

RYDER SYSTEM INC

FORM 10-K (Annual Report)

Filed 03/26/01 for the Period Ending 12/31/00

| | |
|-------------|---|
| 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 3/26/2001 For Period Ending 12/31/2000

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

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
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number 1-4364

RYDER SYSTEM, INC.

(Exact name of registrant as specified in its charter)

FLORIDA

59-0739250

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

3600 N.W. 82 AVENUE, MIAMI, FLORIDA 33166

(305) 500-3726

(Address of principal executive
offices including zip code)

(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 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 and non-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, 2001, was \$1,208,800,623. The number of shares of Ryder System, Inc. Common Stock (\$.50 par value) outstanding as of January 31, 2001, was 60,049,481.

DOCUMENTS INCORPORATED BY
REFERENCE INTO THIS REPORT

PART OF FORM 10-K INTO WHICH
DOCUMENT IS INCORPORATED

Ryder System, Inc. 2001 Proxy
Statement

Part III

[Cover page 1 of 3 pages]

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 Berlin 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. 6 1/2% Series O Notes, due May 15, 2005 | None |
| Ryder System, Inc. 6.60% Series P Notes, due November 15, 2005 | None |
| Ryder System, Inc. Medium-Term Notes Series 1, 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 |

[Cover page 2 of 3 pages]

| | |
|---|------|
| 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 |
| Ryder System, Inc. Medium-Term Notes, Series 15, 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 16, 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. The Company operates in three reportable business segments: (1) Fleet Management Solutions (FMS), which provides full service leasing, commercial rental and programmed maintenance of trucks, tractors and trailers to customers, principally in the U.S., Canada and the United Kingdom; (2) Supply Chain Solutions (SCS), which provides comprehensive supply chain consulting and lead logistics management solutions that support customers' entire supply chains, from inbound raw materials through distribution of finished goods throughout North America, in Latin America, Europe and Asia and (3) Dedicated Contract Carriage (DCC), which provides vehicles and drivers as part of a dedicated transportation solution, principally in North America. As of December 31, 2000, the Company and its subsidiaries had a fleet of 176,300 vehicles and 33,089 employees.(1)

On September 13, 1999, the Company sold its public transportation services business (RPTS). The disposal of this business has been accounted for as discontinued operations and, accordingly, its operating results and cash flows are segregated and reported as discontinued operations in the Company's consolidated financial statements.

Financial information about business segments is included in Item 8 on pages 45 through 47 of this report.

TRANSPORTATION AND LOGISTICS BUSINESS UNITS

FLEET MANAGEMENT SOLUTIONS

The FMS business segment provides full service truck leasing to over 14,000 customers globally ranging from large national enterprises to small companies, with a fleet of 130,700 vehicles. Under a full service lease, The Company 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, the Company provides contract maintenance to service customer vehicles 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 42,200 vehicles, ranging from heavy-duty tractors and trailers to light-duty trucks, is available for commercial short-term rental. In 2000, the FMS business segment 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. The Company also provides additional services for customers, including fleet management, freight management and the Ryder Citicorp Finance Lease program. By expanding its vehicle financing options, Ryder gives customers the flexibility to choose a full service lease or the combination of a finance lease and contract maintenance for their vehicles.

SUPPLY CHAIN SOLUTIONS

The SCS business segment provides global integrated logistics support of customers' entire supply chains, from in-bound raw materials supply through finished goods distribution, the management of carriers, and inventory deployment and overall supply chain design and management. Services include varying combinations of logistics system and information technology design, the provision of vehicles and equipment (including maintenance and drivers), warehouse management (including cross docking and flow-through distribution), transportation management, vehicle dispatch, and in-bound and out-bound just-in-time delivery. Supply chain solutions includes 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 major industry sectors including electronics, high-tech, telecommunications, automotive, industrial, aerospace, consumer packaged goods, paper and paper products, chemical, office equipment, news, food and beverage, general retail industries, along with other industries and the federal sector. Part of Ryder's strategy is to take advantage of, and build upon, the expertise, market knowledge and infrastructure of strategic alliance and joint venture partners to complement its own expertise in providing supply chain solutions to businesses involved in the over-the-road transportation of goods and to those who move goods around the world using any mode of transportation.

In 2000, SCS continued to expand its presence in the logistics market through internal growth, increased emphasis on global account management and initiation of strategic alliances. Ongoing expansion initiatives included the establishment of e-Commerce services and increased capabilities in Asia and the Pacific Rim.

(1) This number does include drivers obtained by certain subsidiaries of the Company under driver leasing agreements.

DEDICATED CONTRACT CARRIAGE

The DCC business segment combines the equipment, maintenance and administrative services of a full service lease with additional services in order to provide a customer with a dedicated transportation solution. Such additional services include driver hiring and training, routing and scheduling, fleet sizing and other technical support. Ryder has sought to expand its DCC operations in 2000 through internal growth.

DISPOSITION OF REVENUE EARNING EQUIPMENT

The Company's FMS segment has historically disposed of used revenue earning equipment at prices in excess of book value. However, during 2000 an industry-wide downturn in the market for new and used tractors and trucks, particularly "Class 8" vehicles (the largest heavy-duty tractors and straight trucks), combined with higher average book values per unit, led to the Company recording reduced gains on the sale of revenue earning equipment. Additionally, the company recorded impairment charges related to class 8 vehicles. See further discussion under item 7.

The gains on the sale of revenue earning equipment were approximately 5%, 12% and 12% of earnings from continuing operations before interest, taxes and unusual items in 2000, 1999 and 1998, respectively. The extent to which gains will be realized on future disposal of revenue earning equipment is dependent upon various factors including the general state of the used vehicle market, the age and condition of vehicles at the time of their disposal and depreciation methods with respect to vehicles.

COMPETITION

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

The FMS and DCC business segments compete with companies providing similar services on 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, service and geographical coverage and, with respect to DCC, driver and operations expertise. Ryder also competes, to an extent and particularly in the U.K., 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 full service truck leasing, truck rental, contract and non-contract truck maintenance service and DCC offerings has been, and will continue to be, Ryder's emphasis.

In the SCS business segment, Ryder competes with companies providing similar services on an international, national, regional and local level. Additionally, this business is subject to potential competition in most of the regions it serves from air cargo, shipping, railroads, motor carriers and other companies that are expanding logistics services such as freight forwarders and integrators. Competitive factors include price, service, equipment, maintenance, geographical coverage, market knowledge, expertise in logistics-related technology, and overall performance (e.g., timeliness, accuracy and flexibility). Value-added differentiation of these service offerings across the full global supply chain will continue to be Ryder's overriding 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 and operating activities. 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 affect on the Company's financial condition or liquidity.

For further discussion concerning the business of the Company and its subsidiaries, see the information included in 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 5, 2000 in conjunction with the Company's 2000 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 | 58 | Chairman of the Board |
| Dwight D. Denny | 57 | Executive Vice President, Asset Management |
| Bobby J. Griffin | 52 | Executive Vice President, Global Supply Chain Operations |
| Tracy A. Leinbach | 41 | Executive Vice President, Fleet Management Solutions |
| Challis M. Lowe | 55 | Executive Vice President, Human Resources, Public Affairs and Corporate Communications |
| Corliss J. Nelson | 56 | Senior Executive Vice President and Chief Financial Officer |
| Vicki A. O'Meara | 43 | Executive Vice President, General Counsel and Secretary |
| Lisa A. Rickard | 45 | Senior Vice President, Government Relations |
| Richard G. Rodick | 42 | Senior Vice President and Controller |
| Gregory T. Swinton | 52 | President and Chief Executive Officer |
| Gene R. Tyndall | 61 | Executive Vice President, Global Markets and e-Commerce |

M. Anthony Burns has been Chairman of the Board since May 1985 and a director since December 1979. He also served as the Company's Chief Executive Officer from January 1983 until November 2000 and President from December 1979 until June 1999.

Dwight D. Denny has been Executive Vice President, Asset Management since February 2000. Mr. Denny was Executive Vice President, Development from December 1995 to February 2000, and was President, Ryder Commercial Leasing and 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 also 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.

Bobby J. Griffin has been Executive Vice President, Global Supply Chain Operations since March 2001. Prior to this appointment, Mr. Griffin was Senior Vice President, Field Management West from January 2000 to March 2001. Mr. Griffin was Vice President, Operations of Ryder Transportation Services from 1997 to December 1999. Mr. Griffin also served Ryder as Vice President and General Manager of ATE Management and Service Company, Inc. and of Managed Logistics Systems, Inc. operating units of the former Ryder Public Transportation Services, positions he held from 1993 to 1997. Mr. Griffin was Executive Vice President, Western Operations of Ryder/ATE from 1987 to 1993. He joined Ryder as Executive Vice President, Consulting of ATE in 1986 after Ryder acquired ATE Management and Service Company.

Tracy A. Leinbach has been Executive Vice President, Fleet Management Solutions since March 2001. Ms. Leinbach served as Senior Vice President, Sales and Marketing from September 2000 to March 2001, and she was Senior Vice President Field Management from July 2000 to September 2000. Ms. Leinbach also served as Managing Director Europe of Ryder Transportation Services from January 1999 to July 2000 and previously she had served Ryder Transportation Services as Senior Vice President and Chief Financial Officer from 1998 to January 1999, Senior Vice President, Business Services from 1997 to 1998, and Senior Vice President, Purchasing and Asset Management for six months during 1996. From 1985 to 1996, Ms. Leinbach held various financial positions in Ryder subsidiaries.

Challis M. Lowe has served as Executive Vice President, Human Resources, Public Affairs and Corporate Communications since November 2000. Before joining Ryder, Ms. Lowe was Executive Vice President, Human Resources and Administrative Services at Beneficial Management Corp., a financial services company, from 1997 to 1998. Previously, she was Executive Vice President at Heller International, a financial services company, from 1993 to 1997 where she was responsible for Human Resources and Communications.

Corliss J. Nelson has been Senior Executive Vice President and Chief Financial Officer since April 1999. Previously, Mr. Nelson was President of Koch Capital Services and was a Vice President of Koch Industries, Inc., a diversified company.

Vicki A. O'Meara has been Executive Vice President and General Counsel since June 1997 and Secretary since February 1998. Previously, Ms. O'Meara was a partner with the Chicago office of the law firm of Jones Day Reavis & Pogue.

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. From June 1982 until December 1993, Ms. Rickard was with the Washington law firm of Akin, Gump, Strauss, Hauer & Feld, LLP, where she was a partner.

Richard G. Rodick has been Senior Vice President and Controller at Ryder System, Inc. since March 1999 and he was Vice President and Controller, Business Services of Ryder Transportation Services from June 1998 to March 1999. Mr. Rodick served as Field Finance Director of Commercial Leasing and Services from January 1997 to June 1998 and as District Controller from August 1994 to January 1997. From 1988 to 1994, Mr. Rodick held various financial positions at Ryder subsidiaries.

Gregory T. Swienton has been President since June 1999 and Chief Executive Officer since November 2000. Previously, Mr. Swienton was Chief Operating Officer from June 1999 to November 2000. Before joining Ryder, Mr. Swienton was Senior Vice President of Growth Initiatives of Burlington Northern Santa Fe Corporation (BNSF) and before that Mr. Swienton was BNSF's Senior Vice President, Coal and Agricultural Commodities Business Unit.

Gene R. Tyndall has been Executive Vice President, Global Markets and e-Commerce since June 2000. Previously, he served as Senior Vice President, Global Customer Solutions from 1999 to 2000. Prior to joining Ryder, Mr. Tyndall was senior partner and leader of the Ernst & Young Global Supply Chain Management Consulting Practice where he spent twenty years providing logistic consulting services and developing the global supply chain consulting practice.

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 of this Form 10-K. The Company maintains its property records based on legal entities, which are different from the Company's business segments.

Ryder Integrated Logistics, Inc. has nearly 880 locations in the United States and Canada. Almost all of these facilities are leased. Such locations generally include a warehouse and administrative offices.

Ryder Transportation Services has approximately 780 locations in the United States, Puerto Rico and Canada; nearly 390 of these facilities are owned and the remainder are leased. Such locations generally include a repair shop and administrative offices.

The Company's international operations (locations outside of North America) have over 120 locations. These locations are in the United Kingdom, Germany, the Netherlands, Sweden, Hungary, Poland, Mexico, Argentina, Brazil and Singapore. Almost all of these facilities are leased. Such locations generally include a repair shop, warehouse and administrative offices.

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 operations 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, 2000.

PART II

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

Information required by Item 5 is included in Item 8, "Supplementary Data."

ITEM 6. SELECTED FINANCIAL DATA

FIVE YEAR SUMMARY

| Years ended December 31 | 2000 | 1999 | 1998 | 1997 | 1996 |
|---|-------------|-----------|-----------|-----------|-----------|
| <hr/> | | | | | |
| (dollars in thousands, except per share amounts) | | | | | |
| Revenue | \$5,336,792 | 4,952,204 | 4,606,976 | 4,368,148 | 4,496,373 |
| Earnings from continuing operations before unusual items/(a)/: | | | | | |
| Before income taxes | \$ 183,335 | 193,637 | 238,942 | 213,042 | 134,335 |
| After income taxes | \$ 115,501 | 121,129 | 149,292 | 130,019 | 79,158 |
| Per diluted common share/(a)/ | \$ 1.93 | 1.76 | 2.03 | 1.66 | 0.97 |
| Earnings (loss) from continuing operations: | | | | | |
| Before income taxes | \$ 141,321 | 117,494 | 204,564 | 209,550 | (47,653) |
| After income taxes | \$ 89,032 | 72,917 | 127,812 | 127,888 | (43,845) |
| Per diluted common share/(a)/ | \$ 1.49 | 1.06 | 1.74 | 1.64 | (0.54) |
| Net earnings (loss)/(b)/ | \$ 89,032 | 419,678 | 159,071 | 175,685 | (41,318) |
| Per diluted common share/(b)/ | \$ 1.49 | 6.11 | 2.16 | 2.25 | (0.51) |
| Cash dividends per common share | \$ 0.60 | 0.60 | 0.60 | 0.60 | 0.60 |
| Average common shares - diluted (in thousands) | 59,759 | 68,732 | 73,645 | 78,192 | 81,263 |
| Average shareholders' equity, excluding unusual items | \$1,225,910 | 1,122,698 | 1,106,133 | 1,126,519 | 1,261,101 |
| Return on average common equity (%) | 7.3 | 7.2 | 14.5 | 12.4 | (5.6) |
| Book value per common share | \$ 20.86 | 20.29 | 15.37 | 14.39 | 14.19 |
| Market price - high | \$ 25.13 | 28.75 | 40.56 | 37.13 | 31.13 |
| Market price - low | \$ 14.81 | 18.81 | 19.44 | 27.13 | 22.63 |
| Total debt | \$2,016,980 | 2,393,389 | 2,583,031 | 2,568,915 | 2,436,968 |
| Long-term debt | \$1,604,242 | 1,819,136 | 2,099,697 | 2,267,554 | 2,237,010 |
| Debt-to-equity (%) | 161 | 199 | 236 | 242 | 220 |
| Year-end assets | \$5,474,923 | 5,770,450 | 5,708,601 | 5,509,060 | 5,645,389 |
| Return on average assets %/(c)/ | 1.6 | 1.3 | 2.4 | 2.5 | (0.8) |
| Average asset turnover %/(c)/ | 93.8 | 85.4 | 86.5 | 83.7 | 83.4 |
| Cash flow from continuing operating activities and asset sales/(d)/ | \$1,245,441 | 671,721 | 1,212,172 | 908,845 | 839,945 |
| Capital expenditures, including capital leases/(c)/ | \$1,288,784 | 1,734,566 | 1,333,352 | 992,408 | 1,210,372 |
| Number of vehicles/(c)/ | 176,300 | 171,500 | 162,700 | 152,800 | 152,800 |
| Number of employees/(c)/ | 33,089 | 30,340 | 29,166 | 27,516 | 27,924 |
| <hr/> | | | | | |

(a) Unusual items represent Year 2000 expense, 2000, 1999 and 1996 restructuring and other charges and results of the consumer truck rental business. Year 2000 expense totaled \$24 million (\$15 million after-tax, or \$0.22 per diluted common share) in 1999, \$37 million (\$23 million after-tax, or \$0.32 per diluted common share) in 1998 and \$3 million (\$2 million after-tax, or \$0.03 per diluted common share) in 1997. Restructuring and other charges totaled \$42 million (\$26 million after-tax, or \$0.44 per diluted common share) in 2000, \$52 million (\$33 million after-tax, or \$0.48 per diluted common share) in 1999, \$(3) million (\$(2) million after-tax, or \$(0.03) per diluted common share) in 1998 and \$227 million (\$149 million after-tax, or \$1.84 per diluted common share) in 1996. The consumer truck rental business reported earnings of \$45 million (\$27 million after-tax, or \$0.33 per diluted common share) in 1996.

(b) Net earnings for 1999 include, in addition to the items discussed in (a) above, an after-tax extraordinary loss of \$4 million (\$0.06 per diluted common share) relating to the early extinguishment of debt. Net loss for 1996 includes, in addition to the items discussed in (a) above, an after-tax extraordinary loss of \$10 million (\$0.12 per diluted common share) relating to the early extinguishment of debt. Net earnings (loss) for 1999, 1998, 1997 and 1996 include the results of discontinued operations.

(c) Excludes discontinued operations.

(d) Excludes sale-leaseback transactions.

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

The Company operates in three reportable business segments: (1) Fleet Management Solutions (FMS), which provides full service leasing, commercial rental and programmed maintenance of trucks, tractors and trailers to customers, principally in the U.S., Canada and the United Kingdom; (2) Supply Chain Solutions (SCS), which provides comprehensive supply chain consulting and lead logistics management solutions that support customers' entire supply chains, from inbound raw materials through distribution of finished goods throughout North America, in Latin America, Europe and Asia; and (3) Dedicated Contract Carriage (DCC), which provides vehicles and drivers as part of a dedicated transportation solution, principally in North America. During 1999, the Company sold its public transportation services business (RPTS). The following discussion excludes the results of RPTS, which has been classified as discontinued operations.

CONSOLIDATED RESULTS

| Years ended December 31 | 2000 | 1999 | 1998 |
|---|-----------|---------|---------|
| ----- | | | |
| (in thousands) | | | |
| Earnings from continuing operations before unusual items* | \$115,501 | 121,129 | 149,292 |
| Per diluted common share | 1.93 | 1.76 | 2.03 |
| Earnings from continuing operations | 89,032 | 72,917 | 127,812 |
| Per diluted common share | 1.49 | 1.06 | 1.74 |
| Weighted average shares outstanding - diluted | 59,759 | 68,732 | 73,645 |
| ===== | | | |

*Year 2000 expense and restructuring and other charges.

Earnings from continuing operations increased 22 percent in 2000 and decreased 43 percent in 1999. See "Operating Results by Business Segments" for a further discussion of operating results in the past three years. Earnings per share growth rates have exceeded earnings growth rates over the last two years because the average number of shares outstanding has decreased during these periods. The decrease in average shares outstanding reflects the impact of the Company's various stock repurchase programs conducted through the end of 1999.

| Years ended December 31 | 2000 | 1999 | 1998 |
|----------------------------|-------------|-----------|-----------|
| ----- | | | |
| (in thousands) | | | |
| Revenue | | | |
| Fleet management solutions | \$3,555,990 | 3,307,244 | 3,162,910 |
| Supply chain solutions | 1,604,862 | 1,449,871 | 1,242,664 |
| Dedicated contact carriage | 542,096 | 522,800 | 512,800 |
| Eliminations | (366,156) | (327,711) | (311,398) |
| Total revenue | \$5,336,792 | 4,952,204 | 4,606,976 |
| ===== | | | |

Revenue from continuing operations increased 8 percent in 2000 compared with 1999, led by SCS, which grew 11 percent. FMS posted revenue gains of 8 percent, due primarily to increased fuel revenue resulting from increases in related fuel prices. However, the Company did not realize additional contribution margin as a result of these increases. Revenue from continuing operations increased 7 percent in 1999 compared with 1998, led by SCS, which grew 17 percent. FMS posted revenue gains of 5 percent due primarily to full service leasing and programmed maintenance. The FMS segment leases revenue earning equipment, sells fuel and provides maintenance and other ancillary services to the SCS and DCC segments. Inter-segment sales are accounted for at approximate fair value as if the sales were made to third parties. Eliminations reflect the elimination of revenue for these services and sales.

| Years ended December 31 | 2000 | 1999 | 1998 |
|-------------------------|-------------|-----------|-----------|
| (in thousands) | | | |
| Operating expense | \$3,623,450 | 3,320,687 | 3,079,940 |
| Percentage of revenue | 68% | 67% | 67% |

Operating expense increased 9 percent in 2000 compared with 1999. The increase was primarily attributable to higher fuel costs due to fuel price increases. Operating expense increased 8 percent in 1999 compared with 1998, due to higher compensation and employee benefits expense, outside driver costs, vehicle liability and technology costs primarily as a result of higher business volumes and higher fuel costs due to fuel price increases, particularly in the second half of 1999.

| Years ended December 31 | 2000 | 1999 | 1998 |
|----------------------------------|-----------|---------|---------|
| (in thousands) | | | |
| Freight under management expense | \$421,644 | 425,769 | 330,124 |
| Percentage of revenue | 8% | 9% | 7% |

Freight under management (FUM) expense represents subcontracted freight costs on logistics contracts for which the Company purchases transportation. FUM expense decreased \$4 million, or 1 percent, in 2000. The Company's vehicle-based SCS revenue in 2000 was flat compared with 1999, which led to a similar trend related to FUM expense. FUM expense increased \$96 million, or 29 percent, in 1999 compared with 1998, reflecting growth in related logistics contracts. The Company focused its efforts to expand its SCS business in 2000 on service-based, rather than vehicle-based revenue and expects to continue this strategy in 2001.

| Years ended December 31 | 2000 | 1999 | 1998 |
|-------------------------|-----------|----------|----------|
| (in thousands) | | | |
| Depreciation expense | \$580,356 | 622,726 | 626,293 |
| Gains on vehicle sales | (19,307) | (55,961) | (56,631) |
| Equipment rental | 385,763 | 266,995 | 205,990 |

Depreciation expense decreased by \$42 million, or 7 percent, compared with 1999. The decrease resulted principally from sale-leaseback and other leasing transactions which increased the number of leased (as opposed to owned) vehicles in the Company's fleet. Consistent with the charges recorded in the third quarter of 2000 (described in "Restructuring and Other Charges") to reflect decreases in the market value of used tractors, the Company reduced residual values for certain vehicles, principally tractors, currently in use and expected to be disposed of during the next two years. In light of this change, the Company expects to record additional depreciation and rent expense over the next two years on a declining basis.

Depreciation expense decreased 1 percent in 1999 compared with 1998, due to the impact of sale-leaseback transactions completed since December 1998 and, to a lesser extent, depreciation changes made over the past several years with respect to residual values and useful lives of revenue earning equipment.

Gains on vehicle sales decreased to \$19 million in 2000 from \$56 million in 1999. During 2000, average sales proceeds per unit decreased for certain classes of tractors and have generally been stable for other tractors and types of trucks compared with 1999. However, the average book value per unit of units sold in 2000 was generally greater than that of units sold in 1999.

Gains on vehicle sales decreased 1 percent in 1999 compared with 1998 due to a decrease in the average gain per vehicle sold, which offset a 25 percent increase in the number of vehicles sold. The reduced average gains reflect the overall increased carrying value of vehicles at the date of disposition and a changing mix of vehicles sold and disposal methods. Average proceeds per vehicle sold in 1999 exceeded 1998 levels.

The Company periodically reviews and adjusts the residual values, reserves for guaranteed lease termination values and useful lives of revenue earning equipment based on current and expected operating trends and projected realizable values. The Company believes that its carrying values and estimated sales proceeds for revenue earning equipment are appropriate. However, a greater than anticipated decline in the market for used vehicles may require the Company to further adjust such values and estimates.

Equipment rental primarily consists of rental costs on revenue earning equipment. Equipment rental costs have increased in 2000 and 1999 compared with prior years as a result of sale-leaseback and securitization transactions completed in the last two years.

| Years ended December 31 | 2000 | 1999 | 1998 |
|-------------------------|-----------|---------|---------|
| ----- | | | |
| (in thousands) | | | |
| Interest expense | \$154,009 | 187,176 | 187,786 |
| Percentage of revenue | 3% | 4% | 4% |
| ===== | | | |

Interest expense decreased 18 percent in 2000, compared with 1999, due primarily to lower commercial paper interest rates, debt reductions associated with the use of proceeds from the RPTS sale and the impact of sale-leaseback transactions completed since December 1998. Interest expense was virtually unchanged in 1999 compared with 1998. In 1999, the effect of debt reductions associated with the use of proceeds from the RPTS sale and the impact of sale-leaseback transactions completed since December 1998 was offset by the impact of higher average outstanding debt levels, particularly during the second and third quarters of 1999, primarily from increased levels of capital sending.

Years ended December 31 2000 1999 1998

(in thousands)

Miscellaneous expense

(income), net \$7,542 (8,825) (5,468)

The Company recorded net miscellaneous expense in 2000 compared with net miscellaneous income in 1999. The growth in expense was due to an increase of \$7 million in fees (due to an increase in dollar volume) related to the Company's trade receivables sale facility in 2000. Additionally, in 1999, such fees were offset by a \$5 million gain on the sale of non-operating property and \$4 million of interest income earned on temporarily investing the proceeds from the RPTS sale.

Miscellaneous income increased in 1999 compared to 1998.

| Years ended December 31 | 2000 | 1999 | 1998 |
|--------------------------------------|----------|--------|---------|
| ----- | | | |
| (in thousands) | | | |
| Unusual items: | | | |
| Restructuring and other charges, net | \$42,014 | 52,093 | (3,040) |
| Year 2000 expense | -- | 24,050 | 37,418 |
| | \$42,014 | 76,143 | 34,378 |
| ===== | | | |

Unusual items represent restructuring and other charges, which include asset impairment charges, and Year 2000 expense. Restructuring and other charges totaled \$42 million in 2000 compared with \$52 million in 1999. Incremental Year 2000 expense totaled \$24 million in 1999 compared with \$37 million in 1998. See the "Restructuring and Other Charges" section of this Financial Review for a further discussion of these matters.

| Years ended December 31 | 2000 | 1999 | 1998 |
|----------------------------|----------|--------|--------|
| ----- | | | |
| (in thousands) | | | |
| Provision for income taxes | \$52,289 | 44,577 | 76,752 |
| ===== | | | |

The effective income tax rate is the provision for income taxes as a percentage of income from continuing operations before income taxes. The Company's effective tax rate was 37.0 percent in 2000, 37.9 percent in 1999 and 37.5 percent in 1998. The lower effective tax rates in 2000 and 1998 resulted primarily from lower state income taxes and lower net non-deductible items.

RESTRUCTURING AND OTHER CHARGES

In 2000, the Company recorded a pre-tax charge of \$42 million. The components of the charge were as follows (in thousands):

| | |
|---|----------|
| Impairment - tractors identified for accelerated disposal | \$15,100 |
| Impairment - other tractors: | |
| Owned | 3,475 |
| Leased | 23,095 |
| Asset impairment charges | 3,339 |
| Other charges | 958 |
| Recovery of prior year charges | (3,953) |
| | ----- |
| Total | \$42,014 |
| ===== | ===== |

The most significant portion of the charge was a result of the industry-wide downturn in the market for new and used "Class 8" vehicles (the largest heavy-duty tractors and straight trucks) which led to a decrease in the market value of used tractors during the second half of 2000. The Company's unsold Class 8 inventory consists of units previously used by customers of the FMS segment. Tractors identified for accelerated disposal represent revenue earning equipment held for sale that the

Company identified in the third quarter of 2000 as increasingly undesirable and unmarketable due to lower-powered engines or a potential lack of future support for parts and service. Impairment of other tractors reflects owned and leased units for which estimated fair value less costs to sell declined below carrying value (or termination value, which represents the final payment due to lessors, in the case of leased units) in the third and fourth quarters of 2000.

The Company was involved in litigation with a former customer, OfficeMax, relating to a logistics services agreement that was terminated in 1997. In October 2000, the Company agreed to an out-of-court settlement with OfficeMax, ending this litigation. Asset impairment charges relate to the write-off, net of recoveries in the fourth quarter 2000, of certain assets related to the OfficeMax contract.

Other charges of \$958,000 represent consulting fees incurred during 2000 related to the completion of the Company's 1999 profitability improvement study.

Recovery of prior year charges represents both the reversal of severance and employee-related charges and gains on vehicles sold in the United Kingdom during the third quarter of 2000, for which an impairment charge had been recorded in the 1999 restructuring. Prior year severance and employee-related charges were reversed due to refinements in estimates.

During the fourth quarter of 1999, the Company implemented several restructuring initiatives designed to improve profitability and align the organizational structure with the strategic direction of the Company. The Company also identified certain assets that would be sold or for which development would be abandoned as a result of the restructuring. During 1999, the Company also restructured its FMS operations in the United Kingdom following the December 1998 decision to retain the business. As a result of these initiatives, the Company recorded pre-tax restructuring and other charges in 1999 of \$52 million.

The 1999 restructuring initiatives resulted in identification of approximately 250 employees whose jobs were terminated. Severance benefits totaled \$17 million and were substantially paid during the year 2000.

Contractual lease obligations associated with facilities to be closed as a result of the restructuring amounted to \$4 million. The Company also recorded asset impairments of \$14 million for certain classes of used vehicles, real estate and other assets held for sale and software development projects that would not be implemented or further utilized in the future.

In conjunction with the restructuring, the Company formed a captive insurance subsidiary under which the Company's various self-insurance programs are administered. Costs incurred related to the start-up of this entity totaled \$8 million. The Company also recorded \$9 million for other charges incurred for professional consulting services and other costs associated with the restructuring initiative.

Restructuring and other charges in 1998 amounted to a credit of \$3 million and included the reversal of charges resulting from the 1996 restructuring as well as unusual items incurred that year.

See the "Restructuring and Other Charges" note to the consolidated financial statements for additional discussion.

OPERATING RESULTS BY BUSINESS SEGMENT

| Years ended December 31 | 2000 | 1999 | 1998 |
|---|-------------|-----------|-----------|
| ----- | | | |
| (in thousands) | | | |
| Revenue | | | |
| Fleet management solutions: | | | |
| Full service lease and programmed maintenance | \$1,865,345 | 1,816,599 | 1,762,621 |
| Commercial rental | 523,776 | 540,734 | 505,558 |
| Fuel | 773,320 | 587,193 | 542,140 |
| Other | 393,549 | 362,718 | 352,591 |
| | ----- | ----- | ----- |
| | 3,555,990 | 3,307,244 | 3,162,910 |
| Supply chain solutions | 1,604,862 | 1,449,871 | 1,242,664 |
| Dedicated contract carriage | 542,096 | 522,800 | 512,800 |
| Eliminations | (366,156) | (327,711) | (311,398) |
| | ----- | ----- | ----- |
| Total revenue | \$5,336,792 | 4,952,204 | 4,606,976 |
| ===== | | | |
| Years ended December 31 | 2000 | 1999 | 1998 |
| ----- | | | |
| (in thousands) | | | |
| Contribution margin | | | |
| Fleet management solutions | \$382,851 | 372,164 | 395,828 |
| Supply chain solutions | 70,242 | 56,365 | 56,914 |
| Dedicated contract carriage | 59,669 | 58,100 | 59,600 |
| Eliminations | (41,888) | (40,280) | (39,666) |
| | ----- | ----- | ----- |
| | 470,874 | 446,349 | 472,676 |
| Central support services | (287,539) | (252,712) | (233,734) |
| Restructuring and other charges | (42,014) | (52,093) | 3,040 |
| Year 2000 expense | -- | (24,050) | (37,418) |
| | ----- | ----- | ----- |
| Earnings from continuing operations before income taxes | \$141,321 | 117,494 | 204,564 |
| ===== | | | |

During the fourth quarter of 1999, the Company implemented several restructuring initiatives designed to improve profitability and align the organizational structure with the strategic direction of the Company (see "Restructuring and Other Charges"). As part of the restructuring, the Company changed how it manages and measures the business during the first quarter of 2000. Prior to the 1999 restructuring, the Company's three reportable business segments were Transportation Services, Integrated Logistics and International. The principal changes from prior management and measurement are (1) management of the business along product lines, without regard to geography; (2) discrete management and presentation of the DCC business; and (3) segment profitability measured by contribution margin. The business segment information presented reflects such changes. Prior year information has been restated to conform to the current year presentation.

Management evaluates business segment financial performance based upon several factors, of which the primary measure is contribution margin. Contribution margin represents each business segment's revenue, less direct costs and direct overheads related to the segment's operations. Business segment contribution margin for all segments (net of eliminations), less Central Support Services (CSS) expenses and unusual items, is equal to earnings from continuing operations before income taxes. CSS are those costs incurred to support all business segments, including sales and marketing, human resources, finance, shared management information systems (MIS), customer solutions, health and safety, legal and communications. CSS also includes expenses of certain new business initiatives, Ryder Capital Services and e-Commerce, which may be reported as business segments in the future once such operations become material.

Contribution margin related to inter-segment equipment and services billed to customers (equipment contribution) is included in both FMS and the business segment which served the customer, then eliminated. Equipment contribution included in SCS contribution margin was \$20 million in 2000 and \$19 million in 1999 and 1998. Equipment contribution included in DCC contribution margin was \$22 million in 2000 and \$21 million in 1999 and 1998. Interest expense is primarily allocated to the FMS business segment.

These results are not necessarily indicative of the results of operations that would have occurred had each segment been an independent stand-alone entity during the periods presented.

FLEET MANAGEMENT SOLUTIONS

FMS revenue increased 8 percent in 2000 compared with 1999 and 5 percent in 1999 compared with 1998. The results for both years were impacted by increases in fuel revenue, which were due to increases in fuel prices. FMS realized minimal changes in margin as a result of fuel price increases. Full service lease and programmed maintenance revenue increased in 2000 and 1999 compared with the previous years as a result of growth in both fleet size and average revenue per unit.

Commercial rental revenue decreased in 2000 and increased in 1999 compared with the previous years. In 1999, rental revenue grew due to a backlog in the arrival of new vehicles for full service lease customers. Rental vehicles were provided to these customers until new full service lease vehicles arrived and were prepared for use.

In 2000, such backlog was reduced to levels more comparable with 1998, which reduced the demand for rental vehicles by full service lease customers. Pure rental revenue (total rental revenue less rental revenue related to units provided to full service lease customers), increased 5 percent in 2000 compared with the prior year. Rental fleet utilization was 71 percent in 2000 and 1999 and 72 percent in 1998. Pure rental revenue and rental fleet utilization statistics are monitored for the U.S. only; however, management believes such metrics to be indicative of rental product performance for the Company as a whole. Other revenue, which relates to non-contractual maintenance, tractor rentals and other ancillary revenue, increased 9 and 3 percent in 2000 and 1999, respectively, compared with prior years.

Contribution margin as a percentage of dry revenue (revenue excluding fuel) was flat in 2000 compared with 1999 and decreased to 14 percent in 1999 from 15 percent in 1998. In 2000, improvements in full service lease margins, decreased running costs and the impact of pension income on benefits costs were offset by reduced gains in vehicle sales when compared with 1999. Decreased running costs in 2000 were generally attributable to a decrease in the average age of the fleet. Pension income attributable to FMS from the Company's principal pension plan in the U.S. increased by \$27 million in 2000 compared with 1999.

The decrease in contribution margin in 1999 compared with 1998 was primarily due to reduced operating efficiencies in commercial rental, higher compensation, environmental and vehicle liability expenses, the impact of lost business and delays of in-service and out-service processing of vehicles.

The Company expects the rate of revenue growth for FMS to slow in 2001 as the Company focuses on contribution margin. The Company anticipates that pension income will decrease to 1999 levels in 2001, due principally to market performance of pension investments. The Company also anticipates that gains on sales of used vehicles will be less than those recorded in 2000. The Company plans to compensate for the impact of the foregoing on contribution margin by attempting to reduce costs, improve pricing discipline and better utilize assets. There is no assurance that such strategy will be effective in offsetting anticipated reductions in contribution margin in FMS in 2001.

The Company's fleet of owned and leased revenue earning equipment is summarized as follows:

| Years ended December 31 | 2000 | 1999 |
|----------------------------|---------|---------|
| ----- | | |
| Number of units | | |
| By type: | | |
| Trucks | 66,800 | 65,600 |
| Tractors | 56,400 | 54,700 |
| Trailers | 48,500 | 46,700 |
| Other | 4,600 | 4,500 |
| | ----- | ----- |
| | 176,300 | 171,500 |
| ===== | | |
| ----- | | |
| Number of units | | |
| By business: | | |
| Full service lease | 130,700 | 125,400 |
| Commercial rental | 42,200 | 43,200 |
| Service vehicles and other | 3,400 | 2,900 |
| | ----- | ----- |
| | 176,300 | 171,500 |
| ===== | | |

The totals in each of the tables above include the following non-revenue earning equipment:

| Years ended December 31 | 2000 | 1999 |
|---------------------------|--------|-------|
| ----- | | |
| Number of units | | |
| Not yet earning revenue | 2,400 | 3,200 |
| No longer earning revenue | 8,300 | 6,300 |
| | ----- | ----- |
| | 10,700 | 9,500 |
| ===== | | |

SUPPLY CHAIN SOLUTIONS

SCS revenue increased 11 percent in 2000 and 17 percent in 1999 compared with the previous years. Revenue growth in each year was due to expansion of business with existing customers and addition of new customers, particularly automotive suppliers, aerospace, electronics and technology companies.

Contribution margin as a percentage of operating revenue increased to 6 percent in 2000 compared with 5 percent in 1999 and decreased in 1999 compared with 6 percent in 1998. The improved contribution margin percentage in 2000 compared with 1999 was the result of improved performance in the Company's operations outside the U.S. The decrease in contribution margin percentage in 1999 compared with 1998 was due to numerous factors including lower margins in volume-sensitive accounts, increased operating expenses on several start-up accounts and increased overhead and technology costs to support product development.

The Company expects revenue growth in 2001 to come principally from electronics and technology companies as automotive-related growth is expected to slow in response to cutbacks in 2001 production announced by customers.

DEDICATED CONTRACT CARRIAGE

DCC revenue increased 4 percent in 2000 and 2 percent in 1999 compared with the previous years. DCC revenue growth was due to increased fuel costs billed to customers and net business growth in both years. DCC contribution margin as a percentage of operating revenue was flat in 2000 compared with 1999. Contribution margin decreased to 11 percent of operating revenue in 1999 compared with 12 percent in 1998 due to reduced profitability on certain accounts in 1999, some of which were terminated prior to 2000. The Company expects trends in DCC noted in 2000 to continue in 2001.

CENTRAL SUPPORT SERVICES

CSS increased 14 percent in 2000 and 8 percent in 1999 compared with the prior years. CSS increased in 2000 due to increased spending for MIS and new initiatives such as electronic commerce. Additionally, in 1999, CSS was reduced by a \$5 million gain on a real estate sale as well as \$4 million of interest income earned on temporarily investing the proceeds from the RPTS sale. CSS increased in 1999 compared with 1998 due to increased MIS and employee compensation costs and lower gains on land sales compared to 1998.

DISCONTINUED OPERATIONS

| Years ended December 31 | 1999 | 1998 |
|--|-----------|--------|
| ----- | | |
| (in thousands) | | |
| Earnings from discontinued operations, less income taxes | \$ 11,831 | 31,259 |
| Gain on sale of discontinued operations, less income taxes | 339,323 | -- |
| ===== | | |

On September 13, 1999, the Company completed the sale of RPTS for \$940 million in cash and realized a \$339 million after-tax gain (\$4.94 per diluted common share). The transaction generated gains from the settlement and curtailment of certain employee benefit and postretirement plans, offset by provisions for severance and direct transaction and other costs. The RPTS disposal has been accounted for as discontinued operations and accordingly, its operating results and cash flows are segregated and reported as discontinued operations in the accompanying consolidated financial statements.

FINANCIAL RESOURCES AND LIQUIDITY

CASH FLOWS

The following is a summary of the Company's cash flows from continuing operating, financing and investing activities:

| Years ended December 31 | 2000 | 1999 | 1998 |
|---|-------------|-----------|-----------|
| ----- | | | |
| (in thousands) | | | |
| Net cash provided by (used in): | | | |
| Operating activities | \$1,015,533 | 269,819 | 890,210 |
| Financing activities | (363,599) | (527,848) | (124,549) |
| Investing activities | (642,957) | 228,067 | (727,126) |
| ----- | | | |
| Net cash flows from continuing operations | \$ 8,977 | (29,962) | 38,535 |
| ===== | | | |

Cash provided by operating activities increased in 2000 compared with 1999 primarily due to increases in trade receivables sold in 2000 and lower capital working needs in 1999. Cash used in financing activities decreased in 2000 compared with 1999. During 1999, cash of \$528 million was used in financing activities, primarily to repurchase \$275 million of common stock and reduce debt by \$220 million. The stock repurchase program was completed in 1999 and there was no such program in 2000. Cash used in investing activities was \$643 million compared with cash provided by investing activities of \$228 million in 1999. In 1999, cash provided by investing activities was the result of proceeds from the RPTS sale. After adjusting for such proceeds, cash used in investing activities decreased in 2000 compared with 1999 primarily as a result of reduced levels of capital expenditures.

The decrease in cash flow from continuing operating activities in 1999 compared with 1998 was attributable to higher working capital needs. The higher working capital needs related primarily to a decrease in the aggregate balance of trade receivables sold and the cash requirements associated with the tax liabilities of the RPTS sale.

During 1999, receivables also increased in conjunction with revenue growth, and accounts payable for vehicle purchases decreased due to the timing of vehicle deliveries.

During 1998, cash of \$125 million was used in financing activities, primarily to repurchase \$110 million of common stock and pay dividends of \$44 million. Since 1996, the Company has repurchased 27 million shares of common stock. The Company utilized proceeds from the RPTS sale, the automotive carrier and the consumer truck rental businesses to fund these programs.

The following is a summary of capital expenditures:

| Years ended December 31 | 2000 | 1999 | 1998 |
|----------------------------------|-------------|-----------|-----------|
| ----- | | | |
| (in thousands) | | | |
| Revenue earning equipment | \$1,186,787 | 1,627,206 | 1,221,014 |
| Operating property and equipment | 101,997 | 107,013 | 112,127 |
| ----- | | | |
| | \$1,288,784 | 1,734,219 | 1,333,141 |

=====

The decrease in capital spending in 2000 was planned based upon the significant increase in capital spending and fleet replacement in FMS that took place during the first half of 1999.

The overall increase in capital spending for 1999 was consistent with management's expectations of anticipated growth and fleet replacement in full service leasing and commercial rental. However, capital spending was significantly above plan during the first half of 1999. The excess spending reflected higher than anticipated requirements for replacement lease equipment and new lease sales. During the second half of 1999, management reviewed capital spending requirements and undertook several actions to slow the rate of spending.

The Company expects to reduce capital expenditures in 2001 by approximately 13 percent compared with 2000 due to improved controls over early replacement of units and increased pricing discipline over new business.

During the past three years, the Company completed a number of acquisitions, each of which has been accounted for using the purchase method of accounting. Total consideration for these acquisitions was \$28 million in 2000, \$13 million in 1999 and \$53 million in 1998. The Company will continue to evaluate selective acquisitions in FMS and SCS in 2001.

The Company's cash requirements are funded principally through operations and the sale of revenue earning equipment.

FINANCING

Ryder utilizes external capital to support growth in its asset-based product lines. 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, including asset-backed securities and operating leases, as well as variable-rate financing available through bank credit facilities, commercial paper and receivable conduits. The Company also periodically enters into sale and leaseback agreements on revenue earning equipment, which are accounted for as operating leases. In 1999, the Company utilized a portion of the proceeds from the RPTS sale and proceeds from the sale and leaseback of revenue earning equipment to reduce debt.

The Company's debt ratings as of December 31, 2000 were as follows:

| | Commercial Paper | Unsecured Notes |
|---------------------------------|---------------------|--------------------|
| Moody's Investors Service | P2 | Baa1 |
| Standard & Poor's Ratings Group | A2 | BBB |
| Fitch | F2 | A - |

Debt totaled \$2.0 billion at the end of 2000 compared with \$2.4 billion at the end of 1999. The decrease in debt in 2000 was principally due to repayment of \$426 million in medium-term notes, net of an increase of \$108 million in commercial paper borrowing. The Company's reduced debt in 2000 is also due to an increase of \$270 million of trade receivables sold in 2000 compared with 1999.

Debt decreased to \$2.4 billion at the end of 1999 from \$2.6 billion at the end of 1998. Debt decreased in 1999 due to repayments of debt using a portion of the proceeds received from the RPTS sale, net of increased borrowings to support capital expenditures. In 1999, the Company made unsecured note payments of \$530 million, which were partially offset by an increase in commercial paper borrowings of \$149 million and issuance of \$174 million in medium-term notes. The Company's debt-to-equity ratio at December 31, 2000 decreased to 161 percent from 199 percent at December 31, 1999.

The Company has a \$720 million global revolving credit facility, which expires in June 2002. The primary purpose of the credit facility is to finance working capital and provide support for the issuance of commercial paper. At the Company's option, the interest rate on borrowings under the credit facility is based on LIBOR, prime, federal funds or local equivalent rates. The credit facility has an annual facility fee of 0.08 percent based on the Company's current credit rating. At December 31, 2000, foreign borrowings of \$97 million were outstanding under the credit facility. The Company is negotiating a new facility which will mature in 2006.

At the end of 2000, \$187 million was available under the Company's global credit facility. In September 1998, the Company filed an \$800 million shelf registration statement with the Securities and Exchange Commission (SEC). Proceeds from debt issues under the shelf registration are available for capital expenditures, debt refinancing and general corporate purposes. As of December 31, 2000, the Company had \$487 million of debt securities available for issuance under this shelf registration statement. The Company also participates in an agreement to sell, with limited recourse, up to \$375 million of trade receivables on a revolving basis through July 2004. At December 31, 2000 and 1999, the outstanding balance of receivables sold pursuant to this agreement was \$345 million and \$75 million, respectively.

Proceeds from sale-leaseback transactions were \$373 million in 2000 and \$594 million in 1999. The sale-leaseback transactions in 1999 include vehicle securitization transactions in which the Company sold a beneficial interest in certain leased vehicles to separately rated and unconsolidated vehicle lease trusts. Such securitizations generated cash proceeds of \$294 million in 1999. The vehicles were sold for approximately their carrying value and the Company retained an interest in the form of a subordinated note issued at the date of each sale. The Company has provided credit enhancement in the form of cash reserve funds and a pledge of the subordinated notes as additional security for the trusts to the extent that delinquencies and losses on the truck leases and related vehicle sales are incurred. The vehicle securitizations provide the Company with further liquidity and increased access to the capital markets.

MARKET RISK

In the normal course of business, the Company is exposed to fluctuations in interest rates, foreign exchange rates and fuel prices. The Company manages such exposures in several ways including, in certain circumstances, the use of a variety of derivative financial instruments when deemed prudent. The Company does not enter into leveraged derivative financial transactions or use derivative financial instruments for trading purposes.

The exposure to market risk for changes in interest rates relates primarily to debt obligations. The Company's interest rate risk management program objective is to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. The Company manages its exposure to interest rate risk through the proportion of fixed rate and variable rate debt in the total debt portfolio. From time to time, the Company also uses interest rate swap and cap agreements to manage its fixed rate and variable rate exposure and to better match the repricing of its debt instruments to that of its portfolio of assets. No interest rate swap or cap agreements were outstanding at December 31, 2000 or 1999.

The following tables summarize debt obligations outstanding as of December 31, 2000 and 1999 expressed in U.S. dollar equivalents. The tables show the amount of debt, including current portion, and related weighted average interest rates by contractual maturity dates. Weighted average variable rates are based on implied forward rates in the yield curve at December 31, 2000 and 1999. This information should be read in conjunction with the "Debt" note to the consolidated financial statements, which is included in item 8 of this report.

| 2000 | Expected Maturity Date | | | | | | Total | Fair Value |
|--|-------------------------|---------|--------|--------|---------|------------|--------------------|------------------|
| | Years ended December 31 | | | | | | | |
| (in thousands) | 2001 | 2002 | 2003 | 2004 | 2005 | Thereafter | | |
| Fixed-rate debt: | | | | | | | | |
| Dollar denominated | \$264,300 | 166,324 | 75,591 | 72,099 | 199,962 | 406,973 | 1,185,249 | 1,120,611 |
| Average interest rate | 7.00% | 6.96% | 7.04% | 7.13% | 7.21% | 7.52% | | |
| Pound Sterling denominated | 22,397 | 74,655 | -- | -- | -- | -- | 97,052 | 98,186 |
| Average interest rate | 8.13% | 7.91% | -- | -- | -- | -- | | |
| Canadian Dollar denominated | 10,008 | 33,360 | 30,024 | 13,344 | -- | -- | 86,736 | 90,325 |
| Average interest rate | 6.64% | 6.57% | 6.24% | 6.25% | -- | -- | | |
| Other | 4,238 | 1,363 | 1,360 | 723 | 723 | 723 | 9,130 | 9,070 |
| Average interest rate | 6.77% | 5.97% | 6.11% | 6.31% | 6.31% | 6.31% | | |
| Variable-rate debt: | | | | | | | | |
| Dollar denominated(a) | -- | 447,340 | 5,000 | -- | -- | -- | 452,340 | 452,340 |
| Average interest rate | 6.21% | 5.61% | -- | -- | -- | -- | | |
| Pound Sterling denominated | 8,212 | 61,217 | -- | -- | -- | -- | 69,429 | 69,429 |
| Average interest rate | 5.78% | 5.64% | -- | -- | -- | -- | | |
| Canadian Dollar denominated | 67,387 | -- | -- | -- | -- | -- | 67,387 | 67,387 |
| Average interest rate | 6.22% | -- | -- | -- | -- | -- | | |
| Other | 27,440 | 1,596 | 123 | -- | -- | -- | 29,159 | 29,159 |
| Average interest rate | 6.77% | 6.64% | 9.25% | -- | -- | -- | | |
| Total Debt (excluding capital leases) | | | | | | | \$1,996,482 | 1,936,507 |

| 1999 | Expected Maturity Date | | | | | | Total | Fair Value |
|---------------------------------------|------------------------|---------|---------|--------|--------|------------|-------------|------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | Thereafter | | |
| (in thousands) | | | | | | | | |
| Fixed-rate debt: | | | | | | | | |
| Dollar denominated | \$437,570 | 264,214 | 166,323 | 75,590 | 72,098 | 622,989 | 1,638,784 | 1,586,126 |
| Average interest rate | 7.20% | 7.04% | 7.00% | 7.09% | 7.19% | 7.25% | | |
| Pound Sterling denominated | 24,230 | 24,230 | 80,765 | -- | -- | -- | 129,225 | 130,132 |
| Average interest rate | 8.13% | 8.13% | 7.90% | -- | -- | -- | | |
| Canadian Dollar denominated | 10,386 | 10,386 | 17,310 | 45,006 | 17,310 | -- | 100,398 | 102,970 |
| Average interest rate | 6.73% | 6.64% | 6.58% | 6.42% | 6.51% | -- | | |
| Other | 5,279 | 3,016 | 1,339 | 1,339 | 772 | 1,545 | 13,290 | 10,825 |
| Average interest rate | 5.86% | 5.76% | 5.99% | 6.09% | 6.31% | 6.31% | | |
| Variable-rate debt: | | | | | | | | |
| Dollar denominated(a) | -- | -- | 327,300 | -- | -- | -- | 327,300 | 327,300 |
| Average interest rate | 6.53% | 7.25% | 7.25% | -- | -- | -- | | |
| Pound Sterling denominated | 16,153 | -- | 58,151 | -- | -- | -- | 74,304 | 74,304 |
| Average interest rate | 6.56% | 7.04% | 6.94% | -- | -- | -- | | |
| Canadian Dollar denominated | 45,006 | -- | -- | -- | -- | -- | 45,006 | 45,006 |
| Average interest rate | 5.83% | -- | -- | -- | -- | -- | | |
| Other | 10,732 | 810 | 724 | 142 | -- | -- | 12,408 | 12,408 |
| Average interest rate | 10.77% | 12.00% | 12.00% | 12.00% | -- | -- | | |
| Total Debt (excluding capital leases) | | | | | | | \$2,340,715 | 2,289,071 |

(a) Includes commercial paper which is assumed to be renewed through June 2002. As discussed in the "Debt" note to the consolidated financial statements, the commercial paper program is supported by the Company's \$720 million global credit facility, which is scheduled to expire in June 2002. The Company classified commercial paper borrowings as long-term debt in the consolidated balance sheets at December 31, 2000 and 1999.

The exposure to market risk for changes in foreign exchange rates relates primarily to foreign operations' buying, selling and financing in currencies other than local currencies and to the carrying value of net investments in foreign subsidiaries. The Company manages its exposure to foreign exchange rate risk related to foreign operations' buying, selling and financing in currencies other than local currencies by naturally offsetting assets and liabilities not denominated in local currencies. The Company also uses foreign currency option contracts and forward agreements from time to time to hedge foreign currency transactional exposure. No foreign currency option contracts or forward agreements were outstanding at December 31, 2000 or 1999.

The Company does not generally hedge the translation exposure related to its net investment in foreign subsidiaries. Based on the overall level of transactions denominated in other than local currencies and of the net investment in foreign subsidiaries, the exposure to market risk for changes in foreign exchange rates is not material.

The exposure to market risk for fluctuations in fuel prices relates to a portion of the Company's service contracts for which the cost of fuel is integral to service delivery and the service contract does not have a mechanism to adjust for increases in fuel prices. As of December 31, 2000, the Company had various fuel purchase arrangements in place to ensure delivery of fuel at market rates in the event of fuel shortages. None of the Company's current fuel purchase arrangements fix the price of fuel to be purchased and as such the Company is exposed to fluctuations in fuel prices. The Company believes the exposure to fuel price fluctuations would not materially impact the Company's results of operations, cash flows or financial position.

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 \$2 million in 2000 and \$5 million in 1999. The Company incurred \$5 million of environmental expenses in 2000, compared with \$10 million in 1999 and \$4 million in 1998, which included normal recurring expenses, such as licensing, testing and waste disposal fees. The decrease in expenses in 2000 was due to increased claim recoveries and a decrease in the number of projects compared with 1999. The increase in expenses for 1999 reflected the impact of lower claim recoveries compared with 1998. In 1999, the Company also increased the previous accrual for a site as a result of the ongoing evaluation of the contamination and alternative cleanup methods. Based on current circumstances and the present standards imposed by government regulations, environmental expenses should not increase materially from 2000 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 single 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.

EURO CONVERSION

On January 1, 1999, the participating countries of the European Union adopted the euro as their common legal currency. Introduction of the euro is scheduled to phase in over a period ending January 1, 2002, with the participating countries' existing national currencies continuing as legal tender through February 28, 2002, at which time the existing national currencies will be completely removed from circulation. Due to the nature of current international operations, conversion to the euro is not expected to have a material impact on the Company's results of operations, cash flows or financial position.

OTHER MATTERS

In January 2001, the Company revised its vacation policy in the U.S. Starting January 1, 2001, employees will earn vacation based on the calendar year rather than their anniversary date. Additionally, unused earned vacation may not be carried forward into the next calendar year. At December 31, 2000, the Company's vacation accrual for affected employees was approximately \$20 million. As a result of the policy change, the balance will be zero at December 31, 2001.

RECENT ACCOUNTING PRONOUNCEMENTS

In September 2000, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which replaces SFAS No. 125. SFAS No. 140 provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001, and is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. The Company believes the impact of SFAS No. 140 will not be material to the Company's results of operations, cash flows or its financial position.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended, requires all derivatives, including certain derivatives imbedded in other contracts, to be recognized at fair value as either assets or liabilities on the balance sheet and establishes new accounting rules for hedging instruments. The Company adopted SFAS No. 133 on January 1, 2001. Adoption of this Statement did not have a material impact on the Company's financial position and did not impact cash flows or results of operations.

In March 2000, the FASB issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation-an interpretation of APB Opinion No. 25" (FIN 44). This interpretation provides guidance for issues that have arisen in applying APB Opinion No. 25, "Accounting for Stock Issued to Employees." The Company's existing accounting policies conformed to FIN 44; therefore, adoption did not impact the Company's results of operations, cash flows or financial position.

In December 1999, the SEC issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on applying generally accepted accounting principles to revenue recognition issues in financial statements. SAB No. 101, as amended, was adopted by the Company in the fourth quarter of 2000. The Company's existing accounting policies conformed to SAB No. 101; therefore, adoption did not impact the Company's results of operations, cash flows or financial position.

FORWARD-LOOKING STATEMENTS

This Annual Report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the Company's current plans and expectations and involve risks and uncertainties that may cause actual results to differ materially from the forward-looking statements. Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "will" and similar expressions identify forward-looking statements.

Important factors that could cause such differences include, among others: general economic conditions in the U.S. and worldwide; the market for the Company's used equipment; the highly competitive environment applicable to the Company's operations (including competition in supply chain solutions from other logistics companies as well as from air cargo, shippers, railroads and motor carriers and competition in full service leasing and commercial rental from companies providing similar services as well as truck and trailer manufacturers that provide leasing, extended warranty maintenance, rental and other transportation services); greater than expected expenses associated with the Company's activities (including increased cost of fuel, freight and transportation) or personnel needs; availability of equipment; changes in customers' business environments (or the loss of a significant customer) or changes in government regulations.

The risks included here are not exhaustive. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risk factors on the Company's business. Accordingly, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by ITEM 7A is included in ITEM 7 (pages 19 through 20) of PART II of this report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

FINANCIAL STATEMENTS

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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, 2000 and 1999, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2000. 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 auditing standards generally accepted in the United States of America. 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, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

*Miami, Florida
February 7, 2001*

Ryder System, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF EARNINGS

| Years ended December 31 | 2000 | 1999 | 1998 |
|--|-------------|-----------|-----------|
| (in thousands, except per share amounts) | | | |
| Revenue | \$5,336,792 | 4,952,204 | 4,606,976 |
| Operating expense | 3,623,450 | 3,320,687 | 3,079,940 |
| Freight under management expense | 421,644 | 425,769 | 330,124 |
| Depreciation expense | 580,356 | 622,726 | 626,293 |
| Gains on vehicle sales | (19,307) | (55,961) | (56,631) |
| Equipment rental | 385,763 | 266,995 | 205,990 |
| Interest expense | 154,009 | 187,176 | 187,786 |
| Miscellaneous expense (income), net | 7,542 | (8,825) | (5,468) |
| Unusual items: | | | |
| Restructuring and other charges, net | 42,014 | 52,093 | (3,040) |
| Year 2000 expense | -- | 24,050 | 37,418 |
| Earnings from continuing operations before income taxes | 5,195,471 | 4,834,710 | 4,402,412 |
| Provision for income taxes | 141,321 | 117,494 | 204,564 |
| | 52,289 | 44,577 | 76,752 |
| Earnings from continuing operations | 89,032 | 72,917 | 127,812 |
| Earnings from discontinued operations, less income taxes | -- | 11,831 | 31,259 |
| Gain on disposal of discontinued operations, less income taxes | -- | 339,323 | -- |
| Earnings before extraordinary loss | 89,032 | 424,071 | 159,071 |
| Extraordinary loss on early extinguishment of debt | -- | (4,393) | -- |
| Net earnings | \$ 89,032 | 419,678 | 159,071 |
| Earnings per common share - Basic: | | | |
| Continuing operations | \$ 1.49 | 1.06 | 1.75 |
| Discontinued operations | -- | 0.17 | 0.43 |
| Gain on sale of discontinued operations | -- | 4.95 | -- |
| Extraordinary loss on early extinguishment of debt | -- | (0.06) | -- |
| Net earnings | \$ 1.49 | 6.12 | 2.18 |
| Earnings per common share - Diluted: | | | |
| Continuing operations | \$ 1.49 | 1.06 | 1.74 |
| Discontinued operations | -- | 0.17 | 0.42 |
| Gain on sale of discontinued operations | -- | 4.94 | -- |
| Extraordinary loss on early extinguishment of debt | -- | (0.06) | -- |
| Net earnings | \$ 1.49 | 6.11 | 2.16 |

See accompanying notes to consolidated financial statements.

Ryder System, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

| December 31 | 2000 | 1999 |
|--|-------------|-----------|
| (dollars in thousands, except per share amounts) | | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 121,970 | 112,993 |
| Receivables, net of allowance for doubtful accounts of \$9,236 and \$10,254, respectively | 399,623 | 725,815 |
| Inventories | 77,810 | 69,845 |
| Tires in service | 158,854 | 162,877 |
| Prepaid expenses and other current assets | 170,019 | 137,861 |
| Total current assets | 928,276 | 1,209,391 |
| Revenue earning equipment, net of accumulated depreciation of \$1,416,062 and \$1,483,084, respectively | 3,012,806 | 3,095,451 |
| Operating property and equipment, net of accumulated depreciation of \$632,216 and \$574,784, respectively | 612,626 | 581,105 |
| Direct financing leases and other assets | 693,097 | 652,270 |
| Intangible assets and deferred charges | 228,118 | 232,233 |
| | \$5,474,923 | 5,770,450 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 412,738 | 574,253 |
| Accounts payable | 379,155 | 334,103 |
| Accrued expenses | 510,411 | 541,156 |
| Total current liabilities | 1,302,304 | 1,449,512 |
| Long-term debt | 1,604,242 | 1,819,136 |
| Other non-current liabilities | 298,365 | 285,802 |
| Deferred income taxes | 1,017,304 | 1,011,095 |
| Total liabilities | 4,222,215 | 4,565,545 |
| Shareholders' equity: | | |
| Common stock of \$0.50 par value per share | | |
| Authorized, 400,000,000; outstanding, 2000 - 60,044,479; 1999 - 59,395,050 | 524,432 | 513,083 |
| Retained earnings | 767,802 | 714,544 |
| Deferred compensation | (3,818) | -- |
| Accumulated other comprehensive loss | (35,708) | (22,722) |
| Total shareholders' equity | 1,252,708 | 1,204,905 |
| | \$5,474,923 | 5,770,450 |

See accompanying notes to consolidated financial statements.

Ryder System, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASHFLOWS

| Years ended December 31 | 2000 | 1999 | 1998 |
|--|-------------|-------------|-------------|
| (in thousands) | | | |
| Continuing operations | | | |
| Cash flows from operating activities: | | | |
| Earnings from continuing operations | \$ 89,032 | 72,917 | 127,812 |
| Depreciation expense | 580,356 | 622,726 | 626,293 |
| Gains on vehicle sales | (19,307) | (55,961) | (56,631) |
| Amortization expense and other non-cash charges, net | 32,927 | 26,236 | (792) |
| Deferred income tax expense | 73,239 | 250,041 | 100,432 |
| Changes in operating assets and liabilities, net of acquisitions: | | | |
| Increase (decrease) in aggregate balance of trade receivables sold | 270,000 | (125,000) | 125,000 |
| Receivables | 57,250 | (129,516) | (30,948) |
| Inventories | (7,809) | (10,380) | (1,474) |
| Prepaid expenses and other assets | (73,299) | (33,285) | (39,829) |
| Accounts payable | 48,064 | (56,261) | 90,038 |
| Accrued expenses and other non-current liabilities | (34,920) | (291,698) | (49,691) |
| | 1,015,533 | 269,819 | 890,210 |
| Cash flows from financing activities: | | | |
| Net change in commercial paper borrowings | 109,317 | 147,671 | (150,162) |
| Debt proceeds | 121,027 | 314,821 | 474,969 |
| Debt repaid, including capital lease obligations | (565,424) | (682,517) | (328,368) |
| Dividends on common stock | (35,774) | (40,878) | (43,841) |
| Common stock issued | 7,255 | 7,949 | 32,393 |
| Common stock repurchased | -- | (274,894) | (109,540) |
| | (363,599) | (527,848) | (124,549) |
| Cash flows from investing activities: | | | |
| Purchases of property and revenue earning equipment | (1,288,784) | (1,734,219) | (1,333,141) |
| Sales of property and revenue earning equipment | 229,908 | 401,902 | 321,962 |
| Sale and leaseback of revenue earning equipment | 372,953 | 593,680 | 312,230 |
| Acquisitions, net of cash acquired | (28,127) | (12,699) | (52,792) |
| Collections on direct finance leases | 67,462 | 78,408 | 62,681 |
| Proceeds from sale of public transportation services business | -- | 940,000 | -- |
| Other, net | 3,631 | (39,005) | (38,066) |
| | (642,957) | 228,067 | (727,126) |
| Net cash flows from continuing operations | 8,977 | (29,962) | 38,535 |
| Net cash flows from discontinued operations | -- | 4,602 | 21,448 |
| Increase (decrease) in cash and cash equivalents | 8,977 | (25,360) | 59,983 |
| Cash and cash equivalents at January 1 | 112,993 | 138,353 | 78,370 |
| Cash and cash equivalents at December 31 | \$ 121,970 | 112,993 | 138,353 |

See accompanying notes to consolidated financial statements.

Ryder System, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| | Comprehensive Income | Common Stock | Retained Earnings | Accumulated Other Comprehensive Loss | Deferred Compensation | Total |
|---|-------------------------|-----------------|----------------------|---|--------------------------|-----------|
| (dollars in thousands) | | | | | | |
| Balance at January 1, 1998 | | \$ 605,573 | 466,257 | (11,122) | -- | 1,060,708 |
| Net earnings | \$159,071 | -- | 159,071 | -- | -- | 159,071 |
| Foreign currency translation adjustments | (7,912) | -- | -- | (7,912) | -- | (7,912) |
| | ----- | | | | | |
| Comprehensive income | \$151,159 | | | | | |
| | ===== | | | | | |
| Common stock dividends declared - \$0.60 per share | | -- | (43,841) | -- | -- | (43,841) |
| Common stock issued under employee stock option and stock purchase plans (1,388,021 shares)* | | 32,393 | -- | -- | -- | 32,393 |
| Common stock repurchased (3,800,000 shares) | | (32,158) | (77,382) | -- | -- | (109,540) |
| Tax benefit from employee stock options | | 4,735 | -- | -- | -- | 4,735 |
| | ----- | | | | | |
| Balance at December 31, 1998 | | 610,543 | 504,105 | (19,034) | -- | 1,095,614 |
| Net earnings | \$419,678 | -- | 419,678 | -- | -- | 419,678 |
| Foreign currency translation adjustments | (3,688) | -- | -- | (3,688) | -- | (3,688) |
| | ----- | | | | | |
| Comprehensive income | \$415,990 | | | | | |
| | ===== | | | | | |
| Common stock dividends declared - \$0.60 per share | | -- | (40,878) | -- | -- | (40,878) |
| Common stock issued under employee stock option and stock purchase plans (417,410 shares) | | 8,687 | -- | -- | -- | 8,687 |
| Common stock repurchased (12,302,607 shares) | | (106,533) | (168,361) | -- | -- | (274,894) |
| Tax benefit from employee stock options | | 386 | -- | -- | -- | 386 |
| | ----- | | | | | |
| Balance at December 31, 1999 | | 513,083 | 714,544 | (22,722) | -- | 1,204,905 |
| Net earnings | \$ 89,032 | -- | 89,032 | -- | -- | 89,032 |
| Foreign currency translation adjustments | (12,986) | -- | -- | (12,986) | -- | (12,986) |
| | ----- | | | | | |
| Comprehensive income | \$ 76,046 | | | | | |
| | ===== | | | | | |
| Common stock dividends declared - \$0.60 per share | | -- | (35,774) | -- | -- | (35,774) |
| Common stock issued under employee stock option and stock purchase plans (649,528 shares) | | 10,957 | -- | -- | (4,315) | 6,642 |
| Tax benefit from employee stock options | | 392 | -- | -- | -- | 392 |
| Amortization of restricted stock | | -- | -- | -- | 497 | 497 |
| | ----- | | | | | |
| Balance at December 31, 2000 | | \$ 524,432 | 767,802 | (35,708) | (3,818) | 1,252,708 |
| | ===== | | | | | |

*Net of common stock purchased from employees exercising stock options. See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of Ryder System, Inc. and its subsidiaries (the "Company"). All significant intercompany accounts and transactions have been eliminated. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash Equivalents

All investments in highly liquid debt instruments with maturities of three months or less at the date of purchase are classified as cash equivalents.

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the revenue amount is fixed or determinable and collectibility is probable. Operating lease and rental revenue is recognized as vehicles are used over the terms of the related agreements. Direct financing lease revenue is recognized by the interest method over the terms of the lease agreements. Fuel revenue is recognized when fuel is delivered to customers. Revenue from Supply Chain Solutions (SCS) and Dedicated Contract Carriage (DCC) contracts is recognized as services are provided at billing rates specified in the underlying contracts.

Inventories

Inventories, which consist primarily of fuel and vehicle parts, are valued using the lower of cost (specific identification or average cost) or market.

Tires in Service

The Company allocates a portion of the acquisition costs of revenue earning equipment to tires in service and amortizes such tire costs to expense over the lives of the vehicles and equipment. The cost of replacement tires and tire repairs are expensed as incurred.

Revenue Earning Equipment, Operating Property and Equipment and Depreciation

Revenue earning equipment, principally vehicles, and operating property and equipment are stated at cost. Vehicle repairs and maintenance that extend the life or increase the value of the vehicle are capitalized, whereas ordinary maintenance and repairs are expensed as incurred. In accordance with SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," certain direct development costs in connection with developing or obtaining internal use software are capitalized. Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred. Provision for depreciation is computed using the straight-line method on substantially all depreciable assets. Annual straight-line depreciation rates range from 10 percent to 33 percent for revenue earning equipment, 2.5 percent to 10 percent for buildings and improvements and 10 percent to 33 percent for machinery and equipment. The Company periodically reviews and adjusts the residual values and useful lives of revenue earning equipment based on current and expected operating trends and projected realizable values. Gains on operating property and equipment sales are reflected in miscellaneous expense (income), net.

Intangible Assets

Intangible assets consist principally of goodwill totaling \$206 million in 2000 and \$203 million in 1999. Goodwill is amortized on a straight-line basis over appropriate periods ranging from 10 to 40 years. Accumulated amortization was approximately \$121 million and \$110 million at December 31, 2000 and 1999, respectively.

Impairment of Long-Lived Assets

Long-lived assets, including intangible assets, are reviewed for impairment when circumstances indicate that the carrying amount of assets may not be recoverable. The Company assesses the recoverability of long-lived assets by determining whether the depreciation or amortization of the asset over its remaining life can be recovered based upon management's best estimate of the undiscounted future operating cash flows (excluding interest charges) related to the asset. If the sum of such undiscounted cash flows is less than carrying value of the asset, the asset is considered impaired. The amount of impairment, if any, represents the excess of the carrying value of the asset over fair value. Fair value is determined by quoted market price, if available, or an estimate of projected future operating cash flows, discounted using a rate that reflects the Company's average cost of funds.

Long-lived assets (including intangible assets) to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. Fair value is determined based upon quoted market prices, if available, or the results of applicable valuation techniques such as discounted cash flows and independent appraisal.

Self-Insurance Reserves

The Company retains a portion of the risk under vehicle liability, workers' compensation and other insurance programs. Reserves have been recorded which reflect the undiscounted estimated liabilities, including claims incurred but not reported. Such liabilities are necessarily based on estimates. While management believes that the amounts are 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.

Environmental Expenditures

Liabilities are recorded for environmental assessments and/or cleanup when it is probable a loss has been incurred and the costs can be reasonably estimated. The liability may include costs such as anticipated site testing, consulting, remediation, disposal, post-remediation monitoring and legal fees, as appropriate. Estimates are not discounted. 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 potentially responsible parties. Claims for reimbursement of remediation costs are recorded when recovery is deemed probable.

Derivative Financial Instruments

From time to time, 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. 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. No interest rate swap or cap agreements were outstanding at December 31, 2000 or 1999.

The Company uses foreign currency option contracts and forward agreements from time to time to hedge foreign currency transactional exposure. No foreign currency option contracts or forward agreements were outstanding at December 31, 2000 or 1999. Derivative financial instruments are not leveraged or held for trading purposes.

Foreign Currency Translation

The Company's foreign operations generally 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 fluctuations is included in other comprehensive loss as a translation adjustment. For subsidiaries whose economic environment is highly inflationary, the U.S. dollar is the functional currency and gains and losses that result from translation are included in earnings.

Stock Repurchases

The cost of stock repurchases is allocated between common stock and retained earnings based on the amount of capital surplus at the time of the stock repurchase.

Stock-Based Compensation

Stock-based compensation is recognized using the intrinsic value method. Under this method, compensation cost is recognized based on the excess, if any, of the quoted market price of the stock at the date of grant (or other measurement date) and the amount an employee must pay to acquire the stock.

Earnings Per Share

Basic earnings per share are computed by dividing net earnings by the weighted average number of common shares outstanding. Diluted earnings per share reflect the dilutive effect of potential common shares from securities such as stock options and restricted stock grants.

Comprehensive Income

Comprehensive income presents a measure of all changes in shareholders' equity except for changes resulting from transactions with shareholders in their capacity as shareholders. The Company's total comprehensive income presently consists of net earnings and currency translation adjustments associated with foreign operations that use the local currency as their functional currency.

Fair Value of Financial Instruments

The fair value of debt is presented in the debt footnote. The fair values of all other financial instruments approximate their carrying amounts.

Accounting Changes

In March 2000, the Financial Accounting Standards Board (FASB), issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation--an interpretation of APB Opinion No. 25" (FIN 44). This interpretation provides guidance for issues that have arisen in applying APB Opinion No. 25, "Accounting for Stock Issued to Employees." The Company's existing accounting policies conformed to FIN 44; therefore, adoption did not impact the Company's results of operations, cash flows or financial position.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on applying generally accepted accounting principles to revenue recognition issues in financial statements. SAB No. 101, as amended, was adopted by the Company in the fourth quarter of 2000. The Company's existing accounting policies conformed to SAB No. 101; therefore, adoption did not impact the Company's results of operations, cash flows or financial position.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements

In September 2000, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which replaces SFAS No. 125. SFAS No. 140 provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001, and is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. The Company believes the impact of SFAS No. 140 will not be material to the Company's results of operations, cash flows or its financial position.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended, requires all derivatives, including certain derivatives imbedded in other contracts, to be recognized at fair value as either assets or liabilities on the balance sheet and establishes new accounting rules for hedging instruments. The Company adopted SFAS No. 133 on January 1, 2001. Adoption of this statement did not have a material impact on the Company's financial position and did not impact cash flows or results of operations.

ACQUISITIONS

Over the last three years, the Company completed a number of acquisitions, all of which have been accounted for using the purchase method of accounting. The consolidated financial statements reflect the results of operations of the acquired businesses from the acquisition dates. Pro forma results of operations have not been presented because the effects of these acquisitions were not significant. The fair value of assets acquired and liabilities assumed in connection with these acquisitions, and related purchase prices, were as follows:

| Years ended December 31 | 2000 | 1999 | 1998 |
|-------------------------|----------|--------|--------|
| (in thousands) | | | |
| Net assets acquired | \$ 9,024 | 10,413 | 21,975 |
| Goodwill | 19,103 | 2,286 | 30,817 |
| Purchase price | \$28,127 | 12,699 | 52,792 |

DIVESTITURES

On September 13, 1999, the Company completed the sale of its public transportation services business (RPTS) for \$940 million in cash and realized a \$339 million after-tax gain (\$4.94 per diluted common share). The RPTS disposal has been accounted for as discontinued operations and accordingly, its operating results and cash flows are segregated and reported as discontinued operations in the accompanying consolidated financial statements.

Summarized results of discontinued operations were as follows:

| Years ended December | 1999 | 1998 |
|---------------------------------------|-----------|---------|
| ----- | | |
| (in thousands) | | |
| Revenue | \$411,743 | 581,748 |
| Earnings before income taxes | 20,050 | 52,392 |
| Provision for income taxes | 8,219 | 21,133 |
| ----- | | |
| Earnings from discontinued operations | 11,831 | 31,259 |
| ----- | | |
| Gain on disposal | 573,178 | -- |
| Income taxes | 233,855 | -- |
| ----- | | |
| Net gain on disposal | \$339,323 | -- |
| ===== | | |

Interest expense was allocated to discontinued operations based upon an assumed debt-to-equity ratio consistent with the Company's historical interest allocation method for segment reporting. Interest expense of \$8 million and \$11 million was included in the operating results of discontinued operations in 1999 and 1998, respectively. The results of discontinued operations exclude management fees and branch overhead charges allocated by the Company and previously included in segment reporting. The gain on disposal of discontinued operations is net of direct transaction costs, gains on the settlement and curtailment of certain employee benefit plans and exit costs to separate the discontinued business.

RESTRUCTURING AND OTHER CHARGES

The components of restructuring and other charges and the allocation across business segments were as follows:

| Years ended December 31 | 2000 | 1999 | 1998 |
|---|------------|--------|---------|
| ----- | | | |
| (in thousands) | | | |
| Restructuring charges (recoveries): | | | |
| Employee severance and benefits | \$ (1,077) | 16,500 | 724 |
| Facilities and related costs | (2,009) | 4,478 | -- |
| ----- | | | |
| | (3,086) | 20,978 | 724 |
| Other charges: | | | |
| Asset write-downs and valuation allowances, net | 41,100 | 14,215 | (8,264) |
| Start-up costs | -- | 7,970 | -- |
| Other | 4,000 | 8,930 | 4,500 |
| ----- | | | |
| | \$ 42,014 | 52,093 | (3,040) |
| ===== | | | |
| Fleet management solutions | \$38,992 | 24,403 | 2,069 |
| Supply chain solutions | 2,422 | 5,773 | (5,109) |
| Dedicated contract carriage | -- | -- | -- |
| Central support services | 600 | 21,917 | -- |
| ----- | | | |
| | \$ 42,014 | 52,093 | (3,040) |
| ===== | | | |

In 2000, the Company recorded a pre-tax charge of \$42 million. The components of the charge were as follows (in thousands):

| | |
|--|-----------|
| Impairment--tractors identified for accelerated disposal | \$ 15,100 |
| Impairment--other tractors: | |
| Owned | 3,475 |
| Leased | 23,095 |
| Asset impairment charges | 3,339 |
| Other charges | 958 |
| Recovery of prior year charges | (3,953) |
| | ----- |
| Total | \$ 42,014 |
| | ----- |

The most significant portion of the charge was a result of the industry-wide downturn in the market for new and used "Class 8" vehicles (the largest heavy-duty tractors and straight trucks) which led to a decrease in the market value of used tractors during the second half of 2000. The Company's unsold Class 8 inventory consists of units previously used by customers of the Fleet Management Solutions (FMS) segment. Tractors identified for accelerated disposal represent revenue earning equipment held for sale that the Company identified in the third quarter of 2000 as increasingly undesirable and unmarketable due to lower-powered engines or a potential lack of future support for parts and service. Impairment of other tractors reflects owned and leased units for which estimated fair value less costs to sell declined below carrying value (or termination value, which represents the final payment due to lessors, in the case of leased units) in the third and fourth quarters of 2000. The Company believes that vehicle carrying values and estimated sales proceeds are appropriate. However, if conditions in the used truck market deteriorate further than anticipated, the Company may be required to further adjust such amounts in the future.

The Company was involved in litigation with a former customer, OfficeMax, relating to a logistics services agreement that was terminated in 1997 (see "Other Matters"). Asset impairment charges relate to the write-off, net of recoveries in the fourth quarter 2000, of certain assets related to the OfficeMax contract.

Other charges of \$958,000 represent consulting fees incurred during 2000 related to the completion of the Company's 1999 profitability improvement study.

Recovery of prior year charges represents both the reversal of severance and employee-related charges and gains on vehicles sold in the United Kingdom during the third quarter of 2000, for which an impairment charge had been recorded in the 1999 restructuring. Prior year severance and employee-related charges were reversed due to refinements in estimates.

During the fourth quarter of 1999, the Company implemented several restructuring initiatives designed to improve profitability and align the organizational structure with the strategic direction of the Company. The Company also identified certain assets that would be sold or for which development would be abandoned as a result of the restructuring. During 1999, the Company also restructured its FMS operations in the United Kingdom in conjunction with the December 1998 decision to retain the business. As a result of these initiatives, the Company recorded pre-tax charges in 1999 of \$52 million.

The 1999 restructuring initiatives resulted in identification of approximately 250 employees whose jobs were terminated. The employees terminated and positions eliminated were principally corporate officers and staff, field operations personnel and sales force positions. Severance benefits totaled \$17 million and were substantially paid during the year 2000.

Facilities and related costs represent contractual lease obligations associated with facilities to be closed as a result of the restructuring.

Contractual lease obligations associated with facilities to be closed as a result of the restructuring amounted to \$4 million. The Company also recorded asset impairments of \$14 million for certain classes of used vehicles, real estate and other assets held for sale and software development projects that would not be implemented or further utilized in the future.

In conjunction with the restructuring, the Company formed a captive insurance subsidiary under which the Company's various self-insurance programs are administered. Costs incurred related to the start-up of this entity totaled \$8 million. The Company also recorded \$9 million for other charges incurred for professional consulting services and other costs associated with the restructuring initiative.

Restructuring and other charges in 1998 included the reversal of 1996 restructuring and other charges for \$3 million of excess facility impairment charges and the reversal of a valuation allowance of \$8 million due to the Company's decision to retain a foreign business. These reversals were offset by \$5 million in transaction costs related to the retained business and \$3 million of severance and asset impairment charges incurred in 1998.

The following tables display a rollforward of the activity and balances of the restructuring reserve account for the years ended December 31, 2000 and 1999:

| | Dec. 31, | 2000 | | Dec. 31, |
|---------------------------------|----------|-----------|------------|----------|
| | 1999 | ----- | | 2000 |
| | Balance | Additions | Deductions | Balance |
| ----- | | | | |
| (in thousands) | | | | |
| Employee severance and benefits | \$13,017 | -- | 9,109 | 3,908 |
| Facilities and related costs | 7,182 | -- | 5,170 | 2,012 |
| | \$20,199 | -- | 14,279 | 5,920 |
| ===== | | | | |
| | Dec. 31, | 1999 | | Dec. 31, |
| | 1998 | ----- | | 1999 |
| | Balance | Additions | Deductions | Balance |
| ----- | | | | |
| (in thousands) | | | | |
| Employee severance and benefits | \$ 537 | 16,500 | 4,020 | 13,017 |
| Facilities and related costs | 4,124 | 4,478 | 1,420 | 7,182 |
| | \$ 4,661 | 20,978 | 5,440 | 20,199 |
| ===== | | | | |

Deductions include cash payments of \$11 million and prior year charge reversals of \$3 million in 2000 and none in 1999.

At December 31, 2000, the remaining balances of restructuring reserves relate to severance and lease obligations for closed facilities contractually required to be paid over the next three years.

RECEIVABLES

| December 31 | 2000 | 1999 |
|-------------------------|------------|----------|
| ----- | | |
| (in thousands) | | |
| Gross trade receivables | \$ 667,953 | 736,555 |
| Receivables sold | (345,000) | (75,000) |
| | ----- | ----- |
| Net trade receivables | 322,953 | 661,555 |
| Financing Lease | 60,534 | 54,570 |
| Other | 25,372 | 19,944 |
| | ----- | ----- |
| Allowance | 408,859 | 736,069 |
| | (9,236) | (10,254) |
| | ----- | ----- |
| | \$ 399,623 | 725,815 |
| ===== | | |

The Company participates in an agreement to sell, with limited recourse, up to \$375 million of trade receivables on a revolving basis through July 2004. The receivables are sold at a discount, which approximates the purchaser's financing cost of issuing its own commercial paper backed by the trade receivables. The Company is responsible for servicing receivables sold but has no retained interests. At December 31, 2000 and 1999, the outstanding balance of receivables sold pursuant to this agreement was \$345 million and \$75 million, respectively. Sales of receivables are reflected as a reduction of receivables in the accompanying consolidated balance sheets. The costs associated with this program were \$17 million in 2000, \$10 million in 1999 and \$8 million in 1998 and are included in miscellaneous expense (income), net. The Company maintains an allowance for doubtful receivables based on the expected collectibility of all receivables, including receivables sold.

REVENUE EARNING EQUIPMENT

| December 31 | 2000 | 1999 |
|--------------------------|--------------|-------------|
| ----- | | |
| (in thousands) | | |
| Full service lease | \$ 3,227,830 | 3,442,205 |
| Commercial rental | 1,201,038 | 1,136,330 |
| ----- | | |
| | 4,428,868 | 4,578,535 |
| Accumulated depreciation | (1,416,062) | (1,483,084) |
| ----- | | |
| | \$ 3,012,806 | 3,095,451 |
| ===== | | |

OPERATING PROPERTY AND EQUIPMENT

| December 31 | 2000 | 1999 |
|----------------------------|------------|-----------|
| ----- | | |
| (in thousands) | | |
| Land | \$ 107,853 | 105,794 |
| Buildings and improvements | 559,707 | 521,746 |
| Machinery and equipment | 462,631 | 439,352 |
| Other | 114,651 | 88,997 |
| ----- | | |
| | 1,244,842 | 1,155,889 |
| Accumulated depreciation | (632,216) | (574,784) |
| ----- | | |
| | \$ 612,626 | 581,105 |
| ===== | | |

DIRECT FINANCING LEASES AND OTHER ASSETS

| December 31 | 2000 | 1999 |
|---------------------------------|------------|---------|
| ----- | | |
| (in thousands) | | |
| Direct financing leases | \$ 427,862 | 391,346 |
| Prepaid benefit cost | 145,546 | 95,074 |
| Vehicle securitization | | |
| credit enhancement | 27,741 | 28,697 |
| Investments held in Rabbi Trust | 37,661 | 36,961 |
| Deposits | 1,301 | 17,151 |
| Other | 52,986 | 83,041 |
| ----- | | |
| | \$ 693,097 | 652,270 |
| ===== | | |

ACCRUED EXPENSES AND OTHER NON-CURRENT LIABILITIES

| December 31 | 2000 | 1999 |
|-----------------------------------|------------|-----------|
| ----- | | |
| (in thousands) | | |
| Salaries and wages | \$ 104,166 | 102,250 |
| Employee benefits | 22,397 | 21,228 |
| Interest | 19,682 | 27,859 |
| Operating taxes | 75,595 | 82,646 |
| Income taxes | -- | 42,734 |
| Self-insurance reserves | 227,130 | 227,456 |
| Postretirement benefits | | |
| other than pensions | 38,274 | 41,766 |
| Vehicle rent and related accruals | 160,579 | 118,672 |
| Environmental liabilities | 14,174 | 18,462 |
| Restructuring | 5,920 | 20,199 |
| Other | 140,859 | 123,686 |
| ----- | | |
| | 808,776 | 826,958 |
| Non-current portion | (298,365) | (285,802) |
| ----- | | |
| Accrued expenses | \$ 510,411 | 541,156 |
| ===== | | |

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 2000, 1999 and 1998 were \$268 million, \$263 million and \$243 million, respectively.

Direct Financing Leases

The Company also leases revenue earning equipment to customers as direct financing leases. The net investment in direct financing leases consisted of:

December 31 2000 1999

(in thousands)

Minimum lease payments receivable \$ 915,914 796,838 Executory costs and unearned income (506,880) (420,455)

| | | |
|---|------------|----------|
| Unguaranteed residuals | 79,362 | 69,533 |
| | ----- | ----- |
| Net investment in direct financing leases | 488,396 | 445,916 |
| Current portion | (60,534) | (54,570) |
| | ----- | ----- |
| Non-current portion | \$ 427,862 | 391,346 |
| | ===== | ===== |

Contingent rentals included in income were \$30 million in 2000 and \$26 million in 1999 and 1998.

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 periodically based on changes in interest rates and provide for early termination at stipulated values.

During 2000, 1999 and 1998, the Company entered into several agreements for the sale and operating leaseback of revenue earning equipment. The leases contain purchase and renewal options as well as limited guarantees of the lessor's residual value. Proceeds from these transactions totaled \$373 million in 2000, \$594 million in 1999 and \$312 million in 1998.

The Company's sale-leaseback transactions include vehicle securitizations in which the Company sold a beneficial interest in certain revenue earning equipment and pledged a portion of the beneficial interests in the underlying customer leases to separately rated and unconsolidated vehicle lease trusts. Such securitizations generated cash proceeds of \$294 million in 1999 and \$73 million in 1998. The vehicles were sold for approximately their carrying value and the Company retained an interest in the form of a subordinated note issued at the date of each sale. The Company is obligated to make lease payments only to the extent of collections on the related vehicle leases and vehicle sales. The Company has provided credit enhancement in the form of cash reserve funds and a pledge of the subordinated notes as additional security for the trusts to the extent that delinquencies and losses on the truck leases and related vehicle sales are incurred.

As of December 31, 2000 and 1999, credit enhancements maintained by the Company totaled \$28 million and \$29 million, respectively, and are included in "Direct financing leases and other assets."

During 2000, 1999 and 1998, rent expense (excluding contingent rentals) was \$344 million, \$285 million and \$242 million, respectively. Contingent rentals on securitized vehicles were \$65 million in 2000, \$28 million in 1999 and \$10 million in 1998.

Lease Payments

Future minimum payments for leases in effect at December 31, 2000 were as follows:

| (in thousands) | As Lessor | | As Lessee |
|----------------|------------------|-------------------------|------------------|
| | Operating Leases | Direct Financing Leases | Operating Leases |
| 2001 | \$1,050,241 | 158,653 | 348,145 |
| 2002 | 913,722 | 148,612 | 357,948 |
| 2003 | 738,464 | 137,052 | 279,812 |
| 2004 | 547,221 | 123,816 | 121,605 |
| 2005 | 348,753 | 105,676 | 59,443 |
| Thereafter | 174,571 | 242,106 | 140,158 |
| | \$3,772,972 | 915,915 | 1,307,111 |

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 lease revenue or expense; no effect has been given to renewals, new business, cancellations, contingent rentals or future rate changes.

INCOME TAXES

The components of earnings before income taxes and the provision for income taxes attributable to continuing operations were as follows:

| Years ended December 31 | 2000 | 1999 | 1998 |
|-------------------------------|------------|-----------|----------|
| (in thousands) | | | |
| Earnings before income taxes: | | | |
| United States | \$101,727 | 92,003 | 184,476 |
| Foreign | 39,594 | 25,491 | 20,088 |
| | \$141,321 | 117,494 | 204,564 |
| Current tax benefit: | | | |
| Federal | \$(40,204) | (183,470) | (24,173) |
| State | 4,652 | (24,392) | (6,357) |
| Foreign | 14,602 | 2,398 | 6,850 |
| | (20,950) | (205,464) | (23,680) |
| Deferred tax expense: | | | |
| Federal | 66,062 | 210,542 | 88,173 |
| State | 3,351 | 31,596 | 11,729 |
| Foreign | 3,826 | 7,903 | 530 |
| | 73,239 | 250,041 | 100,432 |
| Provision for income taxes | \$ 52,289 | 44,577 | 76,752 |

A reconciliation of the Federal statutory tax rate with the effective tax rate for continuing operations follows:

| | % of Pre-tax Income | | |
|---|---------------------|-------|-------|
| | 2000 | 1999 | 1998 |
| Federal statutory tax rate | 35.0 | 35.0 | 35.0 |
| Impact on deferred taxes for changes in tax rates | -- | -- | (0.8) |
| State income taxes, net of Federal income tax benefit | 3.7 | 4.0 | 1.7 |
| Miscellaneous items, net | (1.7) | (1.1) | 1.6 |
| Effective tax rate | 37.0 | 37.9 | 37.5 |

The components of the net deferred income tax liability were as follows:

| December 31 | 2000 | 1999 |
|--|--------------|-------------|
| (in thousands) | | |
| Deferred income tax assets: | | |
| Self-insurance reserves | \$ 74,388 | 51,667 |
| Net operating loss carryforwards | 99,271 | -- |
| Alternative minimum taxes | 31,109 | 6,011 |
| Accrued compensation and benefits | 31,445 | 30,484 |
| Lease accruals and reserves | 43,365 | 28,378 |
| Miscellaneous other accruals | 36,451 | 48,447 |
| | 316,029 | 164,987 |
| Valuation allowance | (12,815) | (12,822) |
| | 303,214 | 152,165 |
| Deferred income tax liabilities: | | |
| Property and equipment bases difference | (1,155,110) | (1,039,023) |
| Other items | (130,481) | (102,173) |
| | (1,285,591) | (1,141,196) |
| Net deferred income tax liability* | \$ (982,377) | (989,031) |

*Deferred tax assets of \$35 million and \$22 million have been included in the consolidated balance sheet caption "Prepaid expenses and other current assets" at December 31, 2000 and 1999, respectively.

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 \$112 million at December 31, 2000. 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 net operating loss carryforwards (tax effected) for Federal and state income tax purposes of \$99 million at December 31, 2000, expiring through 2015. The Company expects that the results of future operations will generate sufficient taxable income to realize the deferred tax assets and that these carryforwards will be utilized before their expiration dates.

The Company had unused alternative minimum tax credits, for tax purposes, of \$31 million at December 31, 2000, 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 deferred income tax assets, principally foreign tax loss carryforwards, to amounts expected to be realized.

Income taxes paid (refunded) totaled \$(7) million in 2000, \$72 million in 1999, and \$(23) million in 1998 and include amounts related to both continuing and discontinued operations.

DEBT

| December 31 | 2000 | 1999 |
|--|--------------|-----------|
| (in thousands) | | |
| U.S. commercial paper | \$ 441,106 | 320,000 |
| Canadian commercial paper | 31,692 | 45,006 |
| Unsecured U.S. notes: | | |
| Debentures, 6.50% to 9.88%, due 2001 to 2017 | 425,610 | 453,244 |
| Medium-term notes, 5.00% to 8.37%, due 2001 to 2025 | 755,863 | 1,181,443 |
| Unsecured foreign obligations (principally pound sterling), 4.84% to 14.25%, due 2001 to 2006 | 332,680 | 335,343 |
| Other debt, including capital leases | 30,029 | 58,353 |
| Total debt | 2,016,980 | 2,393,389 |
| Current portion | (412,738) | (574,253) |
| Long-term debt | \$ 1,604,242 | 1,819,136 |

Debt maturities (including sinking fund requirements) during the five years subsequent to December 31, 2000 are as follows:

| | Debt Maturities |
|----------------|--------------------|
| (in thousands) | |
| 2001 | \$412,738 |
| 2002 | 788,986 |
| 2003 | 114,447 |
| 2004 | 88,931 |
| 2005 | 203,870 |

The Company can borrow up to \$720 million through an unsecured global revolving credit facility, which expires in June 2002. The global credit facility is primarily to be used to finance working capital and provide support for the issuance of commercial paper. At the Company's option, the interest rate on borrowings under this credit facility is based on LIBOR, prime, federal funds or local equivalent rates. No compensating balances are required under the global credit facility; however, it does have an annual facility fee of 0.08 percent based on the Company's current credit rating. At December 31, 2000, foreign borrowings of \$97 million were outstanding under the credit facility and the Company had \$187 million available under this agreement.

The weighted average interest rates for outstanding U.S. commercial paper at December 31, 2000 and 1999 were 7.38 percent and 6.60 percent, respectively. The weighted average interest rates for outstanding Canadian commercial paper at December 31, 2000 and 1999 were 5.91 percent and 5.17 percent, respectively. U.S. commercial paper is classified as long-term debt since it is backed by the long-term revolving credit facility previously discussed.

The Company has issued unsecured medium-term notes under various shelf registration statements filed with the SEC. In 1998, the Company registered an additional \$800 million for future debt issues. As of December 31, 2000, the Company had \$487 million of debt securities available for issuance under the latest registration statement. The Company had unamortized original issue discounts of \$17 million and \$18 million for the medium-term notes and debentures at December 31, 2000 and 1999, respectively.

During the fourth quarter of 1999, the Company recorded an extraordinary loss of \$4 million (net of income tax benefit of \$3 million) in connection with the early retirement of \$156 million of medium-term notes. The loss represents the payment of redemption premiums and the write-off of deferred finance costs.

At December 31, 2000 and 1999, the Company also had letters of credit outstanding totaling \$133 million and \$134 million, respectively, which primarily guarantee various insurance activities.

Interest paid in 2000 totaled \$163 million. Interest paid for both continuing and discontinued operations totaled \$206 million in 1999 and \$201 million in 1998.

The carrying amount of debt (excluding capital leases) was \$2.0 billion and \$2.3 billion as of December 31, 2000 and 1999, respectively. Based on dealer quotations that represent the discounted future cash flows through maturity or expiration using current rates, the fair value of this debt at December 31, 2000 and 1999 was estimated at \$1.9 billion and \$2.3 billion, respectively.

SHAREHOLDERS' EQUITY

In December 1999, the Company completed a \$200 million stock repurchase program announced in September 1999 in conjunction with the RPTS sale. In September 1999, the Company also completed a three million-share repurchase program announced in December 1998. Since 1996, five repurchase programs have been completed, resulting in the repurchase of 27 million shares of common stock.

At December 31, 2000, the Company had 59,915,079 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 that 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 anti-dilution provisions and are not exercisable, transferable or exchangeable apart from the common stock until 10 days after a person, or a group of affiliated or associated persons, acquires beneficial ownership of 10 percent or more, or, in the case of exercise or transfer, makes a tender offer for 10 percent 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 that 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 \$0.01 per Right prior to the acquisition by a person or a group of persons affiliated or associated persons of beneficial ownership of 10 percent or more of the common stock.

EMPLOYEE STOCK OPTION AND STOCK PURCHASE PLANS

Option Plans

The Company sponsors various stock option and incentive plans which provide for the granting of options to employees and directors for purchase of common stock at prices equal to fair market value at the time of grant. Options granted under all plans are for terms not exceeding 10 years and are exercisable cumulatively 20 percent to 50 percent each year based on the terms of the grant.

Key employee plans also provide for the issuance of stock appreciation rights, limited stock appreciation rights, performance units or restricted stock at no cost to the employee. The value of the restricted stock and stock units, equal to fair market value at the time of grant, is recorded in shareholders' equity and recognized as compensation expense as the restricted stock and stock units vest over the periods established for each grant. In 2000 and 1999, the Company granted 194,400 and 45,650 shares of restricted stock at a weighted average grant date fair value of \$18.19 and \$26.33, respectively. No grants were made in 1998. Awards under a non-employee director plan may also be granted in tandem with restricted stock units at no cost to the grantee; 3,975 units, 4,013 units and 2,850 units were granted in 2000, 1999 and 1998, respectively. This compensation expense was not significant in 2000, 1999 or 1998.

The following table summarizes the status of the Company's stock option plans (shares in thousands):

| | 2000 | | 1999 | | 1998 | |
|----------------------------|---------------------------------|---------|---------------------------------|---------|---------------------------------|---------|
| | Weighted Average Exercise Price | | Weighted Average Exercise Price | | Weighted Average Exercise Price | |
| | Shares | Price | Shares | Price | Shares | Price |
| Beginning of year | 6,762 | \$27.77 | 5,253 | \$28.06 | 6,000 | \$27.18 |
| Granted | 2,969 | 18.61 | 2,200 | 26.76 | 246 | 33.21 |
| Exercised | (73) | 14.11 | (92) | 22.44 | (911) | 23.60 |
| Forfeited | (886) | 27.97 | (599) | 27.47 | (82) | 27.01 |
| End of year | 8,772 | \$24.76 | 6,762 | \$27.77 | 5,253 | \$28.06 |
| Exercisable at end of year | 4,123 | \$28.25 | 4,099 | \$27.59 | 3,610 | \$26.12 |
| Available for future grant | 2,477 | N/A | 2,258 | N/A | 3,907 | N/A |

Information about options in various price ranges at December 31, 2000 follows (shares in thousands):

| Price Ranges | Options Outstanding | | | Options Exercisable | |
|--------------|---------------------|---------------------------|------------------------|---------------------|------------------------|
| | Shares | Remaining Life (in years) | Weighted Average Price | Shares | Weighted Average Price |
| \$10 - 20 | 2,388 | 8.7 | \$17.71 | 176 | \$17.25 |
| 20 - 25 | 1,423 | 6.4 | 22.03 | 523 | 22.55 |
| 25 - 30 | 3,818 | 5.4 | 27.01 | 2,369 | 27.14 |
| 30 - 38 | 1,143 | 5.9 | 35.34 | 1,055 | 35.40 |
| | 8,772 | 6.5 | \$24.76 | 4,123 | \$28.25 |

Purchase Plans

The Employee Stock Purchase Plan provides for periodic offerings to substantially all U.S. and Canadian employees, with the exception of employees in executive stock option plans, to subscribe to shares of the Company's common stock at 85 percent of the fair market value on either the date of offering or the last day of the purchase period, whichever is less. The stock purchase plan currently in effect provides for quarterly purchase periods. The U.K. Stock Purchase Scheme provides for periodic offerings to substantially all United Kingdom employees to subscribe to shares of the Company's common stock at 85 percent 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):

| | 2000 | | 1999 | | 1998 | |
|----------------------------|--------|---------------------------------|--------|---------------------------------|--------|---------------------------------|
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Beginning of year | 72 | \$27.00 | 82 | \$27.05 | 571 | \$24.46 |
| Granted | 379 | 16.03 | 300 | 18.43 | 146 | 20.31 |
| Exercised | (379) | 16.03 | (300) | 19.71 | (586) | 23.05 |
| Forfeited | (9) | 28.34 | (10) | 27.66 | (49) | 24.54 |
| End of year | 63 | \$26.81 | 72 | \$27.00 | 82 | \$27.05 |
| Exercisable at end of year | 22 | \$20.66 | -- | N/A | -- | N/A |
| Available for future grant | 2,066 | N/A | 2,436 | N/A | 226 | N/A |

Pro Forma Information

The Company accounts for stock-based compensation using the intrinsic value method. Stock options are issued at fair market value at the date of grant. Accordingly, no compensation expense has been recognized for stock options granted. Had the fair value method of accounting been applied to the Company's plans, which requires recognition of compensation expense over the vesting periods of the awards, pro forma net earnings and earnings per share would have been:

| Years ended December 31 | 2000 | 1999 | 1998 |
|--|----------|---------|---------|
| (in thousands, except per share amounts) | | | |
| Net earnings: | | | |
| As reported | \$89,032 | 419,678 | 159,071 |
| Pro forma | 81,350 | 412,789 | 150,958 |
| Earnings per share: | | | |
| Basic: | | | |
| As reported | 1.49 | 6.12 | 2.18 |
| Pro forma | 1.37 | 6.02 | 2.07 |
| Diluted: | | | |
| As reported | 1.49 | 6.11 | 2.16 |
| Pro forma | 1.37 | 6.02 | 2.06 |

The fair values of options granted were estimated as of the dates of grant using the Black-Scholes option pricing model.

The option pricing assumptions were as follows:

| Years ended December 31 | 2000 | 1999 | 1998 |
|---|----------|----------|----------|
| Dividend yield | 3.5% | 2.5% | 2.3% |
| Expected volatility | 26.9% | 25.7% | 25.1% |
| Option Plans: | | | |
| Risk-free interest rate | 6.3% | 5.4% | 5.4% |
| Weighted average expected life | 7 years | 7 years | 9 years |
| Weighted average grant - date fair value per option | \$5.01 | \$7.77 | \$11.05 |
| Purchase plans: | | | |
| Risk-free interest rate | 5.8% | 4.9% | 5.3% |
| Weighted average expected life | .25 year | .25 year | .25 year |
| Weighted average grant - date fair value per option | \$4.08 | \$4.99 | \$5.50 |

EARNINGS PER SHARE INFORMATION

A reconciliation of the number of shares used in computing basic and diluted EPS follows:

| Years ended December 31 | 2000 | 1999 | 1998 |
|--|--------|--------|--------|
| (in thousands) | | | |
| Weighted average shares outstanding - Basic | 59,567 | 68,536 | 73,068 |
| Effect of dilutive options and unvested restricted stock | 192 | 196 | 577 |
| Weighted average shares outstanding - Diluted | 59,759 | 68,732 | 73,645 |
| Anti-dilutive options not included above | 6,446 | 5,750 | 1,485 |

EMPLOYEE BENEFIT PLANS

Pension Plans

The Company sponsors 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. The 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.

Pension income (expense) was as follows:

| Years ended December 31 | 2000 | 1999 | 1998 |
|------------------------------------|-------------|----------|----------|
| (in thousands) | | | |
| Company-administered plans: | | | |
| Service cost | \$ (23,836) | (32,649) | (26,067) |
| Interest cost | (54,047) | (50,087) | (48,356) |
| Expected return on plan assets | 97,064 | 85,422 | 75,680 |
| Amortization of transition asset | 3,746 | 3,818 | 3,848 |
| Recognized net actuarial gain | 23,890 | 2,323 | 2,334 |
| Amortization of prior Service cost | (2,501) | (2,382) | (2,368) |
| | 44,316 | 6,445 | 5,071 |
| Union-administered plans | (2,610) | (2,591) | (2,488) |
| Net pension income | \$ 41,706 | 3,854 | 2,583 |

Plan transfers relate to obligations assumed and assets received in 2000 related to a customer's employees who were hired by the Company as a result of a new contract in the United Kingdom. Additionally, in 2000, the Company's dominant plan was amended to increase certain benefit levels and resulted in an additional benefit obligation of \$7 million. The Company recorded settlement and curtailment gains of \$4 million in 1999 as part of the gain on disposal of discontinued operations.

The following table sets forth the balance sheet impact, as well as the benefit obligations, assets and funded status associated with the Company's pension plans:

| December 31 | 2000 | 1999 |
|---|------------|-----------|
| (in thousands) | | |
| Change in benefit obligations: | | |
| Benefit obligations at January 1, | \$ 701,776 | 787,729 |
| Service cost | 23,836 | 32,649 |
| Interest cost | 54,047 | 50,087 |
| Amendments | 7,747 | -- |
| Actuarial loss (gain) | 37,444 | (7,047) |
| Benefits paid | (36,229) | (34,905) |
| Settlement and curtailment | -- | (21,331) |
| Change in discount rate assumption | 22,502 | (104,019) |
| Plan transfers | 15,627 | -- |
| Foreign currency exchange rate changes | (6,581) | (1,387) |
| Benefit obligations at December 31, | 820,169 | 701,776 |
| Change in plan assets: | | |
| Fair value of plan assets at January 1, | 1,054,123 | 929,161 |
| Actual return on plan assets | (41,672) | 167,229 |
| Employer contribution | 2,293 | 10,084 |
| Plan participants' contributions | 2,692 | 3,025 |
| Benefits paid | (36,229) | (34,905) |
| Settlement | -- | (19,183) |
| Plan transfers | 20,110 | -- |
| Foreign currency exchange rate changes | (7,824) | (1,288) |
| Fair value of plan assets at December 31, | 993,493 | 1,054,123 |
| Funded status | 173,324 | 352,347 |
| Unrecognized transition asset | (267) | (4,036) |
| Unrecognized prior service cost | 17,950 | 12,795 |
| Unrecognized net actuarial gain | (59,933) | (278,761) |
| Prepaid benefit cost | \$ 131,074 | 82,345 |

Amounts recognized in the balance sheet consist of:

| December 31 | 2000 | 1999 |
|---|------------|----------|
| ----- | | |
| (in thousands) | | |
| Other assets (prepaid pension benefit cost) | \$ 145,546 | 95,074 |
| Accrued expenses | (14,472) | (12,729) |
| | ----- | ----- |
| | \$ 131,074 | 82,345 |
| ===== | | |

The following table sets forth the actuarial assumptions used for the Company's dominant plan:

| December 31 | 2000 | 1999 |
|--|-------|-------|
| ----- | | |
| Discount rate | 7.50% | 7.75% |
| Rate of increase in compensation levels | 5.00% | 5.00% |
| Expected long-term rate of return on plan assets | 9.50% | 9.50% |
| Transition amortization in years | 6 | 8 |
| Gain and loss amortization in years | 6 | 8 |
| ===== | | |

Savings Plans

The Company also has defined contribution savings plans that cover substantially all eligible employees. Company contributions to the plans, which are based on employee contributions and the level of company match, totaled approximately \$14 million in 2000, \$11 million in 1999 and \$12 million in 1998.

Supplemental Pension and Deferred Compensation Plans

The Company has a non-qualified supplemental pension plan covering certain employees which provides for incremental pension payments from the Company's funds so that total pension payments equal amounts that would have been payable from the Company's principal pension plans if it were not for limitations imposed by income tax regulations. The benefit obligation under this plan totaled \$19 million and \$15 million at December 31, 2000 and 1999, respectively. The accrued pension expense liability related to this plan was \$14 million and \$13 million at December 31, 2000 and 1999, respectively. Pension expense for this plan totaled \$2 million in 2000, 1999 and 1998.

The Company also has deferred compensation plans that permit eligible employees, officers and directors to defer a portion of their compensation. The deferred compensation liability, including Company matching amounts and accumulated earnings on notional investments, totaled \$23 million at December 31, 2000 and 1999.

The Company has established a grantor trust (Rabbi Trust) to provide funding for benefits payable under the supplemental pension plan and deferred compensation plans. The assets held in trust at December 31, 2000 and 1999 amounted to \$38 million and \$37 million, respectively. These assets are included in "Direct financing leases and other assets" in the accompanying balance sheets because they are available to the general creditors of the Company in the event of the Company's insolvency. Rabbi Trust assets consist of a managed portfolio of equity securities and corporate-owned life insurance policies. The equity securities are classified as trading assets and stated at fair value. Both realized and unrealized gains and losses are included in miscellaneous expense (income), net.

Postretirement Benefits Other than Pensions

The Company sponsors plans that provide retired employees with certain healthcare and life insurance benefits. Substantially all employees not covered by union-administered health and welfare plans are eligible for these benefits. Healthcare 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 was as follows:

| Years ended December 31 | 2000 | 1999 | 1998 |
|------------------------------------|---------|---------|---------|
| (in thousands) | | | |
| Service cost | \$ 975 | 1,360 | 1,117 |
| Interest cost | 2,233 | 2,210 | 2,535 |
| Curtailed gain | (1,148) | -- | -- |
| Recognized net actuarial gain | (801) | (94) | -- |
| Amortization of prior service cost | (1,166) | (1,043) | (1,091) |
| Postretirement benefit expense | \$ 93 | 2,433 | 2,561 |

During 2000, the Company amended its postretirement benefit plan to eliminate the retiree life insurance benefit for active employees as of December 31, 2000. The amendment led to a curtailment gain of \$1 million in 2000.

The Company also recorded settlement and curtailment gains of \$1 million in 1999 as part of the gain on disposal of discontinued operations.

The Company's postretirement benefit plans are not funded. The following table sets forth the balance sheet impact, as well as the benefit obligations and rate assumptions associated with the Company's postretirement benefit plans:

| December 31 | 2000 | 1999 |
|---|-----------|---------|
| (in thousands) | | |
| Benefit obligations at January 1, | \$ 29,639 | 38,976 |
| Service cost | 975 | 1,360 |
| Interest cost | 2,233 | 2,210 |
| Amendment | (4,318) | -- |
| Actuarial loss (gain) | 2,699 | (3,830) |
| Benefits paid | (3,585) | (3,847) |
| Settlement and curtailment | (1,148) | (2,271) |
| Change in discount rate assumption | 437 | (2,959) |
| Benefit obligations at December 31, | 26,932 | 29,639 |
| Unrecognized prior service credit | 8,708 | 5,556 |
| Unrecognized net actuarial gain | 2,634 | 6,571 |
| Accrued postretirement benefit obligation | \$ 38,274 | 41,766 |
| Discount rate | 7.50% | 7.75% |

The actuarial assumptions include healthcare cost trend rates projected at 7 percent for 2001 and 2002, and 6 percent thereafter. Changing the assumed healthcare cost trend rates by 1 percent in each year would not have had a material effect on the accumulated postretirement benefit obligation as of December 31, 2000 or postretirement benefit expense for 2000.

ENVIRONMENTAL MATTERS

The Company's operations involve storing and dispensing petroleum products, primarily diesel fuel. In 1988, the Environmental Protection Agency (EPA) issued regulations that established requirements for testing and replacing underground storage tanks. During 1998, the Company completed its tank replacement program to comply with the regulations. In addition, the Company has received notices from the EPA and others that it has been identified as a potentially responsible party 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 27 identified disposal sites.

The Company's environmental expenses, which included remediation costs as well as normal recurring expenses such as licensing, testing and waste disposal fees, were \$5 million in 2000, \$10 million in 1999 and \$4 million in 1998.

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 was involved in litigation with a former customer, OfficeMax, relating to a logistics services agreement that was terminated in 1997. In October 2000, the Company agreed to an out-of-court settlement with OfficeMax, ending this litigation. In the final settlement, OfficeMax will pay the Company a total of \$5 million over the next five years. The Company will not pay anything to OfficeMax. Further, the settlement is backed by a \$5 million letter of credit, obtained by OfficeMax, naming the Company as the beneficiary.

The Company is also a party to various other 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 consolidated financial position, liquidity or results of operations of the Company.

SEGMENT REPORTING

During the fourth quarter of 1999, the Company implemented several restructuring initiatives designed to improve profitability and align the organizational structure with the strategic direction of the Company (see "Restructuring and Other Charges"). As part of the restructuring, the Company changed how it manages and measures the business during the first quarter of 2000. Prior to the 1999 restructuring, the Company's three reportable business segments were Transportation Services, Integrated Logistics and International. The principal changes from prior management and measurement are (1) management of the business along product lines, without regard to geography; (2) discrete management and presentation of the DCC business; and (3) segment profitability measured by contribution margin. The business segment information presented below reflects such changes. Prior year information has been restated, where practical, to conform to the current year presentation.

The Company's operating segments are aggregated into the following reportable business segments based primarily upon similar economic characteristics, products, services and delivery methods. The Company operates in three reportable business segments: (1) FMS, which provides full service leasing, commercial rental and programmed maintenance of trucks, tractors and trailers to customers, principally in the U.S., Canada and the United Kingdom; (2) SCS, which provides comprehensive supply chain consulting and lead logistics management solutions that support customers' entire supply chains, from inbound raw materials through distribution of finished goods throughout North America, in Latin America, Europe and Asia; and (3) DCC, which provides vehicles and drivers as part of a dedicated transportation solution, principally in North America.

Business segment revenue and contribution margin are presented below:

| Years ended December 31 | 2000 | 1999 | 1998 |
|---|-------------|-----------|-----------|
| ----- | | | |
| (in thousands) | | | |
| Revenue | | | |
| Fleet management solutions: | | | |
| Full service lease and programmed maintenance | \$1,865,345 | 1,816,599 | 1,762,621 |
| Commercial rental | 523,776 | 540,734 | 505,558 |
| Fuel | 773,320 | 587,193 | 542,140 |
| Other | 393,549 | 362,718 | 352,591 |
| | ----- | ----- | ----- |
| | 3,555,990 | 3,307,244 | 3,162,910 |
| Supply chain solutions | 1,604,862 | 1,449,871 | 1,242,664 |
| Dedicated contract carriage | 542,096 | 522,800 | 512,800 |
| Eliminations | (366,156) | (327,711) | (311,398) |
| | ----- | ----- | ----- |
| Total revenue | \$5,336,792 | 4,952,204 | 4,606,976 |
| ===== | | | |

| Years ended December 31 | 2000 | 1999 | 1998 |
|---|------------|-----------|-----------|
| ----- | | | |
| (in thousands) | | | |
| Contribution margin | | | |
| Fleet management solutions | \$ 382,851 | 372,164 | 395,828 |
| Supply chain solutions | 70,242 | 56,365 | 56,914 |
| Dedicated contract carriage | 59,669 | 58,100 | 59,600 |
| Eliminations | (41,888) | (40,280) | (39,666) |
| | 470,874 | 446,349 | 472,676 |
| Central support services | (287,539) | (252,712) | (233,734) |
| Restructuring and other charges | (42,014) | (52,093) | 3,040 |
| Year 2000 expense | -- | (24,050) | (37,418) |
| ----- | | | |
| Earnings from continuing operations before income taxes | \$ 141,321 | 117,494 | 204,564 |
| ===== | | | |

Management evaluates business segment financial performance based upon several factors, of which the primary measure is contribution margin. Contribution margin represents each business segment's revenue, less direct costs and direct overheads related to the segment's operations. Business segment contribution margin for all segments (net of eliminations), less Central Support Services (CSS) expenses and unusual items, is equal to earnings from continuing operations before income taxes. CSS are those costs incurred to support all business segments, including sales and marketing, human resources, finance, shared management information systems, customer solutions, health and safety, legal and communications. CSS also includes expenses of certain new business initiatives, Ryder Capital Services and e-Commerce, which may be reported as business segments in the future once such operations become material.

The FMS segment leases revenue earning equipment, sells fuel and provides maintenance and other ancillary services to the SCS and DCC segments. Inter-segment revenues and contribution margin are accounted for at approximate fair value as if the transactions were made with third parties. Contribution margin related to inter-segment equipment and services billed to customers (equipment contribution) is included in both FMS and the business segment which served the customer, then eliminated. Equipment contribution included in SCS contribution margin was \$20 million in 2000 and \$19 million in 1999 and 1998. Equipment contribution included in DCC contribution margin was \$22 million in 2000 and \$21 million in 1999 and 1998. Interest expense is primarily allocated to the FMS business segment.

Each business segment follows the same accounting policies as described in the Summary of Significant Accounting Policies. These results are not necessarily indicative of the results of operations that would have occurred had each segment been an independent, stand-alone entity during the periods presented.

| Years ended December 31 | 2000 | 1999 | 1998 |
|-----------------------------|-----------|---------|---------|
| ----- | | | |
| (in thousands) | | | |
| Depreciation | | | |
| Fleet management solutions | \$534,758 | 572,784 | 576,286 |
| Supply chain solutions | 25,080 | 24,835 | 23,908 |
| Dedicated contract carriage | 1,809 | 2,259 | 2,515 |
| Central support services | 18,709 | 22,848 | 23,584 |
| | 580,356 | 622,726 | 626,293 |
| Total depreciation | \$580,356 | 622,726 | 626,293 |
| ===== | | | |

Gains on sales of revenue earning equipment, net of selling and equipment preparation cost reflected in FMS, totaled \$19 million, \$56 million and \$57 million in 2000, 1999 and 1998, respectively.

| Years ended December 31 | 2000 | 1999 | 1998 |
|--|-----------|---------|---------|
| (in thousands) | | | |
| Amortization expense and other non-cash charges, net | | | |
| Fleet management solutions | \$ 15,973 | 17,147 | 4,680 |
| Supply chain solutions | 14,624 | 11,072 | (1,552) |
| Dedicated contract carriage | -- | -- | -- |
| Central support services | 2,330 | (1,983) | (3,920) |
| Total amortization and other non-cash charges, net | \$ 32,927 | 26,236 | (792) |

Interest expense related to the Company's business segments in 2000 was \$153 million for FMS, \$5 million for SCS, none for DCC and a credit of \$4 million for CSS. As a result of the change in reportable business segments, the prior year disclosure of interest expense included in contribution margin under the new reportable segments is impracticable. Interest expense for the previously reportable business segments is presented below:

| Years ended December 31 | 2000 | 1999 | 1998 |
|----------------------------|-----------|---------|---------|
| (in thousands) | | | |
| Interest expense | | | |
| Transportation services | \$141,487 | 169,082 | 162,070 |
| Integrated logistics | 2,289 | 2,368 | 1,588 |
| International | 16,914 | 22,187 | 25,564 |
| Total reportable segments | 160,690 | 193,637 | 189,222 |
| Other, primarily corporate | (6,681) | (6,461) | (1,436) |
| Total interest expense | \$154,009 | 187,176 | 187,786 |

Asset information, including capital expenditures, is not maintained on the new segment basis nor provided to the chief operating decision maker and as such is not presented.

Geographic Information

| Years ended December 31 | 2000 | 1999 | 1998 |
|-------------------------|-------------|-----------|-----------|
| (in thousands) | | | |
| Revenue | | | |
| United States | \$4,445,842 | 4,078,087 | 3,764,309 |
| Foreign | 890,950 | 874,117 | 842,667 |
| Total | \$5,336,792 | 4,952,204 | 4,606,976 |
| (in thousands) | | | |
| Long-lived assets | | | |
| United States | \$3,026,644 | 3,072,892 | 3,209,027 |
| Foreign | 598,788 | 603,664 | 600,893 |
| Total | \$3,625,432 | 3,676,556 | 3,809,920 |

Ryder System, Inc. and Subsidiaries
SUPPLEMENTARY DATA

QUARTERLY FINANCIAL AND COMMON STOCK DATA

| | Revenue | Continuing Operations | From Earnings Net | Per Common Share | | | | | | | | |
|-----------------------------------|--------------|--------------------------|-------------------------|--|---------|-------|---------|--------------|-------|--------------|--|----------------------------|
| | | | | Earning from Continuing Operations | | | | Net Earnings | | Stock Prices | | Dividends Per Common |
| | | | | Basic | Diluted | Basic | Diluted | High | Low | Share | | |
| (in thousands, except share data) | | | | | | | | | | | | |
| 2000 | | | | | | | | | | | | |
| First quarter | \$ 1,308,608 | 19,824 | 19,824 | 0.33 | 0.33 | 0.33 | 0.33 | 25.13 | 17.44 | .15 | | |
| Second quarter | 1,332,190 | 29,640 | 29,640 | 0.50 | 0.50 | 0.50 | 0.50 | 24.88 | 17.94 | .15 | | |
| Third quarter | 1,338,817 | 12,144 | 12,144 | 0.20 | 0.20 | 0.20 | 0.20 | 23.00 | 18.31 | .15 | | |
| Fourth quarter | 1,357,177 | 27,424 | 27,424 | 0.46 | 0.46 | 0.46 | 0.46 | 20.31 | 14.81 | .15 | | |
| Total | \$ 5,336,792 | 89,032 | 89,032 | 1.49 | 1.49 | 1.49 | 1.49 | 25.13 | 14.81 | .60 | | |
| 1999 | | | | | | | | | | | | |
| First quarter | \$ 1,154,022 | 10,888 | 22,140 | 0.15 | 0.15 | 0.31 | 0.31 | 28.75 | 23.56 | 0.15 | | |
| Second quarter | 1,214,832 | 20,579 | 30,150 | 0.29 | 0.29 | 0.43 | 0.43 | 28.38 | 22.19 | 0.15 | | |
| Third quarter | 1,261,566 | 35,109 | 361,467 | 0.51 | 0.51 | 5.22 | 5.21 | 26.25 | 20.00 | 0.15 | | |
| Fourth quarter | 1,321,784 | 6,341 | 5,921 | 0.10 | 0.10 | 0.09 | 0.09 | 24.94 | 18.81 | 0.15 | | |
| Total | \$ 4,952,204 | 72,917 | 419,678 | 1.06 | 1.06 | 6.12 | 6.11 | 28.75 | 18.81 | 0.60 | | |

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. Information for the first two quarters of 1999 has been restated to reflect RPTS as a discontinued operation (see the "Divestitures" note to the consolidated financial statements for a further discussion).

Earnings from continuing operations in the third and fourth quarters of 2000 were impacted, in part, by after-tax restructuring and other charges of \$23 million and \$3 million, respectively. Earnings from continuing operations in the third and fourth quarters of 1999 were impacted, in part, by after-tax restructuring and other charges of \$2 million and \$30 million, respectively.

Net earnings in the fourth quarter of 1999 were also impacted by a \$4 million after-tax extraordinary loss resulting from the early extinguishment of debt.

The Company's common shares are traded on the New York Stock Exchange, the Chicago Stock Exchange, the Pacific Stock Exchange and the Berlin Stock Exchange. As of January 31, 2001, there were 14,492 common stockholders of record.

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 executive officers is set out in Item 1 of Part I of this Form 10-K.

Other information required by Item 10 is incorporated herein by reference to the Company's definitive proxy statement, which will be filed with the Commission within 120 days after the close of the fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

Information required by Item 11 is incorporated herein by reference to the Company's definitive proxy statement, which will be filed with the Commission within 120 days after the close of the fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by Item 12 is incorporated herein by reference to the Company's definitive proxy statement, which will be filed with the Commission within 120 days after the close of the fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by Item 13 is incorporated herein by reference to the Company's definitive proxy statement, which will be filed with the Commission within 120 days after the close of the fiscal year.

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 F are presented on the following pages of this Form 10-K:

| | Page No. |
|---|----------|
| A) Independent Auditors' Report | 24 |
| B) Consolidated Statements of Earnings for year December 31, 2000, 1999 and 1998..... | 25 |
| C) Consolidated Balance Sheets as of December 31 1999.. | 26 |
| D) Consolidated Statements of Cash Flows for year ended December 31, 2000, 1999 and 1998..... | 27 |
| E) Consolidated Statements of Shareholders' Equity for years ended December 31, 2000, 1999 and 1998..... | 28 |
| F) Notes to Consolidated Financial Statements..... | 29 |

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 included in Item 5 of this report.

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 February 16, 2001. |
| 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 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 The form of change of control severance agreement for executive officers effective as of May 1, 1996, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1996, is incorporated by reference to this report.
- 10.2 The form of severance agreement for executive officers effective as of May 1, 1996, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1996, is incorporated by reference to this report.

10.3(a) The Ryder System, Inc. 1997 Incentive Compensation Plan for Headquarters Executive Management Levels MS 11 and Higher, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1996, is incorporated by reference to this report.

10.3(b) The Ryder System, Inc. 1998 Incentive Compensation Plan for Headquarters Executive Management Level MS 11 and Higher, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, is incorporated by reference into this report.

10.3(c) The Ryder System, Inc. 1999 Incentive Compensation Plan for Headquarters Executive Management Levels MS 11 and Higher, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated by reference into this report.

10.3(d) The Ryder System, Inc. 2000 Incentive Compensation Plan for Headquarters Executive Management Levels MS 11 and Higher.

10.4(a) The Ryder System, Inc. 1980 Stock Incentive Plan, as amended and restated as of August 15, 1996, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, is incorporated by reference into this report.

10.4(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.

10.4(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.

10.4(d) The Ryder System, Inc. 1995 Stock Incentive Plan, as amended and restated as of August 15, 1996, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, is incorporated by reference into this report.

10.4(e) The Ryder System, Inc. 1995 Stock Incentive Plan, as amended and restated as of May 4, 2000

10.5(a) 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.

10.5(b) The Ryder System, Inc. Directors Stock Award Plan dated as of May 2, 1997, as amended and restated as of December 17, 1998, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, is incorporated by reference into this report.

10.6(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.

10.6(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.

10.9(a) The Ryder System, Inc. Stock for Merit Increase Replacement Plan, as amended and restated as of August 15, 1996, previously filed with the commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, is incorporated by reference into this report.

10.9(b) The form of Ryder System, Inc. Non-Qualified Stock Option Agreement, dated as of February 21, 1998, 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(c) The form of Combined Non-Qualified Stock Option and Limited

Stock Appreciation Right Agreement, dated October 1, 1997, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, is incorporated by reference into this report.

10.10 The Ryder System, Inc. Deferred Compensation Plan effective January 1, 1997, as amended and restated as of November 3, 1997, previously filed with the Commission as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, is incorporated by reference into this report.

10.11 Severance Agreement, dated as of March 15, 2000, between Ryder System, Inc. and James B. Griffin. Severance Agreement, dated as of January 31, 2000, between Ryder System, Inc. and Edwin Huston.

10.12 The Asset and Stock Purchase Agreement by and between Ryder System, Inc. and FirstGroup Plc dated as of July 21, 1999, filed with the Commission on September 24, 1999 as an exhibit to the Company's report on Form 8K, is incorporated by reference into 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:

M. Anthony Burns
Joseph L. Dionne
Edward T. Foote II
David I. Fuente
John A. Georges
Vernon E. Jordan, Jr.
David T. Kearns
Lynn M. Martin
Christine A. Varney
Alva O. Way

(b) Reports on Form 8-K:

During the first quarter of 2001, the Company filed a report on Form 8-K on March 12, 2001.

Item 9. REGULATION FD DISCLOSURE

The Company made the 8-K filing to provide answers to question that were submitted by analysts and investors prior and subsequent to the Company's February 7, 2001, earnings conference call. The Company also published the question and answer document (Q and A) on its web site (www.ryder.com).

(c) Executive Compensation Plans and Arrangements:

Please refer to the description of Exhibits 10.1 through 10.12 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 23, 2001 RYDER SYSTEM, INC.
By: /S/ GREGORY T. SWIENTON

Gregory T. Swinton
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 23, 2001 By: /S/ GREGORY T. SWIENTON

Gregory T. Swinton
President and Chief Executive Officer
(Principal Executive Officer)

Date: March 23, 2001 By: /S/ CORLISS J. NELSON

Corliss J. Nelson
Senior Executive Vice President
and Chief Financial Officer
(Principal Financial Officer)

Date: March 23, 2001 By: /S/ RICHARD G. RODICK

Richard G. Rodick
Senior Vice President
and Controller
(Principal Accounting Officer)

Date: March 23, 2001 By: /S/ M. ANTHONY BURNS *

M. Anthony Burns
Chairman

Date: March 23, 2001 By: /S/ JOSEPH L. DIONNE *

Joseph L. Dionne
Director

Date: March 23, 2001 By: /S/ EDWARD T. FOOTE II *

Edward T. Foote II
Director

Date: March 23, 2001 By: /S/ DAVID I. FUENTE *

David I. Fuente
Director

Date: March 23, 2001 By: /S/ JOHN A. GEORGES *

John A. Georges
Director

Date: March 23, 2001 By: /S/ VERNON E. JORDAN, JR. *

Vernon E. Jordan, Jr.
Director

Date: March 23, 2001 By: /S/ DAVID T. KEARNS *

David T. Kearns
Director

Date: March 23, 2001 By: /S/ LYNN M. MARTIN *

Lynn M. Martin
Director

Date: March 23, 2001 By: /S/ CHRISTINE A. VARNEY *

Christine A. Varney
Director

Date: March 23, 2001 By: /S/ ALVA O. WAY *

Alva O. Way
Director

*By: /S/ CARLOS J. ABARCA

Carlos J. Abarca
Attorney-in-Fact

By-Laws

of Ryder System Inc.

Revision Adopted December 8, 1975 Effective January 1, 1976 Amended April 30, 1976 Amended December 14, 1979 Amended February 22, 1980 Amended June 26, 1981 Amended December 16, 1982 Amended May 4, 1984 Amended October 25, 1984 Amended November 8, 1985 Amended February 28, 1986 Amended December 12, 1986 Amended December 18, 1987 Amended June 22, 1990 Amended February 21, 1992 Amended November 23, 1993 Amended February 18, 1999 Amended July 29, 1999 Amended December 14, 2000 Amended February 16, 2001

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BY-LAWS

OF

RYDER SYSTEM, INC.

ARTICLE I

Name

The name of this Corporation is RYDER SYSTEM, INC.

ARTICLE II

Offices

Section 1. Principal Florida Office

The principal office of the Corporation in the State of Florida shall be in Miami, Dade County, Florida.

Section 2. Other Offices

The Corporation may also have offices in such other places, both within and without the State of Florida, as the Board of Directors or the Chairman of the Board may from time to time designate or as the business of the Corporation may require. The registered office of the Corporation, required by applicable law to be maintained in the State of Florida may be, but need not be, identical with the Corporation's principal office in the State of Florida, and the address of the registered office may be changed from time to time by the Board of Directors or the Chairman of the Board.

ARTICLE III

Corporate Seal

The corporate seal shall be circular in form and have inscribed thereon the following: "Ryder System, Inc., Incorporated Florida 1955".

ARTICLE IV

Stockholders

Section 1. Meetings of Stockholders

a. Annual Meeting

The annual meeting of stockholders of the Corporation shall be held at such time and place, within or without the State of Florida, as may be designated by the Board of Directors, at which meeting, in accordance with the Restated Articles of Incorporation and these By-Laws, the stockholders shall elect members of the Board of Directors and transact such other business as lawfully may come before it.

b. Special Meetings

(1) Special meetings of the stockholders may be called by the holders of not less than one-tenth of all the shares outstanding and entitled to vote at such meeting or by the Board of Directors; and such meetings shall be held at such time and place, within or without the State of Florida, as may be designated by the Board of Directors.

(2) Before a stockholder may request or demand that a special meeting of the stockholders be held for any purpose, the following procedure must be satisfied:

(A) Any stockholder seeking to request or demand, or to have the stockholders request or demand, a special meeting shall first, by written notice to the Secretary of the Corporation, request the Board of Directors to fix a record date, pursuant to Section 3.b. of Article V of these By-Laws, for the purpose of determining the stockholders entitled to request the special meeting. The Board of Directors shall promptly, but in all events within 10 days after the date upon which such a request is received, fix such a record date. Every request to fix a record date for determining the stockholders entitled to request a special meeting shall be in writing and shall set forth the purpose or purposes for which the special meeting is requested, the name and address, as they appear in the Corporation's books, of each stockholder making the request and the class and number of shares of the Corporation which are owned of record by each such stockholder, and shall bear the signature and date of signature of each such stockholder.

In the event of the delivery to the Corporation of any request(s) or demand(s) by stockholders with respect to a special meeting, and/or any related revocation or revocations, the Corporation shall engage nationally recognized independent inspectors of elections for the purpose of performing a prompt ministerial review of the validity of the request(s), demand(s) and/or revocation(s).

(B) No request or demand with respect to calling a special meeting of stockholders shall constitute a valid and effective stockholder request or demand for a special meeting (i) unless (A) within 60 days of the record date established in accordance with subsection b(2)(A) of this Section, written requests or demands signed by stockholders of record representing a sufficient number of shares as of such record date to request or demand a special meeting pursuant to subsection b(1) of this Section are delivered to the Secretary of the Corporation and (B) each request or demand is made in accordance with and contains the information required by Section 5.b(2) of this Article IV and (ii) until such date as the independent inspectors engaged in accordance with this subsection b(2) certify to the Corporation that the requests or demands delivered to the Corporation in accordance with clause (i) of this subsection b(2)(B) represent at least the

minimum number of shares that would be necessary to request such a meeting pursuant to subsection b(1) of this Section.

(3) If the Corporation determines that a stockholder or stockholders have satisfied the notice, information and other requirements specified in subsection b(2)(B)(i) of this Section, then the Board of Directors shall adopt a resolution calling a special meeting of the stockholders and fixing a record date, pursuant to Section 3.b. of Article V, for the purpose of determining the stockholders entitled to notice of and to vote at such special meeting. Notice of such special meeting shall be provided in accordance with Section 1.c. of this Article IV, provided that such notice shall be given within 60 days (or such longer period as from time to time may be permitted by law) after the date the request(s) or demand(s) for such special meeting is(are) delivered to the Corporation in accordance with subsection b(2)(B)(i) of this Section.

(4) In fixing a meeting date for the special meeting of stockholders, the Board of Directors may consider such factors as it deems relevant within the good faith exercise of its business judgment, including, without limitation, the nature of the action proposed to be taken, the facts and circumstances surrounding the request, and any plan of the Board of Directors to call a special or annual meeting of stockholders for the conduct of related business, provided that such meeting date shall be within 120 days (or such longer period as may from time to time be permitted by law) after the date the request(s) or demand(s) for such special meeting is(are) delivered to the Corporation in accordance with subsection b(2)(B)(i) of this Section.

(5) Nothing contained in this Section 1.b. shall in any way be construed to suggest or imply that the Board of Directors or any stockholder shall not be entitled to contest the validity of any request or demand or revocation thereof, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto).

c. Notice of Meetings

Except as otherwise permitted by law, notice of all meetings of stockholders stating the time and place, and, in the case of special meetings, the purpose or purposes for which the meeting is called, shall be given, by mailing, or by transmitting by electronic mail or any other type of electronic transmission, or by any other method permitted by law, to each stockholder entitled to vote no less than ten days nor more than sixty days before the date set for such meeting. Such notice shall be deemed to be delivered (1) when deposited in the United States mail addressed to the stockholder at his address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid, or (2) at the time the notice is electronically transmitted to the stockholder in a manner authorized by the stockholder if such authorization is required by law, or (3) at such other time as provided by law with respect to other methods of giving such notice as are permitted by law.

d. Preparation of Voting List of Stockholders

The Secretary shall prepare and make, or cause to be prepared and made, at least ten days before each meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting or any adjournment thereof, with the address of and the number and class and series, if any, of shares held by each stockholder as such information appears on the stock transfer books of the Corporation. Such list shall be kept on file at the principal place of business of the Corporation, shall be open to the examination of any stockholder during normal business hours for said ten day period upon receipt by the Secretary of a written request to make such an examination, and shall be produced and kept at the time and place of the meeting during the whole time thereof subject to the inspection of any stockholder who may be present.

Section 2. Quorum and Vote of Stockholders

The holders of a majority of the voting power of the total number of shares outstanding and entitled to vote, present in person or represented by proxy thereat, shall constitute a quorum at a meeting of stockholders for the transaction of business, except as otherwise provided by law or by the Restated Articles of Incorporation. If, however, a quorum does not exist at a meeting, the holders of a majority of the shares present or represented and entitled to vote at such meeting may adjourn the meeting from time to time, without notice other than by announcement at the meeting, until holders of the requisite number of shares entitled to vote shall be present. Except as otherwise required by law, at any such adjourned meeting at which a quorum exists, any business may be transacted which might have been transacted at the meeting as originally noticed. The stockholders present at a duly organized meeting may continue to transact business in accordance with these By-Laws until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

If a quorum is present, action on a matter (including the election of directors) shall be approved by the stockholders of the Corporation if the matter receives the affirmative vote of the holders of a majority of the voting power of the total number of shares outstanding and entitled to vote on such matter, unless the matter is one upon which, by express provision of law a greater vote is required or from time to time permitted by action of the Board of Directors, or by the Restated Articles of Incorporation or these By-Laws a greater or different vote is required, in any which case such express provision shall govern and control the requisite vote requirement.

Section 3. Voting by Stockholders

Each stockholder entitled to vote at any meeting may do so in person or by proxy appointed by instrument signed or otherwise authorized by the stockholder or by the stockholder's attorney-in-fact in writing or in any other manner permitted by law.

Section 4. Stockholder Action

Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders.

Section 5. Transaction of Business at Stockholder Meetings

a. Annual Meetings of Stockholders

(1) The proposal of business (other than the nomination of persons for election to the Board of Directors, which is governed exclusively by Sections 1.b. and 2 of Article V of these By-Laws) for consideration by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's notice of meeting, (b) by or at the direction of the Board of Directors, or (c) by any stockholder of the Corporation who is a stockholder of record at the time of giving of the notice provided for in subsection a(2) of this Section, who shall be entitled to vote at the meeting, who is a stockholder at the time of such meeting and who complies with the notice procedures set forth in subsection a(2) of this Section.

(2)(A) For business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of subsection a(1) above, the stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

(B) To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than 90 days prior to the date of such annual meeting.

(C) To be in proper written form, such stockholder's notice shall be in writing, shall be executed by the stockholder and shall set forth (i) as to any business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought, the reasons for conducting such business at the meeting, and any material interest in such business of such stockholder or the beneficial owner, if any, on whose behalf the proposal is made; and (ii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made, (A) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, and (B) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

b. Special Meetings of Stockholders

(1) Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting pursuant to Section 1.c. of this Article IV. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders only in accordance with the provisions of Sections 1.b. and 2 of Article V of these By-Laws. Resolutions or other proposals for the transaction of business (other than the nomination of persons for election to the Board of Directors) may be proposed at a special meeting of stockholders (a) by or at the direction of the Board of Directors, or (b) in the event a stockholder of the Corporation satisfies the procedures set forth in Section 1.b(2) of this Article IV, by such stockholder of the Corporation who is a stockholder of record at the time of giving of the notice provided for in the second sentence of Section 1.b(3) of this Article IV, who shall be entitled to vote at the meeting, who is a stockholder at the time of such meeting and who complies with the notice procedures set forth in subsection b(2) of this Section.

(2) For business to be properly brought before a special meeting by a stockholder pursuant to clause (b) of subsection b(1) above, the stockholder must have delivered notice thereof in the form required by subsection a(2)(C) of this Section to the Secretary of the Corporation at the principal executive offices of the Corporation.

c. General

(1) Only such business shall be conducted at an annual or special meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section. The Chairman of the meeting shall have the power and duty to determine whether any business proposed to be brought before the meeting was properly brought before such meeting in accordance with the procedures set forth in this Section and, if the Chairman shall determine that any proposed business is not so brought in compliance with this Section, to declare to the meeting that such defective proposal shall be disregarded.

(2) Notwithstanding the foregoing provisions of this Section, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder, with respect to the matters set forth in this Section. Nothing in this Section shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

ARTICLE V

Directors

Section 1. Board of Directors

a. Number, election and terms

Except as otherwise fixed by or pursuant to the provisions of Article III of the Restated Articles of Incorporation relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, the number of the Directors of the Corporation shall be 13, but such number may be fixed from time to time at not less than three nor more than 21 by resolution of the Board of Directors. The Directors, other than those who may be elected by the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible. Such classes shall originally consist of one class of four Directors who shall be elected at the annual meeting of stockholders held in 1984 for a term expiring at the annual meeting of stockholders to be held in 1985; a second class of three Directors who shall be elected at the annual meeting of stockholders held in 1984 for a term expiring at the annual meeting of stockholders to be held in 1986; and a third class of four Directors who shall be elected at the annual meeting of stockholders held in 1984 for a term expiring at the annual meeting of stockholders to be held in 1987. The Board of Directors shall increase or decrease the number of Directors in one or more classes as may be appropriate whenever it increases or decreases the number of Directors pursuant to this Article V, in order to ensure that the three classes shall be as nearly equal in number as possible. At each annual meeting of the stockholders of the Corporation, the successors of the class of Directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

b. Stockholder nomination of director candidates

Advance notice of stockholder nominations for the election of Directors shall be given in the manner provided in Section 2 of this Article V.

c. Newly created directorships and vacancies

Except as otherwise provided for or fixed by or pursuant to the provisions of Article III of the Restated Articles of Incorporation relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, newly created directorships resulting from any increase in the number of Directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled by the affirmative vote of a majority of the remaining Directors then in office, even though less than a quorum of the Board of Directors. Any Director elected in accordance with the preceding sentence shall hold office until the next election of directors by the stockholders and until such Director's successor shall have been elected and qualified. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

d. Removal

Subject to the rights of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect Directors under specified circumstances, any Director may be removed from office, with or without cause, only by the affirmative vote of the holders of 75% the combined voting power of the then outstanding

shares of stock entitled to vote generally in the election of Directors, voting together as a single class.

Section 2. Notification of Nominations

Subject to the rights of holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, nominations for the election of directors may be made by the Board of Directors or a proxy committee appointed by the Board of Directors or by any stockholder entitled to vote in the election of directors generally. However, any stockholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if written notice of such stockholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than (i) with respect to an election to be held at an annual meeting of stockholders, 90 days in advance of such meeting, and (ii) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to stockholders. Each such notice shall set forth: (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the Board of Directors; and (e) the consent of each nominee to serve as a director of the Corporation if so elected. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

Section 3. Powers of Directors

a. General Powers

The Board of Directors shall have authority over the entire management of the property, business, and affairs of this Corporation. In addition to such powers as are herein and in the Restated Articles of Incorporation expressly conferred upon it, the Board of Directors shall have and may exercise all the powers of the Corporation, subject to the provisions of law and the Restated Articles of Incorporation.

b. Establishment of Record Date

The Board of Directors shall fix in advance a date not exceeding sixty days (or such longer period as may from time to time be permitted by law) preceding the date of any meeting of stockholders, or any dividend payment date, or the date necessary to make a determination of stockholders for any purpose, nor less than ten days (or such shorter period as may from time to time be permitted by law) prior to the date of any meeting of stockholders, as a record date for the determination of the stockholders; and in such case only such stockholders as shall be stockholders of record on the date so fixed shall be considered stockholders for purposes of such determination, notwithstanding any transfer of stock on the books of the Corporation after any such record date fixed as aforesaid.

Except as otherwise provided by law, unless the Board of Directors fixes a new record date for any adjourned meeting of stockholders, the record date originally fixed

pursuant to this Section 3.b. of Article V for such meeting shall remain the record date for such meeting.

The Board of Directors or any committee of the Board of Directors authorized to fix record dates and declare dividends shall fix in advance a date not exceeding sixty days (or such longer period, not inconsistent with the Restated Articles of Incorporation, as may from time to time be permitted by law) preceding the date of any Preferred Stock dividend payment date as a record date for the determination of the stockholders of such Preferred Stock; and in such case, only such stockholders as shall be holders of record of such Preferred Stock on the date so fixed shall be considered stockholders of the Preferred Stock for purposes of such determination, notwithstanding any transfer of such Preferred Stock on the books of the Corporation after any such record date fixed as aforesaid.

c. Appointment of Committees

The Board of Directors may designate one or more committees, consisting of at least two directors each, to perform such duties as may be determined by the Board. The number of directors composing each such committee and the powers conferred upon each such committee shall be determined by resolution of the Board.

In the event that the Board of Directors shall designate a committee that shall have the power to recommend or approve changes in the compensation of executives of the Corporation or any subsidiary of the Corporation and/or a committee that shall have the power to recommend nominees for election as directors of the Corporation, the membership of each such committee shall consist solely of directors who are "independent directors" as defined in Section 7 of this Article V.

Section 4. Meetings of Directors

a. Regular Meetings

Regular meetings of the Board of Directors, or any committee thereof, shall be held at any time or place, within or without the State of Florida, as the Board, or such committee, may from time to time determine; and if so determined, no notice thereof need be given.

After each election of directors, the Board, including the newly elected directors, shall meet without notice for the purpose of electing officers and transacting such other business as lawfully may come before it.

b. Special Meetings

Special meetings of the Board of Directors, or any committee thereof, may be held at any time or place, within or without the State of Florida, whenever called by the Chairman of the Board, the President, or at the request of two or more directors or, for a special meeting of a committee, by the chairman of such committee.

Notice of special meetings of the Board, or any committee thereof, stating the time and place, shall be given by mailing the same to each director or committee member, as appropriate, at his residence or business address at least two days before the meeting, or by delivering the same to him personally or by telephoning or telegraphing the same to him at said residence or business address at least one day before the meeting. Such notice shall be deemed to have been given on the date of mailing, telephoning or telegraphing as the case may be.

c. Adjournments

A majority of the directors present, whether or not a quorum exists, may adjourn any meeting of the Board of Directors, or any committee thereof, to another time and place. Notice of any such adjourned meeting shall be given to the directors who are not present at the time of the adjournment, and to the other directors.

d. Telephonic Participation at Meetings

Members of the Board of Directors may participate in a meeting of the Board, or any committee thereof, by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time. Participation by such means shall constitute presence in person at such meeting for all purposes.

e. Action Without a Meeting

Any action of the Board of Directors or of any committee thereof, which is required or permitted to be taken at a meeting, may be taken without a meeting if written consent to the action signed by all the members of the Board or of the committee, as the case may be, is filed in the minutes of the proceedings of the Board or of the committee.

Section 5. Quorum of Directors

A majority of the number of directors fixed in accordance with Section 1 of this Article V shall constitute a quorum of the Board for the transaction of business, and one-half of the members of any committee shall constitute a quorum of such committee; but a smaller number may adjourn any meeting until a quorum is present.

When a quorum is present at any meeting of directors, a majority of the members present shall decide any question brought before such meeting, except as otherwise provided by law, the Restated Articles of Incorporation, or these By- Laws.

Section 6. Compensation of Directors

Directors shall receive such compensation, including reimbursement of expenses, for serving as members of the Board of Directors and for attendance at each meeting of the Board of Directors, and members of committees of the Board of Directors shall receive such compensation, including reimbursement of expenses, for serving as members of a committee and for attendance at each meeting of a committee, as the Board of Directors shall from time to time prescribe.

Section 7. Chairman of the Board

The Chairman of the Board shall preside at meetings of the Board of Directors and of the stockholders. He shall, subject to the approval of the Board of Directors, submit a report to the stockholders of the Corporation for each fiscal year. He shall perform such other duties as the Board of Directors may from time to time prescribe.

Section 8.

Except as otherwise provided for or fixed by or pursuant to the provisions of Article III of the Restated Articles of Incorporation relating to the rights of holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, the majority of persons elected to the Board of Directors shall consist of persons who are independent directors. For purposes of this Article V, an "independent director" shall mean a director who: (i) has not

been employed by the Corporation or any subsidiary of the Corporation in an executive capacity within the past five years; (ii) does not have, and is not affiliated with a company, firm or institution that has, a significant economic relationship to the Corporation (other than through stock ownership or customary directors' fees); (iii) does not have a personal services contract with the Corporation or any subsidiary of the Corporation and (iv) is not a familial relative of any person described in (i) through (iii). Should the death, resignation, disqualification or removal of any director result in the failure of the requirement set forth in the preceding sentence to be met, such requirement shall not apply during the term of the vacancy caused by such death, resignation, disqualification or removal, and the remaining directors shall cause any such vacancy to be filled in accordance with Subsection 1(c) of this Article V within a reasonable period of time.

The Board of Directors shall have the exclusive right and power to interpret and apply the provisions of this Article V relating to independent directors and shall be entitled to rely upon the completeness and accuracy of director's responses to written questionnaires circulated for the purpose of enabling the Board of Directors to make the determinations of independence required by this Article V.

Information regarding a nominee for director provided by a stockholder pursuant to Section 2 of this Article V shall include such information as may be necessary to enable the Board of Directors to make an informed determination as to whether such nominee, if elected, would be an "independent director" as defined in this Section.

ARTICLE VI

Officers

Section 1. Numbers and Titles

The officers of the Corporation shall be a Chief Executive Officer, a President, a Secretary, a Treasurer and a Controller and may also include one or more Senior Executive Vice Presidents, one or more Executive Vice Presidents, one or more Senior Vice Presidents, and one or more Vice Presidents; all of whom shall be elected by the Board of Directors. The Board of Directors may from time to time appoint such other officers, including one or more Assistant Secretaries, Assistant Treasurers, and Assistant Controllers as they shall deem necessary.

The Chief Executive Officer and the President shall be members of the Board of Directors, but the other officers need not be members of the Board.

Section 2. Tenure of Office/Removal of Officers

Officers of the Corporation shall hold their respective offices until their successors are chosen and qualified, provided, however, that any officer may be removed from such office during such term by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby.

Section 3. Duties of Officers

a. Chief Executive Officer

The Chief Executive Officer shall have overall responsibility for supervision of the Corporation and shall report to the Board of Directors. He shall see that the provisions of the By-Laws, all votes of the stockholders and all orders and resolutions of the Board of Directors are carried into effect.

He shall preside at meetings of the stockholders in the absence of the Chairman of the Board.

He shall have power to appoint proxies to vote stock of other corporations owned by this Corporation.

He shall perform such other duties as the Board of Directors may from time to time prescribe.

b. President

The President shall be the Chief Operating Officer of the Corporation, shall report to the Chief Executive Officer and shall have overall responsibility for supervision of the operations of the Corporation.

He shall preside at meetings of the stockholders in the absence of the Chairman of the Board and Chief Executive Officer.

He shall perform such other duties as the Board of Directors may from time to time prescribe.

c. Multiple Offices

The same person may hold one, two or all three of the offices described in Paragraphs a., b. and c. above of this Section 3 as the Board of Directors may prescribe.

d. Senior Executive Vice Presidents

The Senior Executive Vice Presidents shall have such powers and perform such duties as the Board of Directors or the President may from time to time prescribe.

e. Executive Vice Presidents

The Executive Vice Presidents shall have such powers and perform such duties as the Board of Directors or the President may from time to time prescribe.

f. Senior Vice Presidents

The Senior Vice Presidents shall have such powers and perform such duties as the Board of Directors or the President may from time to time prescribe.

g. Vice Presidents

The Vice Presidents shall have such powers and perform such duties as the Board of Directors or the President may from time to time prescribe.

h. Secretary

The Secretary shall be Secretary of and shall attend, or a person designated by him shall attend, all meetings of the stockholders, the Board of Directors and all committees thereof. He, or such designated person, shall record all of the proceedings of such meetings in books kept for that purpose.

He shall be custodian of the corporate seal and shall have the power to affix it to any instrument requiring it and to attest the same.

He shall cause to be maintained a stock transfer book and such other books as the Board of Directors may from time to time determine.

He shall serve all notices required by law, by these By-Laws, or by resolution of the Board of Directors.

He shall, together with the President, sign certificates for shares of the Corporation.

He shall perform such other duties as the Board of Directors or the President may from time to time prescribe.

i. Treasurer

The Treasurer shall have the management and custody of the funds and securities of the Corporation and he or persons designated by him, or by others so authorized by the Board of Directors, shall deposit all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors or by persons authorized by the Board of Directors to make such designations.

He shall receive and disburse the funds of the Corporation for corporate purposes and shall render to the Board of Directors and the President, whenever they may require it, an account of all his transactions as Treasurer.

He shall perform such other duties as the Board of Directors or the President may from time to time prescribe.

j. Controller

The Controller shall keep full and accurate accounts of all assets, liabilities, commitments, receipts, disbursements, and other financial transactions of the Corporation, including those of subsidiaries of the Corporation, in books belonging to the Corporation, and shall perform all other duties required of the accounting officer of the Corporation, and shall render to the Board of Directors and the President, whenever they may require it, an account of the financial condition of the Corporation.

He shall perform such other duties as the Board of Directors or the President may from time to time prescribe.

k. Assistant Secretaries

The Assistant Secretaries shall perform such of the duties of the Secretary as the President or the Secretary may from time to time prescribe and such other duties as the Board of Directors may from time to time prescribe.

l. Assistant Treasurers

The Assistant Treasurers shall perform such of the duties of the Treasurer as the President or the Treasurer may from time to time prescribe and such other duties as the Board of Directors may from time to time prescribe.

m. Assistant Controllers

The Assistant Controllers shall perform such duties of the Controller as the President or the Controller may from time to time prescribe and such other duties as the Board of Directors may from time to time prescribe.

Section 4. Delegation of Duties of Officers

The Board of Directors may delegate the powers or duties of any officer of the Corporation in case of his absence, disability, death or removal, or for any other reason, to any other officer or to any director.

ARTICLE VII

Stock Certificates

Section 1. Stock Certificates

Except as otherwise provided by resolution of the Board of Directors or the Restated Articles of Incorporation or as permitted by law, every holder of stock in the Corporation shall be entitled to have a certificate, representing all shares to which he is entitled, in such form as may be prescribed by the Board of Directors in accordance with the provisions of law. Such Certificates shall be signed by the President and by the Secretary or an Assistant Secretary; provided, however, that where any such certificate is signed by a party other than an officer of the Corporation, such as a transfer agent or transfer clerk, and by a registrar, the signatures of the President, Secretary, or Assistant Secretary may be facsimiles. All certificates shall be counter-signed and registered in such manner as the Board of Directors from time to time may prescribe, and there shall be impressed thereon the seal of the Corporation or imprinted thereon a facsimile of such seal.

In case any officer who signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer before such certificate is issued, such signature shall be deemed to be valid and such certificate may be issued by the Corporation with the same effect as if he were such officer at the date of its issuance.

Section 2. Transfer of Stock

Shares of stock of the Corporation may be transferred by delivery of the stock certificate, accompanied either by an assignment in writing on the back of the certificate or by a written power of attorney to sell, assign, and transfer the shares on the books of the Corporation, signed by the person appearing on the certificate to be the owner of the shares represented thereby; and such shares shall be transferable on the books of the Corporation upon surrender thereof so assigned or endorsed. In the case of a series of Preferred Stock, shares of Preferred Stock may be transferred by delivery of the stock certificate, as described above, or by such other method as may be set forth in a statement of resolution establishing such series of Preferred Stock. The person registered on the books of the Corporation as the owner of any shares of stock shall be deemed by the Corporation to be the owner thereof for all purposes exclusively and shall be entitled as the owner of such shares, to receive dividends and to vote as such owner with respect thereto.

Section 3. Treasury Stock

Any shares of stock in the Corporation which may be redeemed, purchased, or otherwise acquired by the Corporation after the issuance thereof, shall have no voting rights and shall not participate in any dividends or allotments of rights while such stock is held by the Corporation.

ARTICLE VIII

Depositories and Checks

Depositories of the funds of the Corporation shall be designated by the Board of Directors or a duly authorized committee thereof; and all checks on funds shall be signed by such officers or other employees of the Corporation as the Board, or a duly authorized committee thereof, from time to time may designate.

ARTICLE IX

Fiscal Year

The fiscal year of the Corporation shall begin on the first day of January and end on the 31st day of December in each year.

ARTICLE X

Dividends

The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and the Restated Articles of Incorporation.

ARTICLE XI

Waiver of Notice

Any notice required to be given by law, by the Restated Articles of Incorporation, or by these By-Laws may be waived in writing signed by the person entitled to such notice and delivered to the Corporation, whether before or after the time stated therein, except that attendance of a person at a meeting shall constitute a waiver of notice of such meeting unless such attendance is for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

A director of the Corporation who is present at a meeting of the Board of Directors (or a committee thereof) at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless he votes against such action or abstains from voting in respect thereto because of an asserted conflict of interest.

ARTICLE XII

Indemnification of Officers, Directors, Employees and Agents

Section 1. Indemnification

The Corporation shall, and does hereby, indemnify to the fullest extent permitted or authorized by current or future legislation or current or future judicial or administrative decisions (but, in the case of any such future legislation or decisions, only to the extent that it permits the Corporation to provide broader indemnification rights than permitted prior to

such legislation or decisions), each person (including here and hereinafter the heirs, executors, administrators or the estate of such person) who was or is a party, or is threatened to be made a party, or was or is a witness, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), against any liability (which for purposes of this Article shall include any judgment, settlement, penalty or fine) or cost, charge or expense (including attorneys' fees) asserted against him or incurred by him by reason of the fact that such indemnified person (1) is or was a director, officer or employee of the Corporation or (2) is or was an agent of the Corporation as to whom the Corporation has agreed to grant such indemnity or (3) is or was serving, at the request of the Corporation, as a director, officer, employee of another corporation, partnership, joint venture, trust or other enterprise (including serving as a fiduciary of any employee benefit plan) or is serving as an agent of such other corporation, partnership, joint venture, trust or other enterprise as to whom the Corporation has agreed to grant such indemnity. Each director, officer, employee or agent of the Corporation to whom indemnification rights under this Section 1 of this Article have been granted shall be referred to as an "Indemnified Person".

Notwithstanding the foregoing, except as specified in Section 3 of this Article, the Corporation shall not be required to indemnify an Indemnified Person in connection with a Proceeding (or any part thereof) initiated by such Indemnified Person unless such authorization for such Proceeding (or any part thereof) was not denied by the Board of Directors of the Corporation prior to sixty (60) days after receipt of notice thereof from such Indemnified Person stating his intent to initiate such Proceeding and only upon such terms and conditions as the Board of Directors may deem appropriate.

Section 2. Advance of Costs, Charges and Expenses

Costs, charges and expenses (including attorneys' fees) incurred by an officer, director or employee who is an Indemnified Person in defending a Proceeding shall be paid by the Corporation to the fullest extent permitted or authorized by current or future legislation or current or future judicial or administrative decisions (but, in the case of any such future legislation or decisions only to the extent that it permits the Corporation to provide broader rights to advance costs, charges and expenses than permitted prior to such legislation or decisions) in advance of the final disposition of such Proceeding, upon receipt of an undertaking by or on behalf of the Indemnified Person to repay all amounts so advanced in the event that it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article and upon such other terms and conditions, in the case of agents as to whom the Corporation has agreed to grant such indemnity, as the Board of Directors may deem appropriate. The Corporation may, upon approval of the Indemnified Person, authorize the Corporation's counsel to represent such person in any Proceeding, whether or not the Corporation is a party to such Proceeding. Such authorization may be made by the Chairman of the Board, unless he is a party to such Proceeding, or by the Board of Directors by majority vote, including directors who are parties to such Proceeding.

Section 3. Procedure For Indemnification

Any indemnification or advance under this Article shall be made promptly and in any event within sixty (60) days upon the written request of the Indemnified Person. The right to indemnification or advances as granted by this Article shall be enforceable by the Indemnified Person in any court of competent jurisdiction, if the Corporation denies such request under this Article, in whole or in part, or if no disposition thereof is made within sixty (60) days. Such Indemnified Person's costs and expenses incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such action shall also be indemnified by the Corporation. It shall be a defense to any such action that the claimant has not met the standard of conduct, if any, required by current or future legislation or by current or future judicial or administrative decisions for indemnification (but,

in the case of any such future legislation or decisions, only to the extent that it does not impose a more stringent standard of conduct than permitted prior to such legislation or decisions), but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors or any committee thereof, its independent legal counsel, and its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct, if any, nor the fact that there has been an actual determination by the Corporation (including its Board of Directors or any committee thereof, its independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 4. Survival of Indemnification

The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any agreement, vote of stockholders or disinterested directors or recommendation of counsel or otherwise, both as to actions in such person's official capacity and as to actions in another capacity while holding such office, and shall continue as to an Indemnified Person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors, administrators and the estate of such person. All rights to indemnification under this Article shall be deemed to be a contract between the Corporation and each Indemnified Person who serves or served in such capacity at any time while this Article is in effect. Any repeal or modification of this Article or any repeal or modification of relevant provisions of Florida corporation law or any other applicable laws shall not in any way diminish any rights to indemnification of such Indemnified Person, or the obligations of the Corporation arising hereunder, for claims relating to matters occurring prior to such repeal or modification.

Section 5. Insurance

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including serving as a fiduciary of an employee benefit plan), against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article XII or the applicable provisions of Florida law.

Section 6. Savings Clause

If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnified Person as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any Proceeding, including an action by or in the right of the Corporation, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated and as permitted by applicable law.

ARTICLE XIII

By-Law Amendment

Except as otherwise provided in the Restated Articles of Incorporation, the Board of Directors shall have the power to adopt, alter, amend and repeal the By-Laws of the Corporation (except insofar as the By-Laws of the Corporation adopted by the stockholders shall otherwise provide). Any By-Laws made by the stockholders may prescribe that they may not be altered, amended or repealed by the Board of Directors. Any By-Laws made by the Board of Directors under the powers conferred hereby and by the Restated Articles of Incorporation may be altered, amended or repealed by the Board of Directors or by the stockholders. Amendments to the By-Laws (including any amendment to this Article XIII) shall be effected as follows:

a. By Action of the Board of Directors

Unless a greater vote is specifically required by the laws of the State of Florida, or a greater or different vote or a vote of stockholders is required by the provisions of the Restated Articles of Incorporation, the Board of Directors may alter, amend or repeal these By-Laws, or adopt such other By-Laws as in their judgment may be advisable for the administration or regulation of the management and affairs of the Corporation, to the extent not inconsistent with the laws of the State of Florida or the Restated Articles of Incorporation, only upon the affirmative vote of at least 75% of the total number of directors as fixed in accordance with Section 1 of Article V of these By-Laws.

b. By Action of the Stockholders

Unless a greater vote is specifically required by the laws of the State of Florida, or a greater or different vote is required by the provisions of the Restated Articles of Incorporation, the stockholders may alter, amend or repeal these By-Laws, or adopt such other By-Laws as in their judgment may be advisable for the administration or regulation of the management and affairs of the Corporation, to the extent not inconsistent with the laws of the State of Florida or the Restated Articles of Incorporation, at any regular meeting of the stockholders (or at any special meeting thereof duly called for that purpose in accordance with the provisions of these By-Laws), only upon the affirmative vote of at least 75% of the voting power of all the shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE XIV

Continuing Effect of By-Law Provisions

Any provision contained in these By-Laws which, at the time of its adoption, was authorized or permitted by applicable law shall continue to remain in full force and effect until such time as such provision is specifically amended in accordance with these By-Laws, notwithstanding any subsequent modification of such applicable law (except to the extent such By-Law provision expressly provides for its modification by or as a result of any such subsequently enacted law).

Supersedes all applicable 1999 Ryder Incentive Compensation Plans and any and all oral representations, promises, or guarantees. No exceptions to this plan will be honored without written approval of the Compensation Committee of the RSI Board of Directors. Any manager or officer who authorizes such an exception without prior approval of the Compensation Committee will be subject to disciplinary action including demotion, forfeiture of bonus and/or termination.

INTRODUCTION

The following material explains the operation and administration of the 2000 Incentive Compensation Plan (the "Plan") for eligible Ryder System, Inc. ("RSI" or "the Company") 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: $EVA = NAT \text{ minus "An Equity Charge"}$

DEFINITIONS OF KEY TERMS

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

. "Participant" means any employee of the Company designated to be eligible to participate in this Annual Incentive Plan.

. "Target Bonus Award" means the target Bonus Payout per Participant and is expressed as a percentage of the Participant's Eligible Base Salary.

. "Bonus Payout" means final bonus payment to be received by Participant.

. "Eligible Base Salary" means, for the purpose of bonus calculations, 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, employee benefits, moving expenses, and any imputed income for which the Participant may be eligible.

DEFINITIONS OF KEY TERMS (Continued)

- . "Target EVA" means the level of EVA performance required to earn a Target Bonus Award.
- . "Threshold" means the minimum level of performance required to receive a Bonus Payout.
- . "Bonus Interval" means the performance above Target EVA or the performance below Target EVA that will cause a 2x Bonus Contribution or a Zero Bonus Contribution.
- . "Bonus Multiple" means the difference (positive or negative) between Actual performance and Targeted performance, divided by the Bonus Interval, plus One.
- . "Bonus Contribution" is the potential Bonus Payout determined by multiplying the Participant's Target Bonus Award, the Bonus Weighting, and the Bonus Multiple.
- . "Line-Of-Sight" is the relationship between corporate objectives and the employee's direct control over those objectives.
- . "Scorecard" is an individualized set of performance measures that seeks to achieve strategic objectives in one or more of the following areas: financial, customer, internal process, people, or other.
- . "Scorecard Potential Bonus" is a maximum 20% of the Target Bonus Award.
- . "Scorecard Award" means the percent of the Scorecard Potential Bonus that is earned. This award % will be based on how well Scorecard goals are achieved.
- . "Declared Bonus" means the bonus dollars available for payment or reserve after all declarations have been made.
- . "Bonus Reserve" All bonus payments are made from the Bonus Reserve. Each Participant's beginning Bonus Reserve balance in his/her first year of participation is zero. The Bonus Reserve is increased or decreased for any plan year by the amount of the Declared Bonus. The Participant will be paid from such Available Balance up to the Target Bonus Award amount, plus one half of any such balance that remains after subtracting the Target Bonus Award from the available Bonus Reserve balance. The Bonus Reserve is applicable only for Director and Officer level Plans.
- . "Available Balance" means the Bonus Declared plus the Beginning Bonus Reserve Balance.
- . "NAT" means the consolidated Net Earnings After Tax for the bonus year, including appropriate accruals for all incentive awards estimated to be payable for that bonus year.
- . "Equity Charge" means the Average Equity times the Cost of Equity as determined by the Chief Financial Officer.

ELIGIBLE POSITIONS

Employees in Management Level 11 (MS11) or higher positions are eligible to participate in this Plan.

TARGET BONUS AWARD

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

| Management Level | Target Bonus Award |
|---------------------------|--------------------|
| Chief Executive Officer | 85% |
| Chief Operating Officer | 80% |
| Management Levels 17 - 20 | 75% |
| Management Levels 14 - 16 | 70% |
| Management Level 13 | 40% |
| Management Levels 11 - 12 | 30% |

BONUS AWARD OPPORTUNITY

The Plan has uncapped bonus award opportunity. Bonus award opportunity will increase as EVA exceeds the expected level. Participants in this Plan will be subject to the Bonus Reserve which is discussed later in this document.

BASE SALARY CALCULATION

For the purpose of bonus calculations, Eligible 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, employee benefits, moving expenses, and any imputed income for which the Participant may be eligible.

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 Target Bonus in eligible positions, provided they are employed in good standing at the time bonus awards are distributed.

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 366 (Year 2000 is a leap year) 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 April 1, 2000 receives an increase to a base salary of \$104,000:

January 1 through March 31, 2000:

$$\begin{array}{r} \text{Total \# of days} \\ \hline 366 \text{ days} \end{array} = \frac{91}{366} = 0.249 \times \$100,000 = \$ 24,900$$

April 1 through December 31, 2000:

$$\begin{array}{r} 366 - 91 \\ \hline 366 \text{ days} \end{array} = \frac{275}{366} = 0.751 \times \$104,000 = \$ 78,104$$

Average Annual Rate of Pay for Bonus Year = \$103,004

BONUS PAYOUT MECHANISM

In 2000, the bonus payouts will be distributed to participants based 80% on RSI EVA and 20% on the relative performance of Scorecard goals. See the document entitled "Bonus Calculation", for an explanation of how Bonus payouts are determined.

The following diagram illustrates the Bonus Payout process.

[CHART]

PERFORMANCE TARGETS

The Plan is intended to provide Participants with competitive compensation for achieving and exceeding targeted performance levels. Target Bonus Awards are expressed as a percentage of a Participant's base salary and will be declared when performance above threshold is achieved.

The following chart highlights target and payout multiples for each component used in the Bonus Payout calculation.

| Weight | Bonus Payout Components | Interval | Threshold | Target | 2 Times |
|--------|-------------------------|----------|-------------|----------|---------|
| 80% | RSI EVA (\$MM) | \$34 | (\$50.8) | (\$16.8) | \$17.2 |
| 20% | Scorecard | N/A | (\$50.8)/1/ | N/A | N/A |

/1/ RSI EVA

2000 PLAN SCALE - RSI 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.

[GRAPHIC]

SCORECARD MEASURES

The Scorecards will be individualized for each Plan Participant by including only measures that are within the Plan Participant's control. The Scorecards will include measures that seek to achieve strategic objectives in one or more of the following areas: financial, customer, internal process, and people. Both the Plan Participant and his/her manager will develop the Scorecard goals based on the Participant's job responsibilities.

Scorecard performance will account for 20% of the 2000 Bonus Award Opportunity. The Scorecard will be worth 20 points, with each point representing one percentage point of Bonus Payout. At the end of the year, the Plan Participant's manager will render a performance rating based on the Participant's attainment of the specified measures. The total points earned will equal the Participant's Scorecard Bonus Payout percentage.

FORFEITURE

If RSI 2000 Actual EVA does not surpass the threshold of (\$50.8) MM, participants will not receive a Bonus Payout.

BONUS RESERVE

The Bonus Reserve promotes a long-term perspective for the Plan and aligns Participants with shareholders by simulating ownership. Sustained performance improvements are rewarded over time and consistently exceeding performance targets increases the Bonus Reserve balance.

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

The Bonus Reserve is specifically identified with each Participant and will follow that Participant through other positions within 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:

[CHART]

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-half 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 the Target Bonus Award in years where performance falls short of target financial performance.

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.

. 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 written 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 Target Bonus Award opportunity in eligible positions, provided they are employed in good standing at the time bonus awards are distributed.

. 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 award 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.

. 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.

. Demotion: If an individual is demoted from MS level 11 or above to MS level 10 or below, the person will no longer be subject to the Bonus Reserve mechanism. The Bonus Reserve balance will be paid out one half over each of the next 2 years in accordance with the other provisions of this Plan.

PLAN RULES (Continued)

. 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 unless otherwise required by law. A Participant who is terminated and who has a positive Bonus Reserve Balance will forfeit any Bonus Reserve Balance. Unless terminated for cause, the individual may be eligible for severance if he/she meets the criteria. The severance package may include a provision for bonus.

. Resignations: Except as provided otherwise in this Plan or required by law, 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.

. Retirement or Permanent Disability Retirement: A Participant who retires or takes disability retirement from the Company will receive full payment of their Bonus 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.

. Death: The estate of a Participant who dies while in the employ of the Company will receive full payment of their Bonus 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.

. Sale of Business: If a business is sold, the Participants of the sold business will receive full payment of their Bonus Reserve Balance and a pro-rata Bonus Award for the year in which the business is sold. Such payment will be made in a lump sum or over time at the Company's discretion.

. No Guarantee: Participation provides no guarantee that a bonus will be paid. The success of the Company, its operating locations 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.

. 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 any Company principle or policy, or the rules contained in this Plan.

ADMINISTRATION

Both the Chairman and Chief Executive Officer and the President and Chief Operating Officer of RSI will administer this Plan, except for bonus awards to the Chief Executive Officer and Chief Operating 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 Bonus 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 5" accounting firm chosen by the Company.

Should a Change of Control occur during 2000, 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

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 both the Chairman and Chief Executive Officer and the President and Chief Operating 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 and Chief Executive Officer and the President and Chief Operating Officer of RSI have 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 both the Chairman and Chief Executive Officer and the President and Chief Operating 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.

OVERVIEW

Bonus Payouts will be distributed based on 80% RSI EVA and 20% Scorecard performance. This total is then subject to the Bonus Reserve.

Before we can begin a sample calculation, it is important to understand the concepts of Bonus Interval, Bonus Multiple and Bonus Contribution.

BONUS INTERVAL

The Bonus Interval ("Interval") is the Improvement needed, over and above Targeted performance, to declare a double bonus. It is also the shortfall from Target that will cause a zero bonus being declared. The following chart illustrates the Interval concept.

| Measure | 2000 Target | 2000 Interval | Zero Payout | 1x Payout (Target) | 2x Payout |
|----------------|-------------|---------------|----------------------------|--------------------|--------------------------|
| RSI EVA (\$MM) | (\$16.8) | \$ 34 | (\$16.8) - \$34 = (\$50.8) | (\$16.8) | (\$16.8) + \$34 = \$17.2 |

BONUS MULTIPLE

The Bonus Multiple for each measure is the difference (positive or negative) between Actual and Target, divided by the Interval, plus One. For example, assume RSI's 2000 Actual EVA is (\$10.0) MM. The RSI Bonus Multiple would be calculated as follows:

| | | | |
|---|------------------------------|---|-------------|
| | 2000 Actual RSI EVA | | (\$10.0) MM |
| - | 2000 Target RSI EVA | - | (\$16.8) MM |
| | ----- | | ----- |
| = | Variance from Target RSI EVA | = | \$ 6.8 MM |
| + | 2000 RSI Bonus Interval | | \$ 34.0 MM |
| | ----- | | ----- |
| = | Bonus Above Target | = | 0.20x |
| + | Target Bonus Multiple | + | 1.00x |
| | ----- | | ----- |
| = | RSI Bonus Multiple | = | 1.20x |

BONUS CONTRIBUTION

The Bonus Contribution is the amount each funding component contributes to the bonus pool. It is determined by multiplying the Target Bonus Award, applicable weighting criteria, and the Bonus Multiple. This process is applied to each bonus pool funding component with the exception of the Scorecard component.

The Scorecard Bonus Contribution is calculated by multiplying the Percentage of Scorecard bonus percentage points earned by the Target Bonus Award.

The sum of the Bonus Contributions is the total Bonus Payout.

BONUS CALCULATION EXAMPLE

For this sample bonus calculation, the following assumptions were used:

| | |
|-------------------------|---------------------------|
| MS Level | MS11 |
| Eligible Base Salary | \$100,000 |
| Target Bonus Award | 30% of salary or \$30,000 |
| 2000 RSI EVA Actual | (\$10.0) MM |
| 2000 RSI EVA Target | (\$16.8) MM |
| 2000 RSI Bonus Interval | \$34.0 MM |
| Scorecard Points Earned | 16.2 |
| Beginning Bonus Reserve | \$ 2,000 |

Part I: RSI EVA Bonus Contribution

1. Calculate the Variance from Target RSI EVA:

Determine the difference between 2000 Actual RSI EVA and 2000 Target RSI EVA. This is the Variance from Target RSI EVA.

| | |
|--------------------------------|---------------|
| 2000 Actual RSI EVA | (\$10.0) MM |
| - 2000 Target RSI EVA | - (\$16.8) MM |
| ----- | |
| = Variance from Target RSI EVA | = \$ 6.8 MM |

2. Calculate RSI Bonus Multiple:

The variance from target is divided by the EVA Bonus Interval to determine the amount of Bonus to be added to Target. Next, add the Bonus Above Target to the Target Bonus Award multiple of 1.0 to determine the RSI Bonus Multiple.

| | |
|------------------------------|--------------|
| Variance from Target RSI EVA | \$ 6.8 MM |
| + 2000 RSI Bonus Interval | / \$ 34.0 MM |
| ----- | |
| = Bonus Above Target | = 0.20x |
| + Target Bonus Multiple | + 1.00x |
| ----- | |
| = RSI Bonus Multiple | = 1.20x |

3. Calculate RSI Bonus Contribution:

The RSI Bonus Multiple is multiplied by the Target Bonus Award and the RSI Bonus weight to determine the RSI Bonus Contribution in dollars.

| | |
|--------------------------------|----------|
| Target Bonus Award | \$30,000 |
| X RSI Bonus Weighting | X 80% |
| X RSI Bonus Multiple | X 1.20 |
| ----- | |
| = Total RSI Bonus Contribution | \$28,800 |

Part II: Scorecard Bonus Contribution

4. Calculate the Scorecard Bonus Contribution In this example, 16.2 out of 20.0 total bonus points were earned on the Scorecard. Thus, the Participant has earned a 16.2% Scorecard Bonus Payout.

| | | |
|--------------------------------------|------------|--|
| | 16.2% | |
| X Target Bonus Award | X \$30,000 | |
| | ----- | |
| = Total Scorecard Bonus Contribution | = \$ 4,860 | |

 Part III: Declared Bonus

5. Calculate Total Declared Bonus:

Add the two components together to determine the total Declared Bonus. This total is then subject to the Bonus Reserve.

| | | |
|------------------------------|------------|--|
| | \$28,800 | |
| + RSI EVA Bonus Contribution | + \$ 4,860 | |
| | ----- | |
| Total Declared Bonus | \$33,660 | |
| | ===== | |

 Part IV: Bonus Payout and Bonus Reserve

6. Calculate the Bonus Payout and Bonus Reserve:

The Bonus Reserve only applies to those in MS 11 positions and above. Before any Bonus can be paid, the Declared Bonus must flow through the Bonus Reserve. First, the Declared Bonus is added to the Beginning Reserve Balance to determine how much is available to be paid. For this example, assume the Beginning Reserve Balance is \$2,000.

| | | |
|-----------------------------|------------|--|
| | \$33,660 | |
| + Total 2000 Declared Bonus | + \$ 2,000 | |
| | ----- | |
| = Available Balance | \$35,660 | |

Next, the reserve pays out up to Target Bonus Award. If the Available Balance is less than the Target Bonus Award, the entire Bonus Reserve is paid out.

| | | |
|---------------------|------------|--|
| | \$35,660 | |
| - Available Balance | - \$30,000 | |
| | ----- | |
| = Residual Balance | \$ 5,660 | |

Next, one-half of any residual balance is paid out...

| | | |
|---|--------------------|----------|
| | Residual Balance | \$ 5,660 |
| X | 1/2 | X 1/2 |
| | --- | ----- |
| = | Additional Payment | \$ 2,830 |
| | Target Bonus | \$30,000 |
| + | Additional Payment | \$ 2,830 |
| | ----- | ----- |
| = | Total Bonus Payout | \$32,830 |

...with the remaining one-half staying in the reserve.

| | | |
|---|------------------------|------------|
| | Residual Balance | \$ 5,660 |
| - | Additional Payment | - \$ 2,830 |
| | ----- | ----- |
| = | Ending Reserve Balance | \$ 2,830 |

The Ending Reserve Balance from 2000 then becomes the Beginning Reserve Balance for 2001.

In this example, for 2000 the participant will receive a total Bonus Payout of \$32,830. An additional payment of \$2,830 will be placed in the participant's Bonus Reserve account for disbursement in future years.

RYDER SYSTEM, INC.
1995 STOCK INCENTIVE PLAN
(as amended on May 5, 2000)

1. Purpose.

The purpose of this Plan is to enable the Company to recruit and retain those key executives most responsible for the Company's continued success and progress, and by offering comparable incentives, to compete with other organizations in attracting, motivating and retaining such executives, thereby furthering the interests of the Company and its shareholders by giving such executives a greater personal stake in and commitment to the Company and its future growth and prosperity.

2. Definitions.

For the purpose of this Plan:

(a) The term "Award" shall mean and include any Stock Option, SAR, Limited SAR, Performance Unit or Restricted Stock Right granted under this Plan.

(b) During the three (3) year period following a Change of Control, the term "cause" as used in Section 7 and Section 14(a) of this Plan with respect to any Stock Option shall mean (i) an act or acts of fraud, misappropriation or embezzlement on the Grantee's part which result in or are intended to result in his personal enrichment at the expense of the Company, (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 supported by a licensed physician's statement, all as determined only by a majority of the Incumbent Board or the Committee, as the case may be.

(c) A "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 2(c); 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 Common 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 Common 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 Grantee's employment is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Grantee 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.

(d) The term "Code" shall mean the Internal Revenue Code of 1986 as it may be amended from time to time.

(e) The term "Committee" shall mean the Compensation Committee of the Board of Directors of RSI constituted as provided in Section 5 of this Plan.

(f) The term "Common Stock" shall mean the common stock of RSI as from time to time constituted.

(g) The term "Company" shall mean RSI and its Subsidiaries.

(h) The term "Disability" shall mean total physical or mental disability of a Grantee as determined by the Committee upon the basis of such evidence as the Committee in its discretion deems necessary and appropriate.

(i) The term "Employee" shall mean a full-time salaried employee of RSI or any Subsidiary (which term shall include salaried officers).

(j) The term "Fair Market Value" shall mean, with respect to the Common Stock, the mean between the highest and lowest sale price for shares as reported by the composite transaction reporting system for securities listed on the New York Stock Exchange on the date as of which such determination is being made or on the most recently preceding date on which there was such a sale.

(k) The term "Grantee" shall mean an Employee who is selected by the Committee to receive an Award under this Plan and in the case of a deceased Employee shall mean the beneficiary of the Employee.

(l) The term "Incentive Stock Option" shall mean a Stock Option granted under this Plan or a previously granted Stock Option that is redesignated by the Committee as an Incentive Stock Option which is intended to constitute an incentive stock option within the meaning of Section 422(b) of the Code.

- (m) The term "Limited SAR" shall mean a Limited Stock Appreciation Right granted by the Committee pursuant to Section 9 of this Plan.
- (n) The term "Non-employee Director" shall mean any person who qualifies as a non-employee director as defined in Rule 16b-3, as promulgated under the 1934 Act, or any successor definition.
- (o) The term "Non-qualified Stock Option" shall mean a Stock Option granted under this Plan which is not intended to qualify under Section 422(b) of the Code.
- (p) The term "Offer" shall mean any tender offer or exchange offer for Shares, other than one made by the Company, including all amendments and extensions of any such Offer.
- (q) The term "Option" shall mean any stock option granted under this Plan.
- (r) The term "Performance Goals" shall have the meaning set forth in Section 10(c) of this Plan.
- (s) The term "Performance Period" shall have the meaning set forth in Section 10(d) of this Plan.
- (t) The term "Performance Units" shall mean Performance Units granted by the Committee pursuant to Section 10 of this Plan.
- (u) The term "Plan" shall mean the Ryder System, Inc. 1995 Stock Incentive Plan as the same shall be amended.
- (v) The term "Price" shall mean, upon the occurrence of a Change of Control, 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 (60) days preceding the date of exercise;
 - (ii) the highest price per share of Common Stock included in a filing made by any Person on any Schedule 13D pursuant to Section 13(d) of the 1934 Act as paid within the sixty (60) 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 transaction referred to in subparagraph (iii), (iv) or (v) of Section 2(c), with all noncash consideration being valued in good faith by the Incumbent Board; over the purchase price per Share at which the related Option is exercisable as applicable, except that Incentive Stock Options and, if and to the extent required in order for the related Option to be treated as an Incentive Stock Option, SARs and Limited SARs granted with respect to Incentive Stock Options, are limited to the spread between the Fair Market Value of Common Stock on the date of exercise and the purchase price per Share at which the related Option is exercisable.
- (w) The term "Restricted Period" shall have the meaning set forth in Section 11(a) of this Plan.
- (x) The term "RSI" shall mean Ryder System, Inc.
- (y) The term "Restricted Stock Rights" shall mean a Restricted Stock Right granted by the Committee pursuant to Section 11 of this Plan.
- (z) The term "Retirement" shall mean retirement under the provisions of the various retirement plans of the Company (whichever is appropriate to a particular Grantee) as then in effect, or in the absence of any such retirement plan being applicable, as determined by the Committee.

(aa) The term "SAR" shall mean a Stock Appreciation Right granted by the Committee pursuant to the provisions of Section 8 of this Plan.

(bb) The term "Shares" shall mean shares of the Common Stock and any shares of stock or other securities received as a result of the adjustment provided for in Section 12 of this Plan.

(cc) The term "Spread" with respect to a SAR shall have the meaning set forth in Section 8(b) of this Plan, and with respect to a Limited SAR, the meanings set forth in Sections 9(c) and 9(d) of this Plan.

(dd) The term "Stock Option" shall mean any stock option granted under this Plan.

(ee) The term "Subsidiary" shall mean any corporation, other than RSI, or other form of business entity more than fifty percent (50%) of the voting interest of which is owned or controlled, directly or indirectly, by RSI and which the Committee designates for participation in this Plan.

(ff) The term "Termination Date" shall mean the date that a Grantee ceases to be employed by RSI or any Subsidiary for any reason; provided, however, it shall mean the end of any severance period applicable to a Grantee with respect to any Non-qualified Stock Options held by such Grantee.

(gg) The term "Year" shall mean a calendar year.

3. Shares of Stock Subject to this Plan.

(a) Subject to the provisions of Paragraph (b) of this Section 3, no more than 8,300,000 Shares shall be issuable pursuant to grants under this Plan. Shares issued pursuant to this Plan may be either authorized but unissued or reacquired Shares purchased on the open market or otherwise.

(b) In the event any Stock Option or Restricted Stock Right expires or terminates unexercised or any Restricted Stock Right is forfeited or cancelled, the number of Shares subject to such Stock Option or Restricted Stock Right shall again become available for issuance under this Plan, subject to the provisions of Sections 7(a), 8(a), 9(b) and 10(i) of this Plan.

(c) No Grantee shall be eligible to receive any Stock Option or series of Stock Options covering, in the aggregate, more than 800,000 Shares during the term of this Plan.

4. Participation.

Awards under this Plan shall be limited to key executive Employees selected from time to time by the Committee.

5. Administration.

This Plan shall be administered by the Compensation Committee of the Board of Directors of RSI which shall consist of two or more members of the Board of Directors, each of whom shall be a Non-employee Director. All members of the Committee shall be "outside directors" as defined or interpreted for purposes of

Section 162(m) of the Code. The Committee shall have plenary authority, subject to the express provisions of this Plan, to (i) select Grantees; (ii) establish and adjust Performance Goals and Performance Periods for Performance Units; (iii) determine the nature, amount, time and manner of payment of Awards made under this Plan, and the terms and conditions applicable thereto; (iv) interpret this Plan; (v) prescribe, amend and rescind rules and regulations relating to this Plan; (vi) determine whether and to what extent Stock Options previously granted under this Plan shall be redesignated as Incentive Stock Options and, in this connection, amend any Stock Option Agreement or make or authorize any reports or elections or take any other action to the extent necessary to implement the redesignation of any Stock Option as an Incentive Stock Option, provided that any redesignation of a previously granted Stock Option as an Incentive Stock Option shall not be effective unless and until consented to by the Grantee; and (vii) make all other determinations deemed necessary or advisable for the administration of this Plan. The Committee's

determination on the foregoing matters shall be conclusive. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by all members of the Committee without a meeting, shall be the acts of the Committee.

6. Awards.

Subject to the provisions of Section 3 of this Plan, the Committee shall determine Awards taking into consideration, as it deems appropriate, the responsibility level and performance of each Grantee. The Committee may grant the following types of Awards: Stock Options pursuant to Section 7 hereof, SARs pursuant to Section 8 hereof, Limited SARs pursuant to Section 9 hereof, Performance Units pursuant to Section 10 hereof and Restricted Stock Rights pursuant to Section 11 hereof. Unless otherwise determined by the Committee, a Grantee may not be granted in any Year both (i) a Restricted Stock Right and (ii) a Stock Option, SAR, Limited SAR or Performance Unit.

7. Stock Options.

(a) The Committee from time to time may grant Stock Options either alone or in conjunction with and related to SARs, Limited SARs and/or Performance Units to key executive Employees selected by the Committee as being eligible therefor. The Stock Options may be of two types, Incentive Stock Options and Non-qualified Stock Options. Each Stock Option shall cover such number of Shares and shall be on such other terms and conditions not inconsistent with this Plan as the Committee may determine and shall be evidenced by a Stock Option Agreement setting forth such terms and conditions executed by the Company and the Grantee. The Committee shall determine the number of Shares subject to each Stock Option. The number of Shares subject to an outstanding Stock Option shall be reduced on a one for one basis to the extent that any related SAR, Limited SAR or Performance Unit is exercised and such Shares shall not again become available for issuance pursuant to this Plan.

In the case of Stock Options, the aggregate Fair Market Value (determined as of the date of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an Employee during any Year under this Plan or any other plan of the Company shall not exceed \$100,000. To the extent, if any, that the Fair Market Value of such Common Stock with respect to which Incentive Stock Options are exercisable exceeds \$100,000, such Incentive Stock Options shall be treated as separate Non-qualified Stock Options. For purposes of the two immediately preceding sentences of this subparagraph (a), Stock Options shall be taken into account in the order in which they were granted.

(b) Unless the Committee shall determine otherwise, each Stock Option may be exercised only if the Grantee has been continuously employed by RSI or any Subsidiary for a period of at least one (1) year commencing on the date the Stock Option is granted; provided, however, that this provision shall not apply in the event of a Change of Control.

(c) Each Stock Option shall be for such term (but, in no event for greater than ten years) and shall be exercisable in such installments as shall be determined by the Committee at the time of grant of the Stock Option.

The Committee may, at any time, provide for the acceleration of installments or any part thereof.

(d) The price per Share at which Shares may be purchased upon the exercise of a Stock Option shall be determined by the Committee on the grant of the Stock Option, but such price shall not be less than one hundred percent (100%) of the Fair Market Value on the date of grant of the Stock Option. If a Grantee owns (or is deemed to own under applicable provisions of the Code and rules and regulations promulgated thereunder) more than ten percent (10%) of the combined voting power of all classes of the stock of the Company and a Stock Option granted to such Grantee is intended to qualify as an Incentive Stock Option, the Incentive Stock Option price shall be no less than one hundred and ten percent (110%) of the Fair

Market Value of the Common Stock on the date the Incentive Stock Option is granted and the term of such Incentive Stock Option shall be no more than five years.

(e) Except as provided in Paragraphs (h) and (l) of this Section 7, no Stock Option may be exercised unless the Grantee, at the time of exercise, is an Employee and has continuously been an Employee of RSI or any Subsidiary since the grant of such Stock Option. A Grantee shall not be deemed to have terminated his period of continuous employ with RSI or any Subsidiary if he leaves the employ of RSI or any Subsidiary for immediate reemployment with RSI or any Subsidiary.

(f) To exercise a Stock Option, the Grantee shall (i) give written notice to the Company in form satisfactory to the Committee indicating the number of Shares which he elects to purchase, (ii) deliver to the Company payment of the full purchase price of the Shares being purchased (A) in cash or a certified or bank cashier's check payable to the order of the Company, or (B) with the approval of the Committee, in Shares of the 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 such purchase price, and (iii) deliver to the Secretary of the Company such written representations, warranties and covenants as the Company may require under Section 16(a) of this Plan.

(g) A Grantee of any Stock Option shall not have any rights as a shareholder until the close of business on the date on which the Stock Option has been exercised.

(h) Notwithstanding any other provision of this Plan, unless otherwise determined by the Committee prior to a Change of Control, in the event of a Change of Control, each Stock Option not previously exercised or expired under the terms of this 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 this Plan applies or the Grantee has been terminated for cause, in which case the Stock Options shall automatically terminate as of the Incumbent Board's determination pursuant to Section 14(a) or the Grantee's Termination Date, as appropriate.

(i) If the Committee so determines prior to or during the thirty (30) day period following the occurrence of a Change of Control, Grantees of Stock Options not otherwise exercised or expired under the terms of this Plan as to which no SARs or Limited SARs are then exercisable may, in lieu of exercising, require RSI to purchase for cash all such Stock Options or portions thereof for a period of sixty (60) days following the occurrence of a Change of Control at the Price specified in Section 2(v).

(j) Any determination made by the Committee pursuant to Section 7(h) or 7(i) may be made as to all eligible Stock Options or only as to certain of such Stock Options specified by the Committee. Once made, any determination by the Committee pursuant to Section 7(h) or 7(i) shall be irrevocable.

(k) The Company intends that this Section 7 shall comply with the requirements of Rule 16b-3 under the 1934 Act (the "Rule") during the term of this Plan. Should any provision of this Section 7 not be necessary to comply with the requirements of the Rule, or should any additional provisions be necessary for this Section 7 to comply with the requirements of the Rule, the Committee may amend this Plan or any Stock Option agreement to add to or modify the provisions thereof accordingly.

(l) Notwithstanding any of the provisions of this Section 7, a Stock Option shall in all cases terminate and not be exercisable after the expiration of the term of the Stock Option established by the Committee. Except as provided in Section 7(h), Stock Options shall be exercisable after the Grantee ceases to be employed by RSI or any Subsidiary as follows, unless otherwise determined by the Committee:

(i) In the event that a Grantee ceases to be employed by RSI or any Subsidiary by reason of Disability or Retirement, (A) any Non-qualified Stock Option not previously exercised or expired shall continue to vest and be exercisable during the three (3) year period following the Grantee's Termination Date, and to the extent it is exercisable at the expiration of such three (3) year period, it shall continue to be exercisable by such Grantee or such Grantee's legal representatives, heirs or legatees for the term of such

Non-qualified Stock Option, and (B) any Incentive Stock Option shall, to the extent it was exercisable on the Termination Date, continue to be exercisable by such Grantee or such Grantee's legal representatives, heirs or legatees for the term of such Incentive Stock Option; provided, however, that in order to qualify for the special tax treatment afforded by Section 421 of the Code, Incentive Stock Options must be exercised within the three (3) month period commencing on the Termination Date (the exercise period shall be one (1) year in the case of termination by reason of disability, within the meaning of Section 22(e)(3) of the Code). Incentive Stock Options not exercised within such three (3) month period shall be treated as Non-qualified Stock Options.

(ii) In the event that a Grantee ceases to be employed by RSI or any Subsidiary by reason of death, any Stock Option shall, to the extent it was exercisable on the Termination Date, continue to be exercisable by such Grantee's legal representatives, heirs or legatees for the term of such Stock Option.

(iii) Except as otherwise provided in subparagraph (i) or (ii) above, in the event that a Grantee ceases to be employed by RSI or any Subsidiary for any reason other than termination for cause, any Stock Option shall, to the extent it was exercisable on the Termination Date, continue to be exercisable for a period of three (3) months commencing on the Termination Date and shall terminate at the expiration of such period; provided, however, that in the event of the death of the Grantee during such three (3) month period, such Stock Option shall, to the extent it was exercisable on the Termination Date, be exercisable by the Grantee's personal representatives, heirs or legatees for a period of one (1) year commencing on the date of the Grantee's death and shall terminate at the expiration of such period.

(m) Except as otherwise provided in Section 7, a Stock Option shall automatically terminate as of the Termination Date, provided that if a Grantee's employment is interrupted by reason of Disability or a leave of absence (as determined by the Committee) the Committee may permit the exercise of some or all of the Stock Options granted on such terms and for such period of time as it shall determine.

8. Stock Appreciation Rights.

(a) The Committee shall have authority in its discretion to grant a SAR to any Grantee of a Stock Option with respect to all or some of the Shares covered by such Stock Option. Each SAR shall be on such terms and conditions not inconsistent with this Plan as the Committee may determine and shall be evidenced by a SAR Agreement setting forth such terms and conditions executed by the Company and the holder of the SAR. A SAR may be granted either at the time of grant of a Stock Option or at any time thereafter during its term. A SAR may be granted to a Grantee irrespective of whether such Grantee has a Limited SAR. Each SAR shall be exercisable only if and to the extent that the related Stock Option is exercisable. Upon the exercise of a SAR, the related Stock Option shall cease to be exercisable to the extent of the Shares with respect to which such SAR is exercised and shall be considered to have been exercised to that extent for purposes of determining the number of Shares available for the grant of further Awards pursuant to this Plan. Upon the exercise or termination of a Stock Option, the SAR related to such Stock Option shall terminate to the extent of the Shares with respect to which such Stock Option was exercised or terminated.

(b) The term "Spread" as used in this Section 8 shall mean, with respect to the exercise of any SAR, an amount equal to the product computed by multiplying (i) the excess of (A) the Fair Market Value per Share on the date such SAR is exercised over (B) the purchase price per Share at which the related Stock Option is exercisable by (ii) the number of Shares with respect to which such SAR is being exercised, provided; however, that the Committee may at the grant of any SAR limit the maximum amount of the Spread to be paid upon the exercise thereof.

(c) Only if and to the extent required in order for the related Stock Option to be treated as an Incentive Stock Option, a SAR may be exercised only when there is a positive Spread, that is, when the Fair Market Value per Share exceeds the purchase price per Share at which the related Stock Option is exercisable. Upon the exercise of a SAR, the Committee shall pay to the Grantee exercising the SAR an amount equivalent to the Spread. The Committee shall have the sole and absolute discretion to determine whether payment for such SAR will be made in cash, Shares or a combination of cash and Shares,

provided, that any Shares used for payment shall be valued at their Fair Market Value on the date of the exercise of the SAR.

(d) The Company intends that this Section 8 shall comply with the requirements of the Rule during the term of this Plan. Should any provision of this Section 8 not be necessary to comply with the requirements of the Rule or should any additional provisions be necessary for this Section 8 to comply with the requirements of the Rule, the Committee may amend this Plan or any Award agreement to add to or modify the provisions thereof accordingly.

(e) To exercise a SAR, the Grantee shall (i) give written notice to the Company in form satisfactory to the Committee specifying the number of Shares with respect to which such holder is exercising the SAR and (ii) deliver to the Company such written representations, warranties and covenants as the Company may require under Section 16(a) of this Plan.

(f) A person exercising a SAR shall not be treated as having become the registered owner of any Shares issued on such exercise until such Shares are issued.

(g) The exercise of a SAR shall reduce the number of Shares subject to the related Stock Option on a one for one basis.

9. Limited SARs.

(a) The Committee shall have authority in its discretion to grant a Limited SAR to the holder of any Stock Option with respect to all or some of the Shares covered by such Stock Option; provided, however, that in the case of Incentive Stock Options, the Committee may grant Limited SARs only if and to the extent that the grant of such Limited SARs is consistent with the treatment of the Stock Option as an Incentive Stock Option. Each Limited SAR shall be on such terms and conditions not inconsistent with this Plan as the Committee may determine and shall be evidenced by a Limited SAR Agreement setting forth such terms and conditions executed by the Company and the holder of the Limited SAR. A Limited SAR may be granted to a Grantee irrespective of whether such Grantee has a SAR.

(b) Limited SARs may be exercised only during the sixty (60) day period commencing after the occurrence of a Change of Control.

Each Limited SAR shall be exercisable only if and to the extent that the related Option is exercisable. Upon the exercise of a Limited SAR, the related Stock Option shall cease to be exercisable to the extent of the Shares with respect to which such Limited SAR is exercised, and the Stock Option shall be considered to have been exercised to that extent for purposes of determining the number of Shares available for the grant of further Awards pursuant to this Plan. Upon the exercise or termination of an Option, the Limited SAR with respect to such Option shall terminate to the extent of the Shares with respect to which the Option was exercised or terminated.

(c) For any Limited SAR, the term "Spread" as used in this Section 9 shall mean an amount equal to the product computed by multiplying (A) the Price specified in Section 2(v) by (B) the number of Shares with respect to which such Limited SAR is being exercised.

(d) Only if and to the extent required in order for the related Stock Option to be treated as an Incentive Stock Option, a Limited SAR may be exercised only when there is a positive Spread, that is, when the Fair Market Value per Share exceeds the purchase price per Share at which the related Stock Option is exercisable. Upon the exercise of a Limited SAR, the holder thereof shall receive an amount in cash equal to the Spread.

(e) Notwithstanding any other provision of this Plan, no SAR or Performance Unit may be exercised with respect to any Stock Option at a time when any Limited SAR with respect to such Stock Option held by the Grantee of such SAR or Performance Unit may be exercised.

(f) The Company intends that this Section 9 shall comply with the requirements of the Rule during the term of this Plan. Should any provision of this Section 9 not be necessary to comply with the requirements of the Rule, or should any additional provisions be necessary for this Section 9 to comply with the requirements of the Rule, the Committee may amend this Plan or any Award agreement to add to or modify the provisions thereof accordingly.

(g) To exercise a Limited SAR, the holder shall give written notice to the Company in form satisfactory to the Committee specifying the number of Shares with respect to which he is exercising the Limited SAR.

(h) The exercise of a Limited SAR shall reduce on a one for one basis the number of Shares subject to the related Stock Option.

10. Performance Units.

(a) In conjunction with the granting of Stock Options under this Plan, the Committee may grant Performance Units relating to such Stock Options; provided, however, that in the case of Incentive Stock Options, the Committee may grant Performance Units only if and to the extent that the grant of such Performance Units is consistent with the treatment of the Stock Option as an Incentive Stock Option. Each grant of Performance Units shall cover such number of Shares and shall be on such other terms and conditions not inconsistent with this Plan as the Committee may determine and shall be evidenced by a Performance Unit Agreement setting forth such terms and conditions executed by the Company and the Grantee of the Performance Units. The number of Performance Units granted shall be equal to a specified number of Shares subject to the related Stock Options. The Committee shall value such Units to the extent that Performance Goals are achieved; provided, however, that in no event shall the value per Performance Unit exceed one hundred and fifty percent (150%) of the purchase price per Share at which the related Stock Option is exercisable.

(b) The Committee shall have full and final authority to establish Performance Goals for each Performance Period on the basis of such criteria, and the attainment of such objectives, as the Committee may from time to time determine. In setting Performance Goals, the Committee may take into consideration such matters which it deems relevant and such financial and other criteria including but not limited to projected cumulative compounded rate of growth in earnings per Share and average return on equity. During any Performance Period, the Committee shall have the authority to adjust Performance Goals for the Performance Period as it deems equitable in recognition of extraordinary or nonrecurring events experienced by the Company during the Performance Period including, but not limited to, changes in applicable accounting rules or principles or changes in the Company's methods of accounting during the Performance Period or significant changes in tax laws or regulations which affect the financial results of the Company.

(c) The term "Performance Goals" as used in this Section 10 shall mean the performance objectives established by the Committee for the Company for a Performance Period for the purpose of determining if, as well as the extent to which, a Performance Unit shall be earned.

(d) The term "Performance Period" as used in this Section 10 shall mean the period of time selected by the Committee (which period shall be not more than five nor less than three years) commencing on January 1 of the Year in which the grant of Performance Units is made, during which the performance of the Company is measured for the purpose of determining the extent to which Performance Units have been earned.

(e) Performance Units shall be earned to the extent that Performance Goals and other conditions established in accordance with Paragraph (b) of this

Section 10 are met. The Company shall promptly notify each Grantee of the extent to which Performance Units have been earned by such Grantee. A Performance Unit may be exercised only during the period following such notice and prior to expiration of the related option.

Performance Units which have been earned shall be paid after exercise by the Grantee pursuant to Paragraph (h) of this Section

10. The Committee shall have the sole and absolute discretion to

determine whether payment for such Performance Unit will be made in cash, Shares or a combination of cash and Shares, provided that any Shares used for payment shall be valued at their Fair Market Value on the date of the exercise of the Performance Unit.

(f) Unless otherwise determined by the Committee, in the event that a Grantee of Performance Units ceases to be employed by RSI or any Subsidiary during the term of the related Stock Option, the Performance Units held by him shall be exercisable only to the extent the related Stock Option is exercisable and shall be forfeited to the extent that the related Stock Option was not exercisable on the Termination Date.

(g) The Company intends that this Section 10 shall comply with the requirements of Section 16(b) of the 1934 Act and the rules thereunder, as from time to time in effect, including the Rule. Should any provision of this Section 10 not be necessary to comply with the requirements of said Section 16(b) and the rules thereunder or should any additional provision be necessary for this Section 10 to comply with the requirements of Section 16(b) and the rules thereunder, the Committee may amend this Plan or any Award agreement to add to or modify the provisions thereof accordingly.

(h) To exercise Performance Units, the Grantee shall give written notice to the Company in form satisfactory to the Committee addressed to the Secretary of the Company specifying the number of Shares with respect to which he is exercising Performance Units.

(i) The exercise of Performance Units shall reduce on a one for one basis the number of Shares subject to the related Stock Option.

11. Restricted Stock Rights.

(a) The Committee from time to time may grant Restricted Stock Rights to key executive Employees selected by the Committee as being eligible therefor, which would entitle a Grantee to receive a stated number of Shares subject to forfeiture of such Rights if such Grantee failed to remain continuously in the employ of RSI or any Subsidiary for the period stipulated by the Committee (the "Restricted Period").

(b) Restricted Stock Rights shall be subject to the following restrictions and limitations:

(i) The Restricted Stock Rights may not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of;

(ii) Except as otherwise provided in Paragraph (d) of this Section 11, the Restricted Stock Rights and the Shares subject to such Restricted Stock Rights shall be forfeited and all rights of a Grantee to such Restricted Stock Rights and Shares shall terminate without any payment of consideration by the Company if the Grantee fails to remain continuously as an Employee of RSI or any Subsidiary for the Restricted Period. A Grantee shall not be deemed to have terminated his period of continuous employment with RSI or any Subsidiary if he leaves the employ of RSI or any Subsidiary for immediate reemployment with RSI or any Subsidiary.

(c) The Grantee of Restricted Stock Rights shall not be entitled to any of the rights of a holder of the Common Stock with respect to the Shares subject to such Restricted Stock Rights prior to the issuance of such Shares pursuant to this Plan. During the Restricted Period, for each Share subject to a Restricted Stock Right, the Company will pay the holder an amount in cash equal to the cash dividend declared on a Share during the Restricted Period on or about the date the Company pays such dividend to the stockholders of record.

(d) In the event that the employment of a Grantee terminates by reason of death, Disability or Retirement, such Grantee shall be entitled to receive the number of Shares subject to the Restricted Stock Right multiplied by a fraction

(x) the numerator of which shall be the number of days between the date of grant of such Restricted Stock Right and the date of such termination of employment, and (y) the denominator of which shall be the number of days in the Restricted Period, provided, however, that any

fractional Share shall be cancelled. If a Grantee's employment is interrupted by reason of Disability or a leave of absence (as determined by the Committee), then the Committee may permit the delivery of the Shares subject to the Restricted Stock Right in such amounts as the Committee may determine.

(e) Notwithstanding Paragraphs (a) and (b) of this Section 11, unless otherwise determined by the Committee prior to the occurrence of a Change of Control, in the event of a Change of Control all restrictions on Restricted Stock shall expire and all Shares subject to Restricted Stock Rights shall be issued to the Grantees. Additionally, the Committee may, at any time, provide for the acceleration of the Restricted Period and of the issuance of all or part of the Shares subject to Restricted Stock Rights. Any determination made by the Committee pursuant to this Section 11(e) may be made as to all Restricted Stock Rights or only as to certain Restricted Stock Rights specified by the Committee. Once made, any determination by the Committee pursuant to this Section 11(e) shall be irrevocable.

(f) When a Grantee shall be entitled to receive Shares pursuant to a Restricted Stock Right, the Company shall issue the appropriate number of Shares registered in the name of the Grantee.

12. Dilution and Other Adjustments.

If there shall be any change in the Shares subject to this Plan or any Award granted under this Plan as a result of merger, consolidation, reorganization, recapitalization, stock dividend, stock split or other change in the corporate structure, adjustments may be made by the Committee, as it may deem appropriate, in the aggregate number and kind of Shares subject to this Plan or to any outstanding Award, and in the terms and provisions of this Plan and any Awards granted hereunder, in order to reflect, on an equitable basis, any such change in the Shares contemplated by this Section 12. Any adjustment made by the Committee pursuant to this Section 12 shall be conclusive and binding upon the Grantee, the Company and any other related person.

13. Substitute Options.

Incentive and/or Non-qualified Stock Options may be granted under this Plan from time to time in substitution for either incentive or non-qualified stock options or both held by employees of other corporations who are about to become employees of the Company as the result of a merger, consolidation or reorganization of the employing corporation with the Company, or the acquisition by the Company of the assets of the employing corporation, or the acquisition by the Company of stock of the employing corporation as the result of which it becomes a Subsidiary of the Company. The terms and conditions of the Stock Options so granted may vary from the terms and conditions set forth in this Plan to such extent as the Committee at the time of grant may deem appropriate to conform, in whole or in part, to the provisions of the stock options in substitution for which they are granted, but, in the event that the option for which a substitute Stock Option is being granted is an incentive stock option, no variation shall adversely affect the status of any substitute Stock Option as an incentive stock option under the Code.

14. Miscellaneous Provisions.

(a) Notwithstanding any other provision of this Plan, no Stock Option, SAR, Limited SAR or Restricted Stock Right granted hereunder may be exercised nor shall any payment in respect of any Performance Unit granted hereunder be made and all rights of the Grantee thereof, or of the Grantee's legal representatives, heirs or legatees, shall be forfeited if, prior to the time of such exercise or payment, the Committee (or in the event of a Change of Control, the Incumbent Board) determines that the Grantee has (i) used for profit or disclosed confidential information or trade secrets of the Company to unauthorized persons, or (ii) breached any contract with, or violated any legal obligation to, the Company, or (iii) engaged in any other activity which would constitute grounds for termination for cause of the Grantee by the Company. The Committee (or the Incumbent Board) shall give a Grantee written notice of such determination prior to making any such forfeiture. The Committee (or the Incumbent Board) may waive the conditions of this Paragraph in full or in part if, in its sole judgment, such waiver will have no substantial adverse effect upon the Company. The determination of the Committee (or the Incumbent

Board) as to the occurrence of any of the events specified above and to the forfeiture, if any, shall be conclusive and binding upon the Grantee, the Company and any other related person.

(b) The Grantee of an Award shall have no rights as a stockholder with respect thereto, except as otherwise expressly provided in this Plan, unless and until certificates for Shares are issued.

(c) No Award 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.

(d) The Company shall have the right to deduct from all Awards granted hereunder to be distributed in cash any Federal, state, local or foreign taxes required by law to be withheld with respect to such cash payments. In the case of Awards to be distributed in Shares, the holder or other person receiving such Common Stock shall be required, as a condition of such distribution, either to pay to the Company at the time of distribution thereof the amount of any such taxes which the Company is required to withhold with respect to such Shares or to have the number of the Shares, valued at their Fair Market Value on the date of distribution, to be distributed reduced by an amount equal to the value of such taxes required to be withheld.

(e) No Employee shall have any claim or right to be granted an Award under this Plan, nor having been selected as a Grantee for one Year, any right to be a Grantee in any other Year. Neither this Plan nor any action taken hereunder shall be construed as giving any Grantee any right to be retained in the employ of RSI or any Subsidiary, and the Company expressly reserves its right at any time to dismiss any Grantee with or without cause.

(f) The costs and expense of administering this Plan shall be borne by the Company and not charged to any Award nor to any Grantee.

(g) This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Award under this Plan, and payment of Awards shall be subordinate to the claims of the Company's general creditors.

(h) Whenever used in this Plan, 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.

(i) With respect to Grantees subject to Section 16 of the 1934 Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the 1934 Act. To the extent any provision of this Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee. Moreover, in the event this Plan does not include a provision required by Rule 16b-3 to be stated herein, such provision (other than one relating to eligibility requirements, or the price and amount of Awards) shall be deemed automatically to be incorporated by reference into this Plan insofar as Grantees subject to Section 16 are concerned.

15. Indemnification of the Committee.

Service on the Committee shall constitute service as a director of the Company and members of the Committee shall be entitled to indemnification, advancement of expenses and reimbursement as directors of the Company pursuant to its Restated Articles of Incorporation, By-Laws, resolutions of the Board of Directors of RSI or otherwise.

16. Compliance with Law.

(a) Each Grantee, to permit the Company to comply with the Securities Act of 1933, as amended (the "1933 Act"), and any applicable blue sky or state securities laws, shall represent in writing to the Company at the time of the grant of an Award and at the time of the issuance of any Shares thereunder that such Grantee does not contemplate and shall not make any transfer of any Shares to be acquired under an

Award except in compliance with the 1933 Act and such Grantee shall enter into such agreements and make such other representations as, in the opinion of counsel to the Company, shall be sufficient to enable the Company legally to issue the Shares without registration thereof under the 1933 Act. Certificates representing Shares to be acquired under Awards shall bear legends as counsel for the Company may indicate are necessary or appropriate to accomplish the purposes of this Section 16.

(b) If at any time the Committee shall determine that the listing, registration or qualification of the Shares subject to any Award upon any securities exchange or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of or issuance of Shares under such Award, such Shares shall not be issued unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

17. Amendment of the Plan.

The Committee may at any time (i) terminate this Plan or (ii) modify or amend this Plan in any respect, except that, to the extent required to maintain the qualification of this Plan under Section 16 of the 1934 Act, or as otherwise required to comply with applicable law or the regulations of any stock exchange on which the Shares are listed, the Committee may not, without shareholder approval, (A) materially increase the benefits accruing to Grantees under this Plan, (B) materially increase the number of securities which may be issued under this Plan or (C) materially modify the requirements as to eligibility for participation in this Plan. Should this Plan require amendment to maintain full legal compliance because of rules, regulations, opinions or statutes issued by the SEC, the U.S. Department of the Treasury or any other governmental or governing body, then the Committee or the Board may take whatever action, including but not limited to amending or modifying this Plan, is necessary to maintain such compliance. The termination or any modification or amendment of this Plan shall not, without the consent of any Grantee involved, adversely affect his rights under an Award previously granted to him.

18. Effective Date and Term of the Plan.

(a) This Plan shall become effective on May 5, 1995, subject to the approval of the shareholders of RSI.

(b) Unless previously terminated in accordance with Section 17 of this Plan, this Plan shall terminate on the close of business on May 4, 2005, after which no Awards shall be granted under this Plan. Such termination shall not affect any Awards granted prior to such termination.

The Board of Directors and Shareholders of 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 7, 2001, relating to the consolidated balance sheets of Ryder System, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2000, which report appears in the December 31, 2000 annual report on Form 10-K of Ryder System, Inc.:

Form S-3:

- . Registration Statement No. 33-20359 covering \$1,000,000,000 aggregate principal amount of debt securities.
- . Registration Statement No. 33-58667 covering \$800,000,000 aggregate principal amount of debt securities.
- . Registration Statement No. 333-63049 covering \$800,000,000 aggregate principal amount of debt securities.
- . Registration Statement No. 33-1623 covering \$500,000,000 aggregate principal amount of debt securities.
- . Registration Statement No. 33-13962 covering \$500,000,000 aggregate principal amount of debt securities.

Form S-8:

- . Registration Statement No. 33-20608 covering the Ryder System Employee Stock Purchase Plan.
- . Registration Statement No. 33-4333 covering the Ryder Employee Savings Plan.
- . Registration Statement No. 1-4364 covering the Ryder System Profit Incentive Stock Plan.
- . Registration Statement No. 33-69660 covering the Ryder System, Inc. 1980 Stock Incentive Plan.
- . Registration Statement No. 33-37677 covering the Ryder System UK Stock Purchase Scheme.

- . Registration Statement No. 33-63990 covering the Ryder System, Inc. Directors' Stock Plan.
- . Registration Statement No. 33-58001 covering the Ryder System, Inc. Employee Savings Plan A.
- . Registration Statement No. 33-58003 covering the Ryder System, Inc. Employee Savings Plan B.
- . Registration Statement No. 33-61509 covering the Ryder System, Inc. Stock for Merit Increase Replacement Plan.
- . Registration Statement No. 33-62013 covering the Ryder System, Inc. 1995 Stock Incentive Plan.
- . Registration Statement No. 333-19515 covering the Ryder System, Inc. 1997 Deferred Compensation Plan.
- . Registration Statement No. 333-26653 covering the Ryder System, Inc. Board of Directors Stock Award Plan.
- . Registration Statement No. 333-57593 covering the Ryder System, Inc. Stock Purchase Plan for Employees.
- . Registration Statement No. 333-57595 covering the Ryder System, Inc. 1995 Stock Incentive Plan.

/s/ KPMG LLP

Miami, Florida

March 23, 2001

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Vicki A. O'Meara, David M. Beilin and Carlos J. Abarca, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for the undersigned and in his or her name, place and stead, in any and all capacities, to sign the Ryder System, Inc. Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) for the fiscal year ended December 31, 2000 (the "Form 10-K"), and any and all amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission and with the New York Stock Exchange, Chicago Stock Exchange and Pacific Stock Exchange, granting unto each said attorney-in-fact and agent full power and authority to perform every act requisite and necessary to be done in connection with the execution and filing of the Form 10-K and any and all amendments thereto, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying all that each said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

/s/ M. Anthony Burns

M. Anthony Burns

STATE OF FLORIDA)
) ss:
COUNTY OF DADE)

Before me appeared M. Anthony Burns, personally known to me and known to me to be the person described in and who executed the foregoing instrument, and acknowledged to and before me this 16 day of February, 2001 that he or she executed said instrument for the purposes therein expressed.

Witness my hand and official seal:

Notary Public

My commission expires:

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Vicki A. O'Meara, David M. Beilin and Carlos J. Abarca, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for the undersigned and in his or her name, place and stead, in any and all capacities, to sign the Ryder System, Inc. Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) for the fiscal year ended December 31, 2000 (the "Form 10-K"), and any and all amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission and with the New York Stock Exchange, Chicago Stock Exchange and Pacific Stock Exchange, granting unto each said attorney-in-fact and agent full power and authority to perform every act requisite and necessary to be done in connection with the execution and filing of the Form 10-K and any and all amendments thereto, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying all that each said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

/s/ Joseph L. Dionne

Joseph L. Dionne

STATE OF FLORIDA)
) ss:
COUNTY OF DADE)

Before me appeared Joseph L. Dionne, personally known to me and known to me to be the person described in and who executed the foregoing instrument, and acknowledged to and before me this 16 day of February, 2001 that he or she executed said instrument for the purposes therein expressed.

Witness my hand and official seal:

Notary Public

My commission expires:

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Vicki A. O'Meara, David M. Beilin and Carlos J. Abarca, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for the undersigned and in his or her name, place and stead, in any and all capacities, to sign the Ryder System, Inc. Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) for the fiscal year ended December 31, 2000 (the "Form 10-K"), and any and all amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission and with the New York Stock Exchange, Chicago Stock Exchange and Pacific Stock Exchange, granting unto each said attorney-in-fact and agent full power and authority to perform every act requisite and necessary to be done in connection with the execution and filing of the Form 10-K and any and all amendments thereto, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying all that each said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

/s/ Edward T. Foote II

Edward T. Foote II

STATE OF FLORIDA)
) ss:
COUNTY OF DADE)

Before me appeared Edward T. Foote II, personally known to me and known to me to be the person described in and who executed the foregoing instrument, and acknowledged to and before me this 16 day of February, 2001 that he or she executed said instrument for the purposes therein expressed.

Witness my hand and official seal:

Notary Public

My commission expires:

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Vicki A. O'Meara, David M. Beilin and Carlos J. Abarca, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for the undersigned and in his or her name, place and stead, in any and all capacities, to sign the Ryder System, Inc. Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) for the fiscal year ended December 31, 2000 (the "Form 10-K"), and any and all amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission and with the New York Stock Exchange, Chicago Stock Exchange and Pacific Stock Exchange, granting unto each said attorney-in-fact and agent full power and authority to perform every act requisite and necessary to be done in connection with the execution and filing of the Form 10-K and any and all amendments thereto, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying all that each said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

/s/ David I. Fuente

David I. Fuente

STATE OF FLORIDA)
) ss:
COUNTY OF DADE)

Before me appeared David I. Fuente, personally known to me and known to me to be the person described in and who executed the foregoing instrument, and acknowledged to and before me this 16 day of February, 2001 that he or she executed said instrument for the purposes therein expressed.

Witness my hand and official seal:

Notary Public

My commission expires:

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Vicki A. O'Meara, David M. Beilin and Carlos J. Abarca, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for the undersigned and in his or her name, place and stead, in any and all capacities, to sign the Ryder System, Inc. Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) for the fiscal year ended December 31, 2000 (the "Form 10-K"), and any and all amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission and with the New York Stock Exchange, Chicago Stock Exchange and Pacific Stock Exchange, granting unto each said attorney-in-fact and agent full power and authority to perform every act requisite and necessary to be done in connection with the execution and filing of the Form 10-K and any and all amendments thereto, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying all that each said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

/s/ John A. Georges

John A. Georges

STATE OF FLORIDA)
) ss:
COUNTY OF DADE)

Before me appeared John A. Georges, personally known to me and known to me to be the person described in and who executed the foregoing instrument, and acknowledged to and before me this 16 day of February, 2001 that he or she executed said instrument for the purposes therein expressed.

Witness my hand and official seal:

Notary Public

My commission expires:

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Vicki A. O'Meara, David M. Beilin and Carlos J. Abarca, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for the undersigned and in his or her name, place and stead, in any and all capacities, to sign the Ryder System, Inc. Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) for the fiscal year ended December 31, 2000 (the "Form 10-K"), and any and all amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission and with the New York Stock Exchange, Chicago Stock Exchange and Pacific Stock Exchange, granting unto each said attorney-in-fact and agent full power and authority to perform every act requisite and necessary to be done in connection with the execution and filing of the Form 10-K and any and all amendments thereto, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying all that each said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

/s/ Vernon E. Jordan, Jr.

Vernon E. Jordan, Jr.

STATE OF FLORIDA)
) ss:
COUNTY OF DADE)

Before me appeared Vernon E. Jordan, Jr., personally known to me and known to me to be the person described in and who executed the foregoing instrument, and acknowledged to and before me this 16 day of February, 2001 that he or she executed said instrument for the purposes therein expressed.

Witness my hand and official seal:

Notary Public

My commission expires:

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Vicki A. O'Meara, David M. Beilin and Carlos J. Abarca, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for the undersigned and in his or her name, place and stead, in any and all capacities, to sign the Ryder System, Inc. Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) for the fiscal year ended December 31, 2000 (the "Form 10-K"), and any and all amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission and with the New York Stock Exchange, Chicago Stock Exchange and Pacific Stock Exchange, granting unto each said attorney-in-fact and agent full power and authority to perform every act requisite and necessary to be done in connection with the execution and filing of the Form 10-K and any and all amendments thereto, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying all that each said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

/s/ David T. Kearns

David T. Kearns

STATE OF FLORIDA)
) ss:
COUNTY OF DADE)

Before me appeared David T. Kearns, personally known to me and known to me to be the person described in and who executed the foregoing instrument, and acknowledged to and before me this 16 day of February, 2001 that he or she executed said instrument for the purposes therein expressed.

Witness my hand and official seal:

Notary Public

My commission expires:

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Vicki A. O'Meara, David M. Beilin and Carlos J. Abarca, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for the undersigned and in his or her name, place and stead, in any and all capacities, to sign the Ryder System, Inc. Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) for the fiscal year ended December 31, 2000 (the "Form 10-K"), and any and all amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission and with the New York Stock Exchange, Chicago Stock Exchange and Pacific Stock Exchange, granting unto each said attorney-in-fact and agent full power and authority to perform every act requisite and necessary to be done in connection with the execution and filing of the Form 10-K and any and all amendments thereto, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying all that each said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

/s/ Lynn M. Martin

Lynn M. Martin

STATE OF FLORIDA)
) ss:
COUNTY OF DADE)

Before me appeared Lynn M. Martin, personally known to me and known to me to be the person described in and who executed the foregoing instrument, and acknowledged to and before me this 16 day of February, 2001 that he or she executed said instrument for the purposes therein expressed.

Witness my hand and official seal:

Notary Public

My commission expires:

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Vicki A. O'Meara, David M. Beilin and Carlos J. Abarca, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for the undersigned and in his or her name, place and stead, in any and all capacities, to sign the Ryder System, Inc. Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) for the fiscal year ended December 31, 2000 (the "Form 10-K"), and any and all amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission and with the New York Stock Exchange, Chicago Stock Exchange and Pacific Stock Exchange, granting unto each said attorney-in-fact and agent full power and authority to perform every act requisite and necessary to be done in connection with the execution and filing of the Form 10-K and any and all amendments thereto, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying all that each said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

/s/ Christine A. Varney

Christine A. Varney

STATE OF FLORIDA)
) ss:
COUNTY OF DADE)

Before me appeared Christine A. Varney, personally known to me and known to me to be the person described in and who executed the foregoing instrument, and acknowledged to and before me this 16 day of February, 2001 that he or she executed said instrument for the purposes therein expressed.

Witness my hand and official seal:

Notary Public

My commission expires:

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Vicki A. O'Meara, David M. Beilin and Carlos J. Abarca, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for the undersigned and in his or her name, place and stead, in any and all capacities, to sign the Ryder System, Inc. Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) for the fiscal year ended December 31, 2000 (the "Form 10-K"), and any and all amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission and with the New York Stock Exchange, Chicago Stock Exchange and Pacific Stock Exchange, granting unto each said attorney-in-fact and agent full power and authority to perform every act requisite and necessary to be done in connection with the execution and filing of the Form 10-K and any and all amendments thereto, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying all that each said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

/s/ Alva O. Way

Alva O. Way

STATE OF FLORIDA)
) ss:
COUNTY OF DADE)

Before me appeared Alva O. Way, personally known to me and known to me to be the person described in and who executed the foregoing instrument, and acknowledged to and before me this 16 day of February, 2001 that he or she executed said instrument for the purposes therein expressed.

Witness my hand and official seal:

Notary Public

My commission expires:

End of Filing

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