

Con-way Inc.
Form 10-K
February 26, 2010

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-K

- þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009**
- or**
- o 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 1-5046

Con-way Inc.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

2855 Campus Drive, Suite 300, San Mateo, CA
(Address of principal executive offices)

94-1444798

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

94403

(Zip Code)

Registrant's telephone number, including area code:

(650) 378-5200

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock (\$.625 par value)	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

- 8 7/8% Notes due 2010**
- 7.25% Senior Notes due 2018**
- 6.70% Senior Debentures due 2034**
- (Title of class)*

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Aggregate market value of the registrant's common stock held by persons other than Directors, Officers and those shareholders holding more than 5% of the outstanding voting stock, based upon the closing price per share on June 30, 2009: \$1,202,599,032

Number of shares of common stock outstanding as of January 31, 2010: 49,468,551

DOCUMENTS INCORPORATED BY REFERENCE **Part III**

Proxy Statement for Con-way's Annual Meeting of Shareholders to be held on May 18, 2010 (only those portions referenced specifically herein are incorporated in this Form 10-K).

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PART I

ITEM 1. BUSINESS

Overview

Con-way Inc. was incorporated in Delaware in 1958. Con-way Inc. and its subsidiaries (Con-way or the Company) provide transportation, logistics and supply-chain management services for a wide range of manufacturing, industrial and retail customers. Con-way s business units operate in regional and transcontinental less-than-truckload and full-truckload freight transportation, contract logistics and supply-chain management, multimodal freight brokerage and trailer manufacturing.

Information Available on Website

Con-way makes available, free of charge, on its website at www.con-way.com, under the headings Investors/Annual Reports & SEC Filings, copies of its annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K and any amendments to those reports, in each case as soon as reasonably practicable after such reports are electronically filed with or furnished to the Securities and Exchange Commission.

In addition, Con-way makes available, free of charge, on its website at www.con-way.com, under the headings Investors/Corporate Governance, current copies of the following documents: (1) the charters of the Audit, Compensation, and Governance and Nominating Committees of its Board of Directors; (2) its Corporate Governance Guidelines; (3) its Code of Ethics for Chief Executive and Senior Financial Officers; (4) its Code of Business Conduct and Ethics for Directors; and (5) its Code of Ethics for Employees. Copies of these documents are also available in print to shareholders upon request, addressed to the Corporate Secretary at 2855 Campus Drive, Suite 300, San Mateo, California 94403.

None of the information on Con-way s website shall be deemed to be a part of this report.

Regulatory Certifications

In 2009, Con-way filed the written affirmations and Chief Executive Officer certifications required by Section 303A.12 of the NYSE Listing Manual and Section 302 of the Sarbanes-Oxley Act.

Reporting Segments

For financial reporting purposes, Con-way is divided into five reporting segments: Freight, Logistics, Truckload, Vector and Other. For financial information concerning Con-way s geographic and reporting-segment operating results, refer to Note 15, Segment Reporting, of Item 8, Financial Statements and Supplementary Data.

Freight

The Freight segment primarily consists of the operating results of the Con-way Freight business unit. Con-way Freight is a less-than-truckload (LTL) motor carrier that utilizes a network of freight service centers to provide regional, inter-regional and transcontinental less-than-truckload freight services throughout North America. The business unit

provides day-definite delivery service to manufacturing, industrial and retail customers.

LTL carriers transport shipments from multiple shippers utilizing a network of freight service centers combined with a fleet of linehaul and pickup-and-delivery tractors and trailers. Freight is picked up from customers and consolidated for shipment at the originating service center. The freight is then loaded into trailers and transferred to the destination service center providing service to the delivery area. From the destination service

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center, the freight is delivered to the customer. Typically, LTL shipments weigh between 100 and 15,000 pounds. In 2009, Con-way Freight's average weight per shipment was 1,200 pounds.

Competition

The LTL trucking environment is highly competitive. Principal competitors of Con-way Freight include regional and national LTL companies, some of which are subsidiaries of global, integrated transportation service providers. Competition is based on freight rates, service, reliability, transit times and scope of operations.

Logistics

The Logistics segment consists of the operating results of the Menlo Worldwide Logistics business unit. Menlo Worldwide Logistics develops contract-logistics solutions, including the management of complex distribution networks and supply-chain engineering and consulting, and also provides multimodal freight brokerage services. The term "supply chain" generally refers to a strategically designed process that directs the movement of materials and related information from the acquisition of raw materials to the delivery of products to the end-user.

Menlo Worldwide Logistics' supply-chain management offerings are primarily related to transportation-management and contract-warehousing services. Transportation management refers to the management of asset-based carriers and third-party transportation providers for customers' inbound and outbound supply-chain needs through the use of logistics management systems to consolidate, book and track shipments. Contract warehousing refers to the optimization and operation of warehouse operations for customers using technology and warehouse-management systems to reduce inventory carrying costs and supply-chain cycle times. For several customers, contract-warehousing operations include light assembly or kitting operations. Menlo Worldwide Logistics' ability to link these systems with its customers' internal enterprise resource-planning systems is intended to provide customers with improved visibility to their supply chains. Compensation from Menlo Worldwide Logistics' customers takes different forms, including cost-plus, transactional, fixed-dollar, gain-sharing and consulting-fee arrangements.

Menlo Worldwide Logistics provides its services using a customer- or project-based approach when the supply-chain solution requires customer-specific transportation management, single-client warehouses, and/or single-customer technological solutions. However, Menlo Worldwide Logistics also utilizes a shared-resource, process-based approach that leverages a centralized transportation-management group, multi-client warehouses and technology to provide scalable solutions to multiple customers. Additionally, Menlo Worldwide Logistics segments its business based on customer type. These industry-focused groups leverage the capabilities of personnel, systems and solutions throughout the organization to give customers expertise in specific automotive, high-tech, government and consumer-products sectors.

Although Menlo Worldwide Logistics' client base includes a growing number of customers, four customers collectively accounted for 43.4% of the revenue reported for the Logistics reporting segment in 2009. In 2009, Menlo Worldwide Logistics' largest customer accounted for 4.8% of the consolidated revenue of Con-way.

Competition

Competitors in the contract-logistics market are numerous and include domestic and foreign logistics companies, the logistics arms of integrated transportation companies and contract manufacturers. However, Menlo Worldwide Logistics primarily competes against a limited number of major competitors that have resources sufficient to provide services under large logistics contracts. Competition for projects is generally based on price and the ability to rapidly implement technology-based transportation and logistics solutions.

Truckload

The Truckload segment consists of the operating results of the Con-way Truckload business unit. Con-way Truckload is a full-truckload motor carrier that utilizes a fleet of tractors and trailers to provide short- and long-haul, asset-based transportation services throughout North America. Con-way Truckload provides dry-van transportation services to manufacturing, industrial and retail customers while using single drivers as well as two-person driver

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teams over long-haul routes, with each trailer containing only one customer's goods. This origin-to-destination freight movement limits intermediate handling and is not dependent on the same network of locations utilized by LTL carriers.

Con-way Truckload offers through-trailer service into and out of Mexico through all major gateways in Texas, Arizona and California. This service, which eliminates the need for shipment transfer and/or storage fees at the border, results in faster delivery, reduced transportation costs and better product protection and security for customers doing business internationally. This service typically involves equipment-interchange operations with various Mexican motor carriers. For a shipment with an origin or destination in Mexico, Con-way Truckload provides transportation for the domestic portion of the freight move, and the Mexican carrier provides the pick-up, linehaul and delivery services within Mexico.

In September 2009, Con-way Truckload introduced a new regional-truckload service offering, designed to complement its existing long-haul services. Under the new service offering, Con-way Truckload transports truckload shipments of less than 600 miles, including cartage service for truckload shipments of less than 100 miles.

Competition

The truckload market is fragmented with numerous carriers of varying sizes. Principal competitors of Con-way Truckload include other truckload carriers, logistics providers, railroads, private fleets, and to a lesser extent, LTL carriers. Competition is based on freight rates, service, reliability, transit times, and driver and equipment availability.

Vector

Vector SCM, LLC (Vector) was a joint venture formed with General Motors (GM) in 2000 for the primary purpose of providing logistics management services on a global basis for GM. Although Con-way owned a majority interest in Vector, Con-way's portion of Vector's operating results were reported as an equity-method investment based on GM's ability to control certain operating decisions. In June 2006, GM exercised its right to purchase Con-way's membership interest in Vector, as more fully discussed in Note 5, Sale of Unconsolidated Joint Venture, of Item 8, Financial Statements and Supplementary Data.

Other

The Other reporting segment consists of the operating results of Road Systems, a trailer manufacturer, and certain corporate activities for which the related income or expense has not been allocated to other reporting segments, including results related to corporate re-insurance activities and corporate properties. Road Systems primarily manufactures and refurbishes trailers for Con-way Freight and Con-way Truckload.

Discontinued Operations

Discontinued operations affecting the periods presented in Con-way's consolidated financial information reported in Item 8, Financial Statements and Supplementary Data, relate to (1) the closure of Con-way Forwarding in 2006, (2) the sale of Menlo Worldwide Forwarding, Inc. and its subsidiaries and Menlo Worldwide Expedite!, Inc. (collectively MWF) in 2004, (3) the shut-down of Emery Worldwide Airlines, Inc. (EWA) in 2001 and the termination of its Priority Mail contract with the USPS in 2000, and (4) the spin-off of Consolidated Freightways Corporation (CFC) in 1996.

For more information, refer to Note 4, Discontinued Operations, and Note 14, Commitments and Contingencies, of Item 8, Financial Statements and Supplementary Data.

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General

Employees

At December 31, 2009, Con-way had approximately 27,400 regular full-time employees. The approximate number of regular full-time employees by segment was as follows: Freight, 18,400; Logistics, 4,100; Truckload, 3,900; and Other, 1,000. The 1,000 employees included in the Other segment consist primarily of executive, technology, and administrative positions that support Con-way's operating subsidiaries.

Con-way's business units utilize other sources of labor that provide flexibility in responding to varying levels of economic activity and customer demand. In addition to regular full-time employees, Con-way Freight employs associate, supplemental or part-time employees, while Menlo Worldwide Logistics utilizes non-employee contract labor primarily related to its warehouse-management services.

Cyclicality and Seasonality

Con-way's operations are affected, in large part, by conditions in the cyclical markets of its customers and in the U.S. and global economies, as more fully discussed in Item 1A, Risk Factors.

Con-way's operating results are also affected by seasonal fluctuations that change demand for transportation services. In the Freight segment, the months of September, October and November typically have the highest business levels while the months of December, January and February usually have the lowest business levels. In the Truckload segment, the months of September and October typically have the highest business levels while the months of December, January and February usually have the lowest business levels.

Price and Availability of Fuel

Con-way is exposed to the effects of changes in the price and availability of diesel fuel, as more fully discussed in Item 1A, Risk Factors.

Regulation

Ground Transportation

The motor-carrier industry is subject to federal regulation by the Federal Motor Carrier Safety Administration (FMCSA), the Pipeline and Hazardous Materials Safety Agency (PHMSA), and the Surface Transportation Board (STB), which are units of the U.S. Department of Transportation (DOT). The FMCSA promulgates and enforces comprehensive trucking safety regulations and performs certain functions relating to motor-carrier registration, cargo and liability insurance, extension of credit to motor-carrier customers, and leasing of equipment by motor carriers from owner-operators. The PHMSA promulgates and enforces regulations regarding the transportation of hazardous materials. The STB has authority to resolve certain types of pricing disputes and authorize certain types of intercarrier agreements.

Federal law allows all states to impose insurance requirements on motor carriers conducting business within their borders, and empowers most states to require motor carriers conducting interstate operations through their territory to make annual filings verifying that they hold appropriate registrations from FMCSA. Motor carriers also must pay state fuel taxes and vehicle registration fees, which normally are apportioned on the basis of mileage operated in each state.

Hours of service (HOS) regulations establish the maximum number of hours that a commercial truck driver may work. In October 2009, the FMCSA agreed to reconsider, and potentially change, the current regulations governing HOS for commercial truck drivers. A new final rule must be issued by July 2011. Until that time, the current rule remains in effect.

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Environmental

Con-way's operations involve the storage, handling and use of diesel fuel and other hazardous substances. Con-way is subject to laws and regulations that (1) govern activities or operations that may have adverse environmental effects such as discharges to air and water, and the handling and disposal practices for solid and hazardous waste, and (2) impose liability for the costs of cleaning up, and certain damages resulting from sites of past spills, disposals, or other releases of hazardous materials. Environmental liabilities relating to Con-way's properties may be imposed regardless of whether Con-way leases or owns the properties in question and regardless of whether such environmental conditions were created by Con-way or by a prior owner or tenant, and also may be imposed with respect to properties that Con-way may have owned or leased in the past. Con-way has provided for its estimate of remediation costs at these sites.

Homeland Security

Con-way is subject to compliance with various cargo-security and transportation regulations issued by the Department of Homeland Security (DHS), including regulation by the Transportation Security Administration (TSA) and the Bureau of Customs and Border Protection (CBP).

ITEM 1A. RISK FACTORS

From time to time, Con-way makes forward-looking statements in an effort to inform its shareholders and the public about its businesses. Forward-looking statements generally relate to future events, anticipated results or operational aspects. These statements are not predictions or guarantees of future performance, circumstances or events as they are based on the facts and circumstances known to Con-way as of the date the statements are made. Item 7, Management's Discussion and Analysis - Forward-Looking Statements, identifies the type of statements that are forward looking. Various factors may cause actual results to differ materially from those discussed in such forward-looking statements.

Described below are those factors that Con-way considers to be most significant to its businesses. Although Con-way believes it has identified and discussed below the primary risks affecting its businesses, there may be additional factors that are not presently known or that are not currently believed to be significant that may adversely affect Con-way's future financial condition, results of operations or cash flows.

Business Interruption

Con-way and its business units rely on a centralized shared-service facility for the performance of shared administrative and technology services in the conduct of their businesses. Con-way's computer facilities and its administrative and technology employees are located at the shared-service facility.

Con-way is dependent on its automated systems and technology to operate its businesses and to increase employee productivity. Although Con-way maintains backup systems and has disaster-recovery processes and procedures in place, a sustained interruption in the operation of these facilities, whether due to terrorist activities, earthquakes, floods, transition to upgraded or replacement technology or any other reason, could have a material adverse effect on Con-way.

In 2009, Con-way initiated a project to outsource a significant portion of its information-technology infrastructure function and a small portion of its administrative and accounting functions. Con-way expects the third-party providers to begin providing services during 2010. The third-party service providers are subject to similar business interruption risks discussed above and, like Con-way, have disaster-recovery processes and procedures in place. Certain of the outsourced services will be performed in developing countries and, as a result, may be subject to geopolitical

uncertainty. An unsuccessful transition of the services to a third-party provider or a failure of a service provider to perform could have a material adverse effect on Con-way.

Capital Intensity

Two of Con-way's primary businesses are capital-intensive. Con-way Freight and Con-way Truckload make significant investments in revenue equipment and Con-way Freight also makes significant investments in freight

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service centers. The amount and timing of capital investments depend on various factors, including anticipated volume levels, and the price and availability of appropriate-use property for service centers and newly manufactured tractors and diesel engines, which are subject to restrictive Environmental Protection Agency engine-design requirements. If anticipated service-center and/or fleet requirements differ materially from actual usage, Con-way's capital-intensive business units may have too much or too little capacity. Con-way attempts to mitigate the risk associated with too much or too little revenue equipment capacity by adjusting capital expenditures and by utilizing short-term equipment rentals and sub-contracted operators in order to match capacity with business volumes. Con-way's investments in revenue equipment and freight service centers depend on its ability to generate cash flow from operations and its access to debt and equity capital markets. A decline in the availability of these funding sources could adversely affect Con-way.

Capital Markets

Significant disruptions or volatility in the global capital markets may increase Con-way's cost of borrowing or affect its ability to access debt and equity capital markets. Market conditions may affect Con-way's ability to refinance indebtedness as and when it becomes due. In addition, changes in Con-way's credit ratings could adversely affect its ability and cost to borrow funds. Con-way is unable to predict the effect conditions in the capital markets may have on its financial condition, results of operations or cash flows.

Customer Concentration

Menlo Worldwide Logistics is subject to risk related to customer concentration because of the relative importance of its largest customers and the increased ability of those customers to influence pricing and other contract terms. Many of its competitors in the logistics industry segment are subject to the same risk. Although Menlo Worldwide Logistics strives to broaden and diversify its customer base, a significant portion of its revenue is derived from a relatively small number of customers, as more fully discussed in Item 1, Business. Consequently, a significant loss of business from, or adverse performance by, Menlo Worldwide Logistics' major customers, may have a material adverse effect on Con-way's financial condition, results of operations and cash flows. Similarly, the renegotiation of major customer contracts may also have an adverse effect on Con-way.

Cyclical

Con-way's operating results are affected, in large part, by conditions in the cyclical markets of its customers and in the U.S. and global economies. While economic conditions affect most companies, the transportation industry is cyclical and susceptible to trends in economic activity. When individuals and companies purchase and produce fewer goods, Con-way's businesses transport fewer goods. In addition, Con-way Freight and Con-way Truckload are capital-intensive and Con-way Freight has a relatively high fixed-cost structure that is difficult to adjust to match shifting volume levels. Accordingly, any sustained weakness in demand or continued downturn or uncertainty in the economy generally would have an adverse effect on Con-way.

Employee Benefit Costs

Con-way maintains health-care plans, defined benefit pension plans and defined contribution retirement plans, and also provides certain other benefits to its employees. In recent years, health-care costs have risen dramatically. A decline in interest rates and/or lower returns on plan assets may cause increases in the expense of, and funding requirements for, Con-way's defined benefit pension plans. In 2009, Con-way amended its primary defined benefit pension plan to permanently curtail benefits. Despite this change, Con-way's defined benefit pension plans remain subject to volatility associated with interest rates, returns on plan assets, and funding requirements. As a result, Con-way is unable to predict the financial-statement effect associated with the defined benefit pension plans or the

effect of continuing to provide benefits to employees.

Employees

The workforce of Con-way and its subsidiaries is not affiliated with labor unions. Con-way believes that the non-unionized operations of its business units have advantages over unionized competitors in providing reliable and

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cost-competitive customer services, including greater efficiency and flexibility. If current legislation, known as the Employee Free Choice Act, or similar legislation, is passed by the United States Congress, it would, among other things, revise unionization procedures. There can be no assurance that Con-way's business units will be able to maintain their non-unionized status.

Con-way hires drivers primarily for Con-way Freight and Con-way Truckload. At times, there is significant competition for qualified drivers in the transportation industry. As a result, these business units may be required to increase driver compensation and benefits, or face difficulty meeting customer demands, all of which could adversely affect Con-way.

Government Regulation

Con-way is subject to compliance with many laws and regulations that apply to its business activities. These include regulations related to driver hours-of-service limitations, labor-organizing activities, stricter cargo-security requirements, tax laws and environmental matters, including potential limits on carbon emissions under climate-change legislation. Con-way is not able to accurately predict how new governmental laws and regulations, or changes to existing laws and regulations, will affect the transportation industry generally, or Con-way in particular. Although government regulation that affects Con-way and its competitors may simply result in higher costs that can be passed to customers with no adverse consequences, there can be no assurance that this will be the case. As a result, Con-way believes that any additional measures that may be required by future laws and regulations or changes to existing laws and regulations could result in additional costs and could have an adverse effect on Con-way.

Concern over climate change has led to increased legislative and regulatory efforts to limit carbon and other greenhouse gas emissions. Even without such regulation, Con-way's response to customer-led sustainability initiatives could lead to increased costs to implement additional emission controls. Additionally, Con-way may experience reduced demand for its services if it does not comply with customers' sustainability requirements. As a result, increased costs or loss of revenue resulting from sustainability initiatives could have an adverse effect on Con-way.

Price and Availability of Fuel

Con-way is subject to risks associated with the availability and price of fuel, which are subject to political, economic and market factors that are outside of Con-way's control.

Con-way would be adversely affected by an inability to obtain fuel in the future. Although historically Con-way has been able to obtain fuel from various sources and in the desired quantities, there can no assurance that this will continue to be the case in the future.

Con-way may also be adversely affected by the timing and degree of fluctuations in fuel prices. Currently, Con-way's business units have fuel-surcharge revenue programs or cost-recovery mechanisms in place with a majority of customers. Con-way Freight and Con-way Truckload maintain fuel-surcharge programs designed to offset or mitigate the adverse effect of rising fuel prices. Menlo Worldwide Logistics has cost-recovery mechanisms incorporated into most of its customer contracts under which it recognizes fuel-surcharge revenue designed to eliminate the adverse effect of rising fuel prices on purchased transportation.

Con-way's competitors in the less-than-truckload (LTL) and truckload markets also impose fuel surcharges. Although fuel surcharges are generally based on a published national index, there is no industry-standard fuel-surcharge formula. As a result, fuel-surcharge revenue constitutes only part of the overall rate structure. Revenue excluding fuel surcharges (sometimes referred to as base freight rates) represent the collective pricing elements that exclude fuel surcharges. In the LTL market, changes in base freight rates reflect numerous factors such as length of haul, freight

class, weight per shipment and customer-negotiated adjustments. In the truckload market, changes in base freight rates primarily reflect differences in origin and destination location and customer-negotiated adjustments. Ultimately, the total amount that Con-way Freight and Con-way Truckload can charge for their services is determined by competitive pricing pressures and market factors.

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Historically, Con-way Freight's fuel-surcharge program has enabled it to more than recover increases in fuel costs and fuel-related increases in purchased transportation. As a result, Con-way Freight may be adversely affected if fuel prices fall and the resulting decrease in fuel-surcharge revenue is not offset by an equivalent increase in base freight-rate revenue. Although lower fuel surcharges may improve Con-way Freight's ability to increase the freight rates that it would otherwise charge, there can be no assurance in this regard. Con-way Freight may also be adversely affected if fuel prices increase or return to historically high levels. Customers faced with fuel-related increases in transportation costs often seek to negotiate lower rates through reductions in the base freight rates and/or limitations on the fuel surcharges charged by Con-way Freight, which adversely affect Con-way Freight's ability to offset higher fuel costs with higher revenue.

Con-way Truckload's fuel-surcharge program mitigates the effect of rising fuel prices but does not always result in Con-way Truckload fully recovering increases in its cost of fuel. The extent of recovery may vary depending on the amount of customer-negotiated adjustments and the degree to which Con-way Truckload is not compensated due to empty and out-of-route miles or from engine idling during cold or warm weather.

Con-way would be adversely affected if, due to competitive and market factors, its business units are unable to continue their current fuel-surcharge programs and/or cost-recovery mechanisms. In addition, there can be no assurance that these programs, as currently maintained or as modified in the future, will be sufficiently effective to offset increases in the price of fuel.

Other Factors

In addition to the risks identified above, Con-way's annual and quarterly operating results are affected by a number of business, economic, regulatory and competitive factors, including:

- increasing competition and pricing pressure;

- the creditworthiness of Con-way's customers and their ability to pay for services rendered;

- the effect of litigation;

- the possibility that Con-way may, from time to time, be required to record impairment charges for goodwill, intangible assets, and other long-lived assets;

- the possibility of defaults under Con-way's \$400 million credit agreement and other debt instruments; and

- labor matters, including labor-organizing activities, work stoppages or strikes.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2. *PROPERTIES*

Con-way believes that its facilities are suitable and adequate, that they are being appropriately utilized and that they have sufficient capacity to meet current operational needs. Management continuously reviews anticipated requirements for facilities and may acquire additional facilities and/or dispose of existing facilities as appropriate.

Freight

At December 31, 2009, Con-way Freight operated 290 freight service centers, of which 149 were owned and 141 were leased. The service centers are strategically located to cover the geographic areas served by Con-way Freight and represent physical buildings and real property with dock, office and/or shop space. These facilities do not include meet-and-turn points, which generally represent small owned or leased real property with no physical structures. Con-way Freight's owned service centers account for 72% of its door capacity. At December 31, 2009, Con-way Freight owned and operated approximately 8,300 tractors and 26,600 trailers. The headquarters for Con-way Freight are located in Ann Arbor, Michigan.

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Logistics

At December 31, 2009, Menlo Worldwide Logistics operated 72 warehouses in North America, of which 46 were leased by Menlo Worldwide Logistics and 26 were leased or owned by clients of Menlo Worldwide Logistics. Outside of North America, Menlo Worldwide Logistics operated an additional 64 warehouses, of which 52 were leased by Menlo Worldwide Logistics and 12 were leased or owned by clients. Menlo Worldwide Logistics owns and operates a small fleet of tractors and trailers to support its operations, but primarily utilizes third-party transportation providers for the movement of customer shipments. The headquarters for Menlo Worldwide Logistics are located in San Mateo, California.

Truckload

At December 31, 2009, Con-way Truckload operated five owned terminals with bulk fuel, tractor and trailer parking, and in some cases, equipment maintenance and washing facilities. In addition to the five owned terminals, Con-way Truckload also utilizes various drop yards for temporary trailer storage throughout the United States. At December 31, 2009, Con-way Truckload owned and operated approximately 2,700 tractors and 8,100 trailers. The headquarters for Con-way Truckload are located in Joplin, Missouri.

Other

Principal properties of the Other segment included Con-way's leased executive offices in San Mateo, California and its owned shared-services center in Portland, Oregon. Road Systems owns and operates a manufacturing facility in Searcy, Arkansas.

ITEM 3. LEGAL PROCEEDINGS

Certain legal proceedings of Con-way are discussed in Note 14, Commitments and Contingencies, of Item 8, Financial Statements and Supplementary Data.

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

Con-way did not submit any matter to a vote of security holders during the fourth quarter of the fiscal year covered by this Annual Report.

Executive Officers of the Registrant

The executive officers of Con-way, their ages at December 31, 2009, and their applicable business experience are as follows:

Douglas W. Stotlar, 49, president and chief executive officer of Con-way. Mr. Stotlar was named to his current position in April 2005. He previously served as president and chief executive officer of Con-way Freight and senior vice president of Con-way, a position he held since December 2004. Prior to this, he served as executive vice president and chief operating officer of Con-way Freight, a position he held since June 2002. From 1999 to 2002, he was executive vice president of operations for Con-way Freight. Prior to joining Con-way Freight's corporate office, Mr. Stotlar served as vice president and general manager of Con-way's expediting business. Mr. Stotlar joined Con-way Freight in 1985 as a freight operations supervisor. He subsequently advanced to management posts in Columbus, Ohio, and Fort Wayne, Indiana, where he was named regional manager. Mr. Stotlar earned his bachelor's degree in transportation and logistics from The Ohio State University.

Stephen L. Bruffett, 45, executive vice president and chief financial officer of Con-way. Mr. Bruffett was named to his current position in September 2008, when he joined Con-way. Mr. Bruffett started his trucking industry career in 1992 as director of finance of American Freightways. Six years later, he joined YRC Worldwide as director of financial planning and analysis. Over the next ten years he advanced through a series of positions with increasing responsibility, including management roles in finance and accounting, operations, investor relations, sales and marketing. In 2007, he was named YRC Worldwide's chief financial officer.

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Mr. Bruffett earned his bachelor's degree in finance and banking from the University of Arkansas and holds a master's degree in business administration from the University of Texas.

Jennifer W. Pileggi, 45, executive vice president, general counsel and corporate secretary of Con-way. Ms. Pileggi was named to her current position in December 2004. Ms. Pileggi joined Menlo Worldwide Logistics in 1996 as corporate counsel and was promoted to vice president in 1999 and to vice president of Menlo Worldwide LLC in 2003. Ms. Pileggi is a graduate of Yale University and New York University School of Law, where she achieved a juris doctorate degree. Ms. Pileggi is a member of the American Bar Association and the California State Bar Association.

Robert L. Bianco Jr., 45, president of Menlo Worldwide LLC and executive vice president of Con-way. Mr. Bianco was named executive vice president of Con-way in June 2005 and has served as the president of Menlo Worldwide Logistics since 2002 and of Menlo Worldwide LLC since 2005. He joined Con-way in 1989 as a management trainee and joined Menlo Worldwide Logistics in 1992 as a logistics manager. He subsequently advanced to vice president of operations for Menlo Worldwide Logistics in 1997. He earned a bachelor's degree in history from the University of California at Santa Barbara, and a master's degree from the University of San Francisco.

John G. Labrie, 43, president of Con-way Freight and executive vice president of Con-way. Prior to being named president of Con-way Freight in July 2007, Mr. Labrie was senior vice president of strategy and enterprise operations for Con-way. He previously served as executive vice president of operations for Con-way Freight, a position he held since 2005. Prior to this, he served as president and chief executive officer for Con-way Freight-Western, a position he held since 2002. From 1998 to 2002, he was vice president of operations for Con-way Freight-Western. He joined Con-way Freight in 1990 as a sales account manager. Mr. Labrie earned his bachelor's degree in finance from Central Michigan University. He holds a master's degree in business administration from Indiana Wesleyan University.

Herbert J. Schmidt, 54, president of Con-way Truckload and executive vice president of Con-way. Mr. Schmidt joined Con-way in August 2007 when Con-way acquired the former Contract Freighters, Inc. (CFI). Mr. Schmidt was named president of CFI in 2000. After joining CFI in 1984, he held the positions of vice president of administration, vice president of safety, senior vice president of operations, and senior vice president of sales and marketing. Mr. Schmidt began his career in the transportation industry with United Parcel Service in operations and industrial engineering. Mr. Schmidt graduated from Missouri Southern State University with a bachelor's degree in political science.

Kevin S. Coel, 51, senior vice president and corporate controller of Con-way. Mr. Coel joined Con-way in 1990 as Con-way's corporate accounting manager. In 2000, he was named corporate controller, and in 2002, was promoted to vice president. Mr. Coel holds a bachelor's degree in economics from the University of California at Davis and a master's degree in business administration from San Jose State University. Mr. Coel is also a member of the American Institute of CPAs.

Leslie P. Lundberg, 52, senior vice president, human resources of Con-way. Ms. Lundberg joined Con-way in January 2006. Prior to joining Con-way, Ms. Lundberg was the executive director of compensation, benefits and human resource information systems for a division of Sun Microsystems, a position she held since 2003. Ms. Lundberg holds a bachelor's degree in industrial psychology from the University of California, Berkeley, and a master's degree in industrial labor relations from the University of Wisconsin, Madison.

Mark C. Thickpenny, 57, senior vice president and treasurer of Con-way. Mr. Thickpenny joined Con-way in 1995 as treasury manager. In 1997, he was named director and assistant treasurer, and in 2000, was promoted to vice president and treasurer. Mr. Thickpenny holds a bachelor's degree in business administration from the University of Notre Dame and a master's degree in business administration from the University of Chicago Graduate School of Business.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES**

Con-way's common stock is listed for trading on the New York Stock Exchange (NYSE) under the symbol CNW.

See Note 16, Quarterly Financial Data, of Item 8, Financial Statements and Supplementary Data for the range of common stock prices as reported on the NYSE and common stock dividends paid for each of the quarters in 2009 and 2008. At January 31, 2010, Con-way had 6,741 common stockholders of record.

Performance Graph

The following performance graph compares Con-way's five-year cumulative return (assuming an initial investment of \$100 and reinvestment of dividends), with the S&P Midcap 400 and Dow Jones Transportation average.

COMPARISON OF FIVE-YEAR CUMULATIVE RETURN*
Con-way Inc., S&P Midcap 400 Index, Dow Jones Transportation Average

	Cumulative Total Return					
	12/31/04	12/30/05	12/29/06	12/31/07	12/31/08	12/31/09
Con-way Inc.	\$ 100.0	\$ 112.5	\$ 89.3	\$ 85.0	\$ 55.0	\$ 73.1
S&P Midcap 400	\$ 100.0	\$ 111.3	\$ 121.3	\$ 129.4	\$ 81.2	\$ 109.6
DJ Transportation Average	\$ 100.0	\$ 110.5	\$ 120.1	\$ 120.3	\$ 93.1	\$ 107.9

* Assumes \$100 invested on December 31, 2004 in Con-way Inc., S&P Midcap 400 Index, and the Dow Jones Transportation Average Index and dividends were reinvested.

Table of Contents**Securities Authorized for Issuance under Equity Compensation Plans**

The following table provides information as of December 31, 2009, regarding compensation plans under which securities of Con-way are authorized for issuance.

Equity Compensation Plan Information

Plan category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	2,921,557	\$ 35.95	3,139,073
Equity compensation plans not approved by security holders			
Total	2,921,557	\$ 35.95	3,139,073

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA**

The following table includes selected financial and operating data for Con-way as of and for the five years ended December 31, 2009. This information should be read in conjunction with Item 7, Management's Discussion and Analysis, and Item 8, Financial Statements and Supplementary Data.

**Con-way Inc.
Five-Year Financial Summary**

	2009	2008	2007[a]	2006	2005
	(Dollars in thousands except per share data)				
Operating Results					
Revenues	\$ 4,269,239	\$ 5,036,817	\$ 4,387,363	\$ 4,221,478	\$ 4,115,575
Operating Income (Loss)[b]	(25,928)	192,622	264,453	401,828	370,946
Income (Loss) from Continuing Operations Before Income Tax Provision	(90,269)	134,917	242,646	392,309	352,356
Income Tax Provision[c]	17,478	69,494	88,871	119,978	121,981
Net Income (Loss) from Continuing Operations Applicable to Common Shareholders	(110,936)	58,635	146,815	265,177	222,647
Net Income (Loss) Applicable to Common Shareholders	(110,936)	66,961	145,952	258,978	214,034
Per Common Share					
Basic Earnings (Loss) Net Income (Loss) from Continuing Operations	\$ (2.33)	\$ 1.29	\$ 3.24	\$ 5.42	\$ 4.27
Net Income (Loss) Applicable to Common Shareholders	(2.33)	1.47	3.22	5.29	4.10
Diluted Earnings (Loss) Net Income (Loss) from Continuing Operations	(2.33)	1.23	3.06	5.09	3.98
Net Income (Loss) Applicable to Common Shareholders	(2.33)	1.40	3.04	4.98	3.83
Cash Dividends Common Shareholders	0.40	0.40	0.40	0.40	0.40
Equity Market Price	13.95	12.13	18.68	14.65	16.09
High	48.32	55.00	57.81	61.87	59.79
Low	12.99	20.03	38.05	42.09	41.38
Weighted-Average Common					

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Shares Outstanding

Basic	47,525,862	45,427,317	45,318,740	48,962,382	52,192,539
Diluted	47,525,862	48,619,292	48,327,784	52,280,341	56,213,049

Financial Position

Cash and cash equivalents	\$ 476,575	\$ 278,253	\$ 176,298	\$ 260,039	\$ 514,275
Total assets	2,896,217	3,071,707	3,009,308	2,291,042	2,451,399
Long-term debt, guarantees and capital leases	760,789	926,224	955,722	557,723	581,469

Other Data at Year-End

Number of shareholders	6,745	7,016	7,410	7,041	7,204
Approximate number of regular full-time employees	27,400	26,600	27,100	21,800	21,700

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- [a] Effective in August 2007, Con-way acquired Contract Freighters, Inc. and affiliated companies (collectively, CFI). CFI s operating results are included only for periods subsequent to the acquisition.
- [b] The comparability of Con-way s consolidated operating income (loss) was affected by the following:
- Charge of \$134.8 million in 2009 for the impairment of goodwill at Con-way Truckload.
 - Charges of \$23.9 million in 2008 and \$13.2 million in 2007 related to restructuring activities at Con-way Freight.
 - Charge of \$37.8 million in 2008 for the impairment of goodwill and other intangible assets at Menlo Worldwide Logistics.
 - Gain of \$41.0 million in 2006 from the sale of Con-way s membership interest in Vector.
- [c] The comparability of Con-way s tax provision was affected by the following:
- 2009 reflects the non-deductible goodwill impairment charge at Con-way Truckload.
 - 2008 reflects the non-deductible goodwill impairment charge and write-down of an acquisition-related receivable at Menlo Worldwide Logistics.
 - 2006 reflects tax benefits of \$12.1 million related to the settlement with the IRS of previous tax filings and \$17.7 million from the utilization of capital-loss carryforwards.
 - 2005 reflects tax benefits of \$7.8 million related to the settlement with the IRS of previous tax filings.

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

Introduction

Management's Discussion and Analysis of Financial Condition and Results of Operations (referred to as Management's Discussion and Analysis) is intended to assist in a historical and prospective understanding of Con-way's financial condition, results of operations and cash flows, including a discussion and analysis of the following:

Overview of Business

Results of Operations

Liquidity and Capital Resources

Critical Accounting Policies and Estimates

New Accounting Standards

Forward-Looking Statements

Overview of Business

Con-way provides transportation, logistics and supply-chain management services for a wide range of manufacturing, industrial and retail customers. Con-way's business units operate in regional and transcontinental less-than-truckload and full-truckload freight transportation, contract logistics and supply-chain management, multimodal freight brokerage and trailer manufacturing. For financial reporting purposes, Con-way is divided into five reporting segments: Freight, Logistics, Truckload, Vector and Other.

Con-way's primary business-unit results generally depend on the number, weight and distance of shipments transported, the prices received on those shipments or services and the mix of services provided to customers, as well as the fixed and variable costs incurred by Con-way in providing the services and the ability to manage those costs under changing circumstances. Con-way's primary business units are affected by the timing and degree of fluctuations in fuel prices and their ability to recover incremental fuel costs through fuel-surcharge programs and/or cost-recovery mechanisms, as more fully discussed in Item 1A, Risk Factors.

Con-way Freight primarily transports shipments utilizing a network of freight service centers combined with a fleet of company-operated line-haul and pickup-and-delivery tractors and trailers. Menlo Worldwide Logistics manages the logistics functions of its customers and primarily utilizes third-party transportation providers for the movement of customer shipments. Con-way Truckload primarily transports shipments using a fleet of company-operated long-haul tractors and trailers.

Results of Operations

The overview below provides a high-level summary of Con-way's results from continuing operations for the periods presented and is intended to provide context for the remainder of the discussion on reporting segments. Refer to Reporting Segment Review below for more complete and detailed discussion and analysis.

Table of Contents**Continuing Operations**

	2009	2008	2007
	(Dollars in thousands except per share amounts)		
Revenues	\$ 4,269,239	\$ 5,036,817	\$ 4,387,363
Costs and expenses			
Loss from impairment of goodwill and intangible assets	134,813	37,796	
Restructuring charges	2,853	23,873	14,716
Other operating expenses	4,157,501	4,782,526	4,108,194
	4,295,167	4,844,195	4,122,910
Operating income (loss)	(25,928)	192,622	264,453
Other expense	64,341	57,705	21,807
Income (loss) from continuing operations before income tax provision	(90,269)	134,917	242,646
Income tax provision	17,478	69,494	88,871
Income (loss) from continuing operations	(107,747)	65,423	153,775
Preferred stock dividends	3,189	6,788	6,960
Net income (loss) from continuing operations applicable to common shareholders	\$ (110,936)	\$ 58,635	\$ 146,815
Diluted earnings (loss) per share	\$ (2.33)	\$ 1.23	\$ 3.06
Operating margin	(0.6)%	3.8%	6.0%

Overview 2009 Compared to 2008

Con-way's consolidated revenue of \$4.3 billion in 2009 declined 15.2% from \$5.0 billion in 2008 reflecting difficult economic conditions and competitive industry pricing.

Con-way's operating results consisted of an operating loss of \$25.9 million in 2009 compared to operating income of \$192.6 million in 2008, primarily reflecting a goodwill impairment charge at Truckload in 2009, impairment charges at Logistics in 2008, and restructuring charges in both years. Excluding the impairment and restructuring charges in both years, consolidated operating income in 2009 declined due primarily to the net effect of lower operating income at the Freight and Truckload segments partially offset by improved operating results at the Logistics segment. For the comparative periods presented, the effects of adverse industry and economic conditions were partially mitigated by cost-reduction measures.

Non-operating expense increased \$6.6 million due in part to a \$3.3 million decline in investment income, which reflects lower interest rates earned on Con-way's cash-equivalent investments and marketable securities. Non-operating expense also reflects a \$1.5 million increase in interest expense and a \$1.8 million increase in other miscellaneous expenses, which primarily reflect variations in foreign-exchange gains and losses.

Con-way's tax provision in both periods was adversely affected by the non-deductible goodwill-impairment charges.

In response to economic conditions, Con-way in March 2009 announced several measures to reduce costs and conserve cash. These measures substantially consist of the suspension or curtailment of employee benefits and a reduction in certain employees' salaries and wages, as detailed in Note 12, Employee Benefit Plans, of Item 8, Financial Statements and Supplementary Data. The cost-reduction measures announced in March 2009 are in addition to the actions Con-way took in the fourth quarter of 2008, which included workforce reductions, network re-engineering, suspension of merit-based pay increases, reduction in capital expenditures and other spending cuts.

Approximately \$122 million of estimated savings were realized from the measures announced in 2009, including \$41 million in salaries and wages, \$47 million related to compensated absences, and \$34 million

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associated with contributions to the defined contribution retirement plan (including \$22 million related to matching contributions and \$12 million related to basic and transition contributions). The curtailment of the defined benefit pension plan did not have a material effect on Con-way's 2009 net periodic benefit expense. However, Con-way estimates that its defined benefit pension plans will result in annual expense of \$5.2 million in 2010 compared to \$28.4 million in 2009.

Savings associated with the cost-reduction measures are expected to be lower in periods beyond 2009, reflecting the reinstatement of certain suspended benefits and the reversal of salary and wage reductions. Effective in January 2010, Con-way reversed one-half of the salary and wage reductions. The reversal of the remaining one-half of the salary and wage reductions is contingent upon the achievement of specified financial metrics. Con-way Freight and Menlo Worldwide Logistics currently plan to reinstate their compensated-absences benefits effective in April 2010. The reinstatement of Con-way's basic and transition contributions to the defined contribution retirement plan to their prior levels is contingent upon the achievement of specified financial metrics.

As an additional measure to reduce costs, Con-way initiated a project to outsource a significant portion of its information-technology infrastructure function and a small portion of its administrative and accounting functions. Under the outsourcing initiative, Con-way expects to incur incremental expense in 2010, as employee-separation, transition and implementation costs are expected to exceed estimated savings in the first year of the agreements.

Overview 2008 Compared to 2007

Con-way's consolidated revenue of \$5.0 billion in 2008 increased 14.8% from \$4.4 billion in 2007 due largely to acquisition-related revenue increases from Truckload and Logistics, complemented by organic growth. Excluding revenue from the companies acquired in the second half of 2007, Con-way's revenue in 2008 increased 5.8% due primarily to increases at Freight and Logistics.

In 2008, consolidated operating income decreased 27.2% due primarily to lower operating income at Freight and an operating loss at Logistics, partially offset by higher operating income from Truckload. Lower operating income from Freight reflected increasingly adverse economic conditions and a competitive freight market, particularly in the second half of 2008, and included expenses associated with restructuring activities. The operating loss at Logistics was due to asset impairment charges at one of its recently acquired companies. Increased operating income for Truckload was due to the acquisition of CFI. Excluding results from the acquired companies, Con-way's operating income declined 21.9%.

Non-operating expense increased \$35.9 million due primarily to a \$20.1 million increase in interest expense and a \$13.3 million decline in investment income. Variations in interest expense and interest income were due primarily to acquisitions in the second half of 2007, which were financed with proceeds from new debt financing and the use of existing cash and cash-equivalent investments. Non-operating expense in 2008 also reflected variations in foreign-exchange gains and losses, which lowered comparative operating results by \$1.8 million.

The tax provision in 2008 was adversely affected primarily by the non-deductible goodwill impairment charge and write-down of an acquisition-related receivable.

Reporting Segment Review

For the discussion and analysis of segment operating results, management utilizes revenue before inter-segment eliminations. Management believes that revenue before inter-segment eliminations, combined with the detailed operating expense information, provides the most meaningful analysis of segment results. Revenue before inter-segment eliminations is reconciled to revenue from external customers in Note 15, Segment Reporting, of

Item 8, Financial Statements and Supplementary Data.

Table of Contents**Freight**

The following table compares operating results, operating margins, and the percentage change in selected operating statistics of the Freight reporting segment for the years ended December 31:

	2009	2008	2007
	(Dollars in thousands)		
Revenue before inter-segment eliminations	\$ 2,623,989	\$ 3,071,015	\$ 2,954,757
Salaries, wages and other employee benefits	1,350,248	1,488,165	1,491,647
Purchased transportation	402,463	391,584	320,958
Fuel and fuel-related taxes	227,655	362,946	283,603
Other operating expenses	358,509	391,550	362,956
Depreciation and amortization	106,733	116,715	117,190
Maintenance	89,545	94,936	93,486
Rents and leases	32,749	33,849	34,079
Purchased labor	5,336	2,228	2,530
Restructuring charges	(507)	23,873	13,248
Total operating expenses	2,572,731	2,905,846	2,719,697
Operating income	\$ 51,258	\$ 165,169	\$ 235,060
Operating margin	2.0%	5.4%	8.0%
		2009 vs. 2008	2008 vs. 2007
Selected Operating Statistics			
Revenue per day		-15.3%	+5.7%
Weight per day		+1.1	0.0
Revenue per hundredweight (yield)		-16.2	+5.7
Shipments per day (volume)		+0.1	-2.9
Weight per shipment		+1.0	+2.9

2009 Compared to 2008

Freight's revenue in 2009 declined 14.6% from 2008 due to lower revenue per day and a 1-day decline in the number of working days. Revenue per day decreased 15.3% due to a 16.2% decline in yield, partially offset by a 1.1% increase in weight per day. The 1.1% increase in weight per day reflects a 1.0% increase in weight per shipment and a 0.1% increase in shipments per day.

In 2009, the decline in yield was due primarily to decreases in fuel surcharges, base freight rates and the increase in weight per shipment. Freight volumes and yield reflect a competitive pricing environment that is primarily the result of excess capacity in the less-than-truckload market and adverse economic conditions. Weight and shipments increased sequentially in each month of 2009 reflecting efforts to improve asset utilization, leverage service-center network capacity and increase market share.

Yields were also adversely affected by declines in fuel prices, which contributed to lower fuel-surcharge revenue. Excluding fuel surcharges, yields in 2009 decreased 8.7%. Freight's fuel-surcharge revenue decreased to 10.5% of revenue in 2009 from 18.4% in 2008. Due to the market conditions noted above, the declines in fuel-surcharge revenue were not offset by equivalent increases in base freight-rate revenue. Since its fuel-surcharge program has historically enabled Freight to more than recover increases in fuel costs and fuel-related increases in purchased transportation, these declines in fuel-surcharge revenue had an adverse effect on operating results.

Freight's operating income in 2009 decreased 69.0% when compared to 2008. The decline in operating income primarily resulted from lower yields. However, 2009 results benefited from the earlier-mentioned cost-reduction

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measures announced in March. In 2009, these measures reduced approximately \$110 million of costs related to salaries, wages and other employee benefits, as more fully discussed below.

Expenses for salaries, wages and other employee benefits declined 9.3% in 2009. Employee benefits expense decreased 20.5% due to lower expense for compensated absences, the defined contribution retirement plan, and workers' compensation claims, partially offset by increased pension expense for defined benefit pension plans. In 2009, lower expense for compensated absences and employer contributions to the defined contribution plan reflect Con-way's cost-reduction measures. In 2008, higher expenses for compensated absences were also due in part to a non-recurring adjustment for benefit plan changes associated with a restructuring initiative. Base compensation in 2009 decreased 3.6% due to lower average employee counts and cost-reduction measures.

In 2009, purchased transportation expense increased 2.8% due to an increase in freight transported by third-party providers, partially offset by fuel-related rate decreases and lower negotiated base rates. During the same period, expense for fuel and fuel-related taxes decreased 37.3% compared to 2008 due primarily to the decline in the cost per gallon of diesel fuel.

Other operating expenses decreased 8.4% in 2009, reflecting decreased administrative corporate allocations. Lower corporate allocations in 2009 were due in part to the employee-related cost-reduction measures that were partially offset by allocated costs related to the corporate administrative-outsourcing initiative, as more fully discussed in Note 3, Restructuring Activities, of Item 8, Financial Statements and Supplementary Data.

Depreciation and amortization expense declined 8.6% in 2009 due primarily to a change in the estimated useful life for most of Freight's tractor fleet, which lowered depreciation expense by \$11.1 million in 2009. As more fully discussed in Critical Accounting Policies and Estimates Property, Plant and Equipment and Other Long-Lived Assets, Con-way Freight expects to extend tractor and trailer lives in 2010, which will lower depreciation expense by approximately \$14 million in 2010.

For the periods presented, comparative operating results were affected by costs incurred for Freight's restructuring activities and re-branding initiative. In connection with its restructuring activities, Freight recognized \$0.5 million of net adjustments that reduced expense in 2009, compared to \$23.9 million and \$13.2 million of charges in 2008 and 2007, respectively. For additional information concerning Freight's restructuring activities see Note 3, Restructuring Activities, of Item 8, Financial Statements and Supplementary Data. Under the re-branding initiative, which was completed in the second quarter of 2008, Freight incurred costs of \$4.9 million in 2008 and \$14.3 million in 2007. The re-branding costs were for expenses related primarily to the conversion of tractors and trailers to the new Con-way graphic identity and were primarily classified as maintenance expense.

In 2009, Freight's results were adversely affected by a change in the accounting estimate for revenue adjustments, as more fully discussed in Note 1, Principal Accounting Policies, of Item 8, Financial Statements and Supplementary Data. The change in accounting estimate lowered Freight's revenue and operating income by \$5.4 million in 2009.

2008 Compared to 2007

In 2008, Freight's revenue increased 3.9% from 2007 due primarily to a 5.7% increase in yield and weight per day that was unchanged from 2007. Weight per day in 2008 reflects a 2.9% increase in weight per shipment and a 2.9% decline in shipments per day.

Yield increases in 2008 primarily reflect increases in fuel surcharges and average length of haul, partially offset by the effects of an increase in weight per shipment. Freight's fuel-surcharge revenue increased to 18.4% of revenue in 2008 from 13.5% in 2007.

Freight's operating income in 2008 decreased 29.7% when compared to 2007. Operating income was adversely affected primarily by higher fuel and purchased transportation expense, which collectively rose more than revenue, and by increases in restructuring charges and other operating expenses, partially offset by lower re-branding expenses.

Operating results benefited from a 0.2% decline in expenses for salaries, wages and other employee benefits due primarily to a \$39.1 million or 93.0% decrease in incentive compensation. Lower incentive compensation

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reflects variations in performance measures relative to incentive-plan targets. Base compensation increased 2.3% due primarily to wage and salary rate increases, and increases in over-time pay, partially offset by a lower average employee count. Employee benefits expense increased 1.9% due primarily to higher costs associated with workers compensation claims, partially offset by a decline in expenses for compensated absences. Employee benefits expense in 2008 also reflects an \$8.9 million increase in costs associated with long-term disability benefits that was offset by a decline in expense associated with a retiree-health savings plan.

In 2008, purchased transportation expense increased 22.0%, reflecting an increase in freight transported by third-party providers and fuel-related rate increases. During the same period, expenses for fuel and fuel-related taxes increased 28.0% due almost entirely to an increase in the cost per gallon of diesel fuel.

Other operating expenses increased 7.9% reflecting increases in cargo-loss and damage expense, increased corporate allocations due to information-technology projects, increased expense for uncollectible accounts, and higher expenses for sales and marketing activities, including sales promotions and the use of consultants.

Logistics

The table below compares operating results and operating margins of the Logistics reporting segment. The table summarizes the segment's revenue as well as net revenue (revenue less purchased transportation expense). Carrier-management revenue is attributable to contracts for which Menlo Worldwide Logistics manages the transportation of freight but subcontracts to third parties the actual transportation and delivery of products, which Menlo Worldwide Logistics refers to as purchased transportation. Menlo Worldwide Logistics' management places emphasis on net revenue as a meaningful measure of the relative importance of its principal services since revenue earned on most carrier-management services includes the third-party carriers' charges to Menlo Worldwide Logistics for transporting the shipments. The table also includes operating income and operating margin excluding the loss from impairment of goodwill and intangible assets. Management believes these measures are relevant to evaluate its on-going operations.

	2009	2008	2007
	(Dollars in thousands)		
Revenue before inter-segment eliminations	\$ 1,331,894	\$ 1,511,979	\$ 1,297,374
Purchased transportation expense	(811,712)	(1,001,775)	(851,366)
Net revenue	520,182	510,204	446,008
Salaries, wages and other employee benefits	211,465	200,899	184,568
Fuel and fuel-related taxes	1,411	1,666	1,036
Other operating expenses	133,632	146,507	115,272
Depreciation and amortization	12,402	13,984	8,126
Maintenance	9,535	9,789	7,757
Rents and leases	63,089	55,883	41,482
Purchased labor	60,420	67,363	62,168
Loss from impairment of goodwill and intangible assets		37,796	
Total operating expenses excluding purchased transportation	491,954	533,887	420,409
Operating income (loss)	\$ 28,228	\$ (23,683)	\$ 25,599

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Operating income excluding impairments	\$	28,228	\$	14,113	\$	25,599
Operating margin on revenue excluding impairments		2.1%		0.9%		2.0%
Operating margin on net revenue excluding impairments		5.4%		2.8%		5.7%

Table of Contents**2009 Compared to 2008**

In 2009, Logistics revenue decreased 11.9% due to a 16.6% decline in revenue from carrier-management services, partially offset by a 1.8% increase in revenue from warehouse-management services. Lower revenue from carrier-management services primarily reflects a decline in fuel-surcharge revenue and changes to certain carrier and customer contracts, which lowered the amount of revenue recognized by Logistics. Revenue also reflects an increase in revenue from a government contract, which contributed revenue of \$206.5 million in 2009 and \$53.2 million in 2008, as the contract was in an implementation phase during 2009 and 2008.

Logistics net revenue in 2009 increased 2.0% due to an increase in revenue from warehouse-management services and purchased transportation expense that declined at a higher rate than revenue from carrier-management services. Purchased transportation expense declined 19.0% in 2009 due primarily to fuel-related rate decreases and changes to certain carrier and customer contracts.

Logistics earned operating income of \$28.2 million in 2009 and reported an operating loss of \$23.7 million in 2008. Logistics operating loss in 2008 was attributed to the companies acquired in the second half of 2007, including a \$51.4 million operating loss at Chic Logistics and a \$1.5 million loss at Cougar Logistics. The operating loss at Chic Logistics reflects charges of \$31.8 million for goodwill impairment, \$6.0 million for the impairment of a customer-relationship intangible asset, \$4.9 million for the write-down of an acquisition-related receivable, and \$4.2 million for integration and other costs.

Excluding the loss from impairment of goodwill and intangible assets in 2008, Logistics operating income in 2009 doubled from 2008, reflecting improved margins on both warehouse-management and carrier-management services. Improved margins on warehouse-management services were due primarily to growth in warehouse-management revenue and lower purchased-labor expense, partially offset by increased expenses for rents and leases. Purchased labor expense decreased 10.3% due primarily to efficiency initiatives at Logistics-managed warehouses. Expenses for rents and leases increased 12.9% in 2009 due primarily to the addition of new warehouse-management services customers and a transaction in which two of Logistics warehouses were sold and leased back in June 2008. Improved margins on carrier-management services were due largely to the recognition of revenue under gain-sharing arrangements. Under gain-sharing arrangements, revenue is recognized upon the achievement of contractually specified performance measures typically without an associated increase in operating expenses. Margins on carrier-management services were adversely affected by the government contract discussed above, which did not have a significant effect on Logistics operating income during the periods presented. Additionally, comparative operating results in 2009 benefited from \$9.1 million of charges in 2008 related to Chic Logistics, comprised of \$4.9 million for the write-down of an acquisition-related receivable and \$4.2 million for integration and other costs. Results in 2009 also benefited from the earlier-mentioned cost-reduction measures announced in March. In 2009, these measures reduced approximately \$5 million of costs related to salaries, wages and other employee benefits, as more fully discussed below.

Salaries, wages and other employee benefits increased 5.3% in 2009, reflecting an increase in incentive compensation and higher costs for employee benefits, partially offset by lower expenses for other employee-related costs. In 2009, incentive compensation increased \$11.3 million based on variations in performance measures relative to incentive-plan targets. Employee benefits expense increased 5.2%, due primarily to increased expenses related to Con-way's defined benefit pension plan and share-based compensation awards, partially offset by lower expenses related to the defined contribution retirement plan and compensated absences, which reflect cost-reduction measures announced in March. Other employee-related costs decreased 27.2% in 2009 due primarily to lower travel costs.

In 2009, other operating expenses declined 8.8% due primarily to lower administrative corporate allocations and a decrease in expense for uncollectible accounts. Lower administrative corporate allocations in 2009 were due in part to

the employee-related cost-reduction measures, while lower expense for uncollectible accounts in 2009 reflects the 2008 write-down of an acquisition-related receivable discussed above. In 2009, lower other operating expenses were partially offset by an increase in expenses for consulting and legal services.

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2008 Compared to 2007

In 2008, Logistics revenue increased 16.5%, reflecting organic growth and the contribution from the acquisitions of Chic Logistics and Cougar Logistics in the second half of 2007. Logistics net revenue in 2008 increased 14.4% reflecting a 17.7% increase in purchased transportation expense. Logistics operating loss of \$23.7 million in 2008 was attributed to the companies acquired in the second half of 2007, as detailed in the previous comparative discussion.

The following discussion of revenue, net revenue, operating income and percentage changes in expense categories excludes Chic Logistics and Cougar Logistics.

Excluding the acquisitions, Logistics revenue in 2008 increased 11.2% due primarily to a 12.1% increase in revenue from carrier-management services and a 9.0% increase in revenue from warehouse-management services. Increased revenue from carrier-management services includes revenue from a government contract, as more fully discussed above. Logistics net revenue in 2008 increased 8.5% reflecting a 12.6% increase in purchased transportation expense, which resulted from higher carrier-management volumes and fuel surcharges.

Excluding the acquisitions, Logistics operating income in 2008 increased 13.2%, reflecting improved margins on warehouse-management services, partially offset by lower margins on carrier-management services. Improved margins were due in part to salaries, wages and other employee benefits expense that rose at a lower rate than revenue. Lower margins on carrier-management services reflect purchased transportation expense that increased at a higher rate than revenue. Salaries, wages and other employee benefits collectively increased 1.8%, reflecting increases in base compensation, partially offset by lower incentive compensation. Base compensation rose 5.4% due primarily to increased headcount and to a lesser extent, wage and salary rate increases. Incentive compensation decreased \$6.7 million or 64.5% based on variations in performance measures relative to incentive-plan targets.

Excluding the acquisitions, expenses for rents and leases, purchased labor and other operating costs increased due primarily to higher warehouse-management volumes associated with new customers and growth with existing customers. Other operating expenses increased 13.4% due primarily to increases in the use of professional services, cargo-loss and damage claims, facilities expenses and corporate allocations (primarily related to information-technology projects). In 2008, other operating expenses include two separate customer-specific charges that increased expenses for cargo-loss claims and uncollectible accounts. In 2008, expenses for rents and leases increased 22.9% and expenses for purchased labor increased 5.6%.

Truckload

The table below compares operating results, operating margins and the percentage change in selected operating statistics of the Truckload reporting segment. The table summarizes the segment's revenue before inter-segment eliminations, including freight revenue, fuel-surcharge revenue and other non-freight revenue. The table also includes operating income and operating margin excluding the loss from impairment of goodwill. Truckload's management believes these measures are relevant to evaluate its on-going operations.

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	2009	2008	2007
	(Dollars in thousands)		
Freight revenue	\$ 486,944	\$ 492,930	\$ 207,624
Fuel-surcharge revenue	62,826	159,548	46,835
Other revenue	14,301	13,239	5,278
Revenue before inter-segment eliminations	564,071	665,717	259,737
Salaries, wages and other employee benefits	232,227	232,032	100,427
Purchased transportation	23,342	29,690	14,492
Fuel and fuel-related taxes	129,824	209,879	74,557
Other operating expenses	61,307	52,608	24,195
Depreciation and amortization	58,891	61,831	27,870
Maintenance	28,147	24,300	6,676
Rents and leases	826	1,045	983
Purchased labor	1,665	1,937	266
Loss from impairment of goodwill and intangible assets	134,813		
Restructuring charges			1,468
Total operating expenses	671,042	613,322	250,934
Operating income (loss)	\$ (106,971)	\$ 52,395	\$ 8,803
Operating income excluding impairment	\$ 27,842	\$ 52,395	\$ 8,803
Operating margin excluding impairment	7.6%	10.4%	5.1%

2009 vs. 2008 2008 vs. 2007**Selected Operating Statistics**

Total miles	0.3%	NM
Freight revenue per total mile	-1.5%	NM

NM = Comparison not meaningful due to the acquisition of CFI in August 2007.

2009 Compared to 2008

In 2009, Truckload's revenue decreased 15.3% from 2008, primarily reflecting a 60.6% decline in fuel-surcharge revenue and a 1.2% decline in freight revenue. Lower fuel-surcharge revenue was due primarily to lower fuel prices in 2009 compared to 2008. The 1.2% decline in freight revenue reflects a 1.5% decline in revenue per mile partially offset by a 0.3% increase in total miles. The decline in revenue per mile was primarily the result of difficult industry and economic conditions characterized by decreased demand for truckload services and excess capacity in the truckload market.

Truckload's operating loss of \$107.0 million in 2009 primarily reflects a \$134.8 million charge for goodwill impairment. The impairment charge assumed lower projected revenue and operating income and a discount rate that reflected economic and market conditions at the measurement date, as more fully discussed in Note 2, Acquisitions, of Item 8, Financial Statements and Supplementary Data. Excluding the impairment charge, Truckload's operating

income in 2009 declined 46.9% due primarily to lower revenue, particularly fuel-surcharge revenue, which declined at a faster rate than expenses for fuel and fuel-related taxes.

In 2009, expenses for salaries, wages and other employee benefits were relatively unchanged from 2008, reflecting an increase in employee benefits expense, partially offset by declines in other employee costs and salaries and wages. Employee benefits expense in 2009 increased 13.7% due primarily to an increase in severity and frequency of workers compensation claims. Other employee costs fell 36.8%, reflecting lower costs for driver recruitment due to a reduction in fleet capacity and an improved driver retention rate. A 0.9% decline in salaries and wages reflects a 24.1% or \$2.4 million decline in incentive compensation, partially offset by a 0.5% increase in base compensation. Lower incentive compensation reflects variations in performance measures relative to incentive-plan targets.

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Purchased transportation decreased 21.4% in 2009 due to lower utilization of contract drivers and fuel-related rate declines. Expenses for fuel and fuel-related taxes declined 38.1% in 2009 due primarily to lower fuel cost per gallon.

Other operating expenses increased 16.5% in 2009 due primarily to higher administrative corporate allocations, losses of \$7.6 million on the disposition of equipment and a \$2.4 million adjustment to a tax-related receivable, partially offset by an 18.4% decline in vehicular insurance expense. Higher corporate allocations were due in part to an increase in the percentage of corporate costs allocated to Truckload.

Maintenance expenses increased 15.8% in 2009 due primarily to an increase in the average age of the tractor fleet, which resulted in an increase in repairs that were not covered under manufacturer warranties. As more fully discussed in Critical Accounting Policies and Estimates Property, Plant and Equipment and Other Long-Lived Assets, Con-way Truckload expects to extend tractor lives and lower the associated salvage values in 2010, which will result in a net increase in depreciation expense of approximately \$4 million in 2010.

2008 Compared to 2007

Increased revenue and operating income at the Truckload reporting segment was due to the acquisition of CFI. For periods prior to the acquisition of CFI in August 2007, the operating results of the Truckload segment consist only of the pre-acquisition truckload business unit. As a result, operating income for the Truckload segment in 2007 consisted of \$18.8 million of post-acquisition operating income, partially offset by \$10.0 million of operating losses from the pre-acquisition truckload unit. The pre-acquisition operating loss included \$1.5 million of costs incurred in the integration of the two truckload business units.

Vector

In December 2006, Con-way recognized the sale to GM of Con-way's membership interest in Vector. The sale of Vector did not qualify as a discontinued operation due to its classification as an equity-method investment, and accordingly, Vector's income or losses are reported in net income from continuing operations. In 2007, segment results reported from Con-way's equity investment in Vector included a \$2.7 million loss due to the write-off of a receivable related to the Vector sale.

Vector's operating results and Con-way's sale of its membership interest in Vector are more fully discussed in Note 5, Sale of Unconsolidated Joint Venture, of Item 8, Financial Statements and Supplementary Data.

Other

The Other reporting segment consists of the operating results of Road Systems, a trailer manufacturer, and certain corporate activities for which the related income or expense has not been allocated to other reporting segments. Results in 2008 included expenses related to a variable executive-compensation plan that promotes synergistic inter-segment activities. The table below summarizes the operating results for the Other reporting segment:

	2009	2008	2007
	(Dollars in thousands)		
Revenues			
Road Systems	\$ 20,442	\$ 47,041	\$ 41,020
Operating Income (Loss)			

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Road Systems	\$ (1,920)	\$ 775	\$ 667
Unallocated corporate operating income (loss)			
Reinsurance activities	3,545	1,231	(480)
Corporate properties	(485)	(631)	(2,538)
Variable executive compensation		(2,616)	
Other	417	(18)	41
	\$ 1,557	\$ (1,259)	\$ (2,310)

Table of Contents**Discontinued Operations**

Net income (loss) applicable to common shareholders in the periods presented includes the results of discontinued operations, which related to the closure of Con-way Forwarding, the sale of MWF, the shut-down of EWA and its terminated Priority Mail contract with the USPS, and to the spin-off of CFC, as more fully discussed in Note 4,

Discontinued Operations, of Item 8, Financial Statements and Supplementary Data. The table below summarizes results of discontinued operations for the years ended December 31:

	2009	2008	2007
	(Dollars in thousands except per share amounts)		
Discontinued Operations, net of tax Gain (Loss) from Disposal	\$	\$ 8,326	\$ (863)
Earnings (Loss) per diluted share Gain (Loss) from Disposal	\$	\$ 0.17	\$ (0.02)

Table of Contents**Liquidity and Capital Resources**

Cash and cash equivalents increased to \$476.6 million at December 31, 2009 from \$278.3 million at December 31, 2008, as \$276.7 million provided by operating activities exceeded \$40.7 million used in investing activities and \$37.8 million used in financing activities. Cash provided by operating activities came primarily from net income after adjustment for non-cash items. Cash used in investing activities primarily reflects capital expenditures. Cash used in financing activities was due primarily to the repayment of debt and dividend payments.

	2009	2008	2007
	(Dollars in thousands)		
Operating Activities			
Net income (loss)	\$ (107,747)	\$ 73,749	\$ 152,912
Discontinued operations		(8,326)	863
Non-cash adjustments(1)	382,338	320,487	222,928
Changes in assets and liabilities	2,061	(84,744)	(2,830)
Net Cash Provided by Operating Activities	276,652	301,166	373,873
Net Cash Used in Investing Activities	(40,678)	(172,942)	(757,166)
Net Cash Provided by (Used in) Financing Activities	(37,818)	(35,376)	295,239
Net Cash Provided by (Used in) Continuing Operations	198,156	92,848	(88,054)
Net Cash Provided by Discontinued Operations	166	9,107	4,313
Increase (Decrease) in Cash and Cash Equivalents	\$ 198,322	\$ 101,955	\$ (83,741)

- (1) Non-cash adjustments refer to depreciation, amortization, impairment charges, restructuring activities, deferred income taxes, provision for uncollectible accounts, loss from equity-method investment, and other non-cash income and expenses.

Continuing Operations**Operating Activities**

The most significant items affecting the comparison of Con-way's operating cash flows for the periods presented are summarized below:

2009 Compared to 2008

In 2009, net income, excluding discontinued operations and non-cash adjustments, decreased \$111.3 million from 2008. Non-cash adjustments were \$382.3 million in 2009, a \$61.9 million increase from 2008, primarily due to an increase in asset-impairment charges.

Changes in employee benefits, accrued income taxes, receivables and accrued incentive compensation increased operating cash flow in 2009 when compared to the prior year, but were partially offset by a decrease in operating cash flow associated with accrued liabilities (excluding employee benefits and incentive compensation).

In 2009, employee benefits provided \$0.3 million compared to \$41.4 million used in 2008. The variation in employee benefits reflects the recognition of net periodic benefit expense for qualified pension plans in 2009, compared to net periodic benefit income earned in 2008. The cash flows associated with the qualified pension plans also reflect funding contributions of \$17.3 million and \$10.0 million in 2009 and 2008, respectively. Employee benefits cash flows also reflect a change in the funding method for contributions to the defined contribution retirement plan. As detailed in Note 12, Employee Benefit Plans, of Item 8, Financial Statements and Supplementary Data, Con-way used repurchased common stock to fund \$23.3 million in contributions to the defined contribution retirement plan in 2009.

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Accrued income taxes provided \$21.2 million in 2009, compared to \$19.2 million used in the same prior-year period, reflecting variations in Con-way's current income tax provision, as well as variations in income tax refunds and payments. In 2009, Con-way received \$10.2 million of net income tax refunds, and in 2008, Con-way made net income tax payments of \$46.7 million.

In 2009, receivables provided \$9.2 million due primarily to decreased trade accounts receivable at the Logistics segment partially offset by increased trade accounts receivable at the Freight segment. In 2008, receivables used \$26.5 million due primarily to increased trade accounts receivable at the Logistics segment partially offset by decreased trade accounts receivable at the Freight and Truckload segments.

The change in accrued incentive compensation provided \$4.6 million in 2009, compared to \$19.7 million used in 2008. Changes in accrued incentive compensation primarily reflect lower payments in 2009 compared to 2008 due to changes in Con-way's payment schedule. For the 2009 award year, Con-way paid all incentive compensation in the February following the award year. Prior to the change, partial payments were made in December of the award year and in February of the following year.

Changes in accrued liabilities used \$41.8 million in 2009, compared to \$22.2 million provided in 2008, due primarily to changes in the liability for compensated absences. In 2009, the liability for compensated absences decreased as a result of the reductions in compensated-absences benefits and salary and wage reductions in connection with cost-reduction measures. Cash provided by changes in accrued liabilities in 2008 reflects an increase in accrued interest on the 7.25% Senior Notes issued in December 2007.

2008 Compared to 2007

In 2008, net income, excluding discontinued operations and non-cash adjustments, increased \$9.2 million from 2007. Non-cash adjustments were \$320.5 million in 2008, a \$97.6 million increase from 2007, primarily due to increased depreciation following the acquisition of CFI in the second half of 2007, and asset-impairment charges.

Changes in accrued income taxes, accrued incentive compensation, employee benefits and receivables reduced operating cash flow in 2008 when compared to the prior year, but were partially offset by an increase in operating cash flow associated with self-insurance accruals and accrued liabilities.

Accrued income taxes used \$19.2 million in 2008, compared to \$23.4 million provided in 2007 due primarily to tax refunds received in 2007.

The change in accrued incentive compensation balances used \$19.7 million in 2008, compared to \$4.8 million provided in 2007. In 2008, payments for incentive compensation exceeded expense accruals, while in 2007, expense accruals exceeded payments.

In 2008, employee benefits used \$41.4 million compared to \$19.4 million used in 2007. The variation in cash used by employee benefits reflects the effect of defined contribution plan amendments effective on January 1, 2007, which resulted in a \$20.4 million increase in the plan-related liability for 2007. In both periods, the use of cash associated with the changes in employee benefit assets and liabilities also reflects net benefit income earned from the qualified pension plans, funding contributions to the defined benefit pension plans and benefit payments associated with the non-qualified pension plans, partially offset by expense recognized from the non-qualified plans.

Receivables used \$26.5 million in 2008, compared to \$8.3 million used in 2007 due primarily to increased receivables at the Logistics segment.

The increase in accrued liabilities provided \$22.2 million in 2008 compared to \$10.7 million provided in 2007. Increases in accrued liabilities primarily reflect increases in accrued interest on the 7.25% Senior Notes issued in December 2007 and unearned revenue related to a logistics contract, partially offset by a decline in wages and salaries payable.

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Investing Activities

The most significant items affecting the comparison of Con-way's investing cash flows for the periods presented are summarized below:

In 2009, capital expenditures were \$68.2 million, compared with \$234.4 million in 2008 and \$139.4 million in 2007. Capital expenditures in 2009 decreased \$166.2 million from the prior-year period due primarily to lower tractor and trailer expenditures, which reflected a lower 2009 capital-expenditure plan in connection with Con-way's cash-conservation efforts. Lower reported capital expenditures in 2009 also reflect \$50.0 million of tractors acquired with capital-lease financing. As a non-cash activity, the acquisition of equipment under a capital lease is not reported as a capital expenditure. In 2008, capital expenditures increased \$95.0 million due primarily to increased tractor and trailer expenditures at the Truckload segment.

In 2007, Con-way used \$752.3 million to purchase CFI, \$28.6 million to purchase Cougar Logistics and \$59.0 million to purchase Chic Logistics.

Con-way received sale-related proceeds of \$32.7 million in 2009, \$49.2 million in 2008 and \$79.7 million in 2007. Proceeds in 2009 and 2008 reflect sale-leaseback transactions in which \$17.3 million was received from the sale of revenue equipment in 2009 and \$40.4 million was received from the sale of two Logistics' warehouses in 2008, as more fully discussed in Note 9, Leases, of Item 8, Financial Statements and Supplementary Data. In 2007, Con-way received proceeds of \$51.9 million from the sale of Con-way's membership interest in Vector and \$27.8 million from sales of property and equipment.

Cash provided by the net proceeds from the sale of marketable securities provided \$0.4 million in 2009, \$22.5 million in 2008 and \$154.5 million in 2007. In 2007, net proceeds from the sale of marketable securities reflect Con-way's sale of marketable securities to partially fund the acquisition of CFI in August 2007.

Financing Activities

The most significant items affecting the comparison of Con-way's financing cash flows for the periods presented are summarized below:

In 2009 and 2008, Con-way used \$22.4 million and \$22.7 million, respectively, for the repayment of debt obligations, primarily for the repayment of the Primary DC Plan Notes, which matured in January 2009. In 2007, proceeds from the issuance of debt, net of debt repayments, provided \$402.4 million. In August 2007, Con-way entered into a bridge-loan facility and borrowed \$425 million to partially fund the acquisition of CFI. In December 2007, Con-way issued \$425 million of 7.25% Senior Notes due 2018 and used the net proceeds and cash on hand to repay the amounts outstanding under the bridge-loan facility.

In 2007, Con-way made common stock repurchases of \$89.9 million under repurchase programs authorized by Con-way's Board of Directors.

As detailed in Note 12, Employee Benefit Plans, of Item 8, Financial Statements and Supplementary Data, in 2009 Con-way used repurchased common stock to fund \$23.3 million in contributions to the defined contribution retirement plan and \$3.2 million of preferred dividends.

Table of Contents**Contractual Cash Obligations**

The table below summarizes contractual cash obligations for Con-way as of December 31, 2009. Some of the amounts in the table are based on management's estimates and assumptions about these obligations, including their duration, the possibility of renewal, and other factors. Because of these estimates and assumptions, the actual future payments may vary from those reflected in the table. Certain liabilities, including those related to self-insurance accruals, are reported in Con-way's consolidated balance sheets but not reflected in the table below due to the absence of stated due dates.

	Total	Payments Due by Period			2015 & Thereafter
		2010	2011-2012	2013-2014	
		(Dollars in thousands)			
Long-term debt	\$ 1,689,701	\$ 259,824	\$ 103,261	\$ 101,824	\$ 1,224,792
Operating leases	228,833	71,395	91,829	38,417	27,192
Capital leases	55,339	10,462	25,251	19,626	
Employee benefit plans	124,730	11,520	23,701	24,621	64,888
Total	\$ 2,098,603	\$ 353,201	\$ 244,042	\$ 184,488	\$ 1,316,872

As presented above, contractual obligations on long-term debt and guarantees represent principal and interest payments. The amounts representing principal and a portion of interest payable in 2010 are reported in the consolidated balance sheets. At December 31, 2009, Con-way's \$200 million 87/8% Notes due in May 2010 were classified as current liabilities in the consolidated balance sheets. Consistent with Con-way's objective to reduce its total debt balance, Con-way will retire these notes upon maturity.

Contractual obligations for operating leases represent the payments under the lease arrangements. In accordance with accounting principles generally accepted in the U.S. (GAAP), future operating lease payments are not included in Con-way's consolidated balance sheets. The future payments related to capital leases include the stated amounts of residual-value guarantees.

The employee benefit plan-related cash obligations in the table represent estimated payments under Con-way's non-qualified defined benefit pension plans and postretirement medical plan through December 31, 2019. Expected benefit payments for Con-way's qualified defined benefit pension plans are not included in the table, as these benefits will be satisfied by the use of plan assets. Con-way expects to make a discretionary contribution of \$25.0 million to its qualified defined benefit pension plans in 2010; however, this could change based on variations in interest rates, asset returns, Pension Protection Act (PPA) requirements and other factors.

In 2009, Con-way initiated a project to outsource a significant portion of its information-technology infrastructure function and a small portion of its administrative and accounting functions. In connection with this outsourcing initiative, Con-way expects to enter into agreements with third-party service providers in the first quarter of 2010. Estimated payments to the third-party providers are expected to be \$15 million in 2010. The average annual payments are estimated to be \$40 million from 2011 to 2016, when the agreements are expected to expire. The payments made to the third-party service providers are expected to be more than offset by cost savings resulting from headcount reductions and lower expenses for operating and maintaining Con-way's technology platforms.

In 2010, Con-way anticipates capital and software expenditures of approximately \$125 million, net of asset dispositions, primarily for the acquisition of tractor equipment. Con-way's actual 2010 capital expenditures may differ from the estimated amount depending on factors such as availability and timing of delivery of equipment. The planned expenditures do not represent contractual obligations at December 31, 2009. In addition, Con-way expects to enter into \$35 million of capital leases for the acquisition of tractor equipment during 2010.

The contractual obligations reported above exclude Con-way's liability of \$22.0 million for unrecognized tax benefits, which are more fully discussed in Note 10, Income Taxes, of Item 8, Financial Statements and Supplementary Data.

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Letters of credit outstanding under Con-way's credit facilities, as described below under Capital Resources and Liquidity Outlook, are generally required under self-insurance programs and do not represent additional liabilities as the underlying self-insurance accruals are already included in Con-way's consolidated balance sheets.

For further discussion, see Note 8, Debt and Other Financing Arrangements, Note 9, Leases, Note 10, Income Taxes, and Note 12, Employee Benefit Plans, of Item 8, Financial Statements and Supplementary Data.

Capital Resources and Liquidity Outlook

Con-way's capital requirements relate primarily to the acquisition of revenue equipment to support growth and/or replacement of older equipment with newer equipment. In funding these capital expenditures and meeting working-capital requirements, Con-way utilizes various sources of liquidity and capital, including cash and cash equivalents, cash flow from operations, credit facilities and access to capital markets. Con-way may also manage its liquidity requirements and cash-flow generation by varying the timing and amount of capital expenditures, as more fully discussed above under Contractual Cash Obligations, and by implementing cost-reduction initiatives, as more fully discussed under Results of Operations Overview. Con-way also has the ability to implement additional cost-reduction initiatives in the future. The nature, timing and extent of these initiatives depend largely on future market conditions and Con-way's financial condition, results of operations and cash flows.

Con-way has a \$400 million revolving credit facility that matures on September 30, 2011. The revolving credit facility is available for cash borrowings and for the issuance of letters of credit up to \$400 million. At December 31, 2009, no borrowings were outstanding under the revolving credit facility; however, \$188.7 million of letters of credit were outstanding, with \$211.3 million of available capacity for additional letters of credit or cash borrowings. The revolving facility is guaranteed by certain of Con-way's material domestic subsidiaries and contains two financial covenants: (i) a leverage ratio and (ii) a fixed-charge coverage ratio. At December 31, 2009, Con-way was in compliance with the revolving credit facility's financial covenants and expects to remain in compliance through December 31, 2010 and thereafter.

Con-way had other uncommitted unsecured credit facilities totaling \$56.1 million at December 31, 2009, which are available to support short-term borrowings, letters of credit, bank guarantees, and overdraft facilities. A total of \$34.6 million was outstanding under these facilities at December 31, 2009, leaving \$21.5 million of available capacity.

At December 31, 2009, Con-way's senior unsecured debt was rated as investment grade by Standard and Poor's (BBB-), Fitch Ratings (BBB-), and Moody's (Baa3), with each agency assigning an outlook of negative.

Discontinued Operations

Discontinued operations in the periods presented relate to the closure of Con-way Forwarding, the sale of MWF, the shut-down of EWA and its terminated Priority Mail contract with the USPS, and to the spin-off of CFC, as more fully discussed in Note 4, Discontinued Operations, of Item 8, Financial Statements and Supplementary Data.

Table of Contents**Critical Accounting Policies and Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the U.S. requires management to adopt accounting policies and make significant judgments and estimates. In many cases, there are alternative policies or estimation techniques that could be used. Con-way maintains a process to evaluate the appropriateness of its accounting policies and estimation techniques, including discussion with and review by the Audit Committee of its Board of Directors and its independent auditors. Accounting policies and estimates may require adjustment based on changing facts and circumstances and actual results could differ from estimates. Con-way believes that the accounting policies that are most judgmental and material to the financial statements are those related to the following:

Defined Benefit Pension Plans

Self-Insurance Accruals

Income Taxes

Revenue Recognition

Property, Plant and Equipment and Other Long-Lived Assets

Goodwill

Disposition and Restructuring Activities

Defined Benefit Pension Plans

In the periods presented, employees of Con-way and its subsidiaries in the U.S. were covered under several retirement benefit plans, including several qualified and non-qualified defined benefit pension plans. Effective April 30, 2009, Con-way amended its primary defined benefit pension plan to permanently curtail benefits. Prior to the amendment, future retirement benefits considered participants' eligible compensation increases through 2016. In connection with the curtailment, Con-way re-measured its plan-related assets and liabilities as of April 30, 2009.

Significant assumptions

The amount recognized as pension expense (income) and the accrued pension asset (liability) for Con-way's defined benefit pension plans depend upon a number of assumptions and factors, the most significant being the discount rate used to measure the present value of pension obligations and the expected rate of return on plan assets for the funded qualified plans. Con-way assesses its plan assumptions for the discount rate, expected rate of return on plan assets, and other significant assumptions on a periodic basis, but concludes on those assumptions at the actuarial plan measurement date. Con-way's most significant assumptions used in determining pension expense (income) for the periods presented and for 2010 are summarized below.

	2010	2009	2008	2007
Weighted-average assumptions:				
Discount rate on plan obligations	6.05%	6.10%	6.60%	5.95%
Discount rate on plan obligations - curtailment	N/A	7.85%	N/A	N/A

Expected long-term rate of return on plan assets	8.50%	8.50%	8.50%	8.50%
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Discount Rate. In determining the appropriate discount rate, Con-way is assisted by actuaries who utilize a yield-curve model based on a universe of high-grade corporate bonds (rated Aa or better by Moody's rating service). The model employs cash flows that match Con-way's expected benefit payments in future years. If all other factors were held constant, a 0.25% decrease (increase) in the discount rate would result in an estimated \$44 million increase (decrease) in the cumulative unrecognized actuarial loss at December 31, 2009, and the related loss or credit would be amortized to future-period earnings as described below.

Rate of Return on Plan Assets. For its qualified funded defined benefit pension plans, Con-way evaluates its expected rate of return on plan assets based on current market expectations and historical returns. The rate of return is based on an expected 20-year return on the current asset allocation and the effect of actively managing the plan,

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net of fees and expenses. Using year-end plan asset values, a 0.25% decrease (increase) in the expected rate of return on plan assets would result in an estimated \$2 million increase (decrease) in 2010 annual pension expense.

As a result of the recent plan change that curtailed benefits, Con-way may change its asset allocation to lower the percentage of investments in equity securities and increase the percentage of investments in fixed-income securities. The effect of such a change may result in a reduction to the long-term rate of return on plan assets and an increase in future pension expense consistent with the sensitivity described above, if and when the change occurs.

Actuarial gains and losses

Differences between the expected and actual rate of return on plan assets and/or changes in the discount rate may result in cumulative unrecognized actuarial gains or losses. For Con-way's defined benefit pension plans, accumulated unrecognized actuarial losses declined to \$397.3 million at December 31, 2009 from \$611.4 million at December 31, 2008. The decrease in these amounts primarily reflects investment gains due to the positive returns in the equity markets during 2009 and the April 30, 2009 plan curtailment. Any portion of the unrecognized actuarial gain (loss) outside of a corridor amount must be amortized and recognized as expense (income) over the estimated average remaining life expectancy of active plan participants.

Effect on operating results

The effect of the defined benefit pension plans on Con-way's operating results consist primarily of the net effect of the interest cost on plan obligations for the qualified and non-qualified defined benefit pension plans, the expected return on plan assets for the funded qualified defined benefit pension plans and the amortization of unrecognized actuarial gain or loss in excess of the corridor. Con-way estimates that the defined benefit pension plans will result in annual expense of \$5.2 million in 2010. For its defined benefit pension plans, Con-way recognized annual expense of \$28.4 million in 2009 compared to income of \$23.1 million and \$24.8 million in 2008 and 2007, respectively.

Funding

Con-way periodically reviews the funded status of its qualified defined benefit pension plans and makes contributions from time to time as necessary to comply with the funding requirements of the PPA. In determining the amount and timing of its pension contributions, Con-way considers both the PPA- and GAAP-based measurements of funded status as well as the tax deductibility of contributions. Con-way made contributions of \$17.3 million and \$10.0 million to its defined benefit pension plans in 2009 and 2008, respectively, and in 2010, expects to make a discretionary contribution of \$25.0 million. Con-way's estimate of its defined benefit plan contribution is subject to change based on variations in interest rates, asset returns, PPA requirements and other factors.

The April 30, 2009 plan changes are expected to reduce funding of the primary defined benefit pension plan that otherwise would have been required without the plan amendments. However, significant declines in asset values may require contribution levels larger than previously anticipated.

Self-Insurance Accruals

Con-way uses a combination of purchased insurance and self-insurance programs to provide for the costs of medical, casualty, liability, vehicular, cargo and workers' compensation claims. The long-term portion of self-insurance accruals relates primarily to workers' compensation and vehicular claims that are expected to be payable over several years. Con-way periodically evaluates the level of insurance coverage and adjusts insurance levels based on risk tolerance and premium expense.

The measurement and classification of self-insured costs requires the consideration of historical cost experience, demographic and severity factors, and judgments about the current and expected levels of cost per claim and retention levels. These methods provide estimates of undiscounted liability associated with claims incurred as of the balance sheet date, including claims not reported. Con-way believes its actuarial methods are appropriate for measuring these highly judgmental self-insurance accruals. However, the use of any estimation method is sensitive

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to the assumptions and factors described above, based on the magnitude of claims and the length of time from incurrence of the claims to ultimate settlement. Accordingly, changes in these assumptions and factors can materially affect actual costs paid to settle the claims and those amounts may be different than estimates.

Income Taxes

In establishing its deferred income tax assets and liabilities, Con-way makes judgments and interpretations based on the enacted tax laws and published tax guidance that are applicable to its operations. Con-way periodically evaluates the need for a valuation allowance to reduce deferred tax assets to realizable amounts. The likelihood of a material change in Con-way's expected realization of these assets is dependent on future taxable income, future capital gains, its ability to use tax loss and credit carryforwards and carrybacks, final U.S. and foreign tax settlements, and the effectiveness of its tax-planning strategies in the various relevant jurisdictions.

Con-way assesses its income tax positions and records tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting date. For those positions where it is more likely than not that a tax benefit will be sustained, Con-way has recorded the largest amount of tax benefit with a greater-than-50-percent likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions that do not meet the more-likely-than-not criteria, no tax benefit has been recognized in the financial statements.

Revenue Recognition

Con-way Freight recognizes revenue between reporting periods based on relative transit time in each period and recognizes expense as incurred. Con-way Truckload recognizes revenue and related direct costs when the shipment is delivered. Menlo Worldwide Logistics recognizes revenue under the proportional-performance model based on the service outputs delivered to the customer.

Critical revenue-related policies and estimates for Con-way Freight and Con-way Truckload include those related to revenue adjustments and uncollectible accounts receivable. Critical revenue-related policies and estimates for Menlo Worldwide Logistics include those related to uncollectible accounts receivable, measuring the proportion of service provided to customers, and gross- or net-basis revenue recognition. Con-way believes that its revenue recognition policies are appropriate and that its use of revenue-related estimates and judgments provide a reasonable approximation of the actual revenue earned.

Estimated revenue adjustments

Generally, the pricing assessed by companies in the transportation industry is subject to subsequent adjustment due to several factors, including weight and freight-classification verifications and pricing discounts. Revenue adjustments are estimated based on revenue levels and historical experience.

Uncollectible accounts receivable

Con-way Freight and Con-way Truckload report accounts receivable at net realizable value and provide an allowance for uncollectible accounts when collection is considered doubtful. Estimates for uncollectible accounts are based on various judgments and assumptions, including revenue levels, historical loss experience, economic conditions and the aging of outstanding accounts receivable.

Menlo Worldwide Logistics, based on the size and nature of its client base, performs a periodic evaluation of its customers' creditworthiness and accounts receivable portfolio and recognizes expense from uncollectible accounts

when losses are both probable and reasonably estimable.

Proportional performance of service outputs

For certain customer contracts, Menlo Worldwide Logistics makes estimates when measuring the proportion of service outputs delivered to the customer, including services provided under performance-based incentive arrangements.

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Gross- or net-basis revenue recognition

Determining whether revenue should be reported on a gross or net basis is based on an assessment of whether Menlo Worldwide Logistics is acting as the principal or the agent in the transaction and involves judgment based on the terms of the arrangement.

Property, Plant and Equipment and Other Long-Lived Assets

In accounting for property, plant and equipment, Con-way makes estimates about the expected useful lives and the expected residual values of the assets, and the potential for impairment based on the fair values of the assets and the cash flows generated by these assets.

The depreciation of property, plant and equipment over their estimated useful lives and the determination of any salvage value require management to make judgments about future events. Con-way periodically evaluates whether changes to estimated useful lives or salvage values are necessary to ensure these estimates accurately reflect the economic use of the assets. Con-way's periodic evaluation may result in changes in the estimated lives and/or salvage values used to depreciate its assets, which can affect the amount of periodic depreciation expense recognized and, ultimately, the gain or loss on the disposal of the asset. In Con-way's recent periodic evaluation, the estimated useful lives for revenue equipment were extended in response to planned capital expenditure levels. As a result of the revised estimates, Con-way Freight extended the estimated useful life for most of its tractors to 10 years from 8 years, which is expected to result in a \$12 million decrease in 2010 depreciation expense, and extended the estimated useful life for its trailers to 14 years from 13 years, which is expected to result in a \$2 million decrease in 2010 depreciation expense. Also effective in 2010, Con-way Truckload extended the estimated useful life for its tractors to 6 years from 4 years, and decreased the associated estimated salvage values. As a result of these changes at Con-way Truckload, depreciation expense is expected to increase \$4 million in 2010. Typically, an increase in useful lives for revenue equipment is accompanied by an increase in maintenance expenses.

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For assets that are to be held and used, an impairment charge is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than carrying value. If impairment exists, a charge is recognized for the difference between the carrying value and the fair value. Fair values are determined using quoted market values, discounted cash flows or external appraisals, as applicable. Assets held for disposal are carried at the lower of carrying value or estimated net realizable value.

Each quarter, Con-way considers events that may trigger an impairment of long-lived assets. Indicators of impairment that Con-way considers include such factors as a significant decrease in market value of the long-lived asset, a significant change in the extent or manner in which the long-lived asset is being used, and current-period losses combined with a history of losses or a projection of continuing losses associated with the use of the long-lived asset.

Goodwill

Goodwill is recorded as the excess of the acquired entity's purchase price over the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The assessment requires the comparison of the fair value of a reporting unit to the carrying value of its net assets, including allocated goodwill. If the carrying value of the reporting unit exceeds its fair value, Con-way must then compare the implied fair value of reporting-unit goodwill with the carrying amount of that goodwill. If the carrying amount of reporting-unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

Con-way tests for impairment of goodwill annually (with a measurement date of November 30) or whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Each quarter, Con-way considers events that may trigger an impairment of goodwill, including such factors as changes in the total company market value compared to underlying book value, and significant adverse changes that may impact reporting segments or underlying reporting units. A reporting unit for goodwill

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impairment purposes, such as is the case with acquired businesses formerly called Chic Logistics and Cougar Logistics, may be components of a reporting segment that independently generate revenues and have discrete financial information that is regularly reviewed by management.

Con-way uses multiple valuation methods when possible to determine the fair value of a reporting unit. The methods used include the use of public-company multiples, precedent transactions and discounted cash flow models, and may vary depending on the availability of information. In any of the valuation methods, assumptions used to determine the fair value of reporting units may significantly impact the result. The key assumptions used in discounted cash flow models are cash flow projections involving forecasted revenues and expenses, capital expenditures, working capital changes, and the discount rate and the terminal growth rate applied to projected cash flows. Cash flow projections are developed from Con-way's annual planning process. The discount rate equals the estimated weighted-average cost of capital for the reporting unit from a market-participant perspective. Terminal growth rates are based on inflation assumptions adjusted for factors that may impact future growth such as industry-specific expectations. These estimates and assumptions may be incomplete or inaccurate because of unanticipated events and circumstances. As a result, changes in assumptions and estimates related to goodwill could have a material effect on Con-way's valuation result, and accordingly, its financial condition or results of operations. The following discusses the 2009 annual impairment tests for each unit with significant goodwill:

Truckload

Con-way Truckload had \$329.8 million of goodwill at December 31, 2009. For the valuation of Con-way Truckload, Con-way applied two equally weighted methods: public-company multiples and discounted cash flow models. In the assessment of Con-way Truckload's goodwill, the fair value of the reporting unit exceeded its carrying value by 11% or approximately \$63 million. A 1.0% change in the assumed discount rate would result in a \$20 million change in fair value and a 1.0% change in the assumed terminal growth rate would result in a \$6 million change in fair value. The discounted cash flow models used in the valuation of Con-way Truckload include assumptions for revenue growth and improved margins that result in a 7% annual increase in net income over the next five years. In 2009, the truckload industry segment was adversely affected by excess capacity and competitive pricing. If these conditions deteriorate, the fair value of the reporting unit could be adversely affected.

Logistics

Chic Logistics had \$16.4 million of goodwill at December 31, 2009. For the valuation of Chic Logistics, Con-way applied discounted cash flow models. In the assessment of Chic Logistics' goodwill in the fourth quarter of 2009, the fair value of the reporting unit exceeded its carrying value by 15%, or approximately \$1 million. Given the small difference between the fair value and carrying value, an adverse change in discount rate or future results from those forecasted in the discounted cash flow models could result in a lower fair value and an impairment of goodwill. Considering Chic Logistics' historical operating losses, there is a degree of uncertainty relating to the future results forecasted in the discounted cash flow models.

Cougar Logistics, which had \$6.7 million of goodwill at December 31, 2009, is not at risk of having its carrying value exceed the fair value of the reporting unit.

Con-way concluded that the goodwill of its reporting units was not impaired as of December 31, 2009. Given the difference between the fair values and carrying amounts discussed above, Con-way may be required to evaluate goodwill for impairment prior to its annual measurement date if industry conditions worsen or if Con-way's market capitalization declines materially.

Disposition and Restructuring Activities

As more fully discussed in Note 3, Restructuring Activities, and Note 4, Discontinued Operations, of Item 8, Financial Statements and Supplementary Data, Con-way's management made significant estimates and assumptions in connection with the disposition of MWF, EWA, and Con-way Forwarding and with the restructuring of business units in the Freight and Truckload reporting segments. Actual results could differ from estimates and could affect related amounts reported in the financial statements.

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New Accounting Standards

Refer to Note 1, Principal Accounting Policies, of Item 8, Financial Statements and Supplementary Data for a discussion of recently issued accounting standards that Con-way has not yet adopted.

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Forward-Looking Statements

Certain statements included herein constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to a number of risks and uncertainties, and should not be relied upon as predictions of future events. All statements other than statements of historical fact are forward-looking statements, including:

any projections of earnings, revenues, weight, yield, volumes, income or other financial or operating items;

any statements of the plans, strategies, expectations or objectives of Con-way's management for future operations or other future items;

any statements concerning proposed new products or services;

any statements regarding Con-way's estimated future contributions to pension plans;

any statements as to the adequacy of reserves;

any statements regarding the outcome of any legal and other claims and proceedings that may be brought against Con-way;

any statements regarding future economic conditions or performance;

any statements regarding strategic acquisitions; and

any statements of estimates or belief and any statements or assumptions underlying the foregoing.

Certain such forward-looking statements can be identified by the use of forward-looking terminology such as believes, expects, may, will, should, seeks, approximately, intends, plans, estimates or anticipates or the negative of those terms or other variations of those terms or comparable terminology or by discussions of strategy, plans or intentions. Such forward-looking statements are necessarily dependent on assumptions, data and methods that may be incorrect or imprecise and there can be no assurance that they will be realized. In that regard, certain important factors, among others and in addition to the matters discussed elsewhere in this document and other reports and documents filed by Con-way with the Securities and Exchange Commission, could cause actual results and other matters to differ materially from those discussed in such forward-looking statements. A detailed description of certain of these risk factors is included in Item 1A, Risk Factors.

Table of Contents**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Con-way is exposed to a variety of market risks, including the effects of interest rates, fuel prices and foreign currency exchange rates.

Con-way enters into derivative financial instruments only in circumstances that warrant the hedge of an underlying asset, liability or future cash flow against exposure to some form of interest rate, commodity or currency-related risk. Additionally, the designated hedges should have high correlation to the underlying exposure such that fluctuations in the value of the derivatives offset reciprocal changes in the underlying exposure.

As more fully discussed in Note 8, Debt and Other Financing Arrangements, of Item 8, Financial Statements and Supplementary Data, Con-way in December 2002 terminated four interest-rate swap derivatives designated as fair value hedges of fixed-rate long-term debt. Except for the effect of these terminated interest-rate swaps, derivative financial instruments in the periods presented did not have a material effect on Con-way's financial condition, results of operations or cash flows.

Interest Rates

Con-way is subject to the effect of interest-rate fluctuations on the fair value of its long-term debt. Based on the fixed interest rates and maturities of its long-term debt, fluctuations in market interest rates would not significantly affect Con-way's operating results or cash flows, but may have a material effect on the fair value of long-term debt. The table below summarizes the carrying value of Con-way's fixed-rate long-term debt, the estimated fair value and the effect of a 10% hypothetical change in interest rates on the estimated fair value. The estimated fair value is calculated as the net present value of principal and interest payments discounted at interest rates offered for debt with similar terms and maturities.

	December 31	
	2009	2008
	(Dollars in thousands)	
Carrying value	\$ 921,606	\$ 950,024
Estimated fair value	970,000	900,000
Change in estimated fair value given a hypothetical 10% change in interest rates	43,000	48,000

Con-way invests in cash-equivalent investments and marketable securities that earn investment income. Con-way's investment income was \$2.4 million in 2009, \$5.7 million in 2008 and \$19.0 million in 2007. The potential change in annual investment income resulting from a hypothetical 10% change to variable interest rates would not exceed \$2 million for any of the periods presented.

Fuel

Con-way is exposed to the effects of changes in the price and availability of diesel fuel, as more fully discussed in Item 1A, Risk Factors. Con-way does not currently use derivative financial instruments to manage the risk associated with changes in the price of diesel fuel.

Foreign Currency

The assets and liabilities of Con-way's foreign subsidiaries are denominated in foreign currencies, which create exposure to changes in foreign currency exchange rates. Con-way does not currently use derivative financial instruments to manage foreign currency risk.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Con-way Inc.:

We have audited the accompanying consolidated balance sheets of Con-way Inc. (the Company) and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2009. We also have audited the Company's internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Con-way Inc. and subsidiaries as of December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2009, in conformity

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with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP

Portland, Oregon
February 26, 2010

Table of Contents**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA****Con-way Inc.****Consolidated Balance Sheets**

	December 31,	
	2009	2008
	(Dollars in thousands)	
Assets		
Current Assets		
Cash and cash equivalents	\$ 476,575	\$ 278,253
Trade accounts receivable, net	494,075	516,910
Other accounts receivable	32,489	51,576
Operating supplies, at lower of average cost or market	18,290	24,102
Prepaid expenses and other assets	42,803	42,278
Deferred income taxes	12,662	37,963
Total Current Assets	1,076,894	951,082
Property, Plant and Equipment		
Land	194,963	194,330
Buildings and leasehold improvements	809,460	803,511
Revenue equipment	1,373,148	1,350,514
Other equipment	286,629	292,761
	2,664,200	2,641,116
Accumulated depreciation	(1,288,927)	(1,169,160)
Net Property, Plant and Equipment	1,375,273	1,471,956
Other Assets		
Deferred charges and other assets	38,524	43,012
Capitalized software, net	22,051	29,345
Marketable securities	6,691	6,712
Intangible assets, net	23,126	27,336
Goodwill	353,658	487,956
Deferred income taxes		54,308
	444,050	648,669
Total Assets	\$ 2,896,217	\$ 3,071,707

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Table of Contents**Con-way Inc.****Consolidated Balance Sheets**

	December 31,	
	2009	2008
	(Dollars in thousands except per share data)	
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 272,285	\$ 273,784
Accrued liabilities	210,316	258,350
Self-insurance accruals	87,742	94,663
Short-term borrowings	10,325	7,480
Current maturities of long-term debt and capital leases	210,816	23,800
Total Current Liabilities	791,484	658,077
Long-Term Liabilities		
Long-term debt and guarantees	719,501	926,224
Long-term obligations under capital leases	41,288	
Self-insurance accruals	156,939	152,435
Employee benefits	439,899	659,508
Other liabilities and deferred credits	44,516	49,871
Deferred income taxes	15,861	
Total Liabilities	2,209,488	2,446,115
Commitments and Contingencies (Notes 4, 9, 10 and 14)		
Shareholders' Equity		
Preferred stock, no par value; authorized 5,000,000 shares: Series B, 8.5% cumulative, convertible, \$.01 stated value; designated 1,100,000 shares; issued zero and 523,911 shares, respectively		5
Additional paid-in capital, preferred stock		79,681
Deferred compensation, defined contribution retirement plan		(10,435)
Total Preferred Shareholders' Equity		69,251
Common stock, \$.625 par value; authorized 100,000,000 shares; issued 62,512,456 and 62,379,868 shares, respectively	38,971	38,851
Additional paid-in capital, common stock	567,584	584,229
Retained earnings	890,915	1,020,930
Cost of repurchased common stock (13,287,693 and 16,522,563 shares, respectively)	(575,219)	(713,095)
Total Common Shareholders' Equity	922,251	930,915
Accumulated Other Comprehensive Loss	(235,522)	(374,574)

Total Shareholders' Equity	686,729	625,592
Total Liabilities and Shareholders' Equity	\$ 2,896,217	\$ 3,071,707

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Table of Contents**Con-way Inc.****Statements of Consolidated Operations**

	Years Ended December 31,		
	2009	2008	2007
	(Dollars in thousands except per share data)		
Revenues	\$ 4,269,239	\$ 5,036,817	\$ 4,387,363
Costs and Expenses			
Salaries, wages and other employee benefits	1,907,697	2,047,122	1,900,681
Purchased transportation	983,432	1,208,187	1,049,906
Fuel and fuel-related taxes	359,037	574,972	359,486
Other operating expenses	418,015	445,180	371,056
Depreciation and amortization	192,411	208,251	167,146
Maintenance	129,845	133,175	112,906
Rents and leases	99,244	93,594	79,151
Purchased labor	67,820	72,045	65,163
Loss from impairment of goodwill and intangible assets	134,813	37,796	
Restructuring charges	2,853	23,873	14,716
Loss from equity investment			2,699
	4,295,167	4,844,195	4,122,910
Operating Income (Loss)	(25,928)	192,622	264,453
Other Income (Expense)			
Investment income	2,358	5,672	19,007
Interest expense	(64,440)	(62,936)	(42,805)
Miscellaneous, net	(2,259)	(441)	1,991
	(64,341)	(57,705)	(21,807)
Income (Loss) from Continuing Operations Before Income Tax Provision	(90,269)	134,917	242,646
Income Tax Provision	17,478	69,494	88,871
Income (Loss) from Continuing Operations	(107,747)	65,423	153,775
Discontinued Operations, net of tax			
Gain (Loss) from Disposal		8,326	(863)
Net Income (Loss)	(107,747)	73,749	152,912
Preferred Stock Dividends	3,189	6,788	6,960
Net Income (Loss) Applicable to Common Shareholders	\$ (110,936)	\$ 66,961	\$ 145,952

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Net Income (Loss) From Continuing Operations Applicable to Common Shareholders	\$ (110,936)	\$ 58,635	\$ 146,815
Weighted-Average Common Shares Outstanding			
Basic	47,525,862	45,427,317	45,318,740
Diluted	47,525,862	48,619,292	48,327,784
Earnings (Loss) Per Common Share			
Basic			
Net Income (Loss) from Continuing Operations	\$ (2.33)	\$ 1.29	\$ 3.24
Gain (Loss) from Disposal		0.18	(0.02)
Net Income (Loss) Applicable to Common Shareholders	\$ (2.33)	\$ 1.47	\$ 3.22
Diluted			
Net Income (Loss) from Continuing Operations	\$ (2.33)	\$ 1.23	\$ 3.06
Gain (Loss) from Disposal		0.17	(0.02)
Net Income (Loss) Applicable to Common Shareholders	\$ (2.33)	\$ 1.40	\$ 3.04

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Table of Contents**Con-way Inc.****Statements of Consolidated Cash Flows**

	Years Ended December 31,		
	2009	2008	2007
	(Dollars in thousands)		
Cash and Cash Equivalents, Beginning of Year	\$ 278,253	\$ 176,298	\$ 260,039
Operating Activities			
Net income (loss)	(107,747)	73,749	152,912
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Discontinued operations, net of tax		(8,326)	863
Depreciation and amortization, net of accretion	185,428	202,449	162,293
Non-cash compensation and employee benefits	34,821	17,090	21,921
Increase in deferred income taxes	7,987	37,484	26,500
Provision for uncollectible accounts	8,007	10,979	3,343
Loss from equity investment			2,699
Loss from impairment of goodwill and intangible assets	134,813	37,796	
Loss from restructuring activities	3,360	11,540	7,380
Loss (Gain) from sales of property and equipment, net	7,922	3,149	(1,208)
Changes in assets and liabilities, net of acquisitions:			
Receivables	9,154	(26,499)	(8,291)
Prepaid expenses	(808)	320	3,860
Accounts payable	2,008	(3,392)	(5,125)
Accrued incentive compensation	4,576	(19,728)	4,782
Accrued liabilities, excluding accrued incentive compensation and employee benefits	(41,810)	22,208	10,718
Self-insurance accruals	(2,417)	16,955	(642)
Accrued income taxes	21,163	(19,233)	23,393
Employee benefits	327	(41,376)	(19,373)
Deferred charges and credits	4,418	(6,771)	(3,307)
Other	5,450	(7,228)	(8,845)
Net Cash Provided by Operating Activities	276,652	301,166	373,873
Investing Activities			
Capital expenditures	(68,207)	(234,430)	(139,429)
Software expenditures	(5,593)	(10,235)	(12,124)
Proceeds from sales of property and equipment	15,398	8,841	27,758
Proceeds from sale-leaseback transaction	17,310	40,380	
Proceeds from sale of equity investment			51,900
Acquisitions, net of cash acquired			(839,796)
Purchases of marketable securities	(164,077)	(25,500)	(496,295)
Proceeds from sales of marketable securities	164,491	48,002	650,820

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Net Cash Used in Investing Activities	(40,678)	(172,942)	(757,166)
Financing Activities			
Net proceeds from issuance of debt			846,049
Repayment of debt and guarantees	(22,400)	(22,704)	(443,635)
Net proceeds from short-term borrowings	2,832	2,071	
Proceeds from exercise of stock options	4,171	10,149	8,229
Excess tax benefit from stock option exercises	165	755	583
Payments of common dividends	(19,079)	(18,274)	(18,191)
Payments of preferred dividends	(3,507)	(7,373)	(7,931)
Repurchases of common stock			(89,865)
Net Cash Provided by (Used in) Financing Activities	(37,818)	(35,376)	295,239
Net Cash Provided by (Used in) Continuing Operations	198,156	92,848	(88,054)
Discontinued Operations			
Net Cash Provided by Operating Activities	166	9,107	4,313
Increase (Decrease) in Cash and Cash Equivalents	198,322	101,955	(83,741)
Cash and Cash Equivalents, End of Year	\$ 476,575	\$ 278,253	\$ 176,298
Supplemental Disclosure			
Cash paid (refunded) for income taxes, net	\$ (10,164)	\$ 46,655	\$ 35,210
Cash paid for interest, net of amounts capitalized	\$ 69,313	\$ 56,090	\$ 47,555
Non-cash Investing and Financing Activities			
Capital lease incurred to acquire revenue equipment	\$ 49,999	\$	\$
Repurchased common stock issued under defined contribution plan	\$ 23,316	\$	\$
Repurchased common stock issued for payment of preferred dividends	\$ 3,189	\$	\$

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

