTRIBUTIONS

#### 5.1. FIXED DATE DISTRIBUTION.

(i) On the Participant Election and Enrollment Form, a Participant may make an irrevocable election to receive a lump sum payment of all or a portion of the deferral amount elected on such Participant Election and Enrollment Form. Provided, however, that each such Fixed Date Distribution shall be paid in lump sum and shall be paid no less than 1 day and no more than 60 days after the last day of any Plan Year designated by the Participant that is at least two Plan Years after the Plan Year in which such deferral amount is actually deferred.

(ii) Should an event occur that triggers a benefit under Section 5.2, any deferral amounts that are subject to a Fixed Date Distribution election under this Section 5.1 shall not be paid in accordance with Section 5.1 but shall be paid in accordance with the other applicable Section.

#### 5.2 DISTRIBUTIONS FOR SEPARATION FROM EMPLOYMENT.

(i) On the Participant Election and Enrollment Form, each Participant shall elect a method of receipt for distributions from the Plan upon Retirement, Disability, death or other termination of employment or Board service (voluntary or involuntary), each an event of Separation from Employment. Such election shall indicate that the Participant has chosen to receive either:

(a) a lump sum on the January 1 immediately following the earliest triggering event of the Participant's Separation from Employment, or (b) a minimum of 2, and a maximum of 15, annual installments beginning on the January 1 immediately following the earliest triggering event of the Participant's Separation from Employment, or as soon as administratively practicable thereafter. Each annual installment shall be equal to the value of the vested portion of the Participant's Account multiplied by a fraction, the numerator of which is 1 and the denominator of which is the number of installments remaining to be paid less any applicable tax withholding.

(ii) If a Participant should die before distribution of the entire vested portion of the Participant's Account has been made to him, any remaining amounts, less applicable withholding taxes, shall be distributed to the Participant's Beneficiary in the same manner in which such amounts otherwise would have been distributed to the Participant.

(iii) Notwithstanding the foregoing provisions of this Section 5.2 or the provisions of Section 5.1, the remaining vested portion of a Participant's Account, less applicable withholding taxes, shall be distributed to the Participant or his Beneficiary, in a lump sum, as soon as administratively practicable following a Change of Control.

(iv) The value of a Participant's Account, for purposes of determining the amount to be distributed to the Participant or his Beneficiary, shall be determined as of the December 31 immediately preceding the distribution.

5.3. METHOD OF DISTRIBUTION. Distribution of the Participant's Account shall be made in cash.

5.4. HARDSHIP DISTRIBUTIONS. Upon the written request of a Participant and in the event the Committee determines that an "unforeseeable emergency" has occurred with respect to a Participant, the Participant may be allowed to (i) suspend any deferrals required to be made by the Participant and/or (ii) receive a partial or full payment from the Plan. The payout shall not exceed the lesser of (i) the amount the Committee deems to be necessary to meet the emergency or (ii) the Participant's Account. For this purpose, an "unforeseeable emergency" shall mean an unanticipated emergency, such as a sudden and unexpected illness or accident of the Participant or a dependent of the Participant or loss of the Participant's property due to casualty, that is caused by an event beyond the control of the Participant and that would result in severe financial hardship if the withdrawal were not permitted. The need to pay a Participant's child's tuition to college and the desire to purchase a home shall not be considered unforeseeable emergencies.

5.5 WITHDRAWAL ELECTION. A Participant (or, after a Participant's death, his or her Beneficiary) may elect, at any time, to withdraw all of the vested portion of the Participant's Account, calculated as if there had occurred a Separation from Employment as of the day of the election, less a withdrawal penalty equal to 10% of such amount. This election can be made at any time, before or after Participant's Separation from Employment, and whether or not the Participant (or Beneficiary) is in the process of being paid pursuant to an installment payment schedule. No partial withdrawals shall be allowed. The Participant (or his or her Beneficiary) shall make this election by giving the Committee advance written notice of the election in a form determined from time to time by the Committee, and such payments made hereunder shall be paid within 60 days of such election. Once payment is made under this Section 5.5, the Participant's participation in the Plan shall terminate and the Participant shall not be eligible to participate in the Plan in the future.



## **ARTICLE VI**

### **ADMINISTRATION OF THE PLANS**

6.1. **ADMINISTRATION BY THE COMMITTEE.** The Committee shall be responsible for the general operation and administration of the Plan and for carrying out the provisions thereof.

6.2. **GENERAL POWERS OF ADMINISTRATION.** All provisions set forth in the Savings Plan with respect to the administrative powers and duties of the Committee and procedures for filing claims shall also be applicable with respect to the Plan. The Committee shall be entitled to rely conclusively upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Committee with respect to the Plan. All expenses of administration relating to the Plan may be debited against the Participant's Account, in the same manner as expenses are charged to accounts under the Savings Plan.

## **ARTICLE VII**

### **AMENDMENT OR TERMINATION**

7.1. **AMENDMENT OR TERMINATION.** The Company intends the Plan to be permanent but reserves the right, by resolution of the Board or by action of any committee thereof, to amend or terminate the Plan when, in the sole opinion of the Board or the committee, such amendment or termination is advisable. Any such amendment or termination shall be made pursuant to a resolution of the Board, or by action of a committee thereof, and shall be effective as of the date of such resolution or action unless specifically provided otherwise.

7.2. **EFFECT OF AMENDMENT OR TERMINATION.** No amendment or termination of the Plan shall directly or indirectly reduce the balance of any Participant's Account held hereunder as of the effective date of such amendment or termination. Upon termination of the Plan, distribution of amounts in the Participant's Account shall be made to the Participant or his Beneficiary in the manner and at the time described in Article V of the Plan. No additional credits of contributions shall be made to the Participant's Account for periods after termination of the Plan, but the Committee shall continue to credit gains and losses to the Participant's Account, until the balance of such Participant's Account has been fully distributed to the Participant or his Beneficiary.

## ARTICLE VIII

### GENERAL PROVISIONS

8.1. **PARTICIPANT'S RIGHTS UNSECURED.** The Plan shall be unfunded for tax purposes and for purposes of Title I of ERISA. However, the Company may transfer assets to cover all or a portion of the value of Participant Accounts in a trust for the benefit of the Participants which such trust shall be subject to the rights of creditors of the Company. Although the value of each Participant's Account will be measured as if such Accounts were invested in the Investment Funds selected by the Participant pursuant to the Plan, neither the Company nor any other Employer or the trust shall be required to invest any assets in any Investment Funds, and if the Company or any other Employer does in fact make any investments in any Investment Funds, the Participant or Beneficiary shall have no rights in or claims against any such investments. The right of a Participant or his designated Beneficiary to receive a distribution hereunder shall be an unsecured claim against the trust and against the general assets of his Employer and the Company, and neither the Participant nor a designated beneficiary shall have any rights in or against any specific assets of the Company or any other Employer.

8.2. **NO GUARANTEE OF BENEFITS.** Nothing contained in the Plan shall constitute a guaranty by the Company or any other Employer or any other person or entity that the assets of the Company or any other Employer will be sufficient to pay any benefit hereunder.

8.3. **SPENDTHRIFT PROVISION.** No interest of any person or entity in, or right to receive a distribution under, the Plan shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind; nor may such interest or right to receive a distribution be taken, either voluntarily or involuntarily for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims in bankruptcy proceedings.

8.4. **APPLICABLE LAW.** The Plan shall be construed and administered under the laws of the State of Florida.

8.5. **INDIRECT PAYMENT OF BENEFITS.** If any Participant or his Beneficiary is, in the judgment of the Committee, legally, physically or mentally incapable of personally receiving and receipting for any payment due hereunder, payment may be made to the guardian or other legal representative of such Participant or Beneficiary or, if none, to such person or institution who, in the opinion of the Committee, is then maintaining or has custody of such Participant or Beneficiary. Such payments shall constitute a full discharge with respect thereto.

8.6. **NOTICE OF ADDRESS.** Each person entitled to a benefit under the Plan must file with the Employer or the Company, in writing, his post office address and each change of post office address which occurs between the date of his termination of service with the Employer or the

Company and the date he ceases to be a Participant. Any communication, statement, or notice addressed to such a person at his latest reported post office address will be binding upon him for all purposes of the Plan and neither the Committee, the Company, nor the Employer shall be obliged to search for or ascertain his whereabouts.

8.7. NOTICES. Any notice required or permitted to be given hereunder to a Participant or Beneficiary will be properly given if delivered or mailed, postage prepaid, to the Participant or Beneficiary at his last post office address as shown on the Company's or the Employer's records. Any notice to the Committee, the Company or the Employer shall be properly given or filed upon receipt by the Committee, the Company or the Employer, as the case may be, at such address as may be specified from time to time by the Committee.

8.8. WAIVER OF NOTICE. Any notice required hereunder may be waived by the person entitled thereto.

8.9. UNCLAIMED PAYMENTS. If a Participant or his Beneficiary fails to apprise the Committee of changes in the address of the Participant or Beneficiary, and the Committee is unable to communicate with the Participant or Beneficiary at the address last recorded by the Committee within five years after any benefit becomes due and payable from the Plan to the Participant or Beneficiary, the Committee may mail a notice by registered mail to the last known address of such person outlining the following action to be taken unless such person makes written reply to the Committee within 60 days from the mailing of such notice: The Committee may direct that such benefit and all further benefits with respect to such person shall be discontinued and all liability for the payment thereof shall terminate.

8.10. EMPLOYER-EMPLOYEE RELATIONSHIP. The establishment of this Plan shall not be construed as conferring any legal or other rights upon any Employee or any person for a continuation of employment, nor shall it interfere with the rights of an Employer to discharge any Employee or otherwise act with relation to him. Each Employer may take any action (including discharge) with respect to any Employee or other person and may treat him without regard to the effect which such action or treatment might have upon him as a Participant of this Plan.

8.11. RECEIPT AND RELEASE. Any final payment or distribution to any Participant, his Beneficiary or his legal representative in accordance with this Plan shall be in full satisfaction of all claims against the Committee, the Company, and the Employer; the Employer, the Company, or the Committee may require a Participant, his Beneficiary or his legal representative to execute a receipt and release of all claims under this Plan upon a final payment or distribution or a receipt to the extent of any partial payment or distribution; and the form of any such receipt and release shall be determined by the Employer, the Company or the Committee.

8.12. LIMITATIONS ON LIABILITY. Notwithstanding any of the preceding provisions of the Plan, neither the Company, the Committee, nor any individual acting as employee or agent of the

Company or the Committee shall be liable to any Participant, former Participant or other person for any claim, loss, liability or expense incurred in connection with the Plan.

8.13. MISCELLANEOUS. Words in the masculine gender shall include the feminine and the singular shall include the plural, and vice versa, unless qualified by the context. Any headings used herein are included for ease of reference only, and are not to be construed so as to alter the terms hereof.

IN WITNESS WHEREOF, the Company has caused this instrument to be signed and its corporate seal to be hereunto affixed by its duly authorized officers on this \_\_\_\_ day of \_\_\_\_\_, 1996.

**RYDER SYSTEM, INC.**

By: \_\_\_\_\_  
Stephen N. Karp  
Vice President  
Compensation and Benefits

**ATTEST:**

By: \_\_\_\_\_  
H. Judith Chozianin  
Secretary

**EXHIBIT 10.26(a)**

**SEVERANCE AGREEMENT**

THIS AGREEMENT dated as of May 1, 1996 amends, restates and supersedes the provisions of a certain Severance Agreement or Amended and Restated Severance Agreement between RYDER SYSTEM, INC., a Florida corporation (the "Corporation"), and JAMES M. HERRON (the "Executive"), dated as of the 24th day of February, 1989.

**WITNESSETH:**

WHEREAS, the Executive is an officer and/or key employee of the Corporation and/or its subsidiaries or affiliates and an integral part of its management; and

WHEREAS, in order to retain the Executive, the Corporation desires to provide severance benefits to the Executive if the Executive's employment with the Corporation or its subsidiaries or affiliates terminates as provided herein prior to a Change of Control (as defined in Section 2);

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, it is hereby agreed by and between the Corporation and the Executive as follows:

1. TERM OF AGREEMENT. This Agreement shall become effective as of the date hereof and shall terminate upon the occurrence of the earliest of the events specified below; provided, however, that Section 5 shall survive termination:

(a) the last day of the Severance Period (as defined in Section 3(e));

(b) the termination of the Executive's employment by the Executive for any reason or by the Corporation or its subsidiaries or affiliates for Death, Disability or Cause (as defined in Sections 3(b) and (a) respectively);

(c) one (1) year following the date of receipt of a mailing (by overnight express mail or registered or certified mail, return receipt requested) or hand delivery to the Executive by the Corporation of written notice of its intent to terminate this Agreement, provided that the Executive is not then receiving severance pay and benefits pursuant to Section 4 as a result of his termination by the Corporation or its subsidiaries or affiliates other than for Death, Disability or Cause (as defined in Sections 3(b) and (a) respectively) prior to the end of the one (1) year period;

(d) a Change of Control of the Corporation (as defined in Section 2), provided that the Executive is not then receiving severance pay and benefits pursuant to Section 4 as a result of his termination by the Corporation or its subsidiaries or affiliates other than for Death, Disability or Cause (as defined in Sections 3(b) and (a) respectively) prior to the Change of Control;

(e) the material breach by the Executive of the provisions of Section 5; or

(f) the termination of this Agreement pursuant to Section 4(a)(i) or Section 4(a)(iii)(II).

Additionally, notwithstanding anything in this Agreement to the contrary, if the Executive should die while receiving severance pay or benefits pursuant to Section 4 as a result of his termination by the Corporation or its subsidiaries or affiliates other than for Death, Disability or Cause (as defined in Sections 3(b) and (a) respectively), this Agreement shall terminate immediately upon the Executive's death and both parties shall be released from all obligations under this Agreement other than those under the release referenced in Section 5(b)(IV) and those relating to amounts or benefits which are payable under this Agreement within five (5) business days after the Executive's Date of Termination (if not yet paid), are vested under any plan, program, policy or practice or which the Executive is otherwise entitled to receive upon his death, including, but not limited to, life insurance. Any payment due pursuant to the preceding sentence upon the Executive's death shall be made to the estate of the deceased Executive, unless the plan, program, policy, practice or law provides otherwise.

2. CHANGE OF CONTROL. For the purpose of this Agreement, a "Change of Control" shall be deemed to have occurred if:

(a) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) (a "Person") becomes the beneficial owner, directly or indirectly, of twenty percent (20%) or more of the combined voting power of the Corporation's outstanding voting securities ordinarily having the right to vote for the election of directors of the Corporation; provided, however, that for purposes of this subparagraph (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition by any employee benefit plan or plans (or related trust) of the Corporation and its subsidiaries and affiliates or (ii) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subparagraph (c) of this Section 2; or

(b) the individuals who, as of August 18, 1995, constituted the Board of Directors of the Corporation (the "Board" generally and as of August 18, 1995 the "Incumbent Board") cease for any reason to constitute at least two-thirds (2/3) of the Board, provided that any person becoming a director subsequent to August 18, 1995 whose election, or nomination for election, was approved by a vote of the persons comprising at least two-thirds (2/3) of the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the 1934 Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; or

(c) there is a reorganization, merger or consolidation of the Corporation (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Corporation's outstanding common stock and outstanding voting securities ordinarily having the

right to vote for the election of directors of the Corporation immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities ordinarily having the right to vote for the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Corporation's outstanding common stock and outstanding voting securities ordinarily having the right to vote for the election of directors of the Corporation, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan or plans (or related trust) of the Corporation or such corporation resulting from such Business Combination and their subsidiaries and affiliates) beneficially owns, directly or indirectly, 20% or more of the combined voting power of the then outstanding voting securities of the corporation resulting from such Business Combination and (iii) at least two-thirds (2/3) of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) there is a liquidation or dissolution of the Corporation approved by the shareholders; or

(e) there is a sale of all or substantially all of the assets of the Corporation.

If a Change of Control occurs and if the Executive's employment is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (A) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (B) otherwise arose in connection with or in anticipation of a Change of Control, a Change of Control shall be deemed to have retroactively occurred on the date immediately prior to the date of such termination of employment.

### 3. CERTAIN DEFINITIONS.

(a) CAUSE. The Executive's employment may be terminated for Cause only if the Corporation's Chief Executive Officer determines that Cause (as defined below) exists. For purposes of this Agreement, "Cause" means (i) an act or acts of fraud, misappropriation, or embezzlement on the Executive's part which result in or are intended to result in his or another's personal enrichment at the expense of the Corporation or its subsidiaries or affiliates,

(ii) conviction of a felony, (iii) conviction of a misdemeanor involving moral turpitude, (iv) willful failure to report to work for more than thirty (30) continuous days not attributable to eligible vacation or supported by a licensed physician's statement, or (v) any other activity which would constitute grounds for termination for cause by the Corporation or its subsidiaries or affiliates. For the purposes of this Section 3(a), any good faith interpretation by the Corporation of the foregoing definition of "Cause" shall be conclusive on the Executive.

(b) DEATH OR DISABILITY.

(i) The Executive's employment will be terminated by the Corporation or its subsidiaries or affiliates automatically upon the Executive's death ("Death").

(ii) After having established the Executive's Disability (as defined below), the Corporation may give to the Executive written notice of the Corporation's and/or its subsidiaries' or affiliates' intention to terminate the Executive's employment for Disability. The Executive's employment will terminate for Disability effective on the thirtieth (30th) day after the Executive's receipt of such notice (the "Disability Effective Date") if within such thirty (30) day period after such receipt the Executive shall fail to return to full-time performance of his duties. For purposes of this Agreement, "Disability" means disability which after the expiration of more than five (5) months after its commencement is determined to be total and permanent by a licensed physician selected by the Corporation or its insurers and reasonably acceptable to the Executive or his legal representative.

In the event of the Executive's termination for Death or Disability, the Executive and, to the extent applicable, his legal representatives, executors, heirs, legatees and beneficiaries shall have no rights under this Agreement and their sole recourse, if any, shall be under the death or disability provisions of the plans, programs, policies and practices of the Corporation and/or its subsidiaries and affiliates, as appropriate.

(c) NOTICE OF TERMINATION. Any termination by the Corporation or its subsidiaries or affiliates other than for Death shall be communicated by notice to the Executive setting forth the basis for termination of the Executive's employment and, if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifying the termination date (the "Notice of Termination").

(d) DATE OF TERMINATION. Date of Termination means the date of receipt of the Notice of Termination or any later date specified therein, as the case may be; provided, however, that if the Executive's employment is terminated by reason of Death or Disability, the Date of Termination shall be the date of Death of the Executive or the Disability Effective Date, as the case may be.

(e) SEVERANCE PERIOD. Unless terminated sooner pursuant to Section 1, the Severance Period means the period set forth below depending on the Executive's management level at the time the Notice of Termination was given, which period shall begin on the day following the Executive's Date of Termination:



Chief Executive Officer	Three (3) years
Mgmt. Level 19 or above	Three (3) years
Mgmt. Level 15-18	Two (2) years
Mgmt. Level 14	One (1) year and six (6) months
Mgmt. Level 13	One (1) year
Mgmt. Level 12	Nine (9) months
Mgmt. Level 11	Six (6) months

#### 4. OBLIGATIONS OF THE CORPORATION.

##### (a) CIRCUMSTANCES OF TERMINATION.

(i) If, during the term of this Agreement prior to a Change of Control, the Corporation or its subsidiaries or affiliates shall terminate the Executive's employment for any reason other than for Death, Disability or Cause, the Corporation agrees to provide the Executive with compensation, benefits and perquisites in accordance with the terms and provisions set forth in Subsection (iii) below and the other provisions of this Agreement, and the Executive agrees that he shall be subject to such terms and provisions. The Executive shall not be deemed to have terminated his employment with the Corporation or any of its subsidiaries or affiliates, and thus shall not be entitled to any amounts or benefits pursuant to this Agreement, if he leaves the employ of the Corporation or any of its subsidiaries or affiliates for immediate reemployment with the Corporation or any of its subsidiaries or affiliates. Additionally, notwithstanding anything in this Agreement to the contrary, the Executive shall not be entitled to any amounts or benefits pursuant to this Agreement if, as a result of the sale of all or substantially all of the stock or assets of one or more of the Corporation's subsidiaries or affiliates not constituting a Change of Control, the Executive continues as an employee of any of the companies whose stock or assets were sold or the Executive leaves the employ of the Corporation or any of its subsidiaries or affiliates and the Executive (A) is offered employment with the purchasing company or any of its subsidiaries or affiliates, or (B) is offered continuing employment with the Corporation or any of its remaining subsidiaries or affiliates. In the event of the occurrence of any of the events set forth in the preceding sentence, this Agreement shall terminate immediately and the Executive shall not be entitled to any amounts or benefits hereunder; provided, however, that this Agreement shall continue in effect if the Executive accepts the offer of continuing employment with the Corporation or any of its remaining subsidiaries or affiliates.

(ii) If during the term of this Agreement, the Executive shall terminate his employment with the Corporation or its subsidiaries or affiliates for any reason, or the Corporation or its subsidiaries or affiliates shall terminate the Executive's employment for Death, Disability or Cause, then the Executive shall not be entitled to any of the benefits set forth in Subsection (iii) below or in any other provision of this Agreement, except to the extent of the amounts which represent vested benefits or which the Executive is otherwise entitled to receive under any plan, program, policy or practice of the Corporation or any of its subsidiaries or affiliates at or subsequent to the Executive's Date of Termination.

(iii) If the Executive is entitled to receive severance pay and benefits under Subsection (i) above, the Corporation agrees to provide the Executive with the following compensation, benefits and perquisites, subject to Section 5(b):

(I) CASH ENTITLEMENT. The Corporation shall pay to the Executive the aggregate of the amounts determined pursuant to clauses a through e below:

a. UNPAID SALARY AND VACATION. If not already paid, the Executive's base salary and unused vacation entitlement through the Executive's Date of Termination at the rate in effect at the time the Notice of Termination was given.

b. SALARY MULTIPLE. A continuation of the Executive's annual base salary at the rate in effect at the time the Notice of Termination was given ("Annual Base Salary") for the Executive's applicable Severance Period (as defined in Section 3(e)).

c. TENURE - RELATED BONUS. An amount equal to the PRODUCT OF (i) the Executive's Annual Base Salary MULTIPLIED BY (ii) the stated maximum bonus opportunity percentage available to the Executive under the respective incentive compensation plan immediately preceding the Notice of Termination MULTIPLIED BY (iii) the "Executive's Three Year Average Bonus Percentage" (as defined below) (the product of (i), (ii) and (iii) hereinafter referred to as the "Bonus Opportunity") MULTIPLIED BY the number of the Executive's full and prorated partial years of service with the Corporation and/or its subsidiaries or affiliates, subject to a maximum of twelve (12) years, DIVIDED BY twelve (12).

The "Executive's Three Year Average Bonus Percentage" is the SUM OF the bonus percentages paid to the Executive DIVIDED BY the stated maximum bonus opportunity percentages available to the Executive rounded to one decimal place (e.g., 86.3%) FOR EACH OF the three (3) fiscal years immediately preceding the date the Notice of Termination was given DIVIDED BY three (3).

If the Executive has been employed by the Corporation and/or its subsidiaries or affiliates for less than three (3) fiscal years at the time the Notice of Termination was given, or if the Executive was not eligible to receive an incentive compensation award pursuant to an incentive compensation plan of the Corporation and/or its subsidiaries or affiliates for one (1) or more of the three (3) fiscal years immediately preceding the date the Notice of Termination was given, the bonus percentage to be applied in the "Executive's Three Year Bonus Percentage" calculation for any year in which the Executive was not employed or eligible to receive an incentive award will be the average bonus percentage paid for such year to all executives in the Corporation or the Executive's respective division, as appropriate, with a stated maximum bonus opportunity level similar to that of the Executive at the date the Notice of Termination was given DIVIDED BY the average stated maximum bonus opportunity percentage available to these executives for such year rounded to one decimal place (e.g., 86.3%).

**CALCULATION EXAMPLE OF EXECUTIVE'S THREE YEAR AVERAGE  
BONUS PERCENTAGE**

(2)

(1) STATED (1)/(2)

YEAR	BONUS PERCENTAGE PAID	MAXIMUM BONUS OPPORTUNITY	BONUS OPPORTUNITY PERCENT
1	55.1%	60.0%	91.8%
2	71.8%	80.0%	89.8%
3	102.0%	100.0%	102.0%
Sum			283.6%

Executive's Three Year Average  
Bonus Percentage (Sum DIVIDED BY 3) 94.5%

d. **BONUS MULTIPLE.** For the Chief Executive Officer and executives in management level 17 and above at the time the Notice of Termination was given ONLY, an amount equal to the **PRODUCT OF** the Bonus Opportunity determined in clause c above **MULTIPLIED BY** the following multiple depending on the Executive's management level at the time the Notice of Termination was given:

Chief Executive Officer 2 Mgmt. Level 17 or above 1

e. **PRIOR YEAR BONUS.** If bonuses for the calendar year prior to the Executive's Date of Termination have been distributed and the Executive has not yet been paid his incentive compensation award for such calendar year, and his Date of Termination is subsequent to the incentive compensation award payment date for such calendar year, then the Executive shall receive an additional amount equal to the **PRODUCT OF** the actual salary earned by the Executive during the prior calendar year **MULTIPLIED BY** the actual bonus percentage approved for the Executive for such calendar year under the respective incentive compensation plan.

The Executive agrees that he shall not be eligible for or entitled to any other incentive compensation award, including any pro rata incentive compensation award, pursuant to the Corporation's and/or its subsidiaries' or affiliates' incentive compensation plans. The Executive's agreement to this provision is a material consideration for the Corporation's executing this Agreement.

The Corporation shall pay to the Executive the amounts determined in clauses a through e above as follows:

CLAUSE A: In a lump sum no later than the next normal pay period for the Executive, unless otherwise required by law.

CLAUSE B: In equal semi-monthly installments on the fifteenth and last day of each month during the Severance Period.

CLAUSE D: No later than the first March 1st following the Executive's Date of Termination.

CLAUSES C AND E: In a lump sum within five (5) business days after the Executive's Date of Termination.

(II) MEDICAL, DENTAL, DISABILITY, LIFE INSURANCE AND OTHER SIMILAR PLANS AND PROGRAMS. Until the earliest to occur of (i) the last day of the Severance Period, (ii) the date on which the Executive becomes eligible for the designated coverage as an employee of another employer which provides or offers such coverage to its employees, or (iii) in the case of benefits requiring employee contributions, the date the Executive fails to make such contributions pursuant to the Corporation's or the plan's instructions or otherwise cancels his coverage in accordance with plan provisions (the "Benefits Continuation Period"), the Corporation shall continue to provide the benefits which the Executive and/or his family is or would have been entitled to receive under all medical, dental, disability, supplemental life, group life, and accidental death and dismemberment insurance plans and programs, and other similar plans and programs of the Corporation and/or its subsidiaries or affiliates not otherwise provided for in this Agreement, in each case on a basis providing the Executive and/or his family with the opportunity to receive benefits at least equal to those benefits provided by the Corporation and/or its subsidiaries or affiliates to their comparably situated active executives during the Benefits Continuation Period. The non-contributory benefits will be paid for by the Corporation. The medical and dental plan benefits, to the extent applicable, will be provided in accordance with the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), except that the Corporation shall pay the COBRA premiums for the standard medical and dental plan benefits during the Benefits Continuation Period minus the Executive's contributory obligation determined as if the Executive were still an executive employee of the Corporation. If the Executive's participation in any such plan or program is barred by COBRA or for any other reason, the Corporation shall pay or provide for payment of such benefits or substantially similar benefits to the Executive and/or his family. Failure of the Executive to accept available coverage from another employer or to notify the Corporation, in writing, within thirty (30) days of the Executive's eligibility for coverage under another employer's plan shall terminate the Severance Period and this Agreement immediately, and the Corporation shall have no further obligations to the Executive under this Agreement; provided, however, that the Executive will, if applicable, continue to be subject to the provisions of Section 5 of this Agreement. Upon termination of his coverage under this paragraph, the Executive may be eligible under COBRA to continue some of his benefits

for an additional period of time. If such is the case, the Executive will be responsible for the entire COBRA premium. Additionally, the Executive has thirty-one (31) days from the last day of coverage in which to convert his group life insurance to an individual policy. The Executive must arrange for conversion through an agent of Standard Insurance Company of America, or such other insurance company as is then providing coverage.

(III) CAR. a. If, at the time the Notice of Termination was given, the Executive was assigned a car and was in management level 14 or above, within five (5) business days after the Executive's Date of Termination, the Corporation shall transfer to the Executive free and clear title to the car assigned to the Executive at the time the Notice of Termination was given.

b. If, at the time the Notice of Termination was given, the Executive was assigned a car and was in management level 13 or below, then the following provisions will apply:

If the Executive has less than one (1) full year of service with the Corporation and/or its subsidiaries or affiliates, the Executive shall have no right to purchase or receive from the Corporation the car assigned to the Executive at the time the Notice of Termination was given since the Executive shall have no rights under this Agreement pursuant to Section 4(c).

If the Executive has one (1) or more but fewer than five (5) full years of service with the Corporation and/or its subsidiaries or affiliates, the Executive may purchase from the Corporation free and clear title to the car assigned to the Executive at the time the Notice of Termination was given for fifty percent (50%) of the average retail value of the car listed in the National Automobile Dealer's Association, Official Used Car Guide as of the date of the purchase.

If the Executive has completed five (5) or more full years of service with the Corporation and/or its subsidiaries or affiliates, the Corporation shall transfer to the Executive free and clear title to the car assigned to the Executive at the time the Notice of Termination was given.

Purchase arrangements and title transfer must be completed within five (5) business days after the Executive's Date of Termination.

c. The Executive will be responsible for the sales tax on transfer of the car as well as for all insurance, maintenance, taxes and other liabilities associated with the car after title transfer. Additionally, the Corporation shall assign to the Executive all claims for breach of warranty and other similar matters against the vendor and manufacturer of the car. The Executive agrees to accept such car in an "As-Is" condition. THE EXECUTIVE WAS SOLELY RESPONSIBLE FOR THE SELECTION AND MAINTENANCE OF THE CAR AND THEREFORE ACKNOWLEDGES THAT THE

CORPORATION DOES NOT MAKE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE CAR, INCLUDING, BUT NOT LIMITED TO THE CONDITION OR DESIGN OF THE CAR, ANY LATENT DEFECTS OF THE CAR, THE MERCHANTABILITY OF THE CAR OR ITS FITNESS FOR ANY PARTICULAR PURPOSE.

d. Notwithstanding the Executive's management level, if the Executive was receiving a car allowance at the time the Notice of Termination was given, the Corporation shall pay to the Executive, in a lump sum within five (5) business days after the Executive's Date of Termination, an amount equal to the PRODUCT OF the Executive's monthly car allowance in effect at the time the Notice of Termination was given MULTIPLIED BY 12 MULTIPLIED BY the following multiple depending on the Executive's management level at the time the Notice of Termination was given:

Chief Executive Officer	3
Mgmt. Level 19 or above	3
Mgmt. Level 15-18	2
Mgmt. Level 14	1.5
Mgmt. Level 13	1
Mgmt. Level 12	.75
Mgmt. Level 11	.5

e. The Executive shall not be entitled to any car telephone provided by the Corporation or its subsidiaries or affiliates and such car telephone, if applicable, shall be returned to the Corporation immediately upon title transfer.

(IV) OUTPLACEMENT. Until the end of the Severance Period or until the Executive obtains another full-time job or becomes self-employed, whichever occurs first, the Corporation shall provide the Executive with professional outplacement services of the Corporation's choice and shall reimburse the Executive for documented incidental outplacement expenses directly related to job search such as resume mailing, interviewing trips, and clerical support, subject to a maximum cost of the lesser of (i) ten percent (10%) of the Executive's Annual Base Salary (as defined in clause (I)b above), or (ii) \$20,000 if the Executive was in management level 11-19 at the time the Notice of Termination was given or \$30,000 if the Executive was above management level 19 or Chief Executive Officer at the time the Notice of Termination was given. The Executive shall not be entitled to receive cash in lieu of the professional outplacement services or reimbursed incidental outplacement expenses provided by the Corporation.

(V) PERQUISITE, COUNTRY CLUB, FINANCIAL PLANNING/TAX PREPARATION AND EXECUTIVE PHYSICAL ALLOWANCES. For the twelve (12) month perquisite, country club, financial planning/tax preparation and executive physical payment period of the Corporation or the Executive's respective division, as appropriate (i.e., January - December or September - August), in which the Notice of Termination was given, if not yet paid, and one (1) additional twelve (12) month period thereafter, but in no event for

longer than the Severance Period, the Corporation shall continue to provide the Executive with the perquisite, country club, financial planning/tax preparation and executive physical allowances, as appropriate, the Executive would have been entitled to receive under the plans, programs, policies and practices of the Corporation and/or its subsidiaries or affiliates (subject to the Corporation's receipt of appropriate documented evidence of such expenses), in each case on a basis providing the Executive with an opportunity to receive benefits at least equal to those provided by the Corporation and/or its subsidiaries or affiliates to their comparably situated active executives during the applicable period.

(VI) SPLIT-DOLLAR LIFE INSURANCE AND DEFERRED COMPENSATION. Notwithstanding anything in the applicable agreements, plans or policies to the contrary, if the Executive is covered by the Corporation's split-dollar life insurance with its attendant deferred compensation benefit at the time the Notice of Termination is given, and the Executive wishes to retain both the life insurance coverage and its future deferred compensation benefit, the Executive may purchase the policy from the Corporation by paying the Corporation an amount equal to the cash value of the policy. If the Executive elects to purchase the policy from the Corporation, the Executive will have all the benefits inherent in ownership of the whole-life policy, including the cash value of the policy.

If the Executive wishes to retain the life insurance coverage only, the Executive may convert the policy by forfeiting the deferred compensation benefit. If the Executive chooses this alternative, the Corporation will transfer ownership of the policy to the Executive, and contemporaneously the Executive will execute an agreement relinquishing the deferred compensation benefit. This alternative transfers the entire cash value of the policy to the Executive and relieves the Corporation of the administrative record-keeping associated with the Executive's deferred compensation benefit.

The Executive must notify the Corporation of his election for the transfer of his split-dollar life insurance policy and deferred compensation benefit within thirty (30) days following the Executive's Date of Termination and the Corporation shall complete the transfer immediately upon receipt of such notice and the required payment or executed agreement.

(b) If a Change of Control occurs and the Executive is then receiving severance pay and benefits pursuant to Section 4(a) as a result of his termination by the Corporation or its subsidiaries or affiliates other than for Death, Disability or Cause prior to the Change of Control, the Corporation shall pay to the Executive in a lump sum, within five (5) business days after the Change of Control, an amount (in lieu of future periodic payments) equal to the present value of all future cash payments due to the Executive under this Agreement (including the maximum outplacement and perquisite, country club, financial planning/tax preparation and executive physical allowances, as appropriate) using the First National Bank of Boston's base or prime commercial lending rate then in effect for such computation. The Corporation and the Executive shall continue to be liable to each other for all of their other respective obligations under this Agreement.

(c) Notwithstanding anything in this Agreement to the contrary, no amount shall be paid or payable under this Agreement unless the Executive has been employed by the Corporation and/or its subsidiaries or affiliates for at least twelve (12) consecutive months at the time of his termination. In the event the Executive is employed for less than twelve (12) consecutive months, the Executive hereby agrees that he shall not receive or be entitled to anything under this Agreement.

## 5. OBLIGATIONS OF THE EXECUTIVE.

(a) COVENANT OF CONFIDENTIALITY. All documents, records, techniques, business secrets and other information of the Corporation, its subsidiaries and affiliates which have or will come into the Executive's possession from time to time during the Executive's affiliation with the Corporation and/or any of its subsidiaries or affiliates and which the Corporation treats as confidential and proprietary to the Corporation and/or any of its subsidiaries or affiliates shall be deemed as such by the Executive and shall be the sole and exclusive property of the Corporation, its subsidiaries and affiliates. The Executive agrees that the Executive will keep confidential and not use or divulge to any other party any of the Corporation's or its subsidiaries' or affiliates' confidential information and business secrets, including, but not limited to, such matters as costs, profits, markets, sales, products, product lines, key personnel, pricing policies, operational methods, customers, customer requirements, suppliers, plans for future developments, and other business affairs and methods and other information not readily available to the public. Additionally, the Executive agrees that upon his termination of employment, the Executive shall promptly return to the Corporation any and all confidential and proprietary information of the Corporation and/or its subsidiaries or affiliates that is in his possession.

(b) If, at any time during the term of this Agreement, the Corporation or its subsidiaries or affiliates shall terminate the Executive's employment for any reason other than for Death, Disability or Cause, and the Executive shall elect to receive severance pay and benefits in accordance with Section 4, the Executive shall be subject to the following additional provisions:

(I) COVENANT AGAINST COMPETITION. During the Severance Period (without any reduction or modification), the Executive shall not, without the prior written consent of the Corporation's Chief Executive Officer, directly or indirectly engage or become a partner, director, officer, principal, employee, consultant, investor, creditor or stockholder in any business, proprietorship, association, firm or corporation not owned or controlled by the Corporation or its subsidiaries or affiliates which is engaged or proposes to engage or hereafter engages in a business competitive directly with the business conducted by the Corporation or any of its subsidiaries or affiliates in any geographic area where such business of the Corporation or its subsidiaries or affiliates is conducted; provided, however, that the Executive is not prohibited from owning one percent (1%) or less of the outstanding capital stock of any corporation whose stock is listed on a national securities exchange.

(II) COVENANT OF NON-SOLICITATION. During the Severance Period (without any reduction or modification), the Executive shall not, either on the Executive's own account



or for any person, firm or company, solicit, interfere with or induce, or attempt to induce, any employee of the Corporation or any of its subsidiaries or affiliates to leave his employment or to breach his employment agreement, if any.

(III) COVENANT OF NON-DISPARAGEMENT AND COOPERATION. The Executive agrees not to make any remarks disparaging the conduct or character of the Corporation or any of its subsidiaries or affiliates, their current or former agents, employees, officers, directors, successors or assigns ("Ryder"). In addition, the Executive agrees to cooperate with Ryder, at no extra cost, in any litigation or administrative proceedings (e.g., EEOC charges) involving any matters with which the Executive was involved during the Executive's employment with the Corporation. The Corporation shall reimburse the Executive for travel expenses approved by the Corporation or its subsidiaries or affiliates incurred in providing such assistance.

(IV) RELEASE. Upon his termination of employment, the Executive shall execute and agree to be bound by a release agreement substantially in the form attached as Exhibit A and, to the extent applicable, a resignation letter substantially in the form attached as Exhibit B, prior to and as a condition to receiving any payments or benefits pursuant to this Agreement. If applicable, the release agreement may contain provisions required by federal, state or local law (e.g., the Older Worker's Benefit Protection Act) to effectuate a general release of all claims.

(c) SPECIFIC REMEDY. The Executive acknowledges and agrees that if the Executive commits a material breach of the Covenant of Confidentiality or, if applicable, the Covenant Against Competition, the Covenant of Non-Solicitation, or the Covenant of Non-Disparagement and Cooperation (as provided in Subsections (a) and (b) above, the Corporation shall have the right to have the covenant specifically enforced by any court having appropriate jurisdiction on the grounds that any such breach will cause irreparable injury to the Corporation, and that money damages will not provide an adequate remedy to the Corporation. The Executive further acknowledges and agrees that the Covenant of Confidentiality and, if applicable, the Covenant Against Competition, the Covenant of Non-Solicitation, and the Covenant of Non-Disparagement and Cooperation contained in this Agreement are fair, do not unreasonably restrict the Executive's future employment and business opportunities, and are commensurate with the compensation arrangements set out in this Agreement. In addition, once the Executive makes an election to receive severance pay and benefits pursuant to Section 4 and is subject to Subsection

(b) above, the Executive shall have no right to return any amounts or benefits that are already paid or to refuse to accept any amounts or benefits that are payable in the future in lieu of his specific performance of his obligations under Subsection (b) above.

6. NON-EXCLUSIVITY OF RIGHTS. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plans, programs, policies or practices provided by the Corporation or any of its subsidiaries or affiliates and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under such plans, programs, policies or practices or under any stock option or other agreements with the Corporation or any of its subsidiaries or affiliates,

specifically including but not limited to the Corporation's 1980 and 1995 Stock Incentive Plans, the deferred compensation agreements, the Corporation's and/or its subsidiaries' or affiliates' retirement, 401(k) and profit sharing plans, the Corporation's Benefit Restoration Plan, Savings Restoration Plan, supplemental disability and retiree life insurance. In the event there are any amounts which represent vested benefits or which the Executive is otherwise entitled to receive under these or any other plans, programs, policies or practices, including any plan, program, policy or practice adopted after the execution of this Agreement, of the Corporation or any of its subsidiaries or affiliates at or subsequent to the Executive's Date of Termination, the Corporation shall cause the relevant plan, program, policy or practice to pay such amount, to the extent not already paid, in accordance with the provisions of such plan, program, policy or practice. The phrase "Termination Date" as used in the Corporation's 1980 and 1995 Stock Incentive Plans shall mean the end of the Severance Period with respect to Non-Qualified Stock Options granted to the Executive, if any, pursuant to such plan, and the Executive's Date of Termination with respect to Incentive Stock Options and Restricted Stock Rights granted to the Executive, if any, thereunder. The last day of the Severance Period will be considered to be the Executive's termination date for purposes of the Executive's deferred compensation agreement(s), if any.

7. NO MITIGATION. In no event shall the Executive be obligated to seek other employment by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement nor, except as specifically provided otherwise in this Agreement, shall the amount of any payment provided for under this Agreement be reduced by any compensation or benefits earned by the Executive as the result of employment by another employer after the Date of Termination, or otherwise.

8. ASSIGNMENT. This Agreement is personal to the Executive and the Executive does not have the right to assign this Agreement or any interest herein. This Agreement shall inure to the benefit of and be binding upon the Corporation and its successors.

9. MISCELLANEOUS. (a) This Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without reference to principles of conflict of laws. The parties hereto agree that the appropriate forum for any action brought hereunder shall be Miami, Florida. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. The Executive acknowledges and agrees that the Corporation may amend this Agreement at any time to comply with any federal, state or local law or regulation or as necessary to enforce the intent of Section 5. Otherwise, this Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder, other than those under Section 3(c), shall be in writing and shall be given to the other party by hand delivery, by overnight express mail, or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

IF TO THE EXECUTIVE: at the Executive's last address appearing in the payroll/personnel records of the Corporation.

**IF TO THE CORPORATION:**

Ryder System, Inc.  
3600 N.W. 82nd Avenue  
Miami, Florida 33166  
Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Executive understands and acknowledges that the payments and benefits provided to the Executive pursuant to this Agreement may be unsecured, unfunded obligations of the Corporation. The Executive further understands and acknowledges that the payments and benefits under this Agreement may be compensation and as such may be included in either the Executive's W-2 earnings statements or 1099 statements. The Corporation may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation, as well as any other deductions consented to in writing by the Executive.

(e) This Agreement, including its attached Exhibits, contains the entire understanding of the Corporation and the Executive with respect to the subject matter hereof. No agreements or representations, oral or written, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement and its attached Exhibits.

(f) The employment of the Executive by the Corporation or its subsidiaries or affiliates may be terminated by either the Executive or the Corporation or its subsidiaries or affiliates at any time and for any reason, with or without cause. Nothing contained in this Agreement shall affect such rights to terminate; provided, however, that nothing in this Section 9(f) shall prevent the terms and provisions of this Agreement from being enforced in the event of a termination described in Section 4(a).

(g) Whenever used in this Agreement, the masculine gender shall include the feminine or neuter wherever necessary or appropriate and vice versa and the singular shall include the plural and vice versa.

(h) This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. AMENDMENT AND RESTATEMENT. The Corporation and the Executive agree that this Agreement amends and correctly restates the entire agreement between the parties as of May 1, 1996; that the provisions of this Agreement supersede and replace the provisions of the Prior Agreement; and that the terms and provisions of this Agreement shall be binding on the Corporation and the Executive in all respects.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and the Corporation has caused these presents to be executed in its name on its behalf, and its corporate seal to be hereunto affixed and attested by its assistant secretary, all as of the day and year first above written.

-----  
Witness

-----  
Executive

-----  
Witness

-----  
Social Security Number

ATTEST:

RYDER SYSTEM, INC.  
(the "Corporation")

\_\_\_\_\_  
Assistant Secretary  
(Seal)

By: \_\_\_\_\_  
Executive Vice President

## SEVERANCE AGREEMENT

### EXHIBIT A

#### RELEASE AGREEMENT

FOR AND IN CONSIDERATION OF THE PAYMENT TO ME OF THE SEVERANCE BENEFITS PURSUANT TO THE SEVERANCE AGREEMENT BETWEEN RYDER SYSTEM, INC. ("THE CORPORATION") AND ME DATED MAY 1, 1996 (THE "SEVERANCE AGREEMENT"), I, (EXECUTIVE'S NAME), ON BEHALF OF MYSELF, MY HEIRS, SUCCESSORS AND ASSIGNS (COLLECTIVELY "I" OR "ME"), HEREBY RELEASE AND FOREVER DISCHARGE THE CORPORATION AND ALL OF ITS SUBSIDIARIES AND AFFILIATES, THEIR CURRENT AND FORMER AGENTS, EMPLOYEES, OFFICERS, DIRECTORS, SUCCESSORS AND ASSIGNS (COLLECTIVELY "RYDER"), FROM ANY AND ALL CLAIMS, DEMANDS, ACTIONS, AND CAUSES OF ACTION, AND ALL LIABILITY WHATSOEVER, WHETHER KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, FIXED OR CONTINGENT, WHICH I HAVE OR MAY HAVE AGAINST RYDER AS A RESULT OF MY EMPLOYMENT BY AND SUBSEQUENT TERMINATION AS AN EMPLOYEE OF RYDER, UP TO THE DATE OF THE EXECUTION OF THIS RELEASE AGREEMENT. THIS INCLUDES BUT IS NOT LIMITED TO CLAIMS AT LAW OR EQUITY OR SOUNDING IN CONTRACT (EXPRESS OR IMPLIED) OR TORT ARISING UNDER FEDERAL, STATE, OR LOCAL LAWS PROHIBITING AGE, SEX, RACE, DISABILITY, VETERAN OR ANY OTHER FORMS OF DISCRIMINATION. THIS FURTHER INCLUDES ANY AND ALL CLAIMS ARISING UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT, THE AMERICANS WITH DISABILITIES ACT OF 1990, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, OR THE EMPLOYEE RETIREMENT INCOME SECURITY ACT ("ERISA"), AS AMENDED, OR CLAIMS GROWING OUT OF ANY LEGAL RESTRICTIONS ON RYDER'S RIGHT TO TERMINATE ITS EMPLOYEES. I COVENANT AND AGREE THAT I WILL NOT SUE OR FILE ANY LAWSUIT OR ACTION AGAINST RYDER IN THE FUTURE WITH RESPECT TO ANY CLAIM OR CAUSE OF ACTION RELEASED AS PART OF THIS RELEASE AGREEMENT. I FURTHER AGREE THAT IF I VIOLATE THIS COVENANT OR ANY OTHER PROVISION OF THIS RELEASE AGREEMENT OR THE SEVERANCE AGREEMENT, I SHALL INDEMNIFY RYDER FOR ALL COSTS AND ATTORNEY'S FEES INCURRED BY RYDER IN ENFORCING THIS RELEASE AGREEMENT AND THE SEVERANCE AGREEMENT.

This Release Agreement does not release Ryder from any of its current, future or ongoing obligations under the Severance Agreement, specifically including but not limited to cash payments and benefits due me.

I understand and agree that this Release Agreement and the Severance Agreement shall not in any way be construed as an admission by Ryder of any unlawful or wrongful acts

whatsoever against me or any other person, and Ryder specifically disclaims any liability to or wrongful acts against me or any other person.

I agree that the terms and provisions of this Release Agreement and the Severance Agreement, as well as any and all incidents leading to or resulting from this Release Agreement and the Severance Agreement, are confidential and that I may not discuss them with anyone without the prior written consent of the Corporation's or its successor's Chief Executive Officer, except as required by law; provided, however, that I agree to immediately give the Corporation or its successor notice of any request to discuss this Release Agreement or the Severance Agreement and to provide the Corporation or its successor with the opportunity to contest such request prior to my response.

This Release Agreement shall be governed by and construed in accordance with the laws of the state of Florida, without reference to principles of conflict of laws. Except as provided in Sections 5(b)(IV) and 9(a) of the Severance Agreement, this Release Agreement may not be amended or modified otherwise than by a written agreement executed by the Corporation and me or our respective successors and legal representatives.

The invalidity or unenforceability of any provision of this Release Agreement shall not affect the validity or enforceability of any other provision of this Release Agreement.

I CERTIFY THAT I HAVE FULLY READ, HAVE RECEIVED AN EXPLANATION OF, HAVE NEGOTIATED AND COMPLETELY UNDERSTAND THE PROVISIONS OF THIS RELEASE AGREEMENT, AND THAT I HAVE BEEN ADVISED BY THE CORPORATION THAT I SHOULD CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS RELEASE AGREEMENT. I FURTHER CERTIFY THAT I HAVE HAD ADEQUATE TIME TO REVIEW AND CONSIDER THE PROVISIONS OF THIS RELEASE

AGREEMENT AND THAT I AM SIGNING THIS RELEASE AGREEMENT FREELY AND VOLUNTARILY, WITHOUT DURESS, COERCION OR UNDUE INFLUENCE.

Dated this \_\_\_\_ day of \_\_\_\_\_, 19\_\_.

-----  
Witness

-----  
Executive

-----  
Witness

-----  
Social Security Number

Executive's Date of Termination:\_\_\_\_\_

STATE OF \_\_\_\_\_)

) ss:

COUNTY OF \_\_\_\_\_ )

Before me personally appeared \_\_\_\_\_, to me well known and known to me to be the person described in and who executed the foregoing instrument, and acknowledged to and before me that he/she executed said instrument for the purposes therein expressed.

WITNESS my hand and official seal this \_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

---

**Notary Public**

**My Commission Expires:**

\_\_\_\_\_ (Seal)

**SEVERANCE AGREEMENT**

**EXHIBIT B**

**RESIGNATION LETTER**

**TO THE BOARD OF DIRECTORS  
OF RYDER SYSTEM, INC.**

Gentlemen:

Effective immediately, I hereby resign as an officer and/or director of Ryder System, Inc. and/or its subsidiaries and affiliates and, to the extent applicable, from all committees of which I am a member.

Sincerely,

---

**Executive's Name**

---

**Date**

20



**EXHIBIT 10.26(b)**

Amendment to the Severance Agreement between  
**RYDER SYSTEM, INC. and JAMES M. HERRON**

dated May 1, 1996

THIS AMENDMENT made as of the 19th day of December, 1996, by and between RYDER SYSTEM, INC., a Florida corporation (the "Corporation"), and JAMES M. HERRON (the "Executive").

**WITNESSETH:**

WHEREAS, the Corporation and the Executive have entered into a Severance Agreement dated as of May 1, 1996, including Exhibits A and B thereto (the "Severance Agreement"), providing for the Corporation's payment of severance benefits to the Executive if the Executive's employment with the Corporation or its subsidiaries or affiliates terminates prior to a Change of Control (as defined in Section 2 of the Severance Agreement); and

WHEREAS, the Corporation and the Executive now desire to amend the Severance Agreement as set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Corporation and the Executive have agreed and do hereby agree as follows:

1. Section 3(e) is deleted in its entirety and the following new Section 3(e) is inserted in lieu thereof:

"(e) SEVERANCE PERIOD. Unless terminated sooner pursuant to Section 1, the Severance Period means the period beginning on the day following the Executive's Date of Termination and terminating on May 31, 1999, which is the date the Executive shall retire from the Corporation."

2. Section 4(a)(iii)(IV) is deleted in its entirety and the following new Section 4(a)(iii)(IV) is inserted in lieu thereof:

"(IV) OUTPLACEMENT. Until the end of the Severance Period or until the Executive obtains another full-time job or becomes self-employed, whichever occurs first, the Corporation shall provide the Executive with professional outplacement services of the Corporation's choice and shall reimburse the Executive for documented incidental outplacement expenses directly related to job search such as resume mailing, interviewing trips, and clerical support, subject to a maximum cost of \$20,000. As soon as practicable after the later to occur of (i) the Executive's Date of Termination, or (ii) the end of the Revocation Period (as defined in the Release Agreement), the Corporation shall transfer to the Executive the following pieces of equipment and the Executive accepts such equipment in an "AS IS" condition:

Toshiba Satellite Pro 420 Series Laptop Computer Hewlett Packard LaserJet 5L Printer Visioneer PaperPort Vx Xerox 3006 Fax (ONH-013137)

The Corporation and the Executive agree that the value of such items shall be deducted from the outplacement incidentals allowance. The Executive shall not be entitled to receive cash in lieu of the professional outplacement services or reimbursed incidental outplacement expenses provided by the Corporation."

3. The remaining provisions of the Severance Agreement shall remain in full force and effect.

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

*/s/ H. JUDITH CHOZIANIN*  
-----  
*Witness*

*/s/ JAMES M. HERRON*  
-----  
*JAMES M. HERRON*

*/s/ TINKIE E. DEMMIN*  
-----  
*Witness*

*323-26-3087*  
-----  
*Social Security Number*

*ATTEST:*

*RYDER SYSTEM, INC.*  
*(the "Corporation")*

*/s/ YASMINE B. ZYNE*  
-----  
*Assistant Secretary*

*By: /s/ M. ANTHONY BURNS*  
-----

*Its: Chairman, President & CEO*  
-----

## RELEASE AGREEMENT

FOR AND IN CONSIDERATION OF THE PAYMENT TO ME OF THE SEVERANCE BENEFITS PURSUANT TO THE SEVERANCE AGREEMENT BETWEEN RYDER SYSTEM, INC. ("THE CORPORATION") AND ME DATED MAY 1, 1996 (THE "SEVERANCE AGREEMENT"), AS AMENDED ON DECEMBER 19, 1996, I, JAMES M. HERRON, ON BEHALF OF MYSELF, MY HEIRS, SUCCESSORS AND ASSIGNS (COLLECTIVELY "I" OR "ME"), HEREBY RELEASE AND FOREVER DISCHARGE THE CORPORATION AND ALL OF ITS SUBSIDIARIES AND AFFILIATES, THEIR CURRENT AND FORMER AGENTS, EMPLOYEES, OFFICERS, DIRECTORS, SUCCESSORS AND ASSIGNS (COLLECTIVELY "RYDER"), FROM ANY AND ALL CLAIMS, DEMANDS, ACTIONS, AND CAUSES OF ACTION, AND ALL LIABILITY WHATSOEVER, WHETHER KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, FIXED OR CONTINGENT, WHICH I HAVE OR MAY HAVE AGAINST RYDER AS A RESULT OF MY EMPLOYMENT BY AND SUBSEQUENT TERMINATION AS AN EMPLOYEE OF RYDER, UP TO THE DATE OF THIS RELEASE AGREEMENT. THIS INCLUDES BUT IS NOT LIMITED TO CLAIMS AT LAW OR EQUITY OR SOUNDING IN CONTRACT (EXPRESS OR IMPLIED) OR TORT ARISING UNDER FEDERAL, STATE, OR LOCAL LAWS PROHIBITING AGE, SEX, RACE, DISABILITY, VETERAN OR ANY OTHER FORMS OF DISCRIMINATION. THIS FURTHER INCLUDES ANY AND ALL CLAIMS ARISING UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT, THE AMERICANS WITH DISABILITIES ACT OF 1990, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, OR THE EMPLOYEE RETIREMENT INCOME SECURITY ACT ("ERISA"), AS AMENDED, OR CLAIMS GROWING OUT OF ANY LEGAL RESTRICTIONS ON RYDER'S RIGHT TO TERMINATE ITS EMPLOYEES. I COVENANT AND AGREE THAT I WILL NOT SUE OR FILE ANY LAWSUIT OR ACTION AGAINST RYDER IN THE FUTURE WITH RESPECT TO ANY CLAIM OR CAUSE OF ACTION RELEASED AS PART OF THIS RELEASE AGREEMENT. I FURTHER AGREE THAT IF I VIOLATE THIS COVENANT OR ANY OTHER PROVISION OF THIS RELEASE AGREEMENT OR THE SEVERANCE AGREEMENT, I SHALL INDEMNIFY RYDER FOR ALL COSTS AND ATTORNEY'S FEES INCURRED BY RYDER IN ENFORCING THIS RELEASE AGREEMENT AND THE SEVERANCE AGREEMENT.

This Release Agreement does not release Ryder from any of its current, future or ongoing obligations under the Severance Agreement, specifically including but not limited to cash payments and benefits due me.

I understand and agree that this Release Agreement and the Severance Agreement shall not in any way be construed as an admission by Ryder of any unlawful or wrongful acts whatsoever against me or any other person, and Ryder specifically disclaims any liability to or wrongful acts against me or any other person.

I agree that the terms and provisions of this Release Agreement and the Severance Agreement, as well as any and all incidents leading to or resulting from this Release Agreement and the Severance Agreement, are confidential and that I may not discuss them with anyone without the prior written

consent of the Corporation's or its successor's Chief Executive Officer, except as required by law; provided, however, that I agree to immediately give the Corporation or its successor notice of any request to discuss this Release Agreement or the Severance Agreement and to provide the Corporation or its successor with the opportunity to contest such request prior to my response.

This Release Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without reference to principles of conflict of laws. Except as provided in Sections 5(b)(IV) and 9(a) of the Severance Agreement, this Release Agreement may not be amended or modified otherwise than by a written agreement executed by the Corporation and me or our respective successors and legal representatives.

The invalidity or unenforceability of any provision of this Release Agreement shall not affect the validity or enforceability of any other provision of this Release Agreement.

I UNDERSTAND AND ACKNOWLEDGE THAT I HAVE SEVEN (7) CALENDAR DAYS FOLLOWING MY EXECUTION OF THIS RELEASE AGREEMENT TO REVOKE MY ACCEPTANCE OF THIS RELEASE AGREEMENT (THE "REVOCATION PERIOD") AND THAT THIS RELEASE AGREEMENT SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED WITHOUT ME REVOKING IT. REVOCATION OF THIS RELEASE AGREEMENT MUST BE MADE BY DELIVERING A WRITTEN NOTICE OF REVOCATION TO YASMINE B. ZYNE. FOR THIS REVOCATION TO BE EFFECTIVE, WRITTEN NOTICE MUST BE RECEIVED BY YASMINE B. ZYNE NO LATER THAN THE CLOSE OF BUSINESS ON THE SEVENTH DAY AFTER I SIGN THIS RELEASE AGREEMENT.

I CERTIFY THAT I HAVE FULLY READ, HAVE RECEIVED AN EXPLANATION OF, HAVE NEGOTIATED AND COMPLETELY UNDERSTAND THE PROVISIONS OF THIS RELEASE AGREEMENT, THAT I HAVE BEEN ADVISED BY THE CORPORATION THAT I SHOULD CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS RELEASE AGREEMENT, THAT I HAVE BEEN GIVEN AT LEAST TWENTY-ONE (21) CALENDAR DAYS TO REVIEW AND CONSIDER THE PROVISIONS OF THIS RELEASE AGREEMENT, AND THAT I AM SIGNING THIS RELEASE AGREEMENT FREELY AND VOLUNTARILY, WITHOUT DURESS, COERCION OR UNDUE INFLUENCE.

**Dated this 20 day of December, 1996.**

*/s/ H. JUDITH CHOZIANIN*  
-----  
*Witness*

*/s/ JAMES M. HERRON*  
-----  
*Executive*

*/s/ TINKIE E. DEMMIN*  
-----  
*Witness*

*323-26-3087*  
-----  
*Social Security Number*

Executive's Date of Termination: December 31, 1996

STATE OF FLORIDA )  
 ) ss:  
COUNTY OF DADE )

Before me personally appeared James M. Herron, to me well known and known to me to be the person described in and who executed the foregoing instrument, and acknowledged to and before me that he executed said instrument for the purposes therein expressed.

WITNESS my hand and official seal this 20 day of December, 1996.

*/s/ JANICE JOHNSON*  
-----  
*Notary Public*

**Commission Expires:**

(Seal)

**[STAMPD]  
OFFICIAL NOTARY SEAL  
JANICE JOHNSON  
NOTARY PUBLIC STATE OF FLORIDA  
COMMISSION NO. CC460394  
MY COMMISSION EXP. MAY 7, 1999**

December 31, 1996

**TO THE BOARD OF DIRECTORS  
OF RYDER SYSTEM, INC.**

Gentlemen:

Effective immediately, I hereby resign as an officer and/or director of Ryder System, Inc. and/or its subsidiaries and affiliates and, to the extent applicable, from all committees of which I am a member.

Sincerely,

*/s/ JAMES M. HERRON*

-----  
*James M. Herron*

December 19, 1996

TO: James M. Herron  
FROM: M. Anthony Burns  
RE: Release Agreement

In accordance with the Older Workers Benefit Protection Act, I am required to inform you of the following regarding your execution of the attached Release Agreement, Amendment and letter of resignation (collectively, the "Release Agreement").

1. You should consult with an attorney before signing the Release Agreement.
2. You will have twenty-one (21) days from the day you receive the Release Agreement to execute it. If you have not executed the Release Agreement by the twenty-first day, it will automatically be declared null and void and revoked.
3. After you have executed the Release Agreement, you have seven (7) calendar days to revoke your acceptance of it. If you revoke the Release Agreement within the seven (7) calendar days, it is null and void. For the revocation of the Release Agreement to be effective, written notice must be received by Yasmine B. Zyne no later than the close of business on the seventh day after you sign the Release Agreement.
4. If you do not revoke your execution of the Release Agreement within the seven (7) calendar days, it will become effective and payments will commence in accordance with the terms of your Severance Agreement dated as of May 1, 1996, as amended by the Amendment.

Please acknowledge below your receipt of this document and the attached Release Agreement and that you have read and understand this page of conditions.

**Acknowledged:**

*/s/ JAMES M. HERRON*

-----  
*12/20/96*  
-----

*Date*

*Attachment*

**[RYDER LETTERHEAD]**

**M ANTHONY BURNS**  
Chairman, President and  
Chief Executive Officer

December 20, 1996

Mr. James M. Herron  
Senior Executive Vice President  
and General Counsel  
Ryder System, Inc.  
Miami, Florida 33166

Dear Jim:

In connection with your retirement, on December 31, 1996, you have agreed to remain as General Counsel of the Company until your replacement is employed, but no later than the date of the 1997 Annual Meeting.

In serving as General Counsel, you will be an agent for the Company, and therefore, entitled to indemnification as provided in the By-Laws of the Company, as amended.

Yours sincerely,

*/s/ M. A. BURNS*

*Accepted and agreed to:*

*/s/ JAMES M. HERRON*

-----  
*James M. Herron*

*December 20, 1996*

**RYDER SYSTEMS, INC.**  
3600 NW 82 Avenue  
Miami, Florida 33166  
Tel: (305) 500-3496



**EXHIBIT 10.27**

**AGREEMENT AND RELEASE**

THIS AGREEMENT AND RELEASE, dated as of November 7, 1996, is between RYDER SYSTEM, INC. (the "Company") and J. ERNEST RIDDLE ("Employee").

**WITNESSETH:**

WHEREAS, the Company has employed Employee in a managerial capacity; and

WHEREAS, Employee and the Company now desire to terminate Employee's employment relationship with the Company;

NOW, THEREFORE, in consideration of the following terms, covenants and conditions, the Company and Employee agree as follows:

1. (a) **TERMINATION OF SEVERANCE AGREEMENTS.** The Company and Employee agree that the Severance Agreement dated as of May 1, 1996 and the Change of Control Severance Agreement dated as of the same date which provide severance benefits to Employee in the event of Employee's termination under specified circumstances, the letter agreement between the Company and Employee dated April 9, 1993, as well as any predecessor agreements (collectively the "Prior Agreements"), are hereby terminated as of the date of this Agreement and Release. Neither the Company nor Employee shall have any further obligations under the Prior Agreements.

(b) **TERM AND SEVERANCE.** Employee agrees that the employment of Employee is terminated as of January 31, 1997 ("Employee's Last Day Worked"). Effective as of today's date, Employee will resign as an officer and/or director of the Company and/or its subsidiaries or affiliates and, to the extent applicable, from all committees of which Employee is a member. Employee agrees to sign the attached letter of resignation immediately upon receipt. The Company shall continue Employee's current salary payments as severance pay on the fifteenth and last day of each month for a two (2) year period beginning on the day following Employee's Last Day Worked, unless terminated sooner pursuant to Paragraph 26 (the "Period").

Notwithstanding the foregoing, in the event Employee obtains another position, regardless of whether such position is on a temporary, part-time, full-time or consulting basis, with the Company, Ryder TRS, Inc. (formerly known as RCTR Holdings, Inc.) or Questor Management Company, or any of their subsidiaries or affiliates, after the execution of this Agreement and Release but prior to the last day of the Period, Employee understands and agrees that all severance payments will cease immediately and that all liabilities and obligations hereunder shall terminate, except as provided in Paragraph 28.

(c) **DUTIES.** Until Employee's Last Day Worked, Employee agrees to provide continued expertise and guidance in the business, affairs and management of the Company and its subsidiaries and affiliates; to provide for transition assistance to the Company; and to provide any other services or support requested by the Chairman, President and Chief Executive Officer, or his designee.

2. **VACATION ENTITLEMENT.** Employee has twenty-one (21) days of unused and accrued vacation entitlement and shall be paid in a lump sum for such entitlement, less any vacation taken prior to Employee's Last Day Worked, no later than five (5) days following Employee's Last Day Worked.

3. MEDICAL AND DENTAL BENEFITS. Until Employee's Last Day Worked, the Company's health care program benefits will be provided in accordance with the terms of the Company's health care program, as it may be amended from time to time.

Following Employee's Last Day Worked, the Company's health care program benefits will be provided in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985 as amended ("COBRA"), and the terms of the Company's health care program, as it may be amended from time to time.

Following Employee's Last Day Worked and until the first to occur of

(i) the last day of the Period, (ii) the date Employee ceases the required employee contributions, or (iii) the date Employee becomes eligible for medical and/or dental benefits as an employee of another employer, Employee shall pay a pre-tax contribution for such coverage at the then current employee contribution rates for officers and the Company shall pay the balance of the COBRA premiums. Thereafter, if Employee is eligible and wishes to continue Employee's COBRA coverage, Employee shall be solely responsible for payment of the entire COBRA premiums.

4. LIFE INSURANCE, SPLIT DOLLAR LIFE INSURANCE AND DEFERRED COMPENSATION. Coverage under the Company's group life insurance plan and/or supplemental life insurance policy, if applicable, will continue until the first to occur of (i) the last day of the Period, (ii) the date Employee becomes eligible for such coverage as an employee of another employer, or (iii) for supplemental life insurance only, the date Employee effectively cancels the premium deduction taken from Employee's severance pay. Such coverage will be in accordance with the terms of the plan and/or policy as they may be amended from time to time.

Employee will continue to be covered by the Company's group life insurance plan and any supplemental life insurance, if applicable, during each plan's conversion privilege period, which is the thirty-one (31) days following the last day of coverage as defined above. During such period, Employee may convert the insurance coverage to an individual policy by directly contacting and arranging the conversion through Standard Insurance Company.

Notwithstanding anything in the applicable agreements, plans or policies to the contrary, if Employee is covered by the Company's split-dollar life insurance with its attendant deferred compensation benefit as of the date of this Agreement and Release, and Employee wishes to retain both the life insurance coverage and its future deferred compensation benefit, following Employee's Last Day Worked Employee may purchase the policy from the Company by paying the Company an amount equal to the cash value of the policy. If Employee elects to purchase the policy from the Company, Employee will have all the benefits inherent in ownership of the whole-life policy, including the cash value of the policy.

If Employee wishes to retain the life insurance coverage only, Employee may convert the policy by forfeiting the deferred compensation benefit. If Employee chooses this alternative, the Company will transfer ownership of the policy to Employee, and contemporaneously Employee will execute an agreement relinquishing the deferred compensation benefit. This alternative transfers the entire cash value of the policy to Employee and relieves the Company of the administrative record-keeping associated with Employee's deferred compensation benefit.

Employee must notify the Company of his election for the transfer of his split-dollar life insurance policy and deferred compensation benefit within thirty (30) days following Employee's Last Day Worked and the Company shall complete the transfer as soon as practical upon receipt of such notice and the required payment or executed agreement.

5. SALARY CONTINUANCE/SALARY PROTECTION; SUPPLEMENTAL LONG TERM DISABILITY INSURANCE. Coverage under the Company's Salary Continuance program and/or Salary Protection insurance policy, if applicable, will continue until the first to occur of (i) the last day of the Period, (ii) the date Employee becomes employed by another employer, or (iii) for Salary Protection insurance only, the date Employee effectively cancels the premium deduction taken from Employee's severance pay. Employee shall not be eligible to receive both severance payments and Salary Continuance and/or Salary Protection payments at the same time. Such coverage will be in accordance with the terms of the program and/or policy as they may be amended from time to time.

The cost of Employee's Supplemental Long Term Disability insurance will continue to be paid for by the Company through the last day of the Period, provided the Employee remains enrolled in the underlying basic long term disability coverage with the Standard Insurance Company of Oregon or has other coverage with an equivalent benefit. If Employee obtains other disability coverage during the Period and/or no longer participates in the Company's basic long term disability program, Employee must advise the Company of the amount of coverage Employee has with the new carrier for purposes of adjusting the coverage provided under the Supplemental Long Term Disability insurance.

6. BUSINESS TRAVEL ACCIDENT INSURANCE. Coverage under the Company's Business Travel Accident Insurance Plan, as it may be amended from time to time, will cease as of Employee's Last Day Worked.

7. RETIREMENT BENEFITS. Employee has not met the vesting requirements of the Company's retirement plan and is not eligible to receive retirement benefits in accordance with plan provisions. However, in consideration of the retirement benefits Employee gave up in accepting employment with the Company, the Company shall pay Employee, out of the Company's general assets, the sum of one million two hundred and forty thousand dollars (\$1,240,000) within five (5) business days of the later to occur of (i) Employee's Last Day Worked, or (ii) the end of the Revocation Period.

8. HEALTH OR DEPENDENT DAY CARE REIMBURSEMENT ACCOUNTS. If Employee is a participant in the Health Care Reimbursement Account, Employee's participation will end on Employee's Last Day Worked. Thereafter, Employee may continue to participate in the Health Care Reimbursement Account by electing COBRA coverage.

If Employee is a participant in the Dependent Day Care Reimbursement Account, Employee may continue to participate until the earlier to occur of (a) the end of the Period, or (b) the end of the current Plan year.

Participation shall be in accordance with the terms of the programs as they may be amended from time to time. Claims in connection with the Health or Dependent Day Care Reimbursement Accounts must be filed in accordance with Plan provisions. Any questions regarding continued participation in such Accounts should be directed to the Company's Vice President, Compensation and Benefits Administration.

9. EMPLOYEE SAVINGS PLAN (INCLUDING PAYSOP SHARES); SAVINGS RESTORATION PLAN. If applicable, Employee will continue to participate in the Ryder System, Inc. Employee Savings Plan, as it may be amended from time to time, until the first to occur of (i) the last day of the Period, or (ii) the last day of the thirteenth week of the Period. If the value of Employee's account is \$3,500 or less, a lump sum distribution will be made pursuant to plan provisions. If the value of Employee's account is greater than \$3,500, Employee's account will be maintained in the Ryder System, Inc. Employee Savings Plan unless and until the Employee requests a distribution from the Plan. However, if Employee has not requested a distribution by age 70 1/2, then a distribution will be made in accordance with plan provisions. Employee should direct any questions regarding the Ryder System, Inc. Employee Savings Plan to the Company's Vice President, Compensation and Benefits Administration.

If applicable, Employee will continue to participate in the Ryder System, Inc. Savings Restoration Plan until the first to occur of (i) the last day of the Period, or (ii) the last day of the thirteenth week of the Period. Employee's account will be maintained in the Ryder System, Inc. Savings Restoration Plan. The vested portion of Employee's account shall be distributed on the January 1 following the first to occur of (i) the last day of the Period, or (ii) the last day of the thirteenth week of the Period, or as soon as administratively practicable thereafter. Such distribution shall be made in accordance with Employee's most recent election and enrollment form on file with the plan.

Employee acknowledges and agrees that no portion of the payment described in Paragraph 7 shall be eligible for contribution to the Ryder System, Inc. Employee Savings Plan or the Ryder System, Inc. Savings Restoration Plan.

10. STOCK PLANS. During the Period, Employee will not be eligible for any stock option grants under the Ryder System, Inc. 1980 Stock Incentive Plan, the Ryder System, Inc. 1995 Stock Incentive Plan (the "1980 and 1995 Plans"), nor will Employee be eligible to participate in any other stock option, stock purchase or similar plan or program offered by the Company or any of its subsidiaries or affiliates. Employee must exercise stock options granted pursuant to any of the Company's stock option plans and vested on Employee's "Termination Date" within the period following Employee's "Termination Date" specified by the applicable stock option agreement. Only for purposes of the Ryder System, Inc. 1980 and 1995 Stock Incentive Plans the phrase "Termination Date" shall mean the end of the Period with respect to Non-Qualified Stock Options granted pursuant to such plans, and Employee's Last Day Worked with respect to Incentive Stock Options granted thereunder.

11. INCENTIVE COMPENSATION AND DEFERRED COMPENSATION. Employee shall receive a tenure-related cash bonus payment in the amount of ninety-three thousand ninety-two dollars (\$93,092) no later than five (5) business days after the later to occur of (i) Employee's Last Day Worked, or (ii) the end of the Revocation Period. Otherwise, Employee is not entitled to receive any cash bonus payment pursuant to any other incentive compensation plan.

Salary or bonus awards that Employee has previously deferred, if any, will be distributed in accordance with Employee's individual deferred compensation agreement(s). The last day of the Period will be considered to be Employee's termination date for purposes of Employee's deferred compensation agreement(s), if any.

12. CAR ALLOWANCE. Employee shall receive a car allowance of eight hundred dollars (\$800) per month during the Period.

13. PERQUISITE, FINANCIAL PLANNING/TAX PREPARATION AND EXECUTIVE PHYSICAL ALLOWANCES, OUTPLACEMENT. For calendar year 1996, if not yet paid, and for calendar year 1997, the Company shall provide Employee with the perquisite and financial planning/tax preparation and executive physical allowances under which Employee would have been entitled to receive reimbursement had he been an active employee, pursuant to the plans and programs of the Company, as they may be amended from time to time. In addition, Employee may retain the laptop computer and printer currently assigned to Employee.

The Company shall provide Employee with a program of professional outplacement services approved by the Company. In addition, the Company shall reimburse Employee for documented and approved incidental outplacement expenses directly related to job search such as resume mailing and interviewing trips subject to a maximum cost equal to twenty thousand dollars (\$20,000).

Professional outplacement services and/or the reimbursed incidental outplacement expense allowance shall only be available to Employee after the end of the Revocation Period, and until such date as Employee secures employment with another employer or becomes self-employed, or the end of the approved program, whichever occurs first. In addition, Employee shall not be entitled to receive cash in lieu of the professional outplacement services or reimbursed incidental outplacement expense allowance.

14. UNEMPLOYMENT COMPENSATION AND OTHER BENEFITS. After Employee's Last Day Worked, should Employee apply for Unemployment Benefits and should the Company be requested to complete any documents in connection therewith, the Company shall complete such necessary documents and will not contest Employee's receipt of such benefits. Any benefits not specifically stated in this Agreement and Release to continue beyond Employee's Last Day Worked shall cease on Employee's Last Day Worked, unless provided otherwise in the relevant plan or policy or by law.

15. COVENANT OF CONFIDENTIALITY. All documents, records, techniques, business secrets and other information, including this Agreement and Release, and any and all incidents leading to or resulting from this Agreement and Release, which have or will come into Employee's possession from time to time during Employee's affiliation with the Company and/or any of its subsidiaries or affiliates shall be deemed to be confidential and proprietary to the Company and/or any of its subsidiaries or affiliates and shall be their sole and exclusive property. Employee agrees that Employee will keep confidential and not divulge to any other party any of the Company's or its subsidiaries' or affiliates' confidential information and business secrets, including, but not limited to, such matters as costs, profits, markets, sales, products, product lines, key personnel, pricing policies, operational methods, customers, customer requirements, suppliers, plans for future developments, and other business affairs and methods and other information not readily available to the public, except as required by law. Additionally, Employee agrees that upon Employee's termination of employment, Employee shall promptly return to the Company any and all confidential and proprietary information that is in Employee's possession.

16. COVENANT OF NON-SOLICITATION. Until January 31, 1999, Employee, either on Employee's own account or for any person, firm or company, shall not solicit, interfere with or induce, or attempt to induce, any employee of the Company or any of its subsidiaries or affiliates to leave their employment or to breach their employment agreement, if any.

17. COVENANT OF NON-DISPARAGEMENT AND COOPERATION. Employee agrees not to make any remarks disparaging the conduct or character of the Company or any of its subsidiaries or affiliates, their agents, employees, officers, directors, successors or assigns ("Ryder"). In addition, Employee agrees to cooperate with Ryder in any litigation or administrative proceedings (e.g., EEOC charges) involving any matters with which Employee was involved during Employee's employment with the Company. The Company shall reimburse Employee for travel expenses approved by the Company incurred in providing such assistance.

18. COVENANT AGAINST COMPETITION. Until January 31, 1999, Employee shall not engage or become a partner, director, officer, principal, employee, consultant, investor, creditor or stockholder, directly or indirectly, in any business, proprietorship, association, firm or corporation not owned or controlled by the Company and/or any of its subsidiaries or affiliates which is engaged or proposes to engage or hereafter engages in a business competitive directly or indirectly with the business conducted by the Company and/or any of its subsidiaries or affiliates in any geographic area where such business of the Company and/or any of its subsidiaries or affiliates is conducted, without the prior written consent of the Company's Chairman, President and Chief Executive Officer. This prohibition includes, but it is not limited to, the purchaser of the Company's consumer truck rental and move management business. However, Employee is not prohibited from owning one percent (1%) or less of the outstanding capital stock of any corporation whose stock is listed on a national securities exchange.

19. SPECIFIC REMEDY. Employee acknowledges and agrees that if Employee commits a material breach of the Covenant of Confidentiality (Paragraph 15), Covenant of Non-solicitation (Paragraph 16), Covenant of Non-Disparagement and Cooperation (Paragraph 17) or Covenant Against Competition (Paragraph 18), the Company shall have the right to have the obligations of Employee specifically enforced by any court having appropriate jurisdiction on the grounds that any such breach will cause irreparable injury to the Company, and that money damages will not provide an adequate remedy to the Company. Employee further acknowledges and agrees that the obligations contained in Paragraphs 15, 16, 17 and 18 of this Agreement and Release are fair, do not unreasonably restrict Employee's future employment and business opportunities, and are commensurate with the compensation arrangements set out in this Agreement and Release.

20. APPLICABLE LAW. This Agreement and Release shall be governed by and construed according to the laws of the state of Florida.

21. WITHHOLDING AND TAXATION. All payments under this Agreement and Release shall be less applicable withholding taxes and other proper deductions consented to in writing by Employee or required by applicable law or regulation. Additionally, the payments and benefits under this Agreement and Release may result in imputed income to Employee and may be included in either Employee's W-2 earnings statements or 1099 statements.

22. **ASSIGNMENT.** This Agreement and Release is personal to Employee and Employee does not have the right to assign this Agreement and Release or any interest herein. This Agreement and Release shall be binding on and inure to the benefit of the successors of the Company.

23. **SEVERABILITY.** In the event that one or more terms or provisions of this Agreement and Release are found to be invalid or unenforceable for any reason or to any extent, each remaining term and provision shall continue to be valid and effective and shall be enforceable to the fullest extent permitted by law.

24. **UNSECURED, UNFUNDED OBLIGATIONS.** The payments and benefits provided to Employee pursuant to this Agreement and Release may be unsecured, unfunded obligations of the Company.

25. **DEATH OF EMPLOYEE.** If Employee dies during the Period, this Agreement and Release will end at the conclusion of the month in which the death occurs and only the payment owed by the Company to Employee in the month of death will be paid to the estate of Employee. Death of Employee during the Period will cause the payment in Paragraph 4 to be made, if applicable, pursuant to the terms and conditions of the Company's group life insurance plan.

In the event of Employee's termination for death or disability prior to Employee's Last Day Worked, Employee and, to the extent applicable, his legal representatives, executors, heirs, legatees and beneficiaries shall have no rights under this Agreement and Release, except to the payments described in Paragraphs 7 and 11, and their sole recourse, if any, shall be under the death or disability provisions of the plans, programs, policies and practices of the Company and/or its subsidiaries and affiliates, as appropriate.

26. **BREACH OF THE AGREEMENT.** Except as provided in Paragraph 28, the Period, this Agreement and Release, and all liabilities and obligations hereunder shall terminate on the date Employee commits a material breach of the provisions of this Agreement and Release or the Company determines that Employee committed and act(s) of misconduct, including, but not limited to, theft, sexual harassment, or fraud, during his employment with the Company.

27. **ARBITRATION.** Should any dispute arise relating to the meaning or application of this Agreement and Release, such dispute shall be settled in Miami, Florida, in accordance with the commercial arbitration rules of the American Arbitration Association and such settlement shall be final and binding.

28. **SURVIVAL.** Paragraphs 16 and 18 of this Agreement and Release shall survive termination for a material breach by Employee of the provisions of this Agreement and Release for the full period set forth in Paragraphs 16 and 18. Paragraphs 15, 17, 19 and 30 shall survive termination of this Agreement and Release for any reason.

29. **COUNTERPARTS.** This Agreement and Release may be executed in any number of counterparts and/or duplicate originals, any of which shall be deemed to be an original, and all of which together shall be deemed one and the same document.

30. RELEASE. FOR AND IN CONSIDERATION OF THE SEVERANCE BENEFITS PROVIDED TO EMPLOYEE BY THE COMPANY, EMPLOYEE, ON BEHALF OF EMPLOYEE, EMPLOYEE'S HEIRS, EXECUTORS, SUCCESSORS AND ASSIGNS, HEREBY RELEASES AND FOREVER DISCHARGES RYDER FROM ANY AND ALL CLAIMS, DEMANDS, OBLIGATIONS, LOSSES, CAUSES OF ACTION, COSTS, EXPENSES, ATTORNEYS' FEES AND ALL LIABILITIES WHATSOEVER, WHETHER KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, FIXED OR CONTINGENT, WHICH EMPLOYEE HAS OR MAY HAVE AGAINST RYDER AS A RESULT OF EMPLOYEE'S EMPLOYMENT BY AND SUBSEQUENT TERMINATION AS AN EMPLOYEE OF THE COMPANY, UP TO THE DATE OF THE EXECUTION OF THIS AGREEMENT AND RELEASE. THIS INCLUDES BUT IS NOT LIMITED TO CLAIMS AT LAW OR EQUITY OR SOUNDING IN CONTRACT (EXPRESS OR IMPLIED) OR TORT ARISING UNDER FEDERAL, STATE, OR LOCAL LAWS PROHIBITING AGE, SEX, RACE, DISABILITY, VETERAN OR ANY OTHER FORMS OF DISCRIMINATION. THIS FURTHER INCLUDES ANY AND ALL CLAIMS ARISING UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT, THE AMERICANS WITH DISABILITIES ACT OF 1990, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, OR THE EMPLOYEE RETIREMENT INCOME SECURITY ACT (ERISA), AS AMENDED, OR CLAIMS GROWING OUT OF ANY LEGAL RESTRICTIONS ON THE COMPANY'S RIGHT TO TERMINATE ITS EMPLOYEES. EMPLOYEE COVENANTS AND AGREES THAT EMPLOYEE WILL NOT SUE OR FILE ANY LAWSUIT OR ACTION AGAINST RYDER IN THE FUTURE WITH RESPECT TO ANY CLAIM OR CAUSE OF ACTION RELEASED AS PART OF THIS AGREEMENT AND RELEASE. EMPLOYEE FURTHER AGREES THAT IF EMPLOYEE VIOLATES THIS COVENANT OR ANY OTHER PROVISION OF THIS AGREEMENT AND RELEASE, EMPLOYEE SHALL INDEMNIFY RYDER FOR ALL COSTS AND ATTORNEYS FEES INCURRED BY RYDER IN ENFORCING THIS AGREEMENT AND RELEASE.

31. NON-ADMISSION. This Agreement and Release shall not in any way be construed as an admission by the Company of any unlawful or wrongful acts whatsoever against Employee or any other person, and the Company specifically disclaims any liability to or wrongful acts against Employee or any other person, on the part of Ryder.

32. ENTIRE AGREEMENT. Employee understands that this document constitutes the entire agreement concerning severance pay and related benefits between Employee and the Company, that this document may not be modified except by a written document signed by Employee and the Company, and that no other promises have been made concerning the subject matter covered herein. Employee understands and agrees that the Company has no obligations to Employee beyond the terms of this Agreement and Release and Employee acknowledges that Employee has not relied upon any representations or statements, written or oral, not set forth in this document.

33. REVOCATION PERIOD. EMPLOYEE UNDERSTANDS AND ACKNOWLEDGES THAT EMPLOYEE HAS SEVEN (7) CALENDAR DAYS FOLLOWING EMPLOYEE'S EXECUTION OF THIS AGREEMENT AND RELEASE TO REVOKE EMPLOYEE'S ACCEPTANCE OF THIS AGREEMENT AND RELEASE (THE "REVOCATION PERIOD") AND THAT THIS AGREEMENT AND RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED. REVOCATION OF THIS AGREEMENT AND RELEASE MUST BE MADE BY DELIVERING A WRITTEN NOTICE OF REVOCATION



TO YASMINE B. ZYNE, ASSISTANT GENERAL COUNSEL. FOR THIS REVOCATION TO BE EFFECTIVE, WRITTEN NOTICE MUST BE RECEIVED BY YASMINE B. ZYNE NO LATER THAN THE CLOSE OF BUSINESS ON THE SEVENTH DAY AFTER EMPLOYEE SIGNS THIS AGREEMENT AND RELEASE. IN ADDITION, EMPLOYEE UNDERSTANDS AND ACKNOWLEDGES THAT NO MONIES WILL BE PAID UNDER THE TERMS OF THIS AGREEMENT AND RELEASE UNTIL THE END OF THE REVOCATION PERIOD, EXCEPT FOR EMPLOYEE'S VACATION ENTITLEMENT.

EMPLOYEE CERTIFIES THAT EMPLOYEE HAS FULLY READ, HAS RECEIVED AN EXPLANATION OF, HAS NEGOTIATED AND COMPLETELY UNDERSTANDS THE PROVISIONS OF THIS AGREEMENT AND RELEASE, THAT EMPLOYEE HAS BEEN ADVISED BY THE COMPANY TO CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS AGREEMENT AND RELEASE, THAT EMPLOYEE HAS BEEN GIVEN AT LEAST TWENTY-ONE (21) CALENDAR DAYS TO REVIEW AND CONSIDER THE PROVISIONS OF THIS AGREEMENT AND RELEASE, AND THAT EMPLOYEE IS SIGNING FREELY AND VOLUNTARILY, WITHOUT DURESS, COERCION OR UNDUE INFLUENCE.

**PLEASE READ CAREFULLY AS THIS DOCUMENT INCLUDES  
A GENERAL RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS**

Witness:

J. ERNEST RIDDLE  
("Employee")

/s/ LORRAINE SOUTO                      11/15/96  
-----

Signature                                      Date

/s/JENNIFER FERNANDEZ                  11/15/96  
-----

Signature                                      Date

Attest:

RYDER SYSTEM, INC.  
(the "Company")

/s/ YASMINE B. ZYNE                      11/15/96

/s/ THOMAS E. MCKINNON                  11/15/96  
-----

Signature                                      Date

ASST SECRETARY  
Title: EVP - HR  
-----

/s/ J. ERNEST RIDDLE                      11/15/96  
-----

Signature                                      Date

241-62-0374  
-----

Social Security Number

By /s/ M. ANTHONY BURNS                      11/15/96  
-----

Signature                                      Date

Title:Chairman, President & CEO  
-----

November 7, 1996

**TO THE BOARD OF DIRECTORS  
OF RYDER SYSTEM, INC.**

Gentlemen:

Effective immediately, I hereby resign as an officer and/or director of Ryder System, Inc. and/or its subsidiaries and affiliates and, to the extent applicable, from all committees of which I am a member.

Sincerely,

*/s/ J. ERNEST RIDDLE*

-----  
*J. Ernest Riddle*

November 7, 1996

TO: J. Ernest Riddle  
FROM: M. Anthony Burns  
RE: Agreement and Release

In accordance with the Older Workers Benefit Protection Act, I am required to inform you of the following regarding your execution of the attached Agreement and Release.

1. You should consult with an attorney before signing the Agreement and Release.
2. You will have twenty-one (21) days from the day you receive the Agreement and Release to execute it. If you have not executed the Agreement and Release by the twenty-first day, it will automatically be declared null and void and revoked.
3. After you have executed the Agreement and Release, you have seven (7) calendar days to revoke your acceptance of it. If you revoke the Agreement and Release within the seven (7) calendar days, it is null and void. For the revocation of the Agreement and Release to be effective, written notice must be received by Yasmine B. Zyne no later than the close of business on the seventh day after you sign the Agreement and Release.
4. If you do not revoke your execution of the Agreement and Release within the seven (7) calendar days, it will become effective and payments will commence in accordance with the terms of the Agreement and Release.

Please acknowledge below your receipt of this document, as well as the attached Agreement and Release, and that you have read and understand this page of conditions.

**Acknowledged:**

*/s/ JAMES ERNEST RIDDLE*  
-----  
*11/15/96*  
-----  
*Date*

**Attachment**

## **Exhibit 11.1**

### **STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS**

Primary earnings per share are computed by dividing earnings available to common shares by the weighted average number of common and common equivalent shares outstanding during the period.

For purposes of computing primary earnings per share, common equivalent shares include the average number of common shares issuable upon the exercise of all employee stock options and awards and outstanding employee stock subscriptions, if dilutive, less the common shares which could have been purchased at the average market price during the period with the assumed proceeds, including "windfall" tax benefits, from the exercise of the options, awards and subscriptions.

Fully-diluted earnings per share are computed by dividing the sum of earnings available to common shares by the weighted average number of common shares, common equivalent shares and common shares assumed converted from potentially dilutive securities outstanding during the period.

For purposes of computing fully-diluted earnings per share, common equivalent shares are computed on a basis comparable to that for primary earnings per share, except that common shares are assumed to be purchased at the market price at the end of the period, if dilutive.

## EXHIBIT 13.1

### RYDER SYSTEM, INC. AND SUBSIDIARIES

#### FINANCIAL REVIEW

##### [GRAPH]

- - Full Service Truck Leasing - 33%
- - Integrated Logistics - 20%
- - Automotive Carrier Services - 11%
- - Commercial Truck Rental - 9%
- - Consumer Truck Rental - 8%
- - Public Transportation Services - 8%
- - International - 7%
- - Other 4%

#### OVERVIEW

The company reported record revenue of \$5.5 billion in 1996, however, incurred a loss of \$41.3 million, or \$0.51 per share, primarily due to pretax restructuring and other charges of \$247 million. Pretax earnings before restructuring and other charges and the sale of the company's consumer truck rental business were \$204 million in 1996. In 1996, the company implemented a comprehensive plan to restructure the organization to reduce costs, improve profitability and align the organizational structure with the strategic direction of the company. Annual savings associated directly with the charge are estimated ultimately to be \$125 million. Some actions were taken without a charge and the company estimates that overall its efforts will save \$75 million in 1997 and ultimately more than \$150 million annually thereafter. In the fourth quarter of 1996, the company recorded a \$25 million pretax gain on the sale of its consumer truck rental business (see the "Sale of Consumer Truck Rental" note to the consolidated financial statements for a further discussion). The sale is consistent with the company's plan to emphasize contractual businesses which are less cyclical and capital intensive, and serve customers in commercial and public markets. Proceeds from the sale of the company's consumer truck rental business were used to reduce debt, which resulted in an extraordinary after tax loss on the early extinguishment of debt at a premium of \$10 million, or \$0.12 per share, and repurchase 4.2 million shares of common stock as part of a previously announced stock repurchase program.

The restructuring and other charges of \$247 million were primarily related to plans to improve organizational effectiveness, improve margins and contain costs. Charges of \$215 million were recorded in the fourth quarter of 1996 and \$32 million in the second and third quarters of 1996.

The charges covered plans to close and dispose of approximately 200 operating and administrative facilities in order to reorganize the field operations to reduce costs while improving customer service. Many of the functions previously performed in these facilities have been consolidated at the Shared Services Center near Atlanta. Logistics activities were combined organizationally on a global level to strengthen market impact and improve the leverage and integration of existing capabilities and product development initiatives. Responsibility for the management of many corporate functions has been placed in the operating units to enable them to allocate resources to those functions deemed critical to customer support. Accordingly, the charges included separation costs for approximately 2,450 positions, including 800 employees who took advantage of early retirement programs at Ryder Transportation Services, Automotive Carrier Services and the parent company. As of December 31, 1996, nearly 20% of the separations had occurred with the remainder expected to be completed by the end of 1997. Despite the planned employee separations, total employee headcount at December 31, 1996 increased slightly compared with December 31, 1995 due to continued growth at Ryder Integrated Logistics offset by the sale of the consumer truck rental business and reduced headcount at Ryder Transportation Services.

The pretax charges were recorded in operating expense as follows: Vehicle Leasing & Services - \$210 million; Automotive Carrier Services - \$18 million; and other - \$19 million. The pretax charges included \$113 million for employee separation and other costs, \$67 million for estimated closure costs (including \$52 million in asset write-downs for facility closures and anticipated sale of non-strategic businesses), \$35 million of write-downs relating primarily to the discontinuance of the company-owned car benefit program, certain information systems and other assets and \$32 million of other costs including relocation and professional fees. See the

"Restructuring and Other Charges" note to the consolidated financial statements for a further discussion.

In 1996, the company incurred a loss from operations of \$31.3 million compared with 1995 earnings of \$155.4 million due principally to the restructuring plan previously mentioned. Excluding restructuring and other charges and the gain on sale of the consumer truck rental business, earnings from operations decreased 28% compared with 1995 due to lower earnings in both Vehicle Leasing & Services and Automotive Carrier Services. Lower earnings in Vehicle Leasing & Services were caused by poor performance in the cyclical commercial rental product line and decreases in the International Division primarily due to lower margin as a percent of revenue in the U.K. and start-up losses in other countries. Automotive Carrier Services earnings declined significantly due to continued pressure on margins resulting from contractual driver wage increases, higher vehicle maintenance costs, increased vehicle liability and cargo expenses, and the impact of two strikes against General Motors, the division's largest customer. Earnings from operations were slightly higher in 1995 compared with 1994 due to higher Vehicle Leasing & Services earnings resulting from higher total operating margin within the division's contractual product lines and increased gains on vehicle sales offset by lower Automotive Carrier Services earnings due mainly to the impact of the Teamsters strike.

Total revenue increased 7% in 1996 and 10% in 1995 led in both years by the company's two primary contractual product lines - full service truck leasing and integrated logistics - offset by lower Automotive Carrier Services revenue. The decline in Automotive Carrier Services revenue in 1996 was caused by a change in mix of product handled and strikes against General Motors, and in 1995 due to the effect of the Teamsters strike and fourth quarter slowdown in vehicle production, which decreased the number of vehicles shipped.

Total operating expense as a percentage of revenue was higher in 1996 compared with 1995 due primarily to the restructuring and other charges previously mentioned. Excluding these charges, operating expense as a percentage of revenue was up slightly in 1996 compared with 1995 due to higher equipment rental costs, as a result of an increase in the number of vehicles leased by the company, and higher fuel costs due to price increases. Total operating expense as a percentage of revenue was about the same in 1995 and 1994. Within total operating expense in 1995, lower vehicle liability and environmental expenses as well as a benefit from the resolution of certain operating tax matters were offset by higher logistics related spending and increased equipment rental costs due to an increase in the number of vehicles leased by the company.

Depreciation expense (before gains on vehicle sales) increased 3% in 1996 compared with a 14% increase in 1995. Strong sales of new full service lease and logistics contracts led to an increase in the average size of the vehicle fleet and resulted in higher depreciation in both 1996 and 1995. However, the size of the vehicle fleet at the end of 1996 decreased 17% compared with 1995 to 168,397 units due to the sale of the consumer truck rental business in the fourth quarter of 1996 and a reduction in the company's commercial truck rental fleet. Depreciation expense (before gains on vehicle sales) in the consumer truck rental product line was \$37 million lower in 1996 compared with 1995 due to the sale. Gains on vehicle sales were \$27 million lower in 1996 compared with 1995 due to a lower number of vehicles sold and lower average gains per vehicle sold in 1996. In 1995, gains on vehicle sales increased \$19 million from the previous year, due primarily to a higher number of vehicles sold.

Interest expense increased in both 1996 and 1995 compared with prior years due primarily to higher average outstanding debt levels in both 1996 and 1995 and higher interest rates on variable-rate debt in 1995. At December 31,

1996, approximately 21% of the company's financing obligations had variable interest rates.

The company's effective tax rate for operations was 77.5% in 1996, 41.2% in 1995 and 41.1% in 1994. The higher 1996 effective tax rate is primarily due to the tax effects of nondeductible foreign charges associated with the restructuring and other charges. Additionally, lower income before taxes increased the rate impact of normal, recurring permanent differences.

## ACCOUNTING CHANGES

Effective January 1, 1996, the company adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." As provided for in Statement No. 123, the company has elected to continue to apply the provisions of APB No. 25, "Accounting for Stock Issued to Employees," in accounting for stock-based compensation. The disclosures required by the new Statement are included in the "Employee Stock Option and Stock Purchase Plans" note to the consolidated financial statements.

Effective January 1, 1995, the company adopted Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made." As a result, a pretax charge of \$12 million (\$8 million after tax, or \$0.10 per common share) was recorded as the cumulative effect of a change in accounting principle to establish a liability for the present value of the company's total outstanding charitable commitments as of January 1, 1995.

### UNDERSTANDING RYDER'S BUSINESS PERFORMANCE

#### VEHICLE LEASING & SERVICES

Dollars in thousands	1996	1995	1994
	-----	-----	-----
Revenue:			
Full service lease and programmed maintenance	\$ 2,129,341	1,959,683	1,775,205
Commercial truck rental	515,773	568,558	550,477
Consumer truck rental (a)	440,113	546,818	550,789
Integrated logistics	1,104,797	866,654	645,827
Public transportation	439,750	400,197	365,279
International	358,869	301,770	192,117
Other and eliminations	(36,897)	(54,059)	(21,959)
	-----	-----	-----
Total	4,951,746	4,589,621	4,057,735
Operating expense	4,049,809	3,519,192	3,111,422
Depreciation expense	741,052	716,098	628,625
Gains on sale of revenue earning equipment	(65,758)	(89,851)	(72,721)
Interest expense	211,675	196,833	151,581
Miscellaneous (income) expense, net	(19,894)	3,346	3,246
	-----	-----	-----
Earnings before income taxes	\$ 34,862	244,003	235,582
	=====	=====	=====
Fleet size (owned and leased, including international):			
Full service lease	112,518	106,710	92,676
Commercial and consumer rental	37,609	75,001	72,755
Buses operated or managed	13,098	12,855	12,519
Ryder Transportation Services locations	1,083	1,136	1,101

(a) Revenue of consumer truck rental is included through October 16, 1996.

Vehicle Leasing & Services includes the following product lines in the U.S. and Canada: integrated logistics, transportation services (which includes full service truck leasing, commercial truck rental and consumer truck rental) and public transportation services. Vehicle Leasing & Services also includes the company's International Division which consists of full service truck leasing, logistics and truck rental operations in Europe and Latin America. The company sold substantially all the assets and certain liabilities of its consumer truck rental business in the fourth quarter of 1996.

Vehicle Leasing & Services reported strong revenue growth in both 1996 and 1995. Revenue growth in both years was led by the division's two primary contractual product lines, full service truck leasing and integrated logistics.

Pretax earnings for the division were significantly lower in 1996 compared with 1995. The gain on sale of the consumer truck rental business and increase in margin dollars in the integrated logistics product line were more than offset by a decline in margin dollars in the commercial rental product line, an increase in depreciation expense (before gains on vehicle sales) of \$25 million on a larger average fleet, a decrease in gains on vehicle sales of \$24 million, and increased interest expense of \$15 million. Additionally, pretax earnings included restructuring and other charges of \$210 million. Restructuring and other charges by product line were as follows: integrated logistics - \$29 million; full service truck leasing and truck rental - \$149 million; public transportation services - \$2 million; and international - \$30 million.

In comparing 1995 with 1994, pretax earnings for the division increased as a result of total operating margin increases within the division's contractual product lines, an increase in gains on vehicle sales of \$17 million, a benefit of \$9 million for the resolution of certain operating tax matters and lower vehicle liability and environmental expenses, partially offset by separation and relocation costs and increases in indirect operating expenses.

## **INTEGRATED LOGISTICS REVENUE**

In millions

[GRAPH]

## **INTEGRATED LOGISTICS**

Ryder Integrated Logistics (RIL), Ryder's fastest growing business, provides companies with integrated logistics solutions ranging from the inbound movement of raw materials to manufacturing facilities through the delivery of finished goods to their final destinations.

Ryder's integrated logistics transportation solutions help companies as varied as Northern Telecom (NORTEL), Agway Retail Services, BellSouth, Cargill and Rite Aid create the competitive advantages that result when goods are moved accurately, quickly and at reduced costs. Ryder's management of the supply chain targets customer objectives such as faster order-cycle times, reduced inventory carrying expense, fewer facilities, greater flexibility and improved customer service.

RIL continued its strong growth with 1996 revenue reaching \$1.1 billion, an increase of \$238 million compared with the prior year, or 27%. Continued emphasis on growing business related to larger, more complex, integrated logistics contracts was largely responsible for the increase in revenue. Integrated solutions require significant investments in complex information systems, telecommunications capabilities and equipment to support these systems. Consequently, start-up costs, including technology development, have increased. Margin as a percentage of revenue was relatively the same as in the prior year. Start-up and development costs are expected to remain a significant component of the cost structure as RIL continues to expand logistics product offerings and capabilities.

Revenue for 1995 reached \$866 million, an increase of 34% over the prior year, due primarily to record sales of new logistics contracts.

## **RYDER INTEGRATED LOGISTICS OPERATES A NINE-STATE OUTBOUND, INTEGRATED LOGISTICS SYSTEM FOR BELLSOUTH. [PHOTO]**

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Margin was higher in 1995, as a result of growth in revenue, but the margin percentage decreased due primarily to costs associated with commencing operations on new accounts and higher driver wages.

## **FULL SERVICE TRUCK LEASING REVENUE**

In millions  
[GRAPH]

### **FULL SERVICE TRUCK LEASING**

As part of Ryder Transportation Services, full service truck leasing continues to be Ryder's largest product line with more than 13,000 full service truck leasing customers and 101,000 vehicles on lease in the U.S. and Canada. In addition, the full service truck leasing product line provides nearly all of the vehicles operated by Ryder to serve logistics customers, as well as nearly all of the maintenance services for Public Transportation Services vehicles.

Full service truck leases are designed for customers who wish to manage their own transportation systems without investing the capital and human resources necessary to purchase and maintain a fleet. Ryder offers its customers a flexible range of full service truck leasing products and virtually all of the support services needed to operate them. The array of services to meet customers' unique transportation needs includes safety and regulatory compliance programs; vehicle specification and acquisition support; preventive maintenance; licensing and permitting; emergency road service; fuel and fuel tax reporting; vehicle painting and washing; and vehicle liability and protection programs.

Companies in a variety of industries such as beverage, baking and snack, newspaper, grocery, chemicals, retail and automotive aftermarket parts lease their trucks from Ryder. Some of those well-known companies are Domino's Pizza, Fruit of the Loom, The Home Depot, HP Hood, Reynolds Metals Company and Sprint.

To serve customers and prospects with more tailored solutions to meet their financial, maintenance and vehicle management needs, Ryder has formed a strategic alliance with Citicorp and offers the Ryder Citicorp Lease. The Ryder Citicorp Lease combines Ryder's equipment management expertise with Citicorp's financing flexibility to provide customized solutions in four service areas: vehicle specification and acquisition, financing, programmed maintenance and vehicle management services.

Ryder's maintenance expertise is also available to companies who choose to own their vehicles. Ryder Programmed Maintenance offers companies all of the components of a full service lease except the actual

**RYDER TRANSPORTATION SERVICES PROVIDES 42 VEHICLES UNDER FULL SERVICE LEASES TO FRUIT OF THE LOOM, WHICH USES THOSE VEHICLES TO TRANSPORT RAW MATERIALS AMONG MANUFACTURING FACILITIES AND FINISHED GOODS TO DISTRIBUTION CENTERS. [PHOTO]**

vehicles. Through its programmed maintenance service, Ryder demonstrates the value of working with a transportation expert to customers who previously may not have considered it. Many programmed maintenance customers eventually ask Ryder to take on an expanded role in their transportation operations.

Revenue from full service truck leasing increased 9% in 1996 and 10% in 1995 as a result of strong new lease sales in 1995. Although new lease sales were lower in 1996 compared with 1995 and 1994, the pricing of new leases on average was higher than for each of the three previous years. The high level of new sales led to an increase in the average full service lease fleet of 8% in 1996 and 12% in 1995. Operating margin dollars from full service truck leasing were relatively unchanged in 1996 and increased in 1995, however, margin as a percentage of revenue was lower in both years. Margin as a percentage of revenue was lower in 1996 as a result of higher depreciation and interest costs due to growth in the fleet. The decline in 1995 resulted from lower prices on newer leases compared with prices on older and expiring leases and higher interest costs in 1995. These items were somewhat offset by lower vehicle liability expense due primarily to better accident experience in 1995.

## **COMMERCIAL TRUCK RENTAL REVENUE**

In millions

[GRAPH]

## **TRUCK RENTAL**

Helping companies meet their short-term transportation needs safely, efficiently and cost-effectively is one of Ryder's strengths.

With approximately 34,000 trucks, tractors and trailers available for rent in the U.S. and Canada, Ryder provides vehicles and support services to businesses on a short-term basis. Vehicles from this fleet also supplement the needs of full service lease customers when they require additional vehicles to meet peak demand, replacements for vehicles being serviced or temporary vehicles while awaiting delivery of new full service lease vehicles.

As previously mentioned, the company sold substantially all the assets and certain liabilities of its consumer truck rental business in the fourth quarter of 1996 for approximately \$574 million (see the "Sale of Consumer Truck Rental" note to the consolidated financial statements for a further discussion).

Commercial truck rental revenue decreased 9% in 1996 compared with 1995, primarily reflecting a smaller fleet and less support for full service lease customers. Demand for the commercial truck rental product continued to decline in 1996, primarily due to a softening in the demand by lease customers for additional vehicles during peak periods and due to the fact that shortened delivery times for lease vehicles has decreased the need for new lease customers to utilize the rental fleet. The average commercial truck rental fleet size was 3% lower in 1996 compared with 1995 which is consistent with management's plan to downsize the rental fleet. The company believes that continued rental fleet reductions in 1997 should position the commercial truck rental product line for the expected demand in the coming year. The company's rental product line continues to be sensitive to the overall condition of the U.S. economy and 1997 rental results will depend to a great extent on the strength of the economy. Revenue from commercial truck rental increased 3% in 1995 compared with 1994, as a result of higher demand from full service truck leasing customers awaiting delivery of new lease vehicles or satisfying short-term needs.

Commercial truck rental margin and margin as a percentage of revenue decreased in 1996 compared with 1995 due to a decline in revenue and higher depreciation as a percentage of revenue. Margin and margin as a percentage of revenue decreased in 1995 compared with

AS NEW VEHICLES ARE PURCHASED FOR THE 34,000-VEHICLE RYDER TRANSPORTATION SERVICES COMMERCIAL RENTAL FLEET, THEY WILL BE PAINTED WHITE AND WILL CARRY THE COMPANY'S NEW IDENTITY, LIKE THE TRUCK ON THE RIGHT. [PHOTO]

1994 as a result of higher interest expense and lower asset utilization.

Consumer truck rental revenue in 1996 decreased by \$107 million compared with 1995, due to the sale. Consumer truck rental revenue of approximately \$440 million through the October 1996 sale date was relatively the same as revenue in the corresponding period in 1995, however, revenue per unit increased 9% due to a comparable reduction in the fleet size. Consumer truck rental revenue was relatively unchanged in 1995 compared with 1994 as higher demand for long-distance rentals was offset by lower demand for local rentals, including "light commercial" rentals.

Consumer truck rental margin and margin as a percentage of revenue increased in 1996 primarily due to the smaller fleet which resulted in lower depreciation expense per unit and interest costs, as well as a reduction of insurance costs due to lower vehicle liability expense. Consumer truck rental margin and margin as a percentage of revenue were about the same in 1995 compared with 1994 with margins in 1995 reflecting lower vehicle utilization and higher interest expense, offset by significantly lower vehicle liability expense.

## **PUBLIC TRANSPORTATION SERVICES REVENUES**

In millions

[GRAPH]

### **PUBLIC TRANSPORTATION SERVICES**

Ryder extends its logistics expertise to the public and private sectors through Public Transportation Services, which includes student transportation, public transit and public fleet management and maintenance services.

One of the largest providers of student transportation services in the U.S., Ryder Student Transportation Services transports more than 523,000 students daily in more than 460 school systems in 21 states. School systems using Ryder's services include those in Seattle, Milwaukee, St. Louis and Pittsburgh.

Ryder/ATE provides public transit contracting and management services to more than 80 public transit organizations in such cities as Houston, Dallas, Cincinnati and Hartford. Those systems range from fixed routes and express service to paratransit systems.

Ryder/MLS is the nation's largest non-governmental provider of fleet management and maintenance services for public fleets and public utilities. Nearly 27,000 vehicles and pieces of equipment owned by cities, counties, municipalities and public utilities are managed or maintained by Ryder/MLS.

Public transportation services revenue increased 10% in both 1996 and 1995 compared with 1995 and 1994, respectively. The increase in 1996 was primarily due to the addition of new public transit contracts at Ryder/ATE. Margin and margin as a percentage of revenue from public transportation services were both lower in 1996 compared with 1995, primarily as a result of higher operating expenses caused by adverse weather conditions, increased driver compensation and start-up costs associated with new transit contracts at Ryder/ATE. Both margin and margin as a percentage of revenue from these businesses increased in 1995 compared with 1994 as a result of higher revenue and lower workers' compensation and vehicle liability expenses.

**RYDER/ATE MANAGES AND OPERATES THE DALLAS AREA RAPID TRANSIT SYSTEM (DART) PARATRANSIT SYSTEM FOR PEOPLE WITH DISABILITIES AND ALSO MANAGES AND OPERATES A PORTION OF DART'S COMMUTER BUS SERVICES.**  
[PHOTO]

## **INTERNATIONAL REVENUE**

In millions

**[GRAPH]**

### **INTERNATIONAL**

Ryder develops integrated logistics solutions that respond to diverse requirements, providing customers with a single source for high quality and efficient local, regional and global solutions.

Ryder has strengthened its position within strategic trading blocs in Europe and Latin America by leveraging experiences gained in the U.S. and forming alliances with leading local companies which have skills and experiences that have complementary market, technical and operational expertise. As European integration progresses and the market evolves, Ryder offers a pan-European approach to a growing number of customers.

In Europe, Ryder continues its relationship with Hewlett-Packard, managing its cross-Channel outbound logistics chain and transportation of computer products from nine assembly plants and warehouses in Germany, France and the Netherlands to customers in the U.K. and Republic of Ireland. Leveraging the Ryder Integrated Logistics carrier management technology, Ryder offers strategic customers global freight management and logistics consultation services, enabling them to optimize distribution and reduce transportation expenses.

In Latin America, Ryder has a strong foothold in NAFTA and Mercosur, two of the world's largest trading areas. In Mexico, Ryder de Mexico leveraged previous experiences in the U.S., providing General Motors with a complex logistics solution, collecting parts and materials from suppliers in Mexico and delivering them just-in-time to a GM assembly plant in the U.S. Also in Mexico, Ryder supports FEMSA/Coca-Cola, the world's largest Coca-Cola franchise, by transporting product from one plant to approximately 25 distribution centers in Mexico City.

In Brazil, Ryder formed a joint venture with a German company and two Brazilian companies that successfully implemented and now operates an integrated logistics project for four Volkswagen plants, including the highly publicized Resende truck assembly facility. Additionally, Ryder continues to expand its relationship with Sevel, Argentina's manufacturer of Peugeot automobiles.

The International Division continued to experience significant revenue growth in 1996 compared with 1995 as a result of full service truck leasing and logistics acquisitions

THE DISNEY STORES IN THE UNITED KINGDOM USE FULL SERVICE CONTRACT HIRE (LEASE) VEHICLES PROVIDED BY RYDER PLC TO TRANSPORT MERCHANDISE FROM THEIR DISTRIBUTION CENTRE TO DISNEY STORES THROUGHOUT BRITAIN. [PHOTO]

made in the U.K. in late 1994 as well as revenue from recent expansion into Mexico and South America. The International Division experienced lower margins as a percent of revenue and a loss for the year due to increased competition in most of its major product lines in the U.K. and continued start-up expenses in South America and Europe. Pretax earnings from the International Division were higher in 1995 compared with 1994 as a result of higher earnings in the U.K. somewhat offset by higher international development expenses including start-up expenses in Mexico and South America. At this time, there are no significant legal restrictions regarding the repatriation of cash flows to the U.S. from the foreign countries where the company is currently operating.

## **AUTOMOTIVE CARRIER SERVICES**

Dollars in thousands	1996	1995	1994
	-----	-----	-----
Revenue	\$ 583,292	594,446	645,402
	-----	-----	-----
Earnings (loss) before income taxes	\$ (14,690)	43,144	50,078
	=====	=====	=====
Total units transported (000)	6,029	5,791	6,277
Total miles traveled (000)	220,476	218,859	239,831
Auto transports:			
Owned and leased	2,774	2,877	3,790
Owner-operators	575	490	516
Locations	91	85	80

## **AUTOMOTIVE CARRIER SERVICES REVENUE**

In millions

### **[GRAPH]**

In North America's vehicle transportation market, Ryder is the largest highway provider and has more than 80 years experience delivering cars and trucks from manufacturing plants, ports and railheads to dealers. Ryder's Automotive Carrier Services transported more than six million vehicles in 1996, including approximately half of the Toyota, Mazda and Honda vehicles produced in North America.

To reduce costs and maximize customer service, the division centralized the management of vehicle inventory and drivers by establishing a centrally located customer service center. The new Customer Service Center is responsible for the selection of drivers and equipment to pick up and deliver vehicles in the most efficient manner.

On-board technology is being installed on vehicle transporters. The system utilizes both cellular and satellite technology, which enables drivers on the road to utilize this same technology to maintain contact with the Customer Service Center and operating terminals - on a real time basis - from anywhere in North America. This communications ability translates into increased efficiency and quicker response time for customers.

POPULAR NEW FORD EXPEDITIONS WERE AMONG THE MORE THAN 6 MILLION VEHICLES TRANSPORTED FOR ALL THE MAJOR AUTO MANUFACTURERS DURING 1996 BY RYDER AUTOMOTIVE CARRIER SERVICES. [PHOTO]

Automotive Carrier Services revenue decreased 2% in 1996 and 8% in 1995, although the number of units shipped increased 4% in 1996, primarily due to the absence of the Teamsters strike experienced in 1995. The decrease in revenue in 1996 was primarily due to a change in mix of product handled and the impact of two strikes against General Motors. Lower 1995 revenue resulted from an 8% decrease in the number of vehicles shipped due in part to the Teamsters strike against the division and a fourth quarter reduction in vehicle production in North America. General Motors accounted for approximately 52% of the division's revenue in 1996 and 54% of the division's revenue in both 1995 and 1994.

In 1996, Automotive Carrier Services reported a pretax loss of \$14.7 million compared to pretax earnings of \$43.1 million in 1995. The loss in 1996 was due to restructuring and other charges, higher wages resulting from a new contract with the Teamsters, higher fuel costs, higher vehicle liability and cargo damage expenses, increased vehicle maintenance costs and the impact of two strikes against General Motors. Pretax earnings were lower in 1995, compared with 1994, due primarily to revenue lost during the Teamsters strike, non-recurring expenses relating to the strike and the fourth quarter reduction in vehicle production in 1995. The division's earnings benefited in 1995 from a \$10 million pretax benefit from the resolution of certain operating tax matters and pretax gains from property sales totaling \$4 million. Automotive Carrier Services has been unable to obtain meaningful rate increases from customers and continues to pursue operating efficiencies to improve profitability.

Pretax results of Automotive Carrier Services included \$18 million of restructuring and other charges in 1996.

## **OTHER**

Other, which is composed primarily of corporate administrative costs, reported net expenses of \$38 million in 1996 compared with \$23 million in 1995 and \$25 million in 1994. The increase in 1996 is primarily due to restructuring and other charges of \$19 million. Excluding these charges, the reduction of expenses from 1995 was primarily due to interest income earned on short-term investments made with proceeds received from the sale of the consumer truck rental business.

## **FINANCIAL RESOURCES AND LIQUIDITY**

### **CASH FLOW**

The company's cash requirements in 1996 continued to be funded internally through operations and the sale of revenue earning equipment. Cash flow from operating activities was \$591 million in 1996, compared with \$809 million in 1995 and \$831 million in 1994. The decrease from 1995 resulted primarily from the following: lower earnings; an increase in receivables of \$183 million due to lower sales of receivables; and lower non-cash charges for deferred income taxes. These items were somewhat offset by higher non-cash charges for depreciation; reduced prepaid expenses due to a decrease in prepaid pension expense resulting from the early retirement programs; the sale of the consumer truck rental business; and restructuring and other charges. In the fourth quarter of 1996, the company used \$123 million in proceeds from the sale of its consumer truck rental business to repurchase 4.2 million shares of common stock. The decrease in cash flow from operating activities in 1995, compared with 1994, was primarily attributable to changes in certain working capital items, including reduced accounts payable for vehicle purchases due to the timing of new lease sales and vehicle deliveries, lower accrued expenses and an increase in pension prepayments. These items were somewhat offset by higher non-cash charges for depreciation and deferred

income taxes and proceeds of \$30 million from the sale of receivables as part of the company's receivables sales program.

Capital expenditures were \$1.3 billion in 1996, compared with \$2.2 billion and \$1.8 billion in 1995 and 1994, respectively. Capital expenditures for full service truck leasing decreased \$425 million in 1996 to \$785 million primarily due to lower sales levels. Capital expenditures for commercial truck rental were \$24 million in 1996, a decrease of \$223 million compared with 1995, due to the planned decrease in the commercial rental fleet. Public transportation services capital expenditures of \$44 million increased \$10 million compared with 1995, due to new public transportation contracts. International Division capital expenditures decreased \$28 million in 1996 due primarily to a reduction in the rental fleet and less than planned spending in the lease fleet in the U.K. and Germany. Capital expenditures for Automotive Carrier Services decreased \$19 million in 1996 to \$41 million due primarily to lower planned fleet replacement. Capital expenditures for the consumer truck rental product line decreased by \$135 million also due to planned fleet reductions. Capital expenditures on operating property and equipment were relatively unchanged as compared with 1995. The increase in capital expenditures in 1995 compared with 1994 was due primarily to increased expenditures in full service truck leasing as a result of new business sales and higher expenditures in commercial truck rental to support demand created by new lease customers and fleet expansion.

Cash flow from operating activities (excluding sales of receivables) plus asset sales (including sale of business) as a percentage of capital expenditures was 118% in 1996, compared with 53% in 1995 and 62% in 1994. The increase in 1996 was due to decreased capital expenditures required to support new lease sales and reengineering and systems initiatives. The 1996 and 1995 changes in capital expenditures were partially offset by increases of \$17 million and \$99 million, respectively, in proceeds from sales of property and revenue earning equipment.

In 1997, management projects that capital expenditures will be at about the same level as 1996. The company plans to continue to restrict its capital expenditures in its rental product line as fleet levels are adjusted to expected demand. Expenditures in full service truck leasing are also expected to decline as a result of the redeployment of rental vehicles and lower sales of used vehicles. Capital expenditures for the public transportation services businesses are expected to increase due to anticipated growth and fleet replacement. International capital expenditures are expected to decrease in 1997, primarily due to reduced expenditures in the U.K. and Germany. Capital expenditures within Automotive Carrier Services are expected to decrease as a result of a planned lower level of fleet replacement compared with 1996. The company expects to fund its 1997 capital expenditures with both internally generated funds and additional financing.

## **FINANCING**

Ryder is a capital intensive company and often depends on external capital. The company has a variety of financing alternatives available to fund its capital needs. These alternatives include long- and medium-term public and private debt, as well as variable-rate financing available through bank credit facilities and commercial paper. The company also periodically enters into sale and leaseback agreements for revenue earning equipment, the majority of which are accounted for as operating leases. Ryder's debt ratings for its public debt were unchanged in 1996 compared with 1995. Ratings from Moody's Investors Service are A3 for unsecured notes and P2 for commercial paper. Standard & Poor's Ratings Group has assigned

ratings of A2 and A- for commercial paper and unsecured notes, respectively. Duff and Phelps ratings are D1 for commercial paper and A for unsecured notes. On January 21, 1997, the company was notified by Standard & Poor's Ratings Group that its A- corporate credit rating and senior unsecured debt rating were placed on credit watch with negative implications. The Standard & Poor's Ratings Group affirmed the company's A2 rating on commercial paper.

Debt decreased from \$2.6 billion at the end of 1995 to \$2.4 billion at the end of 1996. This decrease was due to lower capital expenditures in 1996 compared with 1995 and the company's use of proceeds from the sale of its consumer truck rental business to pay down debt. The company redeemed \$80 million of unsecured notes at an after tax premium of \$10 million and made \$117 million of scheduled unsecured note payments. U.S. commercial paper outstanding at December 31, 1996 was \$16 million, compared with \$45 million at the end of 1995. The company's foreign debt increased \$63 million in 1996 due primarily to growth in business in the U.K. and Canada. Proceeds from sale-leaseback transactions decreased from \$300 million in 1995 to \$150 million in 1996.

The company has no derivative financial instruments held for trading purposes or that are leveraged. From time to time, the company enters into various interest rate swap and cap agreements in managing interest rate exposure in its existing debt portfolio. The company had deferred gains totaling \$4 million at December 31, 1996 relating to certain interest rate swap and cap agreements terminated in 1995 which are recognized over the original remaining lives of the agreements. See the "Summary of Significant Accounting Policies" note to the consolidated financial statements for a further discussion of the company's interest rate management program.

At the end of 1996, committed unused lines of credit totaled \$656 million and the company had \$268 million of debt securities available for issuance under a shelf registration statement filed in 1995.

The ratio of debt to equity at December 31, 1996 was 220%, compared with 212% at December 31, 1995. The ratio of debt to tangible equity at December 31, 1996 was 289%, compared with 273% at December 31, 1995.

## **ENVIRONMENTAL MATTERS**

The operations of the company involve storing and dispensing petroleum products, primarily diesel fuel, regulated under environmental protection laws. These laws require the company to eliminate or mitigate the effect of such substances on the environment. In response to these requirements, the company has upgraded operating facilities and implemented various programs to detect and minimize contamination.

Capital expenditures related to these programs totaled approximately \$9 million in 1996 and \$12 million in 1995. Environmental capital expenditures are primarily related to a government mandated tank replacement program required to be completed by the end of 1998. These capital expenditures are not expected to increase materially in relation to the company's level of total capital expenditures. The company incurred \$9 million of environmental expenses in 1996, compared with \$14 million in 1995 and \$28 million in 1994, which included normal recurring expenses, such as licensing, testing and waste disposal fees. The company made substantial progress toward completing the cleanup or determining the actions required to complete the cleanup at most of its facilities during the years leading up to December 31, 1994. Based on current circumstances and the present standards imposed by governmental regulations, environmental expenses should not increase materially from 1996 levels in the near term.



The ultimate cost of the company's environmental liabilities cannot presently be projected with certainty due to the presence of several unknown factors, primarily the level of contamination, the effectiveness of selected remediation methods, the stage of management's investigation at individual sites and the recoverability of such costs from third parties. Based upon information presently available, management believes that the ultimate disposition of these matters, although potentially material to the results of operations in any one year, will not have a material adverse effect on the company's financial condition or liquidity. See the "Environmental Matters" note to the consolidated financial statements for a further discussion.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

In 1996, the Financial Accounting Standards Board issued Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." The company will adopt this Statement in the first quarter of 1997 and, based upon information currently available, does not anticipate that the effect of adoption will be material to the company's financial position or results of operations.

## **OUTLOOK**

In 1997, the company's activities will center around several key areas designed to enhance shareholder returns. The company will continue to review the structure of the corporate portfolio which includes reviewing alternatives for Automotive Carrier Services and repurchasing the remaining 1.8 million shares of the previously announced 6 million share repurchase program. The company will also focus on the continued growth of both revenue and margin by enhancing logistics capabilities and balancing innovative solutions with existing capabilities. Capital spending levels for 1997 are expected to be similar to 1996 spending levels. The commercial rental fleet will continue to be rationalized and capital will be allocated to those products providing the best returns. Completion of the implementation of the 1996 restructuring plan and other cost saving initiatives, including reviewing potential outsourcing opportunities, will result in more effective cost control throughout the company. Finally, implementation of the 1996 restructuring plan and other initiatives should also improve organizational effectiveness by providing the business units with more control and responsibility for decision-making and the ability to allocate resources to those functions deemed critical to customer support.

The company's performance in 1997 will depend to some extent on domestic economic conditions. However, the foundation established over the past several years along with the goals set forth for 1997 should position the company for improved earnings.

This financial review contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the current plans and expectations of Ryder System, Inc. and involve risks and uncertainties that could cause actual future events and results of operations to be materially different from those in the forward-looking statements. Important factors that could cause such differences include, among others, lost revenue resulting from the facility closures, greater than expected expenses associated with the company's personnel needs or operating activities, the competitive pricing environment applicable to the company's operations or changes in government regulations.

## REPORT OF MANAGEMENT

### To the Shareholders of Ryder System, Inc.:

The financial information in this annual report has been prepared by the management of Ryder System. Management is responsible for the fair presentation of the financial statements of the company in accordance with generally accepted accounting principles and for the objectivity of key underlying assumptions and estimates.

Ryder System maintains a dynamic system of internal controls to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, recorded and reflected in the financial statements. This system is continually reviewed, evaluated and revised to reflect changes in the company and in the businesses in which we operate. One of the key elements of Ryder System's internal financial controls has been the company's success in recruiting, selecting, training and developing professional financial managers who implement and oversee the financial control system.

The board of directors, acting through its audit committee, is responsible for determining that management fulfills its responsibilities in the preparation of financial statements and the financial control of operations. The audit committee is composed solely of outside directors. The committee recommends to the board of directors the appointment of the independent public accountants and meets regularly with management, internal auditors and independent accountants.

Our commitment to social responsibility is a key management principle. Management is responsible for conducting our businesses in an ethical, moral manner assuring that our business practices encompass the highest, most uncompromising standards of personal and business conduct. These standards, which address conflicts of interest, compliance with laws and acceptable business practices and proper employee conduct are included in our Code of Conduct. The importance of these standards is stressed throughout the company and all of our employees are expected to comply with them.

*/s/ M. ANTHONY BURNS*  
-----  
*M. Anthony Burns*  
*Chairman, President and*  
*Chief Executive Officer*

*/s/ EDWIN A. HUSTON*  
-----  
*Edwin A. Huston*  
*Senior Executive Vice President -*  
*Finance and Chief Financial Officer*

## INDEPENDENT AUDITORS' REPORT

### The Board of Directors and Shareholders of Ryder System, Inc.:

We have audited the accompanying consolidated balance sheets of Ryder System, Inc. and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of operations and cash flows for each of the years in the three-year period ended December 31, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ryder System, Inc. and subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1996, in conformity with generally accepted accounting principles.

As discussed in the notes to the consolidated financial statements, the Company changed its method of accounting for charitable contributions in 1995.

*/s/ KPMG PEAT MARWICK LLP*

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*Miami, Florida*

*February 4, 1997*

CONSOLIDATED STATEMENTS OF OPERATIONS

RYDER SYSTEM, INC. AND SUBSIDIARIES

	YEARS ENDED DECEMBER 31		
	1996	1995	1994
	-----	-----	-----
(In thousands, except per share amounts)			
Revenue	\$ 5,519,415	5,167,421	4,685,603
Operating expense	4,641,528	4,049,322	3,686,053
Depreciation expense, net of gains	713,344	664,073	591,669
Interest expense	206,607	191,157	144,735
Miscellaneous (income) expense, net	(24,441)	(1,517)	2,627
	-----	-----	-----
	5,537,038	4,903,035	4,425,084
	-----	-----	-----
Earnings (loss) before income taxes, extraordinary loss and cumulative effect of change in accounting	(17,623)	264,386	260,519
Provision for income taxes	13,664	108,961	106,990
	-----	-----	-----
Earnings (loss) before extraordinary loss and cumulative effect of change in accounting	(31,287)	155,425	153,529
Extraordinary loss on early extinguishment of debt	(10,031)	-	-
Cumulative effect of change in accounting	-	(7,759)	-
	-----	-----	-----
Net Earnings (Loss)	\$ (41,318)	147,666	153,529
	=====	=====	=====
Earnings (Loss) per Common Share:			
Earnings (loss) before extraordinary loss and cumulative effect of change in accounting	\$ (0.39)	1.96	1.95
Extraordinary loss on early extinguishment of debt	(0.12)	-	-
Cumulative effect of change in accounting	-	(0.10)	-
	-----	-----	-----
Earnings (Loss) per Common Share	\$ (0.51)	1.86	1.95
	=====	=====	=====

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

RYDER SYSTEM, INC. AND SUBSIDIARIES

In thousands	YEARS ENDED DECEMBER 31		
	1996	1995	1994
<b>Cash Flows from Operating Activities:</b>			
Net earnings (loss)	\$ (41,318)	147,666	153,529
Depreciation expense, net of gains	713,344	664,073	591,669
Deferred income tax (benefit) expense	(8,448)	93,807	56,648
Proceeds from sales of receivables	-	30,000	-
Extraordinary loss on early extinguishment of debt	10,031	-	-
Cumulative effect of change in accounting	-	7,759	-
Increase in receivables	(183,024)	(86,312)	(87,761)
Increase in inventories	(1,646)	(2,575)	(2,914)
Decrease (increase) in prepaid and other current assets	30,878	(28,547)	(8,872)
Increase (decrease) in accounts payable	(51,371)	(40,210)	66,087
Increase (decrease) in accrued expenses	117,171	(9,956)	25,031
Increase (decrease) in other non-current liabilities	(13,528)	19,876	27,733
Other, net	18,836	13,783	9,813
	590,925	809,364	830,963
<b>Cash Flows from Financing Activities:</b>			
Debt proceeds	138,992	1,117,739	609,637
Debt repaid, including capital lease obligations	(354,694)	(417,716)	(195,099)
Common stock repurchased	(122,870)	-	-
Common stock issued	63,710	11,251	27,601
Dividends on common stock	(48,315)	(47,372)	(46,926)
	(323,177)	663,902	395,213
<b>Cash Flows from Investing Activities:</b>			
Purchases of property and revenue earning equipment	(1,302,554)	(2,151,757)	(1,769,130)
Sales of property and revenue earning equipment	381,762	364,499	265,259
Sale and leaseback of revenue earning equipment	150,000	300,000	400,000
Acquisitions, net of cash acquired	-	-	(144,574)
Proceeds from business sold	574,167	-	-
Other, net	27,404	30,971	41,456
	(169,221)	(1,456,287)	(1,206,989)
Increase in Cash and Cash Equivalents	98,527	16,979	19,187
Cash and Cash Equivalents at January 1	92,857	75,878	56,691
Cash and Cash Equivalents at December 31	\$ 191,384	92,857	75,878

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS  
 RYDER SYSTEM, INC. AND SUBSIDIARIES

	DECEMBER 31	
	1996	1995
Dollars in thousands, except per share amounts		
Assets		
Current assets:		
Cash and cash equivalents	\$ 191,384	92,857
Receivables	561,927	374,689
Inventories	61,345	59,699
Tires in service	168,367	195,742
Deferred income taxes	82,571	39,527
Prepaid expenses and other current assets	82,172	121,547
Total current assets	1,147,766	884,061
Revenue earning equipment	3,286,088	3,775,885
Operating property and equipment	615,111	661,365
Direct financing leases and other assets	314,574	269,819
Intangible assets and deferred charges	281,850	302,685
	\$ 5,645,389	5,893,815
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 199,958	212,077
Accounts payable	321,468	380,264
Accrued expenses	633,529	527,834
Total current liabilities	1,154,955	1,120,175
Long-term debt	2,237,010	2,411,024
Other non-current liabilities	461,275	474,218
Deferred income taxes	686,143	648,373
Shareholders' equity:		
Common stock of \$0.50 par value per share		
Authorized, 400,000,000; outstanding,		
1996 - 77,961,154; 1995 - 79,280,613	496,292	550,197
Retained earnings	613,887	703,520
Translation adjustment	(4,173)	(13,692)
Total shareholders' equity	1,106,006	1,240,025
	\$ 5,645,389	5,893,815
	=====	=====

See accompanying notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### RYDER SYSTEM, INC. AND SUBSIDIARIES

December 31, 1996, 1995 and 1994

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF CONSOLIDATION.** The consolidated financial statements include the accounts of Ryder System, Inc. and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

**ORGANIZATION.** Ryder System, Inc. is a multinational logistics and transportation company operating in nine countries. The company's principal product lines include integrated logistics, full service truck leasing and programmed truck maintenance, commercial truck rental, public transportation services and automotive transport. See the "Segment Information" footnote for further discussion of the company's operating segments, markets and product lines. As discussed in the "Sale of Consumer Truck Rental" footnote, the company sold substantially all of the assets and certain liabilities of its consumer truck rental business on October 17, 1996.

**REVENUE RECOGNITION.** Lease and other transportation services revenue is recognized as earned.

**CASH EQUIVALENTS.** All investments in highly liquid debt instruments with a maturity of three months or less at purchase are classified as cash equivalents.

**INVENTORIES.** Inventories, which consist primarily of fuel and vehicle parts, are valued using the lower of cost (specific identification or average cost) or market.

**REVENUE EARNING EQUIPMENT, OPERATING PROPERTY AND EQUIPMENT AND DEPRECIATION.** Revenue earning equipment, principally vehicles, and operating property and equipment are stated at cost. Provision for depreciation is computed using the straight-line method on substantially all depreciable assets. Annual straight-line depreciation rates range from 8% to 33% for revenue earning equipment, 2.5% to 10% for buildings and improvements and 10% to 25% for machinery and equipment.

Gains on operating property and equipment sales are reflected in miscellaneous (income) expense. Gains on sales of revenue earning equipment, net of selling and equipment preparation costs, are reported as reductions of depreciation expense and totaled \$66 million, \$92 million and \$74 million in 1996, 1995 and 1994, respectively.

**INTANGIBLE ASSETS.** Intangible assets consist principally of goodwill totaling \$248 million in 1996 and \$265 million in 1995. Goodwill is amortized on a straight-line basis over appropriate periods generally ranging from 10 to 40 years. Accumulated amortization was approximately \$85 million and \$76 million at December 31, 1996 and 1995, respectively.

**IMPAIRMENT OF LONG-LIVED ASSETS.** Long-lived assets, including intangible assets, used in the company's operations are reviewed for impairment when circumstances indicate that the carrying amount of an asset may not be recoverable. The primary indicators of recoverability are the associated current and forecasted undiscounted operating cash flows.

**ACCRUED INSURANCE AND LOSS RESERVES.** The company retains a portion of the risk under vehicle liability, workers' compensation and other insurance programs. In addition, the company has indemnified the buyer of its reinsurance operations (sold in 1989) from adverse loss development in excess of loss reserves transferred to the buyer. Reserves have been recorded which reflect the undiscounted estimated liabilities including claims incurred but not reported. Such liabilities are necessarily based on estimates and, while management believes that the amount is adequate, there can be no assurance that changes to management's estimates may not occur due to limitations inherent in the estimation process. Changes in the estimates of these reserves are charged or credited to income in the period determined. Amounts estimated to be paid within one year have been classified as accrued expenses with the remainder included in other non-current liabilities.

**INCOME TAXES.** Deferred taxes are provided using the asset and liability method for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

**OTHER COSTS.** Advertising and sales promotion costs are expensed as incurred. Vehicle repairs and maintenance which do not extend the life or increase the value of the vehicle are expensed as incurred.

**DERIVATIVE FINANCIAL INSTRUMENTS.** The company enters into interest rate swap and cap agreements to manage its fixed and variable interest rate exposure and to better match the repricing of its debt instruments to that of its portfolio of assets; it has no derivative financial instruments held for trading purposes and none of the instruments are leveraged. The company assigns each interest rate swap and cap agreement to a debt or operating lease obligation. Amounts to be paid or received under swap and cap agreements are recognized over the terms of the agreements as adjustments to interest expense or rent expense. Amounts receivable or payable under the agreements are included in receivables or accrued expenses in the consolidated balance sheets. The premiums paid for interest rate caps are recorded in deferred charges and amortized over the lives of the cap agreements. Gains and losses on terminated interest rate swaps and caps are deferred and amortized into income over the remaining original lives of the terminated agreements which, in all cases, are equal to or shorter than the remaining terms of the underlying debt or lease obligation.

**FOREIGN CURRENCY TRANSLATION.** The company's foreign operations use the local currency as their functional currency. Assets and liabilities of these operations are translated at the exchange rates in effect on the balance sheet date. Income statement items are translated at the average exchange rates



for the year. The impact of currency fluctuation is included in shareholders' equity as a translation adjustment.

**ACCOUNTING CHANGES.** Effective January 1, 1996, the company adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." As provided for in Statement No. 123, the company has elected to continue to apply the provisions of APB No. 25, "Accounting for Stock Issued to Employees" in accounting for stock-based compensation. The disclosures required by the new Statement are included in the "Employee Stock Option and Stock Purchase Plans" footnote.

Effective January 1, 1995, the company adopted Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made," which requires that a promise to make a contribution be recognized in the financial statements as an expense and a liability when a promise is made. As a result, a pretax charge of \$12 million (\$8 million after tax, or \$0.10 per common share) was recorded as the cumulative effect of a change in accounting principle to establish a liability for the present value of the company's total outstanding charitable commitments as of January 1, 1995. Prior to the adoption of the new Statement, charitable contributions were recorded in the financial statements in the period in which they were paid.

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

**RECLASSIFICATIONS.** Certain reclassifications have been made in the 1995 and 1994 financial statements to conform to the 1996 presentation.

### **SALE OF CONSUMER TRUCK RENTAL**

On October 17, 1996, the company sold substantially all the assets and certain liabilities of its consumer truck rental business for \$574 million in cash, resulting in an after tax gain of \$15 million (net of applicable income taxes of \$10 million), which is included in miscellaneous income.

Revenues related to the consumer truck rental business were \$440 million for the period January 1 through October 16, 1996 and \$547 million and \$551 million for the years ended December 31, 1995 and 1994, respectively. Pretax earnings of the consumer truck rental business were \$18 million for the period January 1 through October 16, 1996 and \$8 million and \$21 million for the years ended December 31, 1995 and 1994, respectively. These amounts represent consumer truck rental's pretax earnings on a stand-alone basis.

Pursuant to the terms of the sales agreement, the company gave the buyer a royalty-free license to use the Ryder trademark and color scheme, subject to certain restrictions, for a total of 10 years (with required modifications to the trademark after five years). The company and the buyer have also entered into service agreements for periods ranging from two to five years, with options for extensions for certain of the agreements. Under the agreements, the company will continue to provide various services to the buyer including vehicle maintenance, claims processing, management information systems and other administrative services. In addition, certain company branch locations will continue to act as consumer truck rental dealers and the company will continue to assist in the disposition of the buyer's used vehicles through its sales network. Rates agreed upon for the various services are considered reasonable based on market rates.

### **RESTRUCTURING AND OTHER CHARGES**

During 1996, the company implemented several restructuring initiatives in an effort to reduce costs, improve profitability and align the organizational structure with the strategic direction of the company. As a result of the initiatives, the company recorded pretax charges in 1996 of \$247 million which included restructuring costs of \$78 million, early retirement costs of \$50 million, asset write-downs of \$87 million and other charges of \$32 million. The charges reduced net income by \$164 million or \$2.02 per share.

The company's pretax charges included \$113 million in employee-related costs, which were primarily related to the planned elimination of approximately 2,450 positions. This amount included \$50 million for approximately 800 employees who retired pursuant to voluntary early retirement programs. The headcount reductions resulted from consolidating and reorganizing corporate and business unit operations and affected employee groups across all levels of the company. Nearly 20% of the separations occurred during 1996, with the remaining separations expected to be completed during 1997.

The company's restructuring initiatives also included the planned closure of almost 100 operating locations and the closure of approximately 100 administrative and non-operating locations to achieve economies of scale and eliminate redundant processes. In connection with these initiatives, the company recorded \$67 million in estimated closure costs, including asset write-downs of \$52 million relating to both facility closures and the anticipated sale of small non-strategic businesses. The operating and administrative locations are scheduled to be closed and consolidated throughout 1997. Additionally, there were \$35 million of write-downs relating primarily to the discontinuance of the company car program, certain information systems and other assets.

The company also incurred \$32 million of other costs associated with the restructuring initiatives including relocation of employees and professional fees incurred as part of the implementation of the restructuring.

A summary of the activity relating to restructuring liabilities is as follows:

In thousands	EMPLOYEE SEPARATIONS -----	FACILITY CLOSURES -----	TOTAL -----
Accrual recorded	\$ 62,424	15,437	77,861
Payments	(15,623)	(530)	(16,153)
	-----	-----	-----
Balance at December 31, 1996	\$ 46,801 =====	14,907 =====	61,708 =====

Management believes that the remaining restructuring liabilities at December 31, 1996 are adequate to complete its plans and that the liabilities will be substantially paid by the end of 1997. The additional pension and postretirement liabilities will be paid in accordance with the provisions of the existing plans.

The pretax charge was recorded as \$210 million in operating expense for Vehicle Leasing & Services, \$18 million in operating expense for Automotive Carrier Services and \$19 million operating expense at the corporate level. As a result of these actions, earnings are ultimately expected to be benefited by approximately \$125 million annually.

### SALES OF RECEIVABLES

The company participates in an agreement to sell, with limited recourse, up to \$350 million of trade receivables on a revolving basis through March 2001. The costs associated with this program were \$13 million in 1996, \$15 million in 1995 and \$8 million in 1994 and were charged to miscellaneous (income) expense. At December 31, 1996 and 1995, the outstanding balance of receivables sold pursuant to this agreement was \$75 million and \$250 million, respectively.

### REVENUE EARNING EQUIPMENT

In thousands	1996 -----	1995 -----
Full service lease	\$ 3,302,496	3,092,432
Commercial rental	1,306,998	1,351,467
Consumer rental	--	811,182
	-----	-----
	4,609,494	5,255,081
Accumulated depreciation	(1,616,076)	(1,751,316)
	-----	-----
	2,993,418	3,503,765
	-----	-----
Other revenue earning equipment	672,440	637,327
Accumulated depreciation	(379,770)	(365,207)
	-----	-----
	292,670	272,120
	-----	-----
	\$ 3,286,088 =====	3,775,885 =====

OPERATING PROPERTY AND EQUIPMENT

In thousands	1996	1995
	-----	-----
Land	\$ 113,601	116,719
Buildings and improvements	491,714	466,219
Machinery and equipment	402,516	483,116
Other	120,795	108,163
	-----	-----
	1,128,626	1,174,217
Accumulated depreciation	(513,515)	(512,852)
	-----	-----
	\$ 615,111	661,365
	=====	=====

**ACCRUED EXPENSES AND OTHER NON-CURRENT LIABILITIES**

In thousands	1996	1995
	-----	-----
Salaries and wages	\$ 145,222	114,141
Employee benefits	17,246	17,974
Interest	47,614	45,325
Operating taxes	72,622	70,607
Self-insurance	344,803	381,189
Postretirement benefits other than pensions	60,726	53,548
Vehicle rent and related accruals	181,662	167,182
Environmental liabilities	40,424	51,978
Other, including restructuring	184,485	100,108
	-----	-----
	1,094,804	1,002,052
Non-current portion	(461,275)	(474,218)
	-----	-----
Accrued expenses	\$ 633,529	527,834
	=====	=====

**LEASES**

OPERATING LEASES AS LESSOR. One of the company's major product lines is full service leasing of commercial trucks, tractors and trailers. These lease agreements provide for a fixed time charge plus a fixed per-mile charge. A portion of these charges is often adjusted in accordance with changes in the Consumer Price Index. Contingent rentals included in income during 1996, 1995 and 1994 were \$248 million, \$240 million and \$207 million, respectively.

DIRECT FINANCING LEASES. The company leases additional revenue earning equipment as direct financing leases. The net investment in direct financing leases consisted of:

In thousands	1996	1995
	-----	-----
Minimum lease payments receivable	\$ 349,746	295,426
Executory costs and unearned income	(85,188)	(73,118)
Unguaranteed residuals	45,438	41,228
	-----	-----
Net investment in direct financing leases	309,996	263,536
Current portion included in receivables	(47,888)	(43,674)
	-----	-----
Non-current portion included in other assets	\$ 262,108	219,862
	=====	=====

Contingent rentals included in income during 1996, 1995 and 1994 were \$24 million, \$20 million and \$15 million, respectively.

**OPERATING LEASES AS LESSEE.** The company leases vehicles, facilities and office equipment under operating lease agreements. The majority of these agreements are vehicle leases which specify that rental payments be adjusted every six months based on changes in interest rates and provide for early termination at stipulated values. During 1996, 1995 and 1994, rent expense was \$243 million, \$204 million and \$141 million, respectively. Rental rates have been modified by certain interest rate swap agreements as discussed in the "Summary of Significant Accounting Policies" footnote.

**LEASE PAYMENTS.** Future minimum payments for leases in effect at December 31, 1996 are as follows:

In thousands	AS LESSOR		AS LESSEE
	OPERATING LEASES	DIRECT FINANCING LEASES	OPERATING LEASES
1997	\$ 891,852	66,044	205,700
1998	786,971	57,791	197,373
1999	648,626	52,479	205,818
2000	483,055	47,270	175,109
2001	306,783	41,126	153,494
Thereafter	258,661	85,036	278,338
	\$3,375,948	349,746	1,215,832

The amounts in the previous table are based upon the assumption that revenue earning equipment will remain on lease for the length of time specified by the respective lease agreements. This is not a projection of future fixed lease revenue; no effect has been given to renewals, new business, cancellations or future rate changes.

## INCOME TAXES

The total provision for income taxes (excluding taxes related to the early extinguishment of debt and cumulative effect of change in accounting) included the following components:

In thousands	1996	1995	1994
Current tax expense:			
Federal	\$ 19,908	14,870	44,039
State	2,524	1,340	6,232
Foreign	(320)	(1,056)	71
	22,112	15,154	50,342
Deferred tax (benefit) expense:			
Federal	(13,779)	65,270	34,123
State	(433)	16,731	14,267
Foreign	5,764	11,806	8,258
	(8,448)	93,807	56,648
Provision for income taxes	\$ 13,664	108,961	106,990

A reconciliation of the Federal statutory tax rate with the effective tax rate for operations follows:

	1996	1995	1994
Statutory rate	(35.0)	35.0	35.0
Impact on deferred taxes for changes in tax rates	--	--	0.6
State income taxes, net of Federal income tax benefit	7.7	4.4	4.5
Amortization of goodwill	16.7	1.1	0.8
Restructuring and other charges	66.7	--	--
Miscellaneous items, net	21.4	0.7	0.2
Effective rate	77.5	41.2	41.1



The higher 1996 effective tax rate is primarily due to the tax effects of nondeductible foreign charges associated with the restructuring and other charges. Additionally, lower income before taxes increased the rate impact of normal, recurring permanent differences.

The components of the net deferred income tax liability as of December 31, 1996 and 1995 were as follows:

In thousands	1996	1995
	-----	-----
Deferred income tax assets:		
Accrued self-insurance	\$ 136,411	142,460
Alternative minimum taxes	9,412	45,335
Accrued compensation and benefits	45,038	43,619
Restructuring and other charges	27,645	--
Miscellaneous other accruals	104,321	86,638
	-----	-----
	322,827	318,052
Valuation allowance	(16,605)	(9,969)
	-----	-----
	306,222	308,083
	-----	-----
Deferred income tax liabilities:		
Property and equipment		
bases differences	(834,581)	(836,631)
Other items	(75,213)	(80,298)
	-----	-----
	(909,794)	(916,929)
	-----	-----
Net deferred income tax liability	\$ (603,572)	(608,846)
	=====	=====

Deferred taxes have not been provided on temporary differences related to investments in foreign subsidiaries that are considered permanent in duration. These temporary differences consist primarily of undistributed foreign earnings of \$76 million at December 31, 1996. A full foreign tax provision has been made on these undistributed foreign earnings. Determination of the amount of deferred taxes on these temporary differences is not practicable due to foreign tax credits and exclusions.

The company had unused alternative minimum tax credits, for tax purposes, of \$9 million at December 31, 1996 available to reduce future income tax liabilities. The alternative minimum tax credits may be carried forward indefinitely.

A valuation allowance has been established to reduce the income tax benefits of tax loss carryforwards to amounts expected to be realized.

Income taxes paid totaled \$1 million in 1996, \$13 million in 1995 and \$45 million in 1994.

## DEBT

In thousands	1996	1995
	-----	-----
U.S. commercial paper	\$ 16,000	44,500
Canadian commercial paper	47,649	55,920
Unsecured U.S. notes:		
Debentures, 8.38% to 9.88%, due 2001 to 2017	444,215	539,499
Medium-term notes, 5.53% to 9.90%, due 1997 to 2025	1,543,600	1,645,600
Discount on unsecured U.S. notes	(21,765)	(22,601)
Unsecured foreign obligations (principally pound sterling), 4.84% to 10.21%, due 1997 to 2002	344,063	275,611
Other debt, including capital leases	63,206	84,572
	-----	-----
Total debt	2,436,968	2,623,101
Current portion	(199,958)	(212,077)
	-----	-----
Long-term debt	\$ 2,237,010	2,411,024
	=====	=====

Debt maturities (including sinking fund requirements) during the five years subsequent to December 31, 1996 are as follows:

## DEBT

In thousands	MATURITIES
	-----
1997	\$ 199,958
1998	297,324
1999	436,219
2000	497,854
2001	333,262

During the fourth quarter of 1996, the company recorded an extraordinary loss of \$10 million (net of income tax benefit of \$6 million) in connection with the early retirement of \$80 million of outstanding high coupon debt. The company used a portion of the proceeds from the sale of the consumer truck rental business to extinguish this debt.

To support the company's outstanding U.S. commercial paper, the company maintains two revolving credit agreements. The primary agreement, with a total commitment of \$500 million, has no expiration date. The secondary agreement, with a total commitment of \$150 million, expires in May 2001. No compensating balances are required for either of these facilities; however, they do require annual commitment fees ranging from .080% to .085%. There were no borrowings under either of these agreements during 1996 or 1995 and the company had \$634 million available under these agreements at December 31, 1996. The company had other committed lines of credit at December 31, 1996 totaling \$72 million, of which \$22 million was available. The weighted average interest rates for outstanding U.S. and Canadian commercial paper were 5.65% and 3.23%, respectively, at December 31, 1996.

The primary revolving loan agreement contains the most restrictive covenants as to the payment of cash dividends. As of December 31, 1996, approximately \$51 million of consolidated retained earnings were available for the payment of cash dividends.

Interest paid totaled \$204 million in 1996, \$182 million in 1995 and \$139 million in 1994. Interest rates have been modified by derivative financial instruments as discussed in the "Summary of Significant Accounting Policies" footnote.

## DERIVATIVE FINANCIAL INSTRUMENTS

At December 31, 1996 and 1995, the company had various "floating to fixed" rate swap agreements outstanding with notional principal amounts of \$78 million and \$171 million, respectively. Under these agreements, the company received an average floating rate of 5.86% and paid an average fixed rate of 6.59% at December 31, 1996. The company also had "floating to floating" rate swap agreements with notional amounts totaling \$100 million. All these agreements have expiration dates through 1998 and floating rate reset frequencies of three to six months.

During 1995, the company terminated all of its fixed to floating rate swap agreements in the amount of \$500 million and interest rate cap agreements with notional principal amounts totaling \$350 million. At December 31, 1996, the company had deferred gains totaling \$4 million related to these terminated instruments.

The company mitigates its exposure to credit loss for the interest rate differential in the event of nonperformance by the counterparties by entering into transactions with financial institutions in the high investment grade category of ratings by Standard & Poor's Ratings Group and/or Moody's Investors Service.

## FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of the company's liabilities for debt (excluding capital leases) and interest rate swap agreements at December 31, 1996 and 1995 were as follows:

In thousands	1996		1995	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Debt	\$2,377,750	2,453,868	2,571,757	2,739,587
Floating to fixed interest rate swaps	137	975	980	3,517



The fair values above were determined from dealer quotations and represent the discounted future cash flows through maturity or expiration using current rates and are effectively the amounts the company would pay or receive to terminate the agreements or retire the debt. The fair values of all other financial instruments approximate their carrying amounts.

SHAREHOLDERS' EQUITY

In thousands, except share and per share amounts	COMMON STOCK	RETAINED EARNINGS	TRANSLATION ADJUSTMENT	TOTAL
	-----	-----	-----	-----
AT DECEMBER 31, 1993	\$ 508,832	496,623	(15,274)	990,181
Net earnings	--	153,529	--	153,529
Common stock dividends declared - \$.60 per share	--	(46,926)	--	(46,926)
Common stock issued under employee plans (1,466,258 shares)	27,601	--	--	27,601
Foreign currency translation adjustment	--	--	1,971	1,971
Other	2,668	--	--	2,668
	-----	-----	-----	-----
AT DECEMBER 31, 1994	539,101	603,226	(13,303)	1,129,024
Net earnings	--	147,666	--	147,666
Common stock dividends declared - \$.60 per share	--	(47,372)	--	(47,372)
Common stock issued under employee plans (519,871 shares)	11,251	--	--	11,251
Foreign currency translation adjustment	--	--	(389)	(389)
Other	(155)	--	--	(155)
	-----	-----	-----	-----
AT DECEMBER 31, 1995	550,197	703,520	(13,692)	1,240,025
Net loss	--	(41,318)	--	(41,318)
Common stock dividends declared - \$.60 per share	--	(48,315)	--	(48,315)
Common stock issued under employee plans (2,833,241 shares)	63,710	--	--	63,710
Common stock repurchased (4,152,700 shares)	(122,870)	--	--	(122,870)
Foreign currency translation adjustment	--	--	9,519	9,519
Other	5,255	--	--	5,255
	-----	-----	-----	-----
AT DECEMBER 31, 1996	\$ 496,292	613,887	(4,173)	1,106,006
	=====	=====	=====	=====

The company used a portion of the proceeds from the sale of the consumer truck rental business to repurchase shares of common stock in the open market. As part of an announced plan to repurchase up to 6 million shares, the company had repurchased 4,152,700 shares at an average price of \$29.59 per share for an aggregate amount of \$123 million as of December 31, 1996.

At December 31, 1996, the company had 77,961,154 Preferred Stock Purchase Rights (Rights) outstanding which expire in March 2006. The Rights contain provisions to protect shareholders in the event of an unsolicited attempt to acquire the company which is not believed by the board of directors to be in the best interest of shareholders. The Rights are evidenced by common stock certificates, are subject to antidilution provisions, and are not exercisable, transferable or exchangeable apart from the common stock until ten days after a person, or a group of affiliated or associated persons, acquires beneficial ownership of 10% or more, or, in the case of exercise or transfer, makes a tender offer for 10% or more of the company's common stock. The Rights entitle the holder, except such an acquiring person, to purchase at the current exercise price of \$100 that number of the company's common shares which at the time would have a market value of \$200. In the event the company is acquired in a merger or other business combination (including one in which the company is the surviving corporation), each Right entitles its holder to purchase at the current exercise price of \$100 that number of common shares of the surviving corporation which would then have a market value of \$200. In lieu of common shares, Rights holders can purchase 1/100 of a share of Series C Preferred Stock for each Right. The Series C Preferred Stock would be entitled to quarterly dividends equal to

the greater of \$10 per share or 100 times the common stock dividend per share and have 100 votes per share, voting together with the common stock. By action of the board of directors, the Rights may also be exchanged in whole or in part, at an exchange ratio of one share of common stock per Right. The Rights have no voting rights and are redeemable, at the option of the company, at a price of \$.01 per Right prior to the acquisition by a person or a group of affiliated or associated persons of beneficial ownership of 10% or more of the company's common stock.

## EMPLOYEE STOCK OPTION AND STOCK PURCHASE PLANS

**OPTION PLANS.** The company has three primary fixed option stock plans. The Profit Incentive Stock Plan provides for the granting of stock options to certain non-officer employees to purchase common shares at prices not less than 85% of the fair market value at the date of grant. The 1980 and 1995 Stock Incentive Plans provide for the granting of stock options to key employees at a price equal to the fair market value of shares at the date of grant. Options granted under all plans are for terms not exceeding 10 years and are exercisable cumulatively 20% to 50% each year based on the terms of the grant. Awards under the 1980 and 1995 Stock Incentive Plans may be granted in tandem with stock appreciation rights, limited stock appreciation rights and performance units. The key employee plans also provide for restricted stock rights to these employees at no cost to them; none were granted in 1996, 1995 or 1994.

The following table summarizes the status of the company's stock option plans:

Shares in thousands	1996	1995	1994
Outstanding at January 1	7,424	6,580	6,110
Granted	1,312	1,140	1,380
Exercised	(1,742)	(207)	(405)
Expired or canceled	(116)	(89)	(505)
Outstanding at December 31	6,878	7,424	6,580
At December 31:			
Exercisable options	4,636	5,482	4,839
Shares available for future grant	2,535	3,232	983

Weighted average option exercise price information follows:

	1996	1995	1994
Outstanding at January 1	\$ 23.31	22.88	22.45
Granted	29.35	25.10	24.80
Exercised	23.29	19.90	20.42
Expired or canceled	27.57	22.49	24.87
Outstanding at December 31	24.33	23.31	22.88
Exercisable at December 31	22.83	22.74	22.06

Information about options in various price ranges at December 31, 1996 follows (shares in thousands):

PRICE RANGES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	SHARES	REMAINING LIFE (IN YEARS)	AVERAGE PRICE	SHARES	AVERAGE PRICE
\$ 10-20	499	4.5	\$ 15.93	499	\$ 15.93
20-25	2,743	4.0	22.34	2,354	22.12
25-30	3,636	8.5	26.99	1,783	25.70
	6,878		\$ 24.33	4,636	\$ 22.83

**PURCHASE PLANS.** The Employee Stock Purchase Plan provides for periodic offerings to substantially all U.S. and Canadian employees, with the exception of executives who participate in the 1980 and 1995 Stock Incentive Plans, to subscribe shares of the company's common stock at 85% of the fair market value on either the date of offering or the last day of the purchase period, whichever is less. The U.K. Stock Purchase Scheme provides for periodic offerings to substantially all U.K. employees to subscribe shares of the company's common stock at 85% of the fair market value on the date of the offering.

The following table summarizes the status of the company's stock purchase plans:

Shares in thousands	1996	1995	1994
Outstanding at January 1	1,374	1,819	1,187
Granted	1,608	41	1,827

Exercised	(1,191)	(314)	(1,054)
Expired or canceled	(138)	(172)	(141)
	-----	-----	-----
Outstanding at December 31	1,653	1,374	1,819
	=====	=====	=====
At December 31:			
Exercisable options	--	1,318	--
Shares available for future grant	235	1,705	1,574

Weighted average option exercise price information follows:

	1996	1995	1994
	-----	-----	-----
Outstanding at January 1	\$ 22.79	22.87	18.08
Granted	23.96	20.66	22.92
Exercised	22.85	22.89	18.16
Expired or canceled	22.86	22.92	18.45
Outstanding at December 31	23.88	22.79	22.87
Exercisable at December 31	-	22.90	-

Substantially all options outstanding expire in 1998.

PRO FORMA INFORMATION. The weighted average per share fair values of options granted under the company's stock option and purchase plans during 1996 and 1995 were \$8.45 and \$8.99, respectively. Had the fair value of the grants under these plans been recognized as compensation expense over the vesting periods of the awards, the company's net earnings (loss) and earnings (loss) per share would have reflected the pro forma amounts shown below:

In thousands, except per share amounts	1996	1995
Net earnings (loss) - as reported	\$ (41,318)	147,666
- pro forma	(49,310)	146,310
Earnings (loss) per share - as reported	\$ (0.51)	1.86
- pro forma	(0.61)	1.84

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions for 1996 and 1995: dividend yield of 2.1%; expected volatility of 25.4%; a risk-free interest rate of 6.4%; and an expected holding period of six years. In accordance with Statement No. 123, the pro forma amounts exclude consideration of options granted prior to 1995. Increased pro forma compensation expense in 1996 is the result of the additional options granted and further vesting of 1995 grants during 1996. Pro forma expense for 1997 is expected to increase over 1996 for the same reasons.

## PENSION AND SAVINGS PLANS

The company and its subsidiaries sponsor several defined benefit pension plans, covering substantially all employees not covered by union-administered plans, including certain employees in foreign countries. These plans generally provide participants with benefits based on years of service and career-average compensation levels. Funding policy for these plans is to make contributions based on normal costs plus amortization of unfunded past service liability but not greater than the maximum allowable contribution deductible for Federal income tax purposes. The majority of the plans' assets are invested in a master trust which, in turn, is primarily invested in listed stocks and bonds. The company also contributed to various defined benefit, union-administered, multi-employer plans for employees under collective bargaining agreements. Total pension expense for 1996, 1995 and 1994 was as follows:

In thousands	1996	1995	1994
Company-administered plans:			
Present value of benefits earned during the year	\$ 28,189	21,705	23,378
Interest cost on projected benefit obligation	40,416	35,622	32,290
Return on plan assets:			
Actual	(79,091)	(124,435)	(1,725)
Deferred	28,578	86,462	(34,345)
Additional expense from early retirement program	46,579	--	--
Other, net	(1,862)	(2,105)	165
	62,809	17,249	19,763
Union-administered plans	22,934	20,495	21,282
Net pension expense	\$ 85,743	37,744	41,045

As part of the company's restructuring and other profit improvement initiatives, certain employees accepted early retirement benefits, which increased 1996 pension expense by \$46 million.

The following table sets forth the plans' funded status and the company's prepaid expense at December 31, 1996 and 1995:

In thousands	1996	1995
Plan assets at fair value	\$ 679,756	583,944
Actuarial present value of service rendered to date:		
Accumulated benefit obligation, including vested benefits of \$548,528 in 1996 and \$464,417 in 1995	(581,719)	(491,354)
Additional benefit based on estimated future salary levels	(62,354)	(46,318)
Projected benefit obligation	(644,073)	(537,672)
Plan assets in excess of projected		

benefit obligation	35,683	46,272
Unrecognized transition amount	(15,621)	(19,113)
Other, primarily unrecognized prior service cost and net (gains) losses	(12,700)	9,394
	-----	-----
Prepaid pension expense	\$ 7,362	36,553
	=====	=====

The following table sets forth the actuarial assumptions used for the company's dominant plan:

	1996	1995
	-----	-----
Discount rate	7.50%	7.50%
Rate of increase in compensation levels	5.00%	5.00%
Expected long-term rate of return on plan assets	8.50%	8.50%
Transition amortization in years	15	15
Gain and loss amortization in years	8	8

The company also has defined contribution savings plans that cover substantially all eligible employees. Company contributions to the plans are based on employee contributions and the level of company match. Company contributions to the plans totaled approximately \$12 million in 1996, \$11 million in 1995 and \$7 million in 1994.

## POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The company and its subsidiaries sponsor plans which provide retired employees with certain health care and life insurance benefits. Substantially all employees not covered by union-administered health and welfare plans are eligible for these benefits. Health care benefits for the company's principal plans are generally provided to qualified retirees under age 65 and eligible dependents. Generally, these plans require employee contributions which vary based on years of service and include provisions which cap company contributions.

Total periodic postretirement benefit expense for 1996, 1995 and 1994 was as follows:

In thousands	1996	1995	1994
	-----	-----	-----
Current year service cost	\$ 1,811	1,588	1,792
Interest accrued on post- retirement benefit obligation	3,618	3,954	3,693
Additional expense from early retirement program	3,845	-	-
Other, net	-	-	317
	-----	-----	-----
Periodic postretirement benefit expense	\$ 9,274	5,542	5,802
	=====	=====	=====

As part of the company's restructuring and other profit improvement initiatives, certain employees accepted early retirement benefits, which increased 1996 postretirement benefit expense by \$4 million.

The company's postretirement benefit plans are not funded. The company's obligation under the plans as of December 31, 1996 and 1995 was as follows:

In thousands	1996	1995
	-----	-----
Accumulated postretirement benefit obligation:		
Retirees	\$ 33,860	30,563
Fully eligible active plan participants	8,964	8,627
Other active plan participants	16,474	16,596
	-----	-----
	59,298	55,786
Unrecognized net gains (losses)	1,428	(2,238)
	-----	-----
Accrued unfunded postretirement benefit obligation	\$ 60,726	53,548
	=====	=====
Discount rate	7.5%	7.5%

The actuarial assumptions include health care cost trend rates projected ratably from 11% in 1997 to 6% in the year 2003 and thereafter. Increasing the assumed health care cost trend rates by 1% in each year would increase the accumulated postretirement benefit obligation as of December 31, 1996 by \$2 million and would not have had a material effect on periodic postretirement benefit cost for 1996.

## ENVIRONMENTAL MATTERS

The company's operations involve storing and dispensing petroleum products, primarily diesel fuel. In 1988, the Environmental Protection Agency issued regulations that established requirements for testing and replacing underground storage tanks. The company is involved in various stages of investigation, cleanup and tank replacement to comply with the regulations. In addition, the company received notices from the Environmental Protection Agency and others that it has been identified as a potentially responsible party (PRP) under the Comprehensive Environmental Response, Compensation and Liability Act, the Superfund Amendments and Reauthorization Act and similar state statutes and may be required to share in the cost of cleanup of 29 identified disposal sites.

The company records a liability for environmental assessments and/or cleanup when it is probable a loss has been incurred. Generally, the timing of these accruals coincides with the identification of an environmental problem through the company's internal procedures or upon notification from regulatory agencies. The estimate of loss is based on information obtained from independent environmental engineers and/or from company experts regarding the nature and extent of environmental contamination, remedial alternatives available and the cleanup criteria required by relevant governmental agencies. The estimated costs include amounts for anticipated site testing, consulting, remediation, disposal, post-remediation monitoring and legal fees, as appropriate. These amounts represent the estimated undiscounted costs to fully

resolve the environmental matters in accordance with prevailing Federal, state and local requirements based on information presently available. The liability does not reflect possible recoveries from insurance companies or reimbursement of remediation costs by state agencies, but does include estimates of cost sharing with other PRPs at Superfund sites. The company made substantial progress toward completing the cleanup or determining the actions required to complete the cleanup at most of its facilities during the years leading up to December 31, 1994. As a result, the company's environmental expenses, which included remediation costs as well as normal recurring expenses such as licensing, testing and waste disposal fees, were \$9 million in 1996 compared with \$14 million in 1995 and \$28 million in 1994.

The ultimate costs of the company's environmental liabilities cannot be projected with certainty due to the presence of several unknown factors, primarily the level of contamination, the effectiveness of selected remediation methods, the stage of investigation at individual sites, the determination of the company's liability in proportion to other responsible parties and the recoverability of such costs from third parties. Based on information presently available, management believes that the ultimate disposition of these matters, although potentially material to the results of operations in any one year, will not have a material adverse effect on the company's financial condition or liquidity.

## OTHER MATTERS

The company is a party to various claims, legal actions and complaints arising in the ordinary course of business. While any proceeding or litigation has an element of uncertainty, management believes that the disposition of these matters will not have a material impact on the financial condition, liquidity or results of operations of the company.

## SEGMENT INFORMATION

The company's operating segments are Vehicle Leasing & Services and Automotive Carrier Services. Vehicle Leasing & Services offers a variety of logistics and transportation services, including integrated logistics, full service truck leasing and programmed truck maintenance and commercial truck rental, primarily in North America with additional operations in South America and Europe. It also provides public transportation services in the United States which include student transportation, public transit management and public fleet management and maintenance. The operations of the consumer truck rental business are included in this segment through October 16, 1996 and for the years 1995 and 1994. Automotive Carrier Services is the largest highway transporter of new cars and trucks in the United States and a major transporter in Canada.

Revenue by segment includes intersegment transactions which are based on substantially the same terms as transactions with unaffiliated customers. These amounts are eliminated in consolidation. Revenue of \$465 million, \$447 million and \$452 million, primarily from Automotive Carrier Services, was derived from General Motors Corporation in 1996, 1995 and 1994, respectively.

In thousands	1996	1995	1994
Revenue:			
Vehicle Leasing & Services	\$ 4,951,746	4,589,621	4,057,735
Automotive Carrier Services	583,292	594,446	645,402
Intersegment	(15,623)	(16,646)	(17,534)
	\$ 5,519,415	5,167,421	4,685,603
	=====	=====	=====
Foreign portion of revenue	\$ 555,634	473,518	347,671
Operating Profit (Loss):			
Vehicle Leasing & Services	\$ 226,643	444,182	390,409
Automotive Carrier Services	(17,189)	36,238	49,850
Other	(1,512)	(1,475)	(1,158)
	-----	-----	-----
Operating profit	207,942	478,945	439,101
Miscellaneous income			
(expense), net	24,441	1,517	(2,627)
Interest expense	(206,607)	(191,157)	(144,735)
Unallocated corporate overhead expense	(43,399)	(24,919)	(31,220)
	-----	-----	-----
Earnings (loss) before income taxes	\$ (17,623)	264,386	260,519
	=====	=====	=====
Foreign portion of operating profit	\$ 8,482	41,643	30,030
Foreign portion of earnings (loss)	\$ (19,838)	19,068	16,017
Depreciation:			
Vehicle Leasing & Services	\$ 741,052	716,098	628,625
Automotive Carrier Services	37,185	39,150	35,689
Other	979	1,288	900
	-----	-----	-----
	779,216	756,536	665,214
Gains on vehicle sales	(65,872)	(92,463)	(73,545)
	-----	-----	-----
	\$ 713,344	664,073	591,669



Identifiable Assets:	=====	=====	=====
Vehicle Leasing & Services	\$ 5,187,339	5,474,602	4,644,294
Automotive Carrier Services	288,904	311,539	285,950
Other	199,301	138,941	121,911
Eliminations	(30,155)	(31,267)	(37,682)
	-----	-----	-----
Total assets	\$ 5,645,389	5,893,815	5,014,473
	=====	=====	=====
Foreign portion of identifiable assets	\$ 829,461	728,215	562,664
Capital Expenditures, including Capital Leases:			
Vehicle Leasing & Services	\$ 1,256,655	2,087,932	1,722,329
Automotive Carrier Services	45,222	64,563	43,789
Other	3,179	831	4,044
	-----	-----	-----
	\$ 1,305,056	2,153,326	1,770,162
	=====	=====	=====

SUPPLEMENTAL FINANCIAL DATA  
RYDER SYSTEM, INC. AND SUBSIDIARIES

QUARTERLY DATA

In thousands, except per share amounts	QUARTERS			
	FIRST	SECOND	THIRD	FOURTH
Revenue:				
1996	\$ 1,327,951	1,426,048	1,408,702	1,356,714
1995	\$ 1,233,481	1,324,444	1,264,049	1,345,447
Earnings (loss) before extraordinary loss and cumulative effect of change in accounting:				
1996	\$ 10,179	31,583	26,288	(99,337)
1995	\$ 26,579	51,486	20,931	56,429
Net earnings (loss):				
1996	\$ 10,179	31,583	26,288	(109,368)
1995	\$ 18,820	51,486	20,931	56,429
Earnings (loss) per common share before extraordinary loss and cumulative effect of change in accounting:				
1996	\$ 0.13	0.39	0.32	(1.22)
1995	\$ 0.34	0.65	0.26	0.71
Net earnings (loss) per common share:				
1996	\$ 0.13	0.39	0.32	(1.34)
1995	\$ 0.24	0.65	0.26	0.71

Quarterly and year-to-date computations of per share amounts are made independently; therefore, the sum of per share amounts for the quarters may not equal per share amounts for the year.

Net earnings in the first quarter of 1996 were impacted, in part, by the cost of a strike against the largest customer of Automotive Carrier Services.

Net earnings in the second, third and fourth quarters of 1996 were impacted, in part, by after tax restructuring and other charges of \$12 million, \$8 million and \$144 million, respectively. In addition, the fourth quarter of 1996 was impacted by the \$15 million after tax gain from the sale of the consumer truck rental business and a \$10 million after tax extraordinary loss resulting from the early extinguishment of debt at a premium.

Net earnings in the first quarter of 1995 include the cumulative effect of a change in accounting, resulting in an after tax charge of \$8 million (\$0.10 per common share). See "Summary of Significant Accounting Policies - Accounting Changes" note for additional discussion.

Net earnings in the third quarter of 1995 were impacted, in part, by the cost of the 32-day Teamsters strike against Automotive Carrier Services and reorganization costs resulting from the implementation of cost-reduction initiatives in the Vehicle Leasing & Services Division.

Net earnings in the fourth quarter of 1995 benefited, in part, from higher vehicle and property gains, recovery of costs from certain customers which were incurred during the Teamsters strike against Automotive Carrier Services, and the favorable resolution of certain operating tax matters.

## COMMON STOCK DATA

At December 31, 1996 and 1995, the company had 77,961,154 and 79,280,613 shares, respectively, of common stock outstanding. As of January 31, 1997, there were 18,368 common stockholders of record. The payment of cash dividends is subject to the restrictions described on page 37.

The company's common shares are traded on the New York Stock Exchange, the Chicago Stock Exchange and the Pacific Stock Exchange, and its ticker symbol is "R." Quarterly market price ranges of the common shares and quarterly cash dividends on common shares during 1996 and 1995 were as follows:

	MARKET PRICE				COMMON SHARE	
	1996		1995		CASH DIVIDENDS	
	HIGH	LOW	HIGH	LOW	1996	1995
First quarter	\$ 29 1/8	22 5/8	25 1/8	21	.15	.15
Second quarter	30	25 3/4	25 5/8	23 1/8	.15	.15
Third quarter	31 1/8	24 3/4	26 1/8	23 3/4	.15	.15
Fourth quarter	30 7/8	27 7/8	26	22 5/8	.15	.15

ELEVEN YEAR SUMMARY

Dollars in thousands, except per share amounts	1996	1995	1994	1993
Revenue	\$ 5,519,415	5,167,421	4,685,603	4,217,030
Earnings (loss) from continuing operations (a):				
Before income taxes	\$ (17,623)	264,386	260,519	209,776
After income taxes	\$ (31,287)	155,425	153,529	114,722
Per common share	\$ (0.39)	1.96	1.95	1.43
Net earnings (loss) (b)	\$ (41,318)	147,666	153,529	(61,424)
Per common share (b)	\$ (0.51)	1.86	1.95	(0.84)
Cash dividends per common share	\$ 0.60	0.60	0.60	0.60
Average number of common and common equivalent shares (in thousands)	81,263	79,370	78,768	77,535
Average common equity	\$ 1,261,101	1,176,373	1,057,931	1,266,715
Return on average common equity (%) (c)	(3.3)	13.2	14.5	10.2
Book value per common share	\$ 14.19	15.64	14.33	12.81
Market price - high (d)	\$ 31 1/8	26 1/8	28	26 5/8
Market price - low (d)	\$ 22 5/8	21	19 7/8	24 3/4
Total debt	\$ 2,436,968	2,623,101	1,912,898	1,531,446
Long-term debt	\$ 2,237,010	2,411,024	1,794,795	1,374,943
Debt to equity (%)	220	212	169	155
Debt to tangible equity (%)	289	273	227	202
Year-end assets	\$ 5,645,389	5,893,815	5,014,473	4,258,388
Return on average assets (%) (e)	(0.7)	2.8	3.3	2.7
Average asset turnover (%) (f)	92.6	92.4	99.6	103.2
Cash flow from continuing operating activities and asset sales	\$ 1,546,854	1,173,863	1,096,222	995,954
Capital expenditures, including capital leases	\$ 1,305,056	2,153,326	1,770,162	1,237,521
Number of vehicles (f)	168,397	203,932	188,831	168,278
Number of employees (f)	44,765	44,503	43,095	37,949

(a) Loss from continuing operations for 1996 includes the effect of a \$25 million (\$15 million after tax or \$0.18 per common share) gain resulting from the sale of the consumer truck rental business offset by \$247 million (\$164 million after tax or \$2.02 per common share) of restructuring and other charges. Earnings from continuing operations for 1989 include a pretax charge of \$83 million (\$52 million after tax or \$0.67 per common share) related to several unusual items, primarily anticipated losses on accelerated vehicle dispositions, changes to prior years' workers' compensation loss reserves and staff and facility reductions. Earnings from continuing operations for 1988 include a pretax charge of \$66 million (\$50 million after tax or \$0.63 per common share) related to a provision for business restructurings and revaluation of goodwill.

(b) Net loss for 1996 includes an after tax extraordinary loss of \$10 million (\$0.12 per common share) relating to the early extinguishment of debt at a premium. Net earnings for 1995 include the cumulative effect of a change in accounting for charitable contributions resulting in an after tax charge of \$8 million (\$0.10 per common share). Net loss for 1993 includes the cumulative effect of a change in accounting for postretirement benefits other than pensions resulting in an after tax charge of \$25 million (\$0.33 per common share), and an after tax charge of \$169 million (\$2.18 per common share) related to the discontinued aviation services subsidiaries. Net earnings for 1992 include an after tax gain of \$6 million (\$0.08 per common share) related to the final disposition of the discontinued aircraft leasing business. Net earnings for 1991 and 1990 include after tax charges of \$52 million (\$0.70 per common share) and \$36 million (\$0.48 per common share), respectively, for the discontinuance of the same business. Net earnings for 1989 and 1988 include, in addition to the items discussed in (a) above, after tax extraordinary

RYDER SYSTEM, INC. AND SUBSIDIARIES

1992	1991	1990	1989	1988	1987	1986
4,019,675	3,851,334	3,950,024	3,889,063	3,842,724	3,621,526	3,105,632
165,545	60,479	98,690	54,090	167,131	237,560	232,855
98,050	30,923	58,632	31,975	100,249	149,615	139,317
1.17	0.28	0.64	0.31	1.18	1.82	1.80
123,926	14,017	42,680	45,986	197,173	187,113	160,933
1.51	0.05	0.43	0.50	2.40	2.29	2.09
0.60	0.60	0.60	0.60	0.56	0.52	0.44
75,046	73,837	74,769	77,275	79,641	79,621	74,898
1,327,624	1,317,888	1,365,269	1,419,226	1,406,470	1,227,372	957,084
8.1	4.2	5.0	3.1	9.1	14.8	16.3
18.26	17.50	18.06	18.24	18.71	16.75	14.72
28 7/8	21 5/8	23 3/8	31 1/8	32 1/2	43	35 1/2
19 5/8	14	12 1/4	19 3/4	22 5/8	20	21 1/2
1,668,947	1,988,509	2,402,741	2,674,884	2,576,568	2,614,018	2,037,824
1,499,765	1,742,911	1,883,869	2,151,411	2,281,604	2,476,715	1,866,980
113	143	168	180	162	185	164
135	176	213	226	202	232	214
4,678,533	4,843,991	5,263,498	5,690,450	5,639,674	5,450,809	4,526,087
2.3	0.5	1.1	0.5	2.0	3.5	3.6
104.0	95.2	88.7	83.0	83.5	87.2	83.4
1,066,936	855,373	1,093,739	1,017,418	1,004,776	1,006,819	891,601
1,071,034	598,044	787,740	1,032,056	1,120,751	1,157,993	758,450
160,188	155,159	160,983	163,082	162,633	153,848	134,987
37,336	35,566	35,591	37,628	40,625	36,811	30,865

losses of \$6 million (\$0.08 per common share) and \$19 million (\$0.23 per common share), respectively, related to the early retirement of debt. Also included in 1988 is a one-time favorable adjustment of \$81 million (\$1.02 per common share) for the cumulative effect of a change in accounting for income taxes. Net earnings (loss) for all years include the results of discontinued operations.

(c) Excludes the cumulative effect of changes in accounting and special charges and gains related to discontinued operations.

(d) On December 7, 1993, the company completed the spin off of its aviation services subsidiaries by distributing to common stockholders one share of Aviall, Inc. common stock valued at \$16.25 for each four Ryder System, Inc. common shares owned. The high and low presented for 1993 were the values of the company's common stock after the spin off. The high and low for 1993 prior to the spin off were 33 1/2 and 26 1/4, respectively.

(e) Excludes the cumulative effect of changes in accounting and discontinued operations.

(f) Excludes discontinued operations.

Average common shares and all per share information have been adjusted for the May 1986 three-for-two split.

**EXHIBIT 21.1**

RYDER SYSTEM, INC.

SUBSIDIARIES AS OF MARCH 1, 1997

NAME OF COMPANY -----	STATE/COUNTRY OF INCORPORATION -----
ATE Management of Duluth, Inc.	Minnesota
Automobile Transport Inc.	Canada
B & C, Inc. (1)	Michigan
F. J. Boutell Driveaway Co., Inc.	Michigan
Cape Area Transportation Systems, Inc.	Massachusetts
Central Virginia Transit Management Company, Inc.	Virginia
Commercial Carriers, Inc. (2)	Michigan
Commuter Services, Inc.	Virginia
Far East Freight, Inc.	Florida
Forrest Rental Services Limited	England
Harbor Drive Realty, Inc.	Florida
H.N.S. Management Company, Inc.	Connecticut
MCL Ryder Transport Inc.	Canada
Merrimack Valley Area Transportation Co., Corp.	Massachusetts
Mid-South Transportation Management, Inc.	Tennessee
Mitchell Self Drive Limited	England
Network Sales, Inc. (3)	Tennessee
Network Vehicle Central, Inc.	Florida
Old Dominion Transit Management Company	Virginia
OSHCO, Inc.	Florida
Paratransit Brokerage Services, Inc.	Massachusetts
Parking Management of Southwest Virginia, Inc.	Virginia
QAT, Inc.	Florida
RMX, Inc. (4)	Delaware
Road Master, Limited	Bermuda
RSI Acquisition Corp.	Delaware
RSI Purchase Corp.	Delaware
RTA Transit Services, Inc.	Massachusetts
Ryder Argentina S.R.L.	Argentina
Ryder/ATE, Inc.	Delaware
Ryder Automotive Carrier Services, Inc.	Florida
Ryder Automotive Operations, Inc.	Florida
Ryder Capital S.A. de C.V.	Mexico
Ryder Carrier Management Corp.	Delaware
RYDERCORP	Florida
RYDERCORP, Inc.	Delaware
Ryder de Mexico S.A. de C.V.	Mexico
Ryder Dedicated Capacity, Inc.	Tennessee
Ryder Dedicated Logistics, Inc. (5)	Delaware
Ryder Dedicated Logistics Limited	England
Ryder Deutschland GmbH	West Germany
Ryder Distribution Services Limited	England
Ryder do Brasil Ltda.	Brazil
Ryder Driver Leasing, Inc.	Florida
Ryder Energy Distribution Corporation	Florida

Ryder (Europe) Limited	England
Ryder Freight Broker, Inc.	Virginia
Ryder Integrated Logistics, Inc.	Delaware
Ryder International, Inc.	Florida
Ryder Mexicana, S.A. de C.V.	Mexico
Ryder Netherlands B.V.	Netherlands
Ryder Pension Fund Limited	England
Ryder Plc	England
Ryder Polska Sp. z o. o.	Poland
Ryder Public Transportation Services, Inc.	Florida
Ryder Puerto Rico, Inc.	Delaware
Ryder Realty, Inc.	Delaware
Ryder Services Corporation (6)	Florida
Ryder Servicos do Brasil Ltda.	Brazil
Ryder Servicios S.A. de C.V.	Mexico
Ryder St. Louis Redevelopment Corporation	Missouri
Ryder Student Transportation Services, Inc. (7)	Florida
Ryder System, B.V.	Netherlands
Ryder System Holdings (UK) Limited	England
Ryder System Limited	England
Ryder Transport Services Limited	England
Ryder Transportation Limited	England
Ryder Truck Rental, Inc. (8)	Florida
Ryder Truck Rental Canada Ltd. (9)	Canada
Ryder Truck Rental Limited	England
Ryder Truckstops, Inc.	Florida
Ryder Vehicle Leasing & Sales Corp.	Barbados
Saunders Leasing System of Canada Limited - being dissolved	Canada
Southwestern Virginia Transit Management Company, Inc.	Virginia
Spring Hill Integrated Logistics Management, Inc.	Delaware
Terminal Service Co. (10)	Washington
Transit Management Company of Laredo	Texas
Transit Management of Alexandria, Inc.	Virginia
Transit Management of Charlotte, Inc.	North Carolina
Transit Management of Connecticut, Inc.	Connecticut
Transit Management of Decatur, Inc.	Illinois
Transit Management of Durham, Inc.	North Carolina
Transit Management of Great Falls, Inc.	Montana
Transit Management of Nashua, Inc.	New Hampshire
Transit Management of Racine, Inc.	Wisconsin
Transit Management of Richland, Inc.	Ohio
Transit Management of St. Joseph, Inc.	Missouri
Transit Management of Spartanburg, Inc.	South Carolina
Transit Management of Tucson, Inc.	Arizona
Transit Management of Tyler, Inc.	Texas
Transit Management of Washoe, Inc.	Nevada
Transit Management of Waukesha, Inc.	Wisconsin
Transport Support, Inc.	Delaware
Unilink Contract Hire Limited	England
UniRyder Limited	England
United Contract Hire Limited	England

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- (1) Kentucky and Wisconsin: B & C, Inc. of Michigan  
Alabama: B & C of Michigan, Inc.
- (2) Florida: d/b/a Commercial Carriers of Michigan, Inc.

Michigan and New York: d/b/a Delavan

(3) Ontario, Canada: d/b/a Vehicle Network Sales

(4) Texas: Delaware RMX, Inc.

(5) Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Missouri, Nebraska, Nevada, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Dakota, Tennessee, Texas, Utah, Virginia and Washington: d/b/a LogiCorp.

Florida: d/b/a UniRyder

(6) New Jersey, Ohio and Texas: d/b/a Ryder Claims Services Corporation

(7) California, Colorado, Connecticut, Illinois, Minnesota, Missouri, Montana and New Jersey: d/b/a Ryder Transportation

California: d/b/a Ryder

Colorado: d/b/a Grand Connection

Massachusetts: d/b/a DePalma Transportation Sales

Minnesota: d/b/a Kare Kabs

New York: d/b/a Ryder Student Transportation

Rhode Island: d/b/a Ryder Student Transportation Sales



(8) Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and Wyoming: d/b/a Ryder Transportation Services

Maryland and Virginia: d/b/a Ryder/Jacobs

Michigan: d/b/a Atlas Trucking, Inc.

Michigan: d/b/a Ryder Atlas of Western Michigan

(9) French Name: Location de Camions Ryder du Canada Ltee.

Canadian Provinces: Ryder Integrated Logistics

(10) Florida: Terminal Service Co. of Washington

## EXHIBIT 23.1

### INDEPENDENT AUDITORS' CONSENT

The Board of Directors and Shareholders  
Ryder System, Inc.:

We consent to incorporation by reference in the following Registration Statements on Forms S-3 and S-8 of Ryder System, Inc. of our report dated February 4, 1997, relating to the consolidated balance sheets of Ryder System, Inc. and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of operations and cash flows for each of the years in the three-year period ended December 31, 1996, which report appears in, or is incorporated by reference in, the December 31, 1996 annual report on Form 10-K of Ryder System, Inc.:

#### Form S-3:

/bullet/ Registration Statement No. 33-20359 covering \$1,000,000,000 aggregate principal amount of debt securities.

/bullet/ Registration Statement No. 33-50232 covering \$800,000,000 aggregate principal amount of debt securities.

/bullet/ Registration Statement No. 33-58667 covering \$800,000,000 aggregate principal amount of debt securities.

#### Form S-8:

/bullet/ Registration Statement No. 33-20608 covering the Ryder System Employee Stock Purchase Plan.

/bullet/ Registration Statement No. 33-4333 covering the Ryder Employee Savings Plan.

/bullet/ Registration Statement No. 1-4364 covering the Ryder System Profit Incentive Stock Plan.

/bullet/ Registration Statement No. 33-69660 covering the Ryder System, Inc. 1980 Stock Incentive Plan.

- /bullet/ Registration Statement No. 33-37677 covering the Ryder System UK Stock Purchase Scheme.
- /bullet/ Registration Statement No. 33-442507 covering the Ryder Student Transportation Services, Inc. Retirement/Savings Plan.
- /bullet/ Registration Statement No. 33-63990 covering the Ryder System, Inc. Directors' Stock Plan.
- /bullet/ Registration Statement No. 33-58001 covering the Ryder System, Inc. Employee Savings Plan A.
- /bullet/ Registration Statement No. 33-58003 covering the Ryder System, Inc. Employee Savings Plan B.
- /bullet/ Registration Statement No. 33-58045 covering the Ryder System, Inc. Savings Restoration Plan.
- /bullet/ Registration Statement No. 33-61509 covering the Ryder System, Inc. Stock for Merit Increase Replacement Plan.
- /bullet/ Registration Statement No. 33-62013 covering the Ryder System, Inc. 1995 Stock Incentive Plan.
- /bullet/ Registration Statement No. 333-19515 covering the Ryder System, Inc. Deferred Compensation Plan.

*/s/ KPMG PEAT MARWICK LLP*

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*Miami, Florida*

*March 25, 1997*























## ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE RYDER SYSTEM, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1996
PERIOD START	JAN 01 1996
PERIOD END	DEC 31 1996
CASH	191,384
SECURITIES	0
RECEIVABLES	561,927
ALLOWANCES	0
INVENTORY	61,345
CURRENT ASSETS	1,147,766
PP&E	6,410,560
DEPRECIATION	2,509,361
TOTAL ASSETS	5,645,389
CURRENT LIABILITIES	1,154,955
BONDS	2,237,010
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	496,292
OTHER SE	609,714
TOTAL LIABILITY AND EQUITY	5,645,389
SALES	0
TOTAL REVENUES	5,519,415
CGS	0
TOTAL COSTS	5,330,431
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	206,607
INCOME PRETAX	(17,623)
INCOME TAX	13,664
INCOME CONTINUING	(31,287)
DISCONTINUED	0
EXTRAORDINARY	(10,031)
CHANGES	0
NET INCOME	(41,318)
EPS PRIMARY	(0.51)
EPS DILUTED	0

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