

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the fiscal year ended December 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission file number 0-12255

YELLOW ROADWAY CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

48-0948788
(I.R.S Employer
Identification No.)

10990 Roe Avenue, Overland Park, Kansas
(Address of principal executive offices)

66211
(Zip Code)

Registrant's telephone number, including area code: (913) 696-6100

Securities registered pursuant to Section 12(b) of the Act:

NONE

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$1 Par Value Per Share
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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 an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

The aggregate market value of the voting and non-voting common equity held by nonaffiliates of the registrant at June 30, 2003 was \$688,228,141.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class -----	Outstanding at February 27, 2004 -----
Common Stock, \$1 Par Value Per Share	47,909,226 shares

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference into the Form 10-K:

- 1) Proxy Statement related to the 2004 Annual Meeting of Shareholders - Part III

Yellow Roadway Corporation
Form 10-K
Year Ended December 31, 2003

Index

ITEM	PAGE
-----	-----
PART I	
1. Business	4
2. Properties	11
3. Legal Proceedings	11
4. Submission of Matters to a Vote of Security Holders	11
PART II	
5. Market for the Registrant's Common Stock and Related Shareholder Matters	12
6. Selected Financial Data	13
7. Management's Discussion and Analysis of Financial Condition and Results of Operations	14
7A. Quantitative and Qualitative Disclosures About Market Risk	30
8. Financial Statements and Supplementary Data	31
9. Changes in and Disagreements with Independent Auditors on Accounting and Financial Disclosure	67
9A. Controls and Procedures	67
PART III	
10. Directors and Executive Officers of the Registrant	68
11. Executive Compensation	69
12. Security Ownership of Certain Beneficial Owners and Management	69
13. Certain Relationships and Related Transactions	69
PART IV	
14. Principal Accountant Fees and Services	70
15. Exhibits, Financial Statement Schedule and Reports on Form 8-K	70
Exhibits Index	70
Report of Independent Auditors on Financial Statement Schedule	76
Financial Statement Schedule II	77
Signatures	78

PART I

Item 1. Business

GENERAL DEVELOPMENT OF THE BUSINESS

Yellow Roadway Corporation (also referred to as "Yellow Roadway," "Yellow," "we" or "our"), a Fortune 500 company and one of the largest transportation service providers in the world, is a holding company that through wholly owned operating subsidiaries offers its customers a wide range of asset and non-asset-based transportation services. Yellow Technologies, Inc. ("Yellow Technologies"), a captive corporate resource, provides innovative technology solutions and services exclusively for Yellow Roadway companies. Our operating subsidiaries include the following:

- Yellow Transportation, Inc. ("Yellow Transportation") is a leading transportation services provider that offers a full range of regional, national and international services for the movement of industrial, commercial and retail goods, primarily through centralized management and customer facing organizations. Approximately 40 percent of Yellow Transportation shipments are completed in two days or less.
- Roadway Express, Inc. ("Roadway Express") is a leading transportation services provider that offers a full range of regional, national and international services for the movement of industrial, commercial and retail goods, primarily through decentralized management and customer facing organizations. Approximately 30 percent of Roadway Express shipments are completed in two days or less. Roadway Express owns 100 percent of Reimer Express Lines Ltd. ("Reimer") located in Canada that specializes in shipments into, across and out of Canada.
- Roadway Next Day Corporation is a holding company focused on business opportunities in the regional and next-day delivery lanes. Roadway Next Day Corporation owns 100 percent of New Penn Motor Express, Inc. ("New Penn"), which provides superior quality regional, next-day ground services through a network of facilities located in the Northeastern United States ("U.S."), Quebec, Canada and Puerto Rico.
- Meridian IQ, Inc. ("Meridian IQ") is a non-asset-based global transportation management company that plans and coordinates the movement of goods throughout the world, providing customers a quick return on investment, more efficient supply-chain processes and a single source for transportation management solutions.

On July 8, 2003 we announced our intention to acquire Roadway Corporation ("Roadway") in approximately a half cash, half stock transaction, and on December 11, 2003 we successfully closed the acquisition of Roadway. As a result of the acquisition, Roadway Corporation became Roadway LLC, a subsidiary of Yellow Roadway Corporation. Consideration for the acquisition included \$494 million in cash and 18.0 million shares of Yellow Roadway common stock, based on an exchange ratio of 1.752 and an average price per share of \$31.51, for a total purchase price of \$1.1 billion. The purchase price also includes approximately \$19 million for investment banking, legal and accounting fees that Yellow Roadway incurred to consummate the acquisition, resulting in total cash consideration of \$513 million. In addition, by virtue of the merger, Roadway LLC assumed \$225.0 million of principal senior notes with a fair value of \$248.9 million and acquired available cash of \$106.3 million.

In August 2003, a subsidiary of Meridian IQ, Yellow Global, LLC, acquired certain U.S. assets of GPS Logistics, a global logistics provider. Yellow Global, LLC was then renamed Yellow GPS, LLC ("Yellow GPS"). In exchange for the acquisition, Yellow GPS assumed certain of GPS Logistics customer, lease and other obligations and became obligated to pay GPS Logistics earnout payments if certain financial targets for the combined business of Yellow GPS are met. There was no net cash consideration paid in the transaction. In addition, Yellow GPS received a call option to purchase the stock of each of GPS Logistics (E.U.) Ltd., the related United Kingdom ("U.K.") operations of GPS Logistics, and GPS Logistics Group Ltd., the related Asian operations of GPS Logistics. If Yellow GPS does not exercise the Asian option, it would be required to pay a deferred option price to the shareholders of GPS Logistics Group Ltd. In February 2004, Yellow GPS exercised and closed its option to purchase GPS Logistics (E.U.) Ltd. Yellow GPS made a payment of \$7.6 million, which is subject to upward and downward adjustment based on the financial performance of the U.K. business.

FINANCIAL INFORMATION ABOUT SEGMENTS

We have four reportable segments (Yellow Transportation, Roadway Express, New Penn and Meridian IQ) that are strategic operating units requiring different operating, marketing and technology strategies. The Business Segments note under Item 8, Financial Statements and Supplementary Data, presents financial disclosures for these segments.

NARRATIVE DESCRIPTION OF THE BUSINESS

Yellow Roadway Corporation is a Fortune 500 company and one of the largest transportation service providers in the world. Through operating subsidiaries including Yellow Transportation, Roadway Express, New Penn and Meridian IQ, we offer our customers a wide range of asset and non-asset-based transportation services integrated with technology solutions provided by Yellow Technologies. The Yellow Roadway portfolio of brands provides one of the most comprehensive packages of services for the shipment of industrial, commercial and retail goods domestically and internationally. Headquartered in Overland Park, Kansas, we employed approximately 50,000 people as of December 31, 2003.

OPERATING UNITS OF THE BUSINESS

Yellow Transportation

One of our largest operating units, Yellow Transportation, offers a full range of services for the movement of industrial, commercial, and retail goods. Yellow Transportation provides transportation services by moving shipments through its regional, national and international networks of terminals, utilizing primarily ground transportation equipment that we own or lease. The Yellow Transportation mission is to be the leading provider of guaranteed, time-definite, defect-free, hassle-free transportation services for business customers worldwide. Yellow Transportation addresses the increasingly complex transportation needs of its customers through service offerings such as:

- Exact Express(R)- a premium expedited and time-definite ground service with an industry-leading 100% satisfaction guarantee;
- Definite Delivery(R) - a guaranteed on-time service with constant shipment monitoring and proactive notification;
- Standard Ground(TM) - a ground service with complete coverage of North America;
- Standard Ground(TM) Regional Advantage - a high-speed service for shipments moving between 500 and 1,500 miles; and
- MyYellow(R).com - a leading edge e-commerce web site offering secure and customized online resources to manage transportation activity.

Yellow Transportation, founded in 1924, serves more than 400,000 manufacturing, wholesale, retail and government customers throughout North America. No single customer accounts for more than six percent of Yellow Transportation revenue. Operating from 335 strategically located facilities, Yellow Transportation provides service throughout North America, including within Puerto Rico and Hawaii. Shipments range from 100 to 40,000 pounds, with an average shipment size of 1,000 pounds traveling an average distance of more than 1,200 miles. Yellow Transportation has nearly 700 employees with sales responsibilities.

Yellow Technologies has developed and supports proprietary technology that drives the Yellow Transportation network. Approximately 24,000 Yellow Transportation employees are dedicated to operating the system that supports 280,000 shipments in transit at any time. An operations research and engineering team is responsible for the equipment, routing, sequencing and timing of nearly 59 million miles per month. At December 31, 2003, Yellow Transportation had 7,597 owned tractors, 504 leased tractors, 34,939 owned trailers and 60 leased trailers.

Based in Overland Park, Kansas, Yellow Transportation accounted for 92 percent of our total operating revenue in 2003, 97 percent of our total operating revenue in 2002 (excluding SCS Transportation, Inc. ("SCST"), which we spun off in 2002) and 99 percent in 2001. On a pro forma basis, assuming the acquisition of Roadway had occurred on January 1, 2003, Yellow Transportation revenue would have represented approximately 46 percent of our total operating revenue.

Roadway Express

Founded in 1930, Roadway Express, through its extensive network of 369 terminals located throughout North America, offers long-haul, interregional and regional less-than-truckload ("LTL") freight services on two-day and beyond lanes. Roadway Express is a leading transporter of industrial, commercial and retail goods with a variety of innovative services designed to meet customer needs. Roadway Express provides seamless, general commodity freight service among all 50 states, Canada, Mexico and Puerto Rico, and offers import and export services to more than 100 additional countries worldwide through offshore agents. Service in Canada is provided by Reimer, while service in Mexico is handled by Roadway Express, S.A. de C.V. Both companies are subsidiaries of Roadway Express.

General commodity freight includes apparel, appliances, automotive parts, chemicals, food, furniture, glass machinery, metal and metal products, non-bulk petroleum products, rubber, textiles, wood and miscellaneous manufactured products. Roadway Express also offers truckload ("TL") services to complement its LTL business, usually to fill back hauls and maximize equipment utilization. Backhaul is the process of moving trailers (often empty or partially full) back to their destination after a delivery. In addition, Roadway Express provides higher margin specialized services, including guaranteed expedited services, time-specific delivery, North American international services, coast-to-coast air delivery, sealed trailers, product returns, cold-sensitive protection and government material shipments.

Roadway Express employed approximately 24,000 employees as of December 31, 2003. It owned 6,272 tractors and 27,030 trailers and leased 2,267 tractors and 621 trailers. Headquartered in Akron, Ohio, Roadway Express accounted for four percent of our total operating revenue in 2003, as the results of Roadway Express were only included in our results of operations from the date of acquisition through December 31. On a pro forma basis, assuming the acquisition of Roadway had occurred on January 1, 2003, Roadway Express revenue would have represented approximately 48 percent of our total operating revenue.

New Penn

Founded in 1931, New Penn is a regional, next-day, ground LTL carrier of general commodities. Through a network of 24 terminals, and using 807 owned tractors and 1,639 owned trailers, New Penn services twelve states in the Northeastern U. S., Quebec and Puerto Rico and has links to the Midwest and Southeast regions of the U.S. and Ontario. New Penn has more than 2,000 employees. Ninety-five percent of New Penn shipments are delivered next-day in the Northeast region of the U.S. On a pro forma basis, assuming the acquisition of Roadway had occurred on January 1, 2003, New Penn revenue would have represented approximately four percent of our total operating revenue.

Reimer Express Lines

Founded in 1952, Reimer, a wholly owned subsidiary of Roadway Express, offers Canadian shippers an unmatched selection of direct connections within Canada, throughout North America and around the world. Its network and information systems are completely integrated with those of Roadway Express. Integration with Roadway Express enables Reimer to provide seamless cross-border services between Canada, Mexico and the U.S. At December 31, 2003, Reimer had approximately 1,500 employees and operated through 22 terminals. Reimer owned 373 tractors (excludes owner-operator tractors) and 513 trailers and leased 126 tractors and 522 trailers. All of the operating statistics of Reimer disclosed in this paragraph are also included in the Roadway Express statistics previously discussed.

Meridian IQ

Meridian IQ is a non-asset global transportation management company that plans and coordinates the movement of goods worldwide to provide customers a single source for transportation management solutions. Non-asset-based service providers, such as logistics companies, arrange for and expedite the movement of goods and materials through the supply chain. The typical logistics provider neither owns nor operates the physical assets necessary to move goods, eliminating the significant capital requirements normally experienced by a typical transportation company. This lower asset requirement allows the non-asset-based firms to reduce variable costs in economic downturns.

Meridian IQ delivers a wide range of global transportation management services, with the ability to provide customers improved return-on-investment results through flexible, fast and easy-to-implement transportation services and technology management solutions. Meridian IQ has approximately 12,000 transactional and 200 contractual customers.

Meridian IQ offers the following services:

- International forwarding and customs brokerage - arranging for the administration, transportation and delivery of goods to over 88 countries;
- Multi-modal brokerage services - providing companies with daily shipment needs with access to volume capacity and specialized equipment at competitive rates;
- Domestic forwarding and expedited services - arranging guaranteed, time-definite transportation for companies within North America requiring time-sensitive delivery options and guaranteed reliability; and

- Transportation solutions and technology management - web-native transportation management systems enabling customers to manage their transportation network centrally with increased efficiency and visibility. When combined with network consulting and operations management any organization, regardless of size, can outsource transportation functions partially or even entirely with Meridian IQ.

Meridian IQ and Yellow Transportation create complementary service offerings with the ability for each to generate revenue for the other. Through its strong relationships, Yellow Transportation has introduced its customers to Meridian IQ for value-added transportation technology and management services. This gives Meridian IQ immediate market credibility from established relationships, and a large pool of existing Yellow Transportation customers to target. In addition, Meridian IQ has attracted new transportation and technology management customers who utilize the Yellow Transportation service portfolio.

The competition of Meridian IQ includes transportation management systems providers, domestic and international freight forwarders, freight brokers, and third party logistics companies. Meridian IQ has approximately 600 employees, including 115 located in the U.K. Meridian IQ has a sales force of approximately 40, including seven located in the U.K. Additionally, the nearly 700 members of the Yellow Transportation sales force assist Meridian IQ in developing sales leads. Based in Overland Park, Kansas, Meridian IQ accounted for four percent of our total operating revenue in 2003, three percent of our total operating revenue (excluding SCST) in 2002 and less than one percent in 2001. On a pro forma basis, assuming the acquisition of Roadway had occurred on January 1, 2003, Meridian IQ revenue would have represented approximately two percent of our total operating revenue.

Yellow Technologies

Yellow Technologies, a captive corporate resource, aims at creating competitive advantages for Yellow Roadway businesses by delivering innovative information solutions and technology services. Yellow Technologies has approximately 300 employees. In addition to delivering and supporting highly integrated applications and solutions, Yellow Technologies provides value-added technical, network, secure data, and enterprise system management services to our operating subsidiaries. Yellow Technologies and Meridian IQ together provide hosting, infrastructure services and managed transportation business systems development. Yellow Technologies is headquartered in Overland Park, Kansas.

COMPETITION

Customers have a wide range of choices. We believe that service quality, performance, technology, service variety, responsiveness, and flexibility are important competitive differentiators.

Few U.S.-based competitors offer comparably broad service capabilities. By integrating traditional ground, expedited, air cargo, and managed transportation solutions, we can provide consumers with a single source answer to shipping challenges with a foundation of service excellence and quality as its basis. Our market studies show a continued preference among customers for transportation providers based on quality and value, and we believe that we are positioned to grow given our strategic focus. By increasing the depth of the services we offer, we believe that we can successfully compete against the largest transportation competitors from a value perspective.

Yellow Transportation, Roadway Express and New Penn operate in a highly competitive environment against a wide range of transportation service providers. These competitors include a small number of national transportation services providers similar in size and scope to Yellow Transportation and Roadway Express, a moderate number of regional or interregional providers and a large number of relatively small, shorter-haul transportation companies. Yellow Transportation and Roadway Express also compete in and against several modes of transportation, including LTL, TL, air cargo, rail, consolidators and private fleets.

Truck-based transportation includes private fleets and two "for-hire" carrier groups. The private carrier segment consists of fleets owned and operated by shippers who move their own goods. The two "for-hire" groups are based on the typical shipment sizes handled by transportation service companies. Truckload refers to providers transporting shipments that generally fill a trailer, and LTL or shared load refers to providers transporting shipments from multiple shippers that alone would not fill a trailer.

Shared load transportation providers consolidate numerous orders generally ranging from 100 to 10,000 pounds from businesses in different locations. Orders are consolidated at individual locations within a certain radius from service centers. As a result, shared load carriers require expansive networks of pickup and delivery operations around local service centers and, with respect to national carriers, shipments are moved between origin and destination through a series of regional distribution centers. Depending on the distance shipped, shared load providers are often classified into three sub-groups:

- Regional - Average distance is typically less than 500 miles with a focus on one- and two-day delivery times. Regional transportation companies can move shipments directly to their respective destination centers, which increases service reliability and avoids costs associated with intermediate handling.
- Interregional - Average distance is usually between 500 and 1,000 miles with a focus on two- and three-day delivery times. There is a blurring of lines between regional and national providers, as each sees the interregional segment as a growth opportunity, and there are no providers who focus exclusively on this sector.
- National - Average distance is typically in excess of 1,000 miles with focus on two- to five-day delivery times. National providers rely on interim shipment handling through a network of terminals, which require numerous satellite service centers, multiple distribution centers and a relay network. To gain service and cost advantages, they often ship directly between service centers, minimizing intermediate handling.

Yellow Transportation and Roadway Express provide service to all three sub-groups. Entry into the LTL trucking industry on a small scale with a limited service area is relatively easy. The larger the service area the greater the barriers to entry, due to the need for broader geographic coverage and additional equipment and facility requirements associated with this coverage. The level of technology applications required and the ability to generate shipment densities that provide adequate labor and equipment utilization also make larger-scale entry into the market difficult.

REGULATION

Yellow Transportation, Roadway Express, New Penn and other interstate carriers were substantially deregulated following the enactment of the Motor Carrier Act of 1980, the Trucking Industry Regulatory Reform Act of 1994, the Federal Aviation Administration Authorization of 1994 and the ICC Termination Act of 1995. Prices and services are now largely free of regulatory controls, although the states retained the right to require compliance with safety and insurance requirements, and interstate motor carriers remain subject to regulatory controls that agencies within the U.S. Department of Transportation impose.

Yellow Transportation, Roadway Express and New Penn are subject to regulatory and legislative changes, which can affect our economics and those of our competitors. Various state agencies regulate us, and our operations are also subject to various federal, foreign, state, provincial and local environmental laws and regulations dealing with transportation, storage, presence, use, disposal and handling of hazardous materials, discharge of storm-water and underground fuel storage tanks.

We believe that our operations are in substantial compliance with current laws and regulations, and we do not know of any existing conditions that would cause compliance with applicable regulations to have a material adverse effect on our business or operating results.

We further describe our operations in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of this report.

ENVIRONMENTAL MATTERS

Our operations are subject to U.S. federal, foreign, state, provincial and local regulations with regard to air and water quality and other environmental matters. We believe that we are in substantial compliance with these regulations. Regulation in this area continues to evolve and changes in standards of enforcement of existing regulations, as well as the enactment and enforcement of new legislation may require us and our customers to modify, supplement or replace equipment or facilities or to change or discontinue present methods of operation.

During 2003, we spent approximately \$2.5 million to comply with U.S. federal, state and local provisions regulating the discharge of materials into the environment or otherwise relating to the protection of the environment (collectively, "Environmental Regulations"). In 2004, we expect to spend approximately \$5 million to comply with the Environmental Regulations. Based upon current information, we believe that our compliance with Environmental Regulations will not have a material adverse effect upon our capital expenditures, results of operation and competitive position because we have either made adequate reserves for such compliance expenditures or the cost for such compliance is expected to be small in comparison with our overall net worth.

We estimate that we will incur less than \$1 million in capital expenditures for environmental control equipment during 2004. We believe that capital expenditures for environmental control equipment for 2004 will not have a material adverse effect upon our

financial condition because the aggregate amount of these expenditures is expected to be small in comparison with our overall net worth.

The Comprehensive Environmental Response, Compensation and Liability Act (known as the "Superfund Act") imposes liability for the release of a "hazardous substance" into the environment. Superfund liability is imposed without regard to fault and even if the waste disposal was in compliance with the then current laws and regulations. With the joint and several liability imposed under the Superfund Act, a potentially responsible party ("PRP") may be required to pay more than its proportional share of such environmental remediation. We and several of our subsidiaries have been identified as PRPs at various sites discussed below. The U.S. Environmental Protection Agency ("the EPA") and appropriate state agencies are supervising investigative and cleanup activities at these sites. The EPA has identified Yellow Transportation as a PRP for two locations: Omega Chemical Site, Whittier, CA and Alburn Incinerator, Inc., Chicago, IL. We estimate that the combined potential costs at these two sites will not exceed \$0.3 million. The EPA has identified Roadway Express as a PRP for five locations: Operating Industries Site, Monterey Park, CA; BEMS Landfill, Mt. Holly, NJ; Double Eagle Site, Oklahoma City, OK; M&J Solvent Site, Atlanta, GA and FL Petroleum Site, Davie, FL. We estimate that combined potential costs at these five sites will not exceed \$0.7 million. Yellow Transportation and Roadway Express are classified as de minimis PRPs at all of these locations.

While PRPs in Superfund actions have joint and several liabilities for all costs of remediation, it is not possible at this time to quantify our ultimate exposure because the projects are either in the investigative or early remediation stage. Based upon current information, we do not believe that probable or reasonably possible expenditures in connection with the sites described above are likely to have a material adverse effect on our result of operations because:

- We have established adequate reserves to cover the estimate we presently believe will be our liability with respect to the matter;
- We and our subsidiaries have only limited or de minimis involvement in the sites based upon a volumetric calculation;
- Other PRPs involved in the sites have substantial assets and may reasonably be expected to pay their share of the cost of remediation;
- We have adequate resources, insurance coverage or contractual indemnities from third parties to cover the ultimate liability; and
- We believe that our ultimate liability is small compared with our overall net worth.

We are subject to various other governmental proceedings and regulations, including foreign regulations, relating to environmental matters, but we do not believe that any of these matters are likely to have a material adverse effect on our financial condition or results of operation.

This section, "Environmental Matters," contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The word "believe" and similar expressions are intended to identify forward-looking statements. Our expectations regarding our compliance with Environmental Regulations and our expenditures to comply with Environmental Regulations, including (without limitation) our capital expenditures on environmental control equipment, are only our forecasts regarding these matters. These forecasts may be substantially different from actual results, which may be affected by the following factors: changes in Environmental Regulations; unexpected, adverse outcomes with respect to sites where we have been named as a PRP, including (without limitation) the sites described above; the discovery of new sites of which we are not aware and where additional expenditures may be required to comply with Environmental Regulations; an unexpected discharge of hazardous materials in the course of our business or operations; an acquisition of one or more new businesses; a catastrophic event causing discharges into the environment of hydrocarbons; and a material change in the allocation to us of the volume of discharge and a resulting change in our liability as a PRP with respect to a site.

ECONOMIC FACTORS AND SEASONALITY

Our business is subject to a number of general economic factors that may have a materially adverse effect on the results of our operations, many of which are largely out of our control. These include recessionary economic cycles and downturns in customers' business cycles, particularly in market segments and industries, such as retail and manufacturing, where we have a significant concentration of customers. Economic conditions may adversely affect our customers' business levels, the amount of transportation services they need and their ability to pay for our services. We operate in a highly price-sensitive and competitive industry, making

pricing, customer service, effective asset utilization and cost control major competitive factors. No single customer accounts for more than six percent of our total revenue. Yellow Transportation, Roadway Express and New Penn revenues are subject to seasonal variations. Customers tend to reduce shipments after the winter holiday season, and operating expenses tend to be higher in the winter months primarily due to colder weather, which causes higher fuel consumption from increased idle time. Generally, the first quarter is the weakest while the third quarter is the strongest. The availability and cost of labor can significantly impact our cost structure and earnings.

FUTURE OUTLOOK

Economists expect growth in capital spending in 2004 as a result of, among others, rising corporate profits, lower interest rates, improving equity markets and tax incentives. Our economic assumptions also include year-over-year gains in the industrial production index and real gross domestic product of four percent; a significant positive for our industry. Management expects our pricing environment to remain competitive, yet stable, during the upcoming year. We will continue to focus on leveraging the capabilities of our new organization and achieving the synergies that are available to us. With our significant operating leverage, we are well positioned to take advantage of improving economic conditions.

This entire annual report encompassing management's discussion and analysis and certain statements in the Notes to Consolidated Financial Statements includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21 of the Securities Exchange Act of 1934, as amended (each a "forward-looking statement"). Forward-looking statements include those preceded by, followed by or include the words "should," "expects," "believes," "anticipates," "estimates" or similar expressions. Our actual results could differ materially from those projected by these forward-looking statements due to a number of factors, including (without limitation), inflation, labor relations (i.e. disruptions, strikes or work stoppages), inclement weather, price and availability of fuel, competitor pricing activity, expense volatility, changes in and customer acceptance of new technology, our ability to capture cost synergies from our acquisition of Roadway Corporation, changes in equity and debt markets and a downturn in general or regional economic activity, as well as those factors discussed in the Economic Factors and Seasonality section above.

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

Our revenue from foreign sources is largely derived from Canada and Mexico. We discuss revenue from foreign sources in the Business Segments note under Item 8, Financial Statements and Supplementary Data, of this report. Foreign source revenue was not material to our consolidated financial results in 2003, 2002 or 2001.

Item 2. Properties

At December 31, 2003, we operated a total of 728 freight terminals located in 50 states, Puerto Rico, Canada and Mexico. Of this total, 462 were owned terminals and 266 were leased, generally for terms of three years or less. The number of vehicle back-in doors totaled 28,712, of which 23,805 were at owned terminals and 4,367 were at leased terminals. The freight terminals vary in size ranging from one to three doors at small local terminals, to over 380 doors at the largest consolidation and distribution terminal. Substantially all of the larger terminals, containing the greatest number of doors, are owned. In addition, we and our subsidiaries own and occupy general office buildings in Overland Park, Kansas, Akron, Ohio, Lebanon, Pennsylvania and Winnipeg, Manitoba.

The vast majority of our owned freight terminals and office buildings located in the U.S. have been mortgaged to secure our borrowings under our senior secured credit facility. The Roadway LLC freight terminals and office buildings are also mortgaged to secure our senior notes due 2008. We discuss our outstanding debt in the Debt and Financing note under Item 8, Financial Statements and Supplementary Data.

Our facilities and equipment are adequate to meet current business requirements in 2004. Refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for a more detailed discussion of expectations regarding capital spending in 2004.

Item 3. Legal Proceedings

We discuss legal proceedings in the Commitments, Contingencies, and Uncertainties note under Item 8, Financial Statements and Supplementary Data, of this report.

Item 4. Submission of Matters to a Vote of Security Holders

A special meeting of the Yellow Roadway security holders occurred December 9, 2003. At the meeting, the security holders approved (1) as consideration for the acquisition of Roadway, the issuance of the approximately 18 million shares of our common stock, (2) the changing of our name to Yellow Roadway Corporation upon the closing of the Roadway acquisition, and (3) adjournments or postponements of the special meeting to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve proposals 1 and 2. In respect of the issuance of the Yellow Roadway shares, there were 21,732,954 shares that voted in favor, 252,323 shares that voted against, 16,819 abstentions and 4,956,799 broker non-votes. In respect of changing our name, there were 26,473,845 shares that voted in favor, 473,462 shares that voted against, 11,588 abstentions and zero broker non-votes. In respect of adjournments and postponements, there were 17,980,330 shares that voted in favor, 8,787,038 shares that voted against, 191,527 abstentions and zero broker non-votes.

PART II

Item 5. Market for the Registrant's Common Stock and Related Shareholder Matters

COMMON STOCK

As of February 27, 2004, approximately 18,312 shareholders of record held Yellow Roadway Corporation common stock. Our only class of stock outstanding is common stock, traded through the NASDAQ Stock Market. Trading activity averaged 831,000 shares per day during 2003, up from 384,000 per day in 2002. From January 1, 2003 through the announcement of our acquisition of Roadway on July 8, 2003, trading activity averaged 495,000 shares per day. From July 9, 2003 through the end of 2003, trading activity averaged 1,197,000 shares per day. The NASDAQ Stock Market quotes prices for our common stock under the symbol "YELL." The high and low prices at which Yellow Roadway Corporation common stock traded for each calendar quarter in 2003 and 2002 are shown below.

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter (a)	
2003					
Operating revenue	\$681,093	\$713,453	\$770,705	\$903,365	
Losses (gains) on property disposals, net	11	30	381	(589)	
Acquisition, spin-off and reorganization charges	--	--	864	2,260	
Operating income	11,759	32,333	37,812	6,698	(b)
Net income (loss)	5,626	18,360	17,369	(672)	
Diluted earnings (loss) per share	0.19	0.62	0.58	(0.02)	
Common stock:					
High	27.75	28.03	33.95	36.96	
Low	21.18	22.01	21.63	29.35	
2002					
Operating revenue	\$578,802	\$646,061	\$682,473	\$716,812	
Losses (gains) on property disposals, net	468	438	351	(832)	
Spin-off and reorganization charges	236	561	5,367	1,846	
Operating income	2,657	6,210	13,482	24,515	
Income (loss) from continuing operations	(147)	2,628	7,297	14,195	
Income (loss) from discontinued operations	(72,889)	3,592	(48,578)	--	
Net income (loss)	(73,036)	6,220	(41,281)	14,195	
Diluted earnings (loss) per share:					
From continuing operations	(0.01)	0.09	0.25	0.48	
From discontinued operations	(2.88)	0.13	(1.65)	--	
Common stock:					
High	23.12	27.98	27.07	32.21	
Low	18.31	21.20	18.72	25.19	
	=====	=====	=====	=====	

(a) Fourth quarter 2003 information included Roadway LLC revenue of \$141.0 million and an operating loss of \$6.3 million from the date of acquisition through December 31.

(b) Fourth quarter 2003 operating income included \$2.3 million of acquisition charges, \$17.5 million related to conforming accounting policies, a \$2.0 million legal provision and \$0.6 million of gains on property disposals.

Yellow Roadway Corporation did not declare any cash dividends on its common stock in 2002 or 2003. Our ability to pay dividends in the future is restricted under our senior secured credit facility. Refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, Financial Condition - Liquidity - Secured Credit Agreement.

The information required by this item with respect to information regarding our equity compensation plans is included under the caption "Equity Compensation Plan Information" in our Proxy Statement related to the 2004 Annual Meeting of Shareholders and is incorporated herein by reference. The information required by this item with respect to the sale of unregistered securities is included under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, Acquisition of Roadway Corporation - Financing for the Acquisition - 5.0 Percent Contingent Convertible Senior Notes and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, Acquisition of Roadway Corporation - Financing for the Acquisition - 3.375 Percent Contingent Convertible Senior Notes.

Item 6. Selected Financial Data

(in thousands except per share data)	2003(a)	2002(b)	2001	2000	1999
FOR THE YEAR					
Operating revenue	\$3,068,616	\$2,624,148	\$2,505,070	\$2,799,131	\$2,632,337
Operating income	88,602	46,864	38,195	126,747	76,026
Losses (gains) on property disposals, net	(167)	425	(186)	(14,372)	341
Acquisition, spin-off and reorganization charges	3,124	8,010	5,601	--	--
Interest expense	20,606	7,211	8,437	10,131	6,086
Asset backed securitization ("ABS") facility charges	-	2,576	7,996	10,052	8,252
Income from continuing operations (after tax)	40,683	23,973	10,589	61,605	38,746
Net income (loss)	40,683	(93,902)	15,301	68,018	50,915
Depreciation and amortization expense	87,398	79,334	76,977	78,587	76,904
Net capital expenditures from continuing operations	99,134	82,830	81,435	70,689	96,169
Net cash from operating activities from continuing operations	155,736	25,808	12,189	151,592	206,705
AT YEAR-END					
Net property and equipment	1,403,268	564,976	559,532	554,150	547,139
Total assets	3,463,229	1,042,985	1,285,777	1,308,477	1,325,583
Long-term debt, less current portion	836,082	50,024	213,745	136,645	274,015
ABS facility(c)	71,500	50,000	141,500	177,000	135,000
Total debt, including ABS facility	909,339	124,285	361,526	382,437	411,407
Total shareholders' equity	1,002,085	359,958	490,989	459,776	409,380
MEASUREMENTS					
Diluted per share data:					
Income from continuing operations	1.33	0.84	0.43	2.49	1.54
Net income (loss)	1.33	(3.31)	0.62	2.74	2.02
Average common shares outstanding - diluted	30,655	28,371	24,679	24,787	25,168
Debt to capitalization	47.6%	25.7%	42.4%	45.4%	50.1%
Debt to capitalization, less available cash	45.4%	21.0%	41.1%	44.0%	48.9%
Shareholders' equity per share	\$ 20.97	\$ 12.17	\$ 19.75	\$ 19.32	\$ 16.44
Common stock price range:					
High	36.96	32.21	27.57	22.13	19.63
Low	21.18	18.31	15.50	13.81	14.38
OTHER DATA					
Average number of employees	50,000(d)	23,000	30,000	32,900	31,200
Yellow Transportation operating ratio	95.7%	97.2%	97.8%	94.9%	96.7%

- (a) Represents the results of all Yellow Roadway entities including Roadway LLC entities from the date of acquisition through December 31.
- (b) In 2002, we completed the spin-off of SCS Transportation, Inc. ("SCST"). Financial Summary data has been reclassified for all periods presented to disclose SCST as a discontinued operation.
- (c) Prior to December 31, 2002, the ABS facility was treated as a sale of assets and the sold receivables and related obligations were not reflected on the Consolidated Balance Sheets.
- (d) In 2003, prior to the acquisition of Roadway on December 11, 2003, we had an average of 25,000 employees.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Yellow Roadway Corporation (also referred to as "Yellow Roadway," "Yellow," "we" or "our"), a Fortune 500 company and one of the largest transportation service providers in the world, is a holding company that through wholly owned operating subsidiaries offers its customers a wide range of asset and non-asset-based transportation services. Yellow Technologies, Inc., a captive corporate resource, provides innovative technology solutions and services exclusively for Yellow Roadway companies. Our operating subsidiaries include the following:

- Yellow Transportation, Inc. ("Yellow Transportation") is a leading transportation services provider that offers a full range of regional, national and international services for the movement of industrial, commercial and retail goods, primarily through centralized management and customer facing organizations. Approximately 40 percent of Yellow Transportation shipments are completed in two days or less.
- Roadway Express, Inc. ("Roadway Express") is a leading transportation services provider that offers a full range of regional, national and international services for the movement of industrial, commercial and retail goods, primarily through decentralized management and customer facing organizations. Approximately 30 percent of Roadway Express shipments are completed in two days or less. Roadway Express owns 100 percent of Reimer Express Lines Ltd. ("Reimer") located in Canada that specializes in shipments into, across and out of Canada.
- Roadway Next Day Corporation is a holding company focused on business opportunities in the regional and next-day delivery lanes. Roadway Next Day Corporation owns 100 percent of New Penn Motor Express, Inc. ("New Penn"), which provides superior quality regional, next-day ground services through a network of facilities located in the Northeastern United States ("U.S."), Quebec, Canada and Puerto Rico.
- Meridian IQ, Inc. ("Meridian IQ") is a non-asset-based global transportation management company that plans and coordinates the movement of goods throughout the world, providing customers a quick return on investment, more efficient supply-chain processes and a single source for transportation management solutions.

The following management's discussion and analysis explains the main factors impacting our results of operations, liquidity and capital expenditures and the critical accounting policies of Yellow Roadway. This information should be read in conjunction with the accompanying financial statements and notes to the financial statements.

FORWARD-LOOKING STATEMENTS

This entire annual report encompassing management's discussion and analysis and certain statements in the Notes to Consolidated Financial Statements includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21 of the Securities Exchange Act of 1934, as amended (each a "forward-looking statement"). Forward-looking statements include those preceded by, followed by or include the words "should," "expects," "believes," "anticipates," "estimates" or similar expressions. Our actual results could differ materially from those projected by these forward-looking statements due to a number of factors, including (without limitation), inflation, labor relations (i.e. disruptions, strikes or work stoppages), inclement weather, price and availability of fuel, competitor pricing activity, expense volatility, changes in and customer acceptance of new technology, our ability to capture cost synergies from our acquisition of Roadway Corporation, changes in equity and debt markets and a downturn in general or regional economic activity.

OUR OPERATING ENVIRONMENT

We operate in a highly competitive environment, yet one where we believe the right value proposition for our customers permits us to recover our cost of capital over the business cycle. Historically, our customers viewed us solely as a less-than-truckload ("LTL") carrier with limited service opportunities. Over the last seven years significant changes have occurred in our environment, including: consolidation and liquidation of LTL carriers; the increased presence of global, small package providers such as FedEx Corporation and United Parcel Service, Inc.; and increasing needs and demands of our stakeholders. We continue to proactively address these changes through our focused strategy of being a global transportation services provider. Over the last few years, we have spun-off our nonunion, regional carriers, raised substantial capital through a successful equity offering, expanded our service offerings, and completed multiple acquisitions of non-asset-based companies. 2003 was no exception to our strategy, as we negotiated a five-year labor agreement with the International Brotherhood of Teamsters, completed another non-asset-based acquisition, and successfully acquired our largest traditional LTL competitor, Roadway Express.

We will continue to face challenges in the environment that we operate, primarily due to the changing competitive landscape and general economic activity. Specific economic areas that impact our ability to generate profits and cash flows include the levels of consumer spending and manufacturing activity. We monitor these areas primarily through growth in real gross domestic product ("GDP") and the industrial production index ("IPI"). Real GDP measures the value of goods and services produced in the U.S., excluding inflation, and the IPI measures the physical units and inputs into the U.S. production process. According to the St. Louis FREDII database, in 2003 real GDP rose from a 2.4 percent annualized rate in the first six months of the year to 6.1 percent during the last six months of the year. In addition, the Federal Reserve G17 release states the IPI declined at a 1.1 percent seasonally adjusted annualized rate in the first half of the year and grew 5.1 percent in the second half of the year. These favorable improvements are reflected in our increased profits from 2002 to 2003, as discussed in our Results of Operations section. We manage the impact of our customers' spending and manufacturing activity through, among others, pricing discipline, cost management programs, maintaining adequate debt capacity, investment in technology and continuous improvement programs. We continue to be well positioned in the transportation industry with a strong ability to take advantage of the improving economic conditions.

ACQUISITION OF ROADWAY CORPORATION

On July 8, 2003 we announced our intention to acquire Roadway Corporation ("Roadway") in approximately a half cash, half stock transaction, and on December 11, 2003 we successfully closed the acquisition of Roadway. As a result of the acquisition, Roadway Corporation became Roadway LLC, a subsidiary of Yellow Roadway Corporation. Consideration for the acquisition included \$494 million in cash and 18.0 million shares of Yellow Roadway common stock, based on an exchange ratio of 1.752 and an average price per share of \$31.51, for a total purchase price of \$1.1 billion. The purchase price also included approximately \$19 million for investment banking, legal and accounting fees that Yellow Roadway incurred to consummate the acquisition, resulting in total cash consideration of \$513 million. In addition, by virtue of the merger, Roadway LLC assumed \$225.0 million of principal senior notes due 2008 ("senior notes due 2008") with a fair value of \$248.9 million and acquired available cash of \$106.3 million. To successfully complete the transaction, we obtained the following: financing for the cash portion of the purchase price, as well as the refinancing of certain existing debt facilities; customary regulatory approvals; and approval by the shareholders of both companies of certain aspects of the transaction.

FINANCING FOR THE ACQUISITION

5.0 Percent Contingent Convertible Senior Notes

As part of the cash portion of the purchase price, we issued \$250 million of 5.0 percent contingent convertible senior notes due 2023, in a private offering. On August 8, 2003, we closed the sale of \$200 million of the contingent convertible senior notes and on August 15, 2003 we closed the sale of an additional \$50 million pursuant to the exercise of an option of the initial purchasers to purchase more notes. We received net proceeds from the sales of \$242.5 million, after fees, and used the proceeds to fund the acquisition of Roadway.

The contingent convertible senior notes have an annual interest rate of 5.0 percent and are convertible into shares of Yellow Roadway common stock at a conversion price of \$39.24 per share only upon the occurrence of certain events. The contingent convertible senior notes may not be redeemed by us for seven years from date of issuance but are redeemable at any time after that at par. Holders of the contingent convertible senior notes have the option to require Yellow Roadway to purchase their notes at par on August 8, 2010, 2013 and 2018, and upon a change in control of the company. These terms and other material terms and conditions applicable to the contingent convertible senior notes are set forth in an indenture governing the notes.

Medium-Term Notes

Another change in our capital structure in support of the Roadway acquisition was the repurchase and defeasance of our medium-term notes ("MTNs"). On September 30, 2003, we completed the repurchase of \$24 million aggregate principal amount of MTNs and defeased the remaining \$20 million aggregate principal amount outstanding, after making scheduled principal payments during 2003 of \$11.3 million. Defeasance refers to the process of placing sufficient funds in an irrevocable trust to pay and discharge the MTNs as they become due. As a result, we were considered legally released as the primary obligor and the MTNs were removed from our balance sheet. The interest rate on the MTNs ranged from 6.1 percent to 7.8 percent with scheduled maturities ranging from October 2003 to August 2008. We recognized a loss on the extinguishment of debt of \$2.3 million from the repurchase and defeasance that we reflected in "other" nonoperating expenses on our Statement of Consolidated Operations. We funded the repurchase and defeasance with cash on hand.

3.375 Percent Contingent Convertible Senior Notes

On November 19, 2003, we announced a private offering of \$130 million of contingent convertible senior notes with an option for the initial purchasers to acquire an additional \$20 million of the notes. On November 25, 2003, we closed the sale of the entire \$150 million of contingent convertible senior notes due 2023. We received net proceeds from the offering of \$145.5 million, after fees, and used the proceeds to fund the acquisition of Roadway.

The contingent convertible senior notes have an annual interest rate of 3.375 percent and are convertible into shares of Yellow Roadway common stock at a conversion price of \$46.00 per share only upon the occurrence of certain events. The contingent convertible senior notes may not be redeemed by us for nine years from date of issuance but are redeemable at any time after that at par. Holders of the contingent convertible senior notes have the option to require Yellow Roadway to purchase their notes at par on November 25, 2012, 2015 and 2020, and upon a change in control of the company. These terms and other material terms and conditions applicable to the contingent convertible senior notes are set forth in an indenture governing the notes.

Term Loan

The final cash portion of the purchase price for the Roadway acquisition was funded through a term loan of \$175 million drawn on December 11, 2003. The term loan represents one component of our new \$675 million senior secured credit facility, as described more fully in the Liquidity section.

ACCOUNTING FOR THE ROADWAY ACQUISITION

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations, we accounted for the acquisition under purchase accounting. As a result, our Statements of Consolidated Operations and Statements of Consolidated Cash Flows include results for Roadway LLC and its operating subsidiaries from the date of acquisition (December 11, 2003) through December 31, 2003 (the "stub period"). Our Consolidated Balance Sheet as of December 31, 2003 includes Roadway LLC and its operating subsidiaries after valuing the tangible and intangible assets and liabilities at their fair values.

As the Roadway acquisition occurred in December 2003, the allocation of the purchase price included in the December 31, 2003 consolidated balance sheet is preliminary and subject to refinement. Although we do not expect any subsequent changes to have a material impact on our results of operations or amounts allocated to goodwill, such changes could result in material adjustments to the preliminary purchase allocation. The most significant pending items include the following: finalization of independent asset valuation for the Roadway tangible and intangible assets including associated remaining lives; completion of all direct costs associated with the acquisition; updating Roadway personnel information used to calculate the pension benefit obligation; determination of the fair value of tax-related contingencies; calculation of an estimate for certain contractual obligations; and numerous other refinements. We expect substantially all of the above refinements will be completed by the end of second quarter 2004.

OPPORTUNITIES AND RISKS OF THE ACQUISITION

Closing the acquisition of Roadway represents a significant step in our strategy of becoming a global transportation services provider. Over the next year, we will identify best practices within the two organizations, prudently and aggressively pursue cost synergies, and provide quality service and value for full customer retention, while investing in the separate brands and operating the segments independently. We actively began working toward these action items immediately upon closing of the transaction. We expect to recognize net synergies in 2004 of \$30 to \$50 million. However, there is risk that the synergy savings we have estimated may not be realized as a result of the following: management has no experience running the combined business; the costs we incur in implementing synergies may be greater than expected; we may be restricted from negotiating lower prices with our suppliers due to previous agreements; or we may suffer a loss of employees, customers or suppliers, a loss of revenue or an increase in operating costs. As we have maintained key senior management from both organizations and experienced minimal customer and employee loss to date, we believe these risks are being effectively managed.

RESULTS OF OPERATIONS

Our Results of Operations section focuses on the highlights and significant items that impacted our operating results over the last three years. We will discuss the areas that caused material fluctuations and required specific evaluation by management. Our discussion will also explain the adjustments to operating income that management excludes when internally evaluating segment performance since the items are not related to the segments' core operations. Please refer to our Business Segments note for further discussion.

YELLOW TRANSPORTATION RESULTS

Yellow Transportation represented approximately 92 percent, 97 percent and 99 percent of our consolidated revenue in 2003, 2002 and 2001, respectively. The table below provides summary information for Yellow Transportation for the three years ended December 31:

(in millions)	Percent Change				
	2003	2002	2001	2003 vs. 2002	2002 vs. 2001
Operating revenue	\$2,811.9	\$2,547.1	\$2,492.3	10.4%	2.2%
Operating income	119.9	70.6	55.9	69.8%	26.3%
Adjustments to operating income(a)	19.0	0.5	2.8	n/m(b)	82.1%
Adjusted operating income	138.9	71.1	58.7	95.3%	21.1%
Operating ratio	95.7%	97.2%	97.8%	1.5pp(c)	0.6pp
Adjusted operating ratio	95.1%	97.2%	97.6%	2.1pp	0.4pp

(a) Represents charges that management excludes when evaluating segment performance to better understand our core operations (see discussion below).

(b) Not meaningful.

(c) Percentage points.

2003 compared to 2002

Yellow Transportation revenue increased by \$264.8 million in 2003 compared to 2002 due to improving economic conditions, growth in market share from the 2002 closure of Consolidated Freightways ("CF"), continued emphasis on premium services and meeting customer requirements. The two primary components of LTL revenue are volume, comprised of the number of shipments and the weight per shipment, and price, usually evaluated on a per hundred weight basis. In 2003, Yellow Transportation LTL volume increased by 6.8 percent and LTL revenue per hundred weight, excluding the fuel surcharge, improved by 3.6 percent from 2002. The fuel surcharge, adjusted weekly based on a national index, represents an amount passed on to customers due to higher fuel costs and is common throughout the transportation industry. Since we receive the fuel surcharge from customers, it mostly offsets the higher fuel cost, and it has a high degree of volatility, we typically evaluate our pricing excluding this surcharge.

Premium services, an integral part of our strategy to offer a broad portfolio of services and meet the increasingly complex transportation needs of our customers, continued to produce favorable operating results. Premium services at Yellow Transportation include, among others, Exact Express(R), an expedited and time-definite ground service with a 100 percent satisfaction guarantee; and Definite Delivery(R), a guaranteed on-time service with constant shipment monitoring and notification. In 2003, total Exact Express revenue increased by 59 percent and Definite Delivery revenue increased by 34 percent compared to 2002. Yellow Transportation also offers Standard Ground(TM) Regional Advantage, a high-speed service for shipments moving between 500 and 1,500 miles. Standard Ground Regional Advantage revenue represented nearly 24 percent of total Yellow Transportation revenue in 2003 and increased by 7 percent from 2002. This service provides higher utilization of assets by use of more direct loading and bypassing intermediate handling at distribution centers.

Despite increases in contractual wages and benefits and purchased transportation rates, Yellow Transportation operating income improved by \$49.3 million in 2003 compared to 2002. Operating income increased primarily as a result of increased revenue and effective cost management in areas such as workers' compensation and bad debts (refer to the more detailed discussion in the 2002 compared to 2001 analysis below) and miscellaneous operating supplies. The strong operating income results highlight our continued ability to effectively balance volume and price. Purchased transportation (mostly rail) raised operating expenses by \$24.2 million in 2003 from 2002. The increase resulted from a combination of higher volumes and increased rates. Operating expenses as a percentage of revenue decreased in 2003 by 1.5 percentage points compared to 2002, resulting in an operating ratio of 95.7 percent. Operating ratio refers to a common industry measurement calculated by dividing a company's operating expenses by its operating revenue. In addition to the operating ratio, we evaluate our results based on incremental margins, or the change in operating income

year-over-year divided by the change in revenue year-over-year. The incremental margin at Yellow Transportation from 2002 to 2003 was 25.6 percent after adjustments to operating income, as discussed below.

Yellow Transportation 2003 operating income includes a \$5.0 million reduction in claims and insurance expense for an insurance recovery related to two former employees falsifying claims over several years. We reviewed and made appropriate adjustments to our procedures and controls in response to the claims.

Adjustments to operating income represent charges that management excludes when evaluating segment performance to better understand the results of our core operations. With the exception of property disposals, most of these charges do not occur on a regular basis and can distort our operating results. Management excludes the impact of gains and losses from the disposal of property as they reflect charges not related to the segment's primary business. The following table provides a detail of these charges incurred for the three years ended December 31:

(in millions)	2003	2002	2001
Property (gains)/losses	\$(0.2)	\$0.3	\$ --
Conforming accounting policies	17.5	--	--
Significant legal provision	1.7	--	--
Reorganization charges	--	0.2	2.8
	-----	-----	-----
Total adjustments to operating income	\$19.0	\$0.5	\$2.8
	=====	=====	=====

Conforming accounting policies in 2003 consisted of adjustments for recognizing handling costs for workers' compensation and property damage and liability claims, and a change in policy for accrual of the January 1 holiday pay for union employees. Currently, Yellow Transportation manages the administrative portion of claims handling for self-insurance on workers' compensation and property damage and liability claims. As a result of an initiative to begin outsourcing these functions at Yellow Transportation, we recorded a one-time charge in 2003 of \$14.6 million for the liability associated with future claims handling costs related to existing claims. Roadway Express also recorded a similar liability as a purchase accounting adjustment. The significant legal provision relates to a claim from a former employee that we believe may result in a probable adverse outcome; we recorded a small portion of the claim as a corporate charge for a total provision of \$2.0 million.

2002 compared to 2001

Yellow Transportation realized increased volumes in 2002 compared to 2001, primarily as a result of its premium services and market share growth from the CF closure in September 2002. Yellow Transportation LTL shipment volumes increased by 2.3 percent in 2002 from 2001. Prior to the CF closure, volumes were flat in 2002 compared to 2001. LTL revenue per hundred weight, excluding the fuel surcharge, was up 1.9 percent in 2002 compared to 2001. The increase in volume and price resulted from a disciplined approach to reviewing customer mix and specific yield management efforts.

Premium services continued to produce favorable results and supported our strategy of an increasing portfolio. Exact Express revenue increased by 36 percent from 2001 to 2002 and Definite Delivery increased by 26 percent for the same period. Standard Ground Regional Advantage revenue represented more than 23 percent of Yellow Transportation revenue.

Yellow Transportation realized improved operating income of \$14.7 million from 2001 to 2002, despite increased costs for wages and benefits, workers' compensation and bad debt expense in 2002. Contractual wage and benefit increases combined with higher volumes impacted expense by over \$37 million. Improved productivity and a variance in the labor mix partially offset the increased wages. In addition, effective cost management over operating supplies and administrative costs reduced expense by approximately \$18 million from 2001. The incremental margin at Yellow Transportation from 2001 to 2002 was 22.7 percent after adjustments to operating income, as detailed above.

As a result of increased costs per claim and longer duration of cases over several years, the projected ultimate costs of workers' compensation claims in 2002 was higher than originally anticipated. This occurred despite the continued improvement of safety statistics at Yellow Transportation in 2002 compared to 2001. Workers' compensation expense increased at Yellow Transportation by \$16.0 million in 2002 from 2001. Yellow Transportation added additional resources to manage these claims. As a result of improved safety statistics and allocation of additional resources, workers' compensation costs decreased in 2003 compared to 2002; an indicator that we continue to effectively manage this area.

Bad debt expense also had a negative impact on Yellow Transportation results, increasing by \$11.5 million in 2002 from 2001. The increase resulted from a trend of additional write-offs partially due to the negative impact of the economy on certain customers and

their ability to pay. Yellow Transportation added additional collection personnel, installed new collections management software and enhanced its credit policies and procedures regarding new and continuing customers. As a result of our improvements in this area combined with improving economic conditions, write-off trends in 2003 actually decreased from 2002.

MERIDIAN IQ RESULTS

Meridian IQ represents our non-asset-based segment that plans and coordinates the movement of goods throughout the world. The segment was formed in January of 2002, and formally launched in March of 2002, as the Yellow platform for non-asset-based transportation services. Meridian IQ provides a wide range of transportation solutions and offers the following services: international forwarding and customs brokerage by arranging for the administration, transportation and delivery of goods to over 88 countries; multi-modal brokerage services by providing companies with access to volume capacity and specialized equipment; domestic forwarding and expedited services through arranging guaranteed, time-definite transportation for companies within North America; and transportation solutions and technology management using web-native systems enabling customers to manage their transportation needs.

Due to the recent formation of Meridian IQ, in 2002 we evaluated results primarily based on sequential growth month over month. Throughout 2002, Meridian IQ had consistent revenue and operating income improvement, with modestly profitable results in the second half of the year. In 2003, Meridian IQ revenue increased by 47 percent to total revenue of \$120.2 million versus \$81.8 million in 2002. The increase in revenue resulted from a combination of organic growth, higher premium services and recent non-asset-based acquisitions (as discussed below). A prior year operating loss of \$2.7 million turned into an operating profit of \$0.3 million in 2003; after adjustments to operating income for acquisition charges of \$0.5 million, the segment generated an operating profit of \$0.8 million.

Meridian IQ Acquisitions

In August 2003, a subsidiary of Meridian IQ, Yellow Global, LLC, acquired certain U.S. assets of GPS Logistics, a global logistics provider. Yellow Global, LLC was then renamed Yellow GPS, LLC ("Yellow GPS"). In exchange for the acquisition, Yellow GPS assumed certain of GPS Logistics customer, lease and other obligations and became obligated to pay GPS Logistics earnout payments if certain financial targets for the combined business of Yellow GPS are met. There was no net cash consideration paid in the transaction. In addition, Yellow GPS received a call option to purchase the stock of each of GPS Logistics (E.U.) Ltd., the related United Kingdom ("U.K.") operations of GPS Logistics, and GPS Logistics Group Ltd., the related Asian operations of GPS Logistics. If Yellow GPS does not exercise the Asian option, it would be required to pay a deferred option price to the shareholders of GPS Logistics Group Ltd. In February 2004, Yellow GPS exercised and closed its option to purchase GPS Logistics (E.U.) Ltd. Yellow GPS made a payment of \$7.6 million, which is subject to upward and downward adjustment based on the financial performance of the U.K. business. The acquisition will be reflected in our first quarter 2004 results.

In the third quarter of 2002, Meridian IQ acquired selected assets, consisting primarily of customer contracts, of Clicklogistics, Inc. ("Clicklogistics") for nominal cash consideration. Clicklogistics provided non-asset transportation and logistics management services. In that same period, Meridian IQ completed the acquisition of MegaSys, Inc. ("MegaSys"), a Greenwood, Indiana based provider of non-asset transportation and logistics management services, for approximately \$17 million. The acquisition price primarily related to \$9.3 million of goodwill and \$7.1 million of identifiable intangible assets. As part of the acquisition, Meridian IQ negotiated an earnout arrangement, which provided for contingent consideration to be paid by Meridian IQ upon MegaSys generating cash flow levels in excess of an established rate of return through December 31, 2005. In the first quarter of 2004, the earnout arrangement was terminated; earnout payments to date were not material to our results of operations. We believe these acquisitions support our strategy to grow our non-asset-based business and be a single-source transportation provider.

In September 2001, we completed the acquisition of the remaining ownership in Transportation.com from our venture capital partners. Prior to the acquisition, we accounted for our investment in Transportation.com as an unconsolidated joint venture under the equity method of accounting. Accordingly, nonoperating expenses included a loss of \$5.7 million in 2001. As of the acquisition date, we consolidated Transportation.com, as well as our other non-asset-based services, under Meridian IQ.

ROADWAY LLC RESULTS

As Roadway LLC and its operating segments, Roadway Express and New Penn, were only included in our results from the date of acquisition through December 31, 2003, a detailed discussion of their results is not material to our 2003 results of operations. Roadway Express contributed \$131.2 million in revenue and New Penn contributed \$9.8 million in revenue for the stub period.

Combined the Roadway LLC segments reported a stub period operating loss of \$6.3 million mostly due to a combination of volume and pricing.

CONSOLIDATED RESULTS

Our consolidated results include the results of Yellow Transportation, Meridian IQ and corporate charges for the entire periods presented. In 2003, consolidated results also included the results of Roadway LLC and its operating segments from the date of acquisition through December 31. As we have previously discussed the operating results of Yellow Transportation and Meridian IQ, this section will focus on corporate charges and items that are evaluated on a consolidated basis.

The following table summarizes the Statement of Consolidated Operations for the three years ended December 31:

(in millions)	2003	2002	2001	Percent Change	
				2003 vs. 2002	2002 vs. 2001
Operating revenue	\$3,068.6	\$2,624.1	\$2,505.1	16.9%	4.8%
Operating income	88.6	46.9	38.2	88.9%	22.8%
Nonoperating expenses, net	21.8	9.3	20.8	134.4%	(55.3)%
Income from continuing operations	40.7	24.0	10.6	69.6%	126.4%
Income (loss) from discontinued operations	--	(117.9)	4.7	n/m	n/m
Net income (loss)	\$ 40.7	\$ (93.9)	\$ 15.3	143.3%	n/m

2003 compared to 2002

Operating revenue in 2003 increased by \$444.5 million, or nearly 17 percent, from 2002. Of this increase, the results of Roadway Express and New Penn for the stub period attributed \$141.0 million, or five percent of our total revenue. When excluding the results of Roadway LLC segments for the stub period, our revenue increased by \$303.5 million, or 12 percent, from 2002. Our revenue growth resulted from improving economic conditions, increased premium services, non-asset-based acquisitions and meeting customer requirements.

Consolidated operating income improved by \$41.7 million from 2003 compared to 2002 due to increased revenue and effective cost management at Yellow Transportation and Meridian IQ, and despite significant adjustments to operating income and stub period operating losses of \$6.3 million for the Roadway segments. Corporate operating losses in 2003 included approximately \$2.7 million for acquisition-related charges, consisting mostly of marketing and promotional activities related to the Roadway transaction. Corporate operating losses, after adjustments for acquisition and spin-off charges, increased in 2003 from 2002 by \$7.9 million, as detailed in our Business Segments note. We expensed \$4.0 million in the first quarter of 2003 for an industry conference that we host every other year. Corporate costs also increased in 2003 by \$3.1 million compared to 2002, due to higher performance incentive accruals based on our improved operating results.

Nonoperating expenses increased \$12.5 million in 2003 compared to 2002 as a result of the acquisition-related financing costs, partially offset by increased interest income. As mentioned previously, we recorded a nonoperating loss on the extinguishment of debt of \$2.3 million from the repurchase and defeasance of our remaining MTNs. In 2003, we entered into arrangements for \$1.1 billion of committed financing with our investment bankers that would allow us to complete the Roadway acquisition if we were not able to obtain financing elsewhere. Although we obtained more favorable financing arrangements through our contingent convertible senior notes offerings and the term loan, we paid a commitment fee of \$4.5 million upon the expiration of the committed financing agreement that occurred on December 11, 2003. This commitment fee was recorded as "interest expense" in our Statement of Consolidated Operations. Interest expense related to our contingent convertible senior notes and term loan approximated \$6.5 million for 2003. Given our current debt levels, including the assumption of the senior notes due 2008, we expect our 2004 interest expense to approximate \$50 million.

Our effective tax rate for 2003 was 39.1 percent compared to 36.2 percent in 2002. The higher tax rate resulted primarily from our income allocation among subsidiaries and their relative state tax rates. In 2003, Yellow Transportation, a higher tax rate subsidiary, generated a larger percentage of our profits before tax compared to 2002. Our notes to the financial statements provide an analysis of the income tax provision and the effective tax rate.

2002 compared to 2001

Our 2002 operating revenue improved over 2001, primarily as a result of increased volumes at Yellow Transportation from growth in premium services and increased market share from the CF closure. We also recognized additional revenue with a full year of Meridian IQ activity, including the acquisitions of Clicklogistics and MegaSys.

Operating income in 2002 included \$6.9 million of charges related to the spin-off of SCS Transportation, Inc. ("SCST"). Spin-off charges represented bank fees and external legal and accounting services. Operating income also included higher corporate expenses in 2002 compared to 2001, mostly related to increased incentive compensation accruals of \$2.7 million and professional services of \$1.6 million.

Nonoperating expenses improved by \$11.5 million in 2002 as a result of lower interest charges on variable-rate debt and financing costs for our asset backed securitization ("ABS") obligations, due to both lower interest rates and lower average borrowings. In addition, nonoperating costs in 2001 included a loss of \$5.7 million for our equity investment in Transportation.com. Since September 2001, when we acquired the remaining ownership in Transportation.com, results for this entity have been consolidated under Meridian IQ and reported as operating income or losses.

Our effective tax rate on continuing operations for 2002 was 36.2 percent compared to 39.0 percent in 2001. The lower tax rate resulted from a variety of factors, including decreased nondeductible business expenses and the implementation of prudent tax planning strategies. Our notes to the financial statements provide an analysis of the income tax provision and the effective tax rate.

Our net loss of \$93.9 million for 2002 occurred due to the impairment of goodwill associated with Jevic Transportation, Inc. ("Jevic") and the spin-off of SCST. We recorded a non-cash charge of \$75.2 million in the first quarter of 2002 for the impairment of goodwill related to the acquisition of Jevic. In the third quarter of 2002, we recorded a non-cash charge of \$52.6 million for the difference between the carrying value of SCST and the fair value, as determined by the market capitalization of SCST at the spin-off date. Due to the non-cash nature of the charges, neither charge resulted in tax benefits. As a result of the spin-off, both non-cash charges and income from operations of \$9.9 million for SCST were reflected in "discontinued operations" on our Statement of Consolidated Operations for 2002.

FINANCIAL CONDITION

LIQUIDITY

Our liquidity needs arise primarily from capital investment in new equipment, land and structures, and information technology, as well as funding working capital requirements. As a result of our acquisition of Roadway, our liquidity requirements and availability of funds have significantly changed. To provide short-term and longer-term liquidity for the combined organization, we replaced our previous \$300 million unsecured credit agreement with a new \$675 million secured credit agreement. In addition, we maintained our \$200 million ABS facility involving Yellow Transportation accounts receivable. We believe these facilities provide adequate capacity to fund current working capital and capital expenditure requirements for the combined organization. It is not unusual for us to have a deficit working capital position, as we can operate in this position due to rapid turnover of accounts receivable, effective cash management and ready access to funding.

Secured Credit Agreement

As mentioned above, we replaced our \$300 million bank credit facility, scheduled to expire in April 2004, with a \$675 million secured credit agreement. The secured credit agreement consists of three parts: a \$175 million term loan, a \$250 million letters of credit facility, and a \$250 million revolver loan. As of December 31, 2003, we have borrowed the entire amount of the term loan, using the funds to pay a portion of the Roadway acquisition. We may use the letters of credit facility for issuance of standby letters of credit and the revolver loan for short-term borrowings and additional letters of credit. Letters of credit serve as collateral for our self-insurance programs, primarily in the areas of workers' compensation, property damage and liability claims. Collateral requirements for letters of credit and availability of surety bonds, an alternative form of self-insurance collateral, fluctuate over time with general conditions in the insurance market. Our outstanding letters of credit increased significantly at December 31, 2003 compared to prior year due to our responsibility for the self-insurance programs of Roadway Express and New Penn.

Our interest rate on the secured credit agreement is based on the London inter-bank offer rate ("LIBOR") plus a fixed increment. We have secured the credit facility with substantially all of our domestic assets except for those assets that secure our ABS facility. Under

the terms of the agreement, we must comply with certain covenants primarily relating to our interest expense, fixed charges, senior secured leverage and total leverage. In addition, the agreement limits our activities regarding acquisitions, sales of assets, dividends, share repurchases, and capital expenditures. As of December 31, 2003, we were in compliance with all terms of the agreement. We do not consider these covenants overly restrictive and we believe we have considerable flexibility in operating our business in a prudent manner. The following table provides a detail of the outstanding components and available unused capacity under the bank credit agreement:

(in millions)	December 31, 2003
-----	-----
Total capacity	\$ 675.0
Term loan outstanding	(175.0)
Letters of credit facility outstanding	(250.0)(a)
Letters of credit under revolver loan outstanding	(24.4)

Available unused capacity	\$ 225.6 =====

(a) We have an additional \$1.5 million in letters of credit that are not currently covered under a credit facility.

Our outstanding letters of credit at December 31, 2003 included \$3.4 million for workers' compensation, property damage and liability claims against SCST. We agreed to maintain the letters of credit outstanding at the spin-off date until SCST obtained replacement letters of credit or third party guarantees. SCST agreed to use its reasonable best efforts to obtain these letters of credit or guarantees, which in many cases would allow us to obtain a release of our letters of credit. SCST also agreed to indemnify us for any claims against the letters of credit that we provide. SCST reimburses us for all fees incurred related to the remaining outstanding letters of credit. We also provided a guarantee of \$5.9 million regarding certain lease obligations of SCST.

Asset Backed Securitization Facility

Our ABS facility provides us with additional liquidity and lower borrowing costs through access to the asset backed commercial paper ("ABCP") market. By using the ABS facility, we obtain a variable rate based on the A1 commercial paper rate plus a fixed increment for utilization and administration fees. A1 rated commercial paper comprises more than 90 percent of the commercial paper market, significantly increasing our liquidity. We averaged a rate of 2.1 percent and 2.3 percent in 2003 and 2002, respectively, on the ABS facility.

Borrowing under our ABS facility involves two primary steps. In the first step, Yellow Transportation sells an ongoing pool of receivables to a special purpose entity, Yellow Receivables Corporation ("YRC"). YRC is a wholly owned consolidated subsidiary of Yellow Transportation designed to isolate the receivables for bankruptcy purposes.

As the second step, YRC transfers the receivables to a conduit administered by a large financial institution. The conduit bundles our receivables with numerous unrelated companies and then sells them to investors as ABCP. The conduit receives the proceeds from investors and forwards them to YRC who then forwards the proceeds to Yellow Transportation. Repayments of these obligations, along with related charges, occur in the reverse sequence of the steps just described.

The table below provides the borrowing and repayment activity, as well as the resulting balances, for the years ending December 31 of each period presented:

(in millions)	2003	2002
-----	-----	-----
ABS obligations outstanding at January 1	\$ 50.0	\$ 141.5
Transfer of receivables to conduit (borrowings)	151.0	421.5
Redemptions from conduit (repayments)	(129.5)	(513.0)
	-----	-----
ABS obligations outstanding at December 31	\$ 71.5	\$ 50.0
	=====	=====

Our ABS facility involves receivables of Yellow Transportation only and has a limit of \$200 million. Under the terms of the agreement, Yellow Transportation provides servicing of the receivables and retains the associated collection risks. Although the facility has no stated maturity, there is an underlying letter of credit with the administering financial institution that has a 364-day maturity.

Prior to December 31, 2002, activity under the ABS facility was treated as a sale of assets for financial reporting purposes. As a result, we did not reflect the receivables sold by YRC to the conduit and the related ABS obligations on our Consolidated Balance Sheets. In addition, we recognized the cost of financing the receivables as "ABS facility charges" on our Statements of Consolidated Operations and the related cash flows as an operating activity in our Statements of Consolidated Cash Flows.

On December 31, 2002, we amended the ABS agreement to provide YRC the right to repurchase, at any time, 100 percent of the receivable interests held by the conduit. Prior to the amendment, the right to repurchase receivable interests was limited to instances when ABS borrowings were below \$10 million, or five percent of the \$200 million limit. The amendment did not alter the costs associated with operating the ABS facility. Due to the amendment, we reflect the ABS activity as a financing activity rather than a sale of assets. We now reflect the borrowings on our Consolidated Balance Sheets, the financing cost as "interest expense" on our Statements of Consolidated Operations, and the related changes in borrowings as a financing activity in our Statements of Consolidated Cash Flows.

Credit Ratings

As we expected, our credit ratings declined toward the end of 2003 due to the significant increase in our debt levels from the acquisition of Roadway. Given our ability to raise attractive financing through the contingent convertible notes offerings and our adequate debt capacity, we do not expect the lower credit ratings to materially impact our results of operations or cash flows. However, we do expect to pay higher interest rates on variable borrowings due to these lower ratings. As of December 31, 2003, we had an investment grade corporate rating of BBB- from Standard & Poor's and a high non-investment grade corporate rating of Ba1 from Moody's. We are working to pay down our debt as rapidly as possible and improve our credit ratings; however, in the unlikely event the ratings were to drop, no ratings-driven triggers exist that would have an immediate or material adverse impact on our liquidity.

Cash Flow Measurements

We use free cash flow as a measurement to manage working capital and capital expenditures. Free cash flow indicates cash available to fund additional capital expenditures, to reduce outstanding debt (including current maturities), or to invest in our growth strategies. This measurement is used for internal management purposes and should not be construed as a better measurement than net cash from operating activities as defined by generally accepted accounting principles. The following table illustrates our calculation for determining free cash flow for the years ended December 31:

(in millions)	2003	2002
Net cash from operating activities	\$155.7	\$ 43.1
Net change in operating activities of discontinued operations	--	(17.3)
Accounts receivable securitizations, net	--	91.5
Net property and equipment acquisitions	(99.1)	(82.8)
Proceeds from exercise of stock options	4.7	13.7
Free cash flow	\$ 61.3	\$ 48.2

Our additional free cash flow of \$13.1 million from 2002 to 2003 resulted primarily from increases in income from continuing operations of \$16.7 million, improvements in accounts receivable collections of \$42.2 million, lower payments on accounts payable of \$15.4 million and claims and other changes of \$8.8 million. Claims and other primarily represents increased pension and workers' compensation accruals. Fluctuations of \$78.5 million in other working capital items mostly offset these favorable improvements. Other working capital changes included increased pension funding in 2003 of \$23.5 million and the impact of wage and benefit payments of Roadway Express and New Penn that approximated \$20 million for the stub period. In addition, accrued income taxes created a fluctuation of \$26.0 million between 2003 and 2002 due to improved operating results in 2003 and an income tax refund of \$10.5 million received in 2002.

Other items considered in evaluating free cash flow include net property and equipment acquisitions and proceeds from exercise of stock options. In 2003, net property and equipment acquisitions increased by \$16.3 million mostly due to increased investments in land and structures at Yellow Transportation. Our continued investment in equipment and land and structures supports our philosophy of consistently funding capital expenditures for anticipated growth and expansion of services. Our proceeds received from exercise of stock options decreased by \$9.0 million in 2003 from 2002 mostly due to restrictions of exercising options during the pending acquisition of Roadway.

In 2002, operating cash flow results included \$17.3 million from the operating activities of SCST. Since we completed the spin-off of SCST in September 2002, results for 2003 do not reflect any SCST activity. As discussed previously, we recorded our ABS financing as an operating activity in prior periods and in 2003 recognized the borrowings as a financing activity due to the amendment of our ABS facility agreement. This change in reporting impacted cash from operating activities by \$91.5 million between 2002 and 2003.

CAPITAL EXPENDITURES

Our capital expenditures focus primarily on the replacement of revenue equipment, land and structures, additional investments in information technology and acquisitions. As reflected on our Consolidated Balance Sheets, our business remains capital intensive with significant investments in terminal facilities and a fleet of tractors and trailers. We determine the amount and timing of capital expenditures based on numerous factors, including anticipated growth, economic conditions, new or expanded services, regulatory actions and availability of financing. The acquisition of Roadway will not change our capital expenditures philosophy from previous years, given the similarity of our operations. However, as discussed below, we do expect capital expenditures to increase significantly due to the acquisition.

The table below summarizes our actual net capital expenditures by type for the periods ended December 31:

(in millions)	2003	2002	2001
Revenue equipment	\$ 62	\$ 72	\$ 58
Land, structures and technology	37	11	23
	----	----	----
Total before acquisition of companies and discontinued operations	99	83	81
Acquisition of companies	513	18	20
Discontinued operations	--	24	20
	----	----	----
Total net capital expenditures	\$612	\$125	\$121
	====	====	====

Capital expenditures for 2003 included the cash portion of the Roadway acquisition for a total of \$513 million, while 2002 included the Meridian IQ acquisitions of MegaSys and Clicklogistics for a total of \$18 million. We expect 2004 capital spending to approximate \$190 to \$210 million, including about \$120 million for revenue equipment and \$7.6 million for the acquisition of GPS Logistics (E.U.) Ltd. Our philosophy continues to be consistent funding of capital expenditures even during economic downturns while still generating free cash flow. We believe our financial condition and access to capital, as they exist today, are adequate to fund our anticipated capital expenditures and future growth opportunities.

Our expectation regarding our ability to fund capital expenditures out of existing financing facilities and cash flow is only our forecast regarding this matter. This forecast may be substantially different from actual results. In addition to the factors previously described in the Forward-Looking Statements section, the following factors could affect levels of capital expenditures: the accuracy of our estimates regarding our spending requirements; the occurrence of any unanticipated acquisition opportunities; changes in our strategic direction; and the need to replace any unanticipated losses in capital assets.

NONUNION PENSION OBLIGATIONS

We provide defined benefit pension plans for employees not covered by collective bargaining agreements. The Yellow qualified plan covers approximately 4,000 employees and the Roadway LLC qualified plan covers approximately 6,000 employees. Beginning January 1, 2004, the existing qualified benefit plans will be closed to new participants. All new nonunion employees and all Meridian IQ employees will participate in a new defined contribution retirement plan. Increases in our pension benefit obligations combined with market losses in 2002 and 2001 negatively impacted the funded status of our plans and resulted in additional funding requirements and pension expense in 2003. Due to these same factors, we recorded a reduction in shareholders' equity in 2002 of \$30.8 million, net of tax of \$17.2 million, to reflect the minimum liability associated with the plans. In 2003, we reduced the minimum liability in shareholders' equity by a net \$10.5 million, as a result of the additional expense we recognized during the year as well as favorable investment experience in 2003. Our minimum liability reflected in shareholders' equity at December 31, 2003 totals \$20.3 million, net of tax of \$12.5 million. As we record additional expense and fund our accumulated benefit obligation, we expect the minimum liability reflected in shareholders' equity to continue to decrease.

Although market returns improved in 2003, we expect pension funding and expense to remain an area of management focus over the next several years. Given the dependence on the economy and the significant amounts involved, pension funding could have a material

impact on our liquidity. Using our current plan assumptions of an 8.75 percent return on assets (9.0 percent for 2003 actual) and discount rate of 6.25 percent (6.75 percent for 2003 actual), we either recorded or expect to record the following:

(in millions)	Cash Funding	Pension Expense	Shareholders' Equity Decrease, net of tax
2003 Actual	\$ 35.0	\$ 19.3	\$ 10.5
2004 Expected	45.0	52.2	14.2
2005 Expected	42.0	56.2	7.1
	=====	=====	=====

Our actual 2003 pension expense included approximately \$1.3 million for the stub period of Roadway Express and New Penn. The remaining \$18.0 million of expense attributed to the Yellow plans was significantly less than the \$24.0 million we estimated at December 31, 2002, due to a valuation study in the first quarter of 2003 from our independent actuary. The actuary completes a study approximately every five years that involves reviewing, among other items, actual salary rates, retirement ages and employee turnover. Expectations for 2004 and 2005 include amounts related to the Roadway plans.

CONTRACTUAL OBLIGATIONS AND OTHER COMMERCIAL COMMITMENTS

The following tables provide aggregated information regarding our contractual obligations and commercial commitments as of December 31, 2003. Most of these obligations and commitments have been discussed in detail either in the preceding paragraphs or the notes to the financial statements. The tables do not include expected pension funding as disclosed separately in the previous section.

Contractual Cash Obligations

(in millions)	Payments Due by Period				Total
	Less than 1 year	2-3 years	4-5 years	After 5 years	
Balance sheet obligations:					
ABS borrowings	\$ 71.5	\$ --	\$ --	\$ --	\$ 71.5
Long-term debt	1.8	7.9	397.2	407.0	813.9
Off balance sheet obligations:					
Operating leases	73.1	86.9	29.3	14.4	203.7(a)
Capital expenditures	60.0	--	--	--	60.0
	-----	-----	-----	-----	-----
Total contractual obligations	\$206.4	\$94.8	\$426.5	\$421.4	\$1,149.1
	=====	=====	=====	=====	=====

(a) The net present value of operating leases, using a discount rate of 10 percent, was \$171.0 million at December 31, 2003.

Other Commercial Commitments

The following table reflects other commercial commitments or potential cash outflows that may result from a contingent event, such as a need to borrow short-term funds due to insufficient free cash flow.

(in millions)	Amount of Commitment Expiration Per Period				Total
	Less than 1 year	2-3 years	4-5 years	After 5 years	
Available line of credit	\$ --	\$ --	\$ --	\$225.6	\$225.6
Letters of credit	275.9	--	--	--	275.9(a)
Lease guarantees for SCST	1.7	2.9	1.3	--	5.9
Surety bonds	62.8	0.4	1.4	--	64.6(b)
	-----	-----	-----	-----	-----
Total commercial commitments	\$340.4	\$3.3	\$2.7	\$225.6	\$572.0
	=====	=====	=====	=====	=====

(a) Includes \$1.5 million in letters of credit that are not currently covered under a credit facility.

(b) Includes \$2.3 million of surety bonds for SCST related to workers' compensation, property damage and liability claims.

CRITICAL ACCOUNTING POLICIES

Preparation of our financial statements requires accounting policies that involve significant estimates and judgments regarding the amounts included in the financial statements and disclosed in the accompanying notes to the financial statements. We continually review the appropriateness of our accounting policies and the accuracy of our estimates. Even with a thorough process, estimates must be adjusted based on changing circumstances and new information. Management has identified the policies described below as requiring significant judgment and having a potential material impact to our financial statements.

REVENUE RESERVES

We consider our policies regarding revenue-related reserves as critical based on their significance in evaluating our financial performance by management and investors. We have an extensive system that allows us to accurately capture, record and control all relevant information necessary to effectively manage our revenue reserves.

For shipments in transit, Yellow Transportation, Roadway Express and New Penn record revenue based on the percentage of service completed as of the period end and accrue delivery costs as incurred. In addition, Yellow Transportation, Roadway Express and New Penn recognize revenue on a gross basis since the entities are the primary obligors even when they use other transportation service providers who act on their behalf. Yellow Transportation, Roadway Express and New Penn remain responsible to their customers for complete and proper shipment, including the risk of physical loss or damage of the goods and cargo claims issues. Meridian IQ recognizes revenue upon the completion of services. In certain logistics transactions where Meridian IQ acts as an agent, revenue is recorded on a net basis. Net revenue represents revenue charged to customers less third party transportation costs. Where Meridian IQ acts as principal, it records revenue from these transactions on a gross basis, without deducting transportation costs. Management believes these policies most accurately reflect revenue as earned. Our revenue-related reserves involve three primary estimates: shipments in transit, rerate reserves, and uncollectible accounts.

Shipments in Transit

We assign pricing to bills of lading at the time of shipment based on the weight, general classification of the product, the shipping destination and individual customer discounts. This process is referred to as rating. At the end of each period, we estimate the amount of revenue earned on shipments in transit based on actual shipments picked up and scheduled delivery dates. We calculate a percentage of completion using this data and the day of the week on which the period ends. Management believes this provides a reasonable estimation of the revenue actually earned.

Rerate Reserves

At various points throughout our process, incorrect ratings could be identified based on many factors, including weight verifications or updated customer discounts. Although the majority of rerating occurs in the same month as the original rating, a portion occurs during the following periods. We accrue a reserve for rerating based on historical trends. At December 31, 2003 and 2002, our financial statements included a rerate reserve of \$21.8 million and \$12.0 million, respectively. The significant increase in the rerate reserve from 2002 to 2003 resulted primarily from the inclusion of Roadway Express and New Penn in 2003.

Uncollectible Accounts

We record an allowance for doubtful accounts primarily based on historical uncollectible amounts. We also take into account known factors surrounding specific customers and overall collection trends. Our process involves performing ongoing credit evaluations of customers, including the market in which they operate and the overall economic conditions. We continually review historical trends and make adjustments to the allowance for doubtful accounts as appropriate. Our allowance for doubtful accounts totaled \$20.8 million and \$15.7 million as of December 31, 2003 and 2002, respectively. The increase in the allowance for doubtful accounts from 2002 to 2003 resulted primarily from the inclusion of Roadway Express and New Penn in 2003.

CLAIMS AND INSURANCE

We are self-insured up to certain limits for workers' compensation, cargo loss and damage, property damage and liability claims. We measure the liabilities associated with workers' compensation and property damage and liability claims primarily through actuarial

methods performed by an independent third party. Actuarial methods include estimates for the undiscounted liability for claims reported, for claims incurred but not reported and for certain future administrative costs. These estimates are based on historical loss experience and judgments about the present and expected levels of costs per claim and the time required to settle claims. The effect of future inflation for costs is implicitly considered in the actuarial analyses. Actual claims may vary from these estimates due to a number of factors, including but not limited to, accident frequency and severity, claims management, changes in healthcare costs and overall economic conditions. We discount the actuarial calculations to present value based on the U.S. Treasury rate, at the date of occurrence, for maturities that match the expected payout of the liabilities. As of December 31, 2003 and 2002, we had \$299.3 million and \$115.2 million accrued for claims and insurance. The increase in claims and insurance from 2002 to 2003 resulted primarily from the inclusion of Roadway Express and New Penn in 2003.

PENSION

With the exception of Meridian IQ, New Penn and Reimer, Yellow Roadway and its operating subsidiaries sponsor qualified and nonqualified defined benefit pension plans for most employees not covered by collective bargaining agreements. Meridian IQ and New Penn do not offer defined benefit pension plans and instead offer retirement benefits through either contributory 401(k) savings plans or profit sharing plans. Beginning January 1, 2004, all new nonunion employees and all Meridian IQ employees will participate in a new defined contribution retirement plan. The existing Yellow Roadway qualified plans will be closed to new participants. We account for pension benefits using actuarial methods based on numerous estimates, including employee turnover, mortality and retirement ages, expected return on plan assets, discount rates, and future salary increases. The most critical of these factors, due to their potential impact on pension cost, are discussed in more detail below.

Return on Plan Assets

The return on plan assets represents a long-term assumption of our portfolio performance that can impact our pension expense and our minimum liability. With \$615 million of plan assets, including the Roadway plans, a 50-basis-point decrease in the return rate would increase annual pension expense by approximately \$3 million and would increase our minimum liability reflected in shareholders' equity by approximately \$1 million.

We believe our 2003 expected rate of return of 9.0 percent accurately represented our investment portfolio that has performed to this level over time. However, given the addition of the Roadway portfolio of assets and in accordance with our policy on establishing the long-term rate of return, we have lowered this rate to 8.75 percent in determining 2004 pension expense. Although plan investments are subject to short-term market volatility, we believe they are well diversified and closely managed. Our asset allocation as of December 31, 2003 consisted of 67 percent in equities and 33 percent in fixed-income securities. This allocation is consistent with the long-term asset allocation for the plans. We will continue to review our expected long-term rate of return on an annual basis and revise appropriately. Refer to our discussion of Nonunion Pension Obligations under the Financial Condition section for details of actual and anticipated pension charges.

Discount Rate

The discount rate refers to the interest rate used to discount the estimated future benefit payments earned to their present value, also referred to as the benefit obligation. The discount rate allows us to calculate what it would cost to settle the pension obligations as of the measurement date, December 31, and impacts the following year's pension expense. We determine the discount rate based on high-grade corporate bonds with principal payments and maturities that approximate our expected benefit payments.

Although the discount rate used requires little judgment, changes in the rate can significantly impact our pension expense. For example, a 50-basis-point decrease in our discount rate would increase annual pension expense by approximately \$7.5 million, assuming all other factors remain constant. Changes in the discount rate do not have a direct impact on cash funding requirements. The discount rate can fluctuate considerably over periods depending on overall economic conditions that impact long-term corporate bond yields. At December 31, 2003 and 2002, we used a discount rate of 6.25 percent and 6.75 percent, respectively.

Future Salary Increases

We make assumptions of future salary increases for plan participants based on general inflation and cost of living expectations. As pension benefits are based on participants' earned wages, estimated levels of our future performance also factor into the calculation. We believe these increases require less judgment than other pension estimates but can have a significant impact on our future pension

expense. Our 2003 assumed rate of future annual increases of 3.9 percent represents a weighted average of the Yellow and Roadway plans and reflects the recent experience of both plans.

MULTI-EMPLOYER PLANS

Yellow Transportation, Roadway Express and New Penn contribute to multi-employer health, welfare and pension plans for employees covered by collective bargaining agreements (approximately 77 percent of total employees). The largest of these plans, the Central States Southeast and Southwest Areas Pension Plan (the "Central States Plan") provides retirement benefits to approximately 53 percent of our total employees. The amounts of these contributions are determined by contract and established in the agreements. The health and welfare plans provide health care and disability benefits to active employees and retirees. The pension plans provide defined benefits to retired participants. We recognize as net pension cost the required contribution for the period and recognize as a liability any contributions due and unpaid. Yellow Roadway contributed and charged to expense \$374.4 million in 2003, \$315.1 million in 2002, and \$307.2 million in 2001. Roadway Corporation contributed and charged to expense approximately \$374 million for the period January 1, 2003 through the date of acquisition (December 11, 2003).

Under current legislation regarding multi-employer pension plans, a termination, withdrawal or partial withdrawal from any multi-employer plan in an under-funded status would render us liable for a proportionate share of such multi-employer plans' unfunded vested liabilities. This potential unfunded pension liability also applies to our unionized competitors who contribute to multi-employer plans. Based on the limited information available from plan administrators, which we cannot independently validate, we believe that our portion of the contingent liability in the case of a full withdrawal or termination would be material to our financial position and results of operations. Yellow Transportation, Roadway Express and New Penn have no current intention of taking any action that would subject us to obligations under the legislation.

Yellow Transportation, Roadway Express and New Penn each have collective bargaining agreements with their unions that stipulate the amount of contributions each company must make to union-sponsored, multi-employer pension plans. The Internal Revenue Code and related regulations establish minimum funding requirements for these plans. If any of these plans, including (without limitation) the Central States Plan, fail to meet these requirements and the trustees of these plans are unable to obtain waivers of the requirements from the Internal Revenue Service ("IRS") or reduce pension benefits to a level where the requirements are met, the IRS could impose an excise tax on all employers participating in these plans and require contributions in excess of our contractually agreed upon rates to correct the funding deficiency. If an excise tax were imposed on the participating employers and additional contributions required, it could have a material adverse impact on the financial results of Yellow Roadway.

PROPERTY AND EQUIPMENT

We capitalize property and equipment in accordance with current accounting standards, including replacements and improvements when such costs extend the useful life of the asset. We charge maintenance and repairs to expense as incurred. Depreciation on capital assets is computed using the straight-line method and ranges from 3 to 40 years. Management makes assumptions regarding future conditions in determining estimated useful lives and potential salvage values. These assumptions impact the amount of depreciation expense recognized in the period and any gain or loss once the asset is disposed.

NEW ACCOUNTING PRONOUNCEMENTS

SFAS NO. 149

On June 30, 2003, we adopted SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities ("Statement No. 149"). Statement No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. As we do not currently engage in significant hedging activities, we do not expect adoption of Statement No. 149 to have a material impact on our financial position or results of operations.

SFAS NO. 150

On July 1, 2003, we adopted SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity ("Statement No. 150"). Statement No. 150 establishes standards for classifying and measuring certain financial instruments with characteristics of both liabilities and equity, and requires us to classify a financial instrument within its scope as a liability or

asset. Previously, many instruments under the scope of Statement No. 150 would have been classified as equity. We do not expect adoption of Statement No. 150 to have a material impact on our financial position or results of operations.

SFAS NO. 132 (REVISED 2003)

On December 15, 2003 we adopted the disclosure provisions of SFAS No. 132 (Revised 2003), Employers' Disclosures about Pensions and Other Postretirement Benefits - an amendment of SFAS Nos. 87, 88 and 106 ("Statement No. 132R"). Statement 132R retains the disclosure requirements of SFAS No. 132, which it replaces, and requires additional disclosures about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. Our Notes to the Consolidated Financial Statements reflect these additional disclosures. Our quarterly reports on Form 10-Q will also include additional disclosures regarding defined pension plans and postretirement plans.

OUTLOOK

Economists expect growth in capital spending in 2004 as a result of, among others, rising corporate profits, lower interest rates, improving equity markets and tax incentives. Our economic assumptions also include year-over-year gains in the IPI and real GDP of four percent; a significant positive for our industry. Management expects our pricing environment to remain competitive, yet stable, during the upcoming year. We will continue to focus on leveraging the capabilities of our new organization and achieving the synergies that are available to us. With our significant operating leverage, we are well positioned to take advantage of improving economic conditions.

Item 7A. Qualitative and Quantitative Disclosures About Market Risk

MARKET RISK POSITION

We have exposure to a variety of market risks, including the effects of interest rates, foreign exchange rates and fuel prices.

INTEREST RATE RISK

To provide adequate funding through seasonal business cycles and minimize overall borrowing costs, we utilize both fixed rate and variable rate financial instruments with varying maturities. Given the favorable interest rate markets in 2003, we assumed a significant amount of fixed-rate debt for the acquisition of Roadway. At December 31, 2003, we had approximately 72 percent of our debt at fixed rates with the balance at variable rates.

The table below provides information regarding our interest rate risk related to fixed-rate debt as of December 31, 2003. Principal cash flows are stated in millions and weighted average interest rates are by contractual maturity. We estimate the fair value of our industrial development bonds by discounting the principal and interest payments at current rates available for debt of similar terms and maturity. The fair values of our senior notes due 2008 and contingent convertible senior notes have been calculated based on the quoted market prices at December 31, 2003. The market price for the contingent convertible senior notes reflects the combination of debt and equity components of the convertible instrument. We consider the fair value of variable-rate debt to approximate the carrying amount due to the fact that the interest rates are generally set for periods of three months or less, therefore, we exclude it from the table below.

(in millions)	2004	2005	2006	2007	2008	Thereafter	Total	Fair value
Fixed-rate debt	\$ --	\$ 4.4	\$ --	\$ --	\$ 227.5	\$ 407.0	\$ 638.9	\$ 761.0
Average interest rate	--	5.25%	--	--	8.22%	4.42%		

FOREIGN EXCHANGE RATES

Revenue, operating expenses, assets and liabilities of our Canadian and Mexican subsidiaries are denominated in local currencies, thereby creating exposure to fluctuations in exchange rates. The risks related to foreign currency exchange rates are not material to our consolidated financial position or results of operations.

FUEL PRICE VOLATILITY

Yellow Transportation, Roadway Express and New Penn currently have effective fuel surcharge programs in place. As discussed under the Yellow Transportation Results of Operations, these programs are well established within the industry and customer acceptance of fuel surcharges remains high. Since the amount of fuel surcharge is based on average, national diesel fuel prices and is reset weekly, our exposure to fuel price volatility is significantly reduced.

Item 8. Financial Statements and Supplementary Data

CONSOLIDATED BALANCE SHEETS
Yellow Roadway Corporation and Subsidiaries

(in thousands except per share data)	December 31, 2003	December 31, 2002
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ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 75,166	\$ 28,714
Accounts receivable, less allowances of \$20,839 and \$15,731	699,142	327,913
Fuel and operating supplies	16,452	11,039
Deferred income taxes, net	23,614	--
Prepaid expenses	70,062	57,687
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Total current assets	884,436	425,353
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Property and Equipment:		
Land	351,969	93,783
Structures	906,434	516,006
Revenue equipment	968,742	825,606
Technology equipment and software	154,688	141,723
Other	156,781	101,978
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	2,538,614	1,679,096
Less - accumulated depreciation	(1,135,346)	(1,114,120)
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Net property and equipment	1,403,268	564,976
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Goodwill	617,313	20,491
Intangibles	467,114	7,696
Other assets	91,098	24,469
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TOTAL ASSETS	\$ 3,463,229	\$ 1,042,985
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LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Checks outstanding in excess of bank balances	\$ 101,395	\$ 63,685
Accounts payable	158,780	51,304
Wages, vacations and employees' benefits	351,287	159,998
Deferred income taxes, net	--	16,751
Claims and insurance accruals	112,005	44,045
Other current and accrued liabilities	66,473	40,315
Asset backed securitization ("ABS") borrowings	71,500	50,000
Current maturities of long-term debt	1,757	24,261
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total current liabilities	863,197	450,359
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Other Liabilities:		
Long-term debt, less current portion	836,082	50,024
Deferred income taxes, net	298,256	25,657
Claims and other liabilities	463,609	156,987
Commitments and contingencies		
Shareholders' Equity:		
Common stock, \$1 par value per share - authorized 120,000 shares, issued 50,146 and 31,825 shares	50,146	31,825
Capital surplus	653,739	80,610
Retained earnings	366,157	325,474
Accumulated other comprehensive loss	(23,167)	(35,596)
Unamortized restricted stock awards	(567)	(1,053)
Treasury stock, at cost (2,359 and 2,244 shares)	(44,223)	(41,302)
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Total shareholders' equity	1,002,085	359,958
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 3,463,229	\$ 1,042,985
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

The notes to consolidated financial statements are an integral part of these statements.

STATEMENTS OF CONSOLIDATED OPERATIONS
Yellow Roadway Corporation and Subsidiaries
For the years ended December 31

(in thousands except per share data)	2003	2002	2001
OPERATING REVENUE	\$3,068,616	\$2,624,148	\$2,505,070
OPERATING EXPENSES:			
Salaries, wages and employees' benefits	1,970,440	1,717,382	1,638,662
Operating expenses and supplies	449,825	385,522	398,054
Operating taxes and licenses	83,548	75,737	75,637
Claims and insurance	67,670	57,197	56,999
Depreciation and amortization	87,398	79,334	76,977
Purchased transportation	318,176	253,677	215,131
Losses (gains) on property disposals, net	(167)	425	(186)
Acquisition, spin-off and reorganization charges	3,124	8,010	5,601
Total operating expenses	2,980,014	2,577,284	2,466,875
Operating income	88,602	46,864	38,195
NONOPERATING (INCOME) EXPENSES:			
Interest expense	20,606	7,211	8,437
ABS facility charges	--	2,576	7,996
Interest income	(1,706)	(843)	(1,198)
Loss on equity method investment	--	--	5,741
Other	2,888	334	(140)
Nonoperating expenses, net	21,788	9,278	20,836
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	66,814	37,586	17,359
Income Tax Provision	26,131	13,613	6,770
INCOME FROM CONTINUING OPERATIONS	40,683	23,973	10,589
Income (loss) from discontinued operations, net	--	(117,875)	4,712
NET INCOME (LOSS)	\$ 40,683	\$ (93,902)	\$ 15,301
AVERAGE COMMON SHARES OUTSTANDING - BASIC	30,370	28,004	24,376
AVERAGE COMMON SHARES OUTSTANDING - DILUTED	30,655	28,371	24,679
BASIC EARNINGS (LOSS) PER SHARE:			
Income from continuing operations	\$ 1.34	\$ 0.86	\$ 0.44
Income (loss) from discontinued operations	--	(4.21)	0.19
Net income (loss)	\$ 1.34	\$ (3.35)	\$ 0.63
DILUTED EARNINGS (LOSS) PER SHARE:			
Income from continuing operations	\$ 1.33	\$ 0.84	\$ 0.43
Income (loss) from discontinued operations	--	(4.15)	0.19
Net income (loss)	\$ 1.33	\$ (3.31)	\$ 0.62

The notes to consolidated financial statements are an integral part of these statements.

STATEMENTS OF CONSOLIDATED CASH FLOWS
Yellow Roadway Corporation and Subsidiaries
For the years ended December 31

(in thousands except per share data)	2003	2002	2001
OPERATING ACTIVITIES:			
Net income (loss)	\$ 40,683	\$ (93,902)	\$ 15,301
Noncash items included in net income (loss):			
Depreciation and amortization	87,398	79,334	76,977
Loss (income) from discontinued operations	--	117,875	(4,712)
Loss on equity method investment	--	--	5,741
Deferred income tax provision, net	25,767	1,449	16,746
Losses (gains) on property disposals, net	(167)	425	(186)
Changes in assets and liabilities, net:			
Accounts receivable	(7,430)	(49,633)	44,041
Accounts receivable securitizations	--	(91,500)	(35,500)
Accounts payable	21,294	5,928	(13,704)
Other working capital items	(40,053)	38,468	(97,532)
Claims and other	23,189	14,386	(3,742)
Other	5,055	2,978	8,759
Net change in operating activities of discontinued operations	--	17,250	76,106
NET CASH FROM OPERATING ACTIVITIES	155,736	43,058	88,295
INVESTING ACTIVITIES:			
Acquisition of property and equipment	(103,327)	(86,337)	(88,022)
Proceeds from disposal of property and equipment	4,193	3,507	6,587
Acquisition of companies	(513,338)	(18,042)	(14,300)
Other	--	--	(5,830)
Net capital expenditures of discontinued operations	--	(24,372)	(19,619)
NET CASH USED IN INVESTING ACTIVITIES	(612,472)	(125,244)	(121,184)
FINANCING ACTIVITIES:			
Unsecured bank credit lines, net	--	(85,000)	25,000
Senior secured credit facility	175,000	--	--
ABS borrowings, net	21,500	--	--
Issuance of long-term debt	400,000	--	--
Debt issuance costs	(34,734)	--	--
Repayment of long-term debt	(60,342)	(44,600)	(10,412)
Proceeds from issuance of common stock	--	93,792	--
Dividend from subsidiary upon spin-off	--	113,790	--
Treasury stock purchases	(2,921)	--	--
Proceeds from exercise of stock options	4,685	13,704	16,638
NET CASH PROVIDED BY FINANCING ACTIVITIES	503,188	91,686	31,226
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	46,452	9,500	(1,663)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	28,714	19,214	20,877
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 75,166	\$ 28,714	\$ 19,214
SUPPLEMENTAL CASH FLOW INFORMATION:			
Income taxes paid, net	\$ 15,957	\$ 8,272	\$ 5,268
Interest paid	13,498	11,518	16,628
Issuance of common stock for Roadway acquisition	583,883	--	--
	=====	=====	=====

The notes to consolidated financial statements are an integral part of these statements.

STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY
Yellow Roadway Corporation and Subsidiaries
For the years ended December 31

(in thousands except per share data)	2003	2002	2001
COMMON STOCK			
Beginning balance	\$ 31,825	\$ 31,028	\$ 29,959
Exercise of stock options	279	737	1,063
Issuance of common stock for Roadway acquisition	18,038	--	--
Other	4	60	6
Ending balance	50,146	31,825	31,028
CAPITAL SURPLUS			
Beginning balance	80,610	41,689	23,304
Exercise of stock options, including tax benefits	5,749	15,296	18,286
Stock issued for Roadway acquisition	565,845	--	--
Equity offering and other	1,535	23,625	99
Ending balance	653,739	80,610	41,689
RETAINED EARNINGS			
Beginning balance	325,474	537,496	522,195
Stock dividend to SCST shareholders	--	(118,120)	--
Net income (loss)	40,683	(93,902)	15,301
Ending balance	366,157	325,474	537,496
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Beginning balance	(35,596)	(6,252)	(2,710)
Changes in minimum pension liability adjustment	10,548	(30,848)	--
Changes in foreign currency translation adjustments	386	73	(616)
Changes in the fair value of interest rate swaps	1,495	1,431	(2,926)
Ending balance	(23,167)	(35,596)	(6,252)
UNAMORTIZED RESTRICTED STOCK AWARDS			
Beginning balance	(1,053)	--	--
Issuance of restricted stock awards	--	(1,458)	--
Amortization of restricted stock awards	486	405	--
Ending balance	(567)	(1,053)	--
TREASURY STOCK, AT COST			
Beginning balance	(41,302)	(112,972)	(112,972)
Treasury stock purchases	(2,921)	--	--
Equity offering - reissuance of treasury stock	--	71,670	--
Ending balance	(44,223)	(41,302)	(112,972)
TOTAL SHAREHOLDERS' EQUITY	\$1,002,085	\$ 359,958	\$ 490,989

The notes to consolidated financial statements are an integral part of these statements.

STATEMENTS OF COMPREHENSIVE INCOME
Yellow Roadway Corporation and Subsidiaries
For the years ended December 31

(in thousands except per share data)	2003	2002	2001
Net income (loss)	\$40,683	\$ (93,902)	\$15,301
Other comprehensive income (loss), net of tax:			
Changes in minimum pension liability adjustment	10,548	(30,848)	--
Changes in foreign currency translation adjustments	386	73	(616)
Changes in the fair value of interest rate swaps	1,495	1,431	(2,926)
COMPREHENSIVE INCOME (LOSS)	\$53,112	\$(123,246)	\$11,759

The notes to consolidated financial statements are an integral part of these statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Yellow Roadway Corporation and Subsidiaries

DESCRIPTION OF BUSINESS

Yellow Roadway Corporation (also referred to as "Yellow Roadway," "Yellow," "we" or "our"), a Fortune 500 company and one of the largest transportation service providers in the world, is a holding company that through wholly owned operating subsidiaries offers its customers a wide range of asset and non-asset-based transportation services. Yellow Technologies, Inc., a captive corporate resource, provides innovative technology solutions and services exclusively for Yellow Roadway companies. Our operating subsidiaries include the following:

- Yellow Transportation, Inc. ("Yellow Transportation") is a leading transportation services provider that offers a full range of regional, national and international services for the movement of industrial, commercial and retail goods, primarily through centralized management and customer facing organizations. Approximately 40 percent of Yellow Transportation shipments are completed in two days or less.
- Roadway Express, Inc. ("Roadway Express") is a leading transportation services provider that offers a full range of regional, national and international services for the movement of industrial, commercial and retail goods, primarily through decentralized management and customer facing organizations. Approximately 30 percent of Roadway Express shipments are completed in two days or less. Roadway Express owns 100 percent of Reimer Express Lines Ltd. ("Reimer") located in Canada that specializes in shipments into, across and out of Canada.
- Roadway Next Day Corporation is a holding company focused on business opportunities in the regional and next-day delivery lanes. Roadway Next Day Corporation owns 100 percent of New Penn Motor Express, Inc. ("New Penn"), which provides superior quality regional, next-day ground services through a network of facilities located in the Northeastern United States ("U.S."), Quebec, Canada and Puerto Rico.
- Meridian IQ, Inc. ("Meridian IQ") is a non-asset-based global transportation management company that plans and coordinates the movement of goods throughout the world, providing customers a quick return on investment, more efficient supply-chain processes and a single source for transportation management solutions.

On December 11, 2003, Yellow Corporation completed the acquisition of Roadway Corporation. The combined company was renamed Yellow Roadway Corporation. Roadway Corporation was merged with and into Roadway LLC, a newly formed limited liability company and a wholly owned subsidiary of Yellow Roadway. Consideration for the acquisition included \$494 million in cash and 18.0 million shares of Yellow Roadway common stock, based on an exchange ratio of 1.752 and an average price per share of \$31.51, for a total purchase price of \$1.1 billion. The purchase price also included approximately \$19 million for investment banking, legal and accounting fees that Yellow Roadway incurred to consummate the acquisition, resulting in total cash consideration of \$513 million. Roadway LLC principal subsidiaries include Roadway Express and Roadway Next Day Corporation. The operations of Roadway LLC are included in our consolidated results of operations and cash flows from the date of acquisition through December 31, 2003 and in our consolidated balance sheet as of the year ended December 31, 2003.

On September 30, 2002, Yellow completed the 100 percent distribution ("the spin-off") of all of its shares of SCS Transportation, Inc. ("SCST") to Yellow shareholders. Shares were distributed on the basis of one share of SCST common stock for every two shares of Yellow common stock. As a result of the spin-off, our financial statements reflect SCST as discontinued operations for the periods prior to the spin-off.

PRINCIPLES OF CONSOLIDATION AND SUMMARY OF ACCOUNTING POLICIES

The accompanying consolidated financial statements include the accounts of Yellow Roadway Corporation and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Management makes estimates and assumptions that affect the amounts reported in the financial statements and notes. Actual results could differ from those estimates.

Accounting policies refer to specific accounting principles and the methods of applying those principles to fairly present our financial position and results of operations in accordance with generally accepted accounting principles. The policies discussed below include those that management has determined to be the most appropriate in preparing our financial statements and are not discussed in a separate note.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposits and highly liquid investments purchased with maturities of three months or less.

CONCENTRATION OF CREDIT RISKS

We sell services and extend credit based on an evaluation of the customer's financial condition, without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. We monitor our exposure for credit losses and maintain allowances for anticipated losses.

REVENUE RECOGNITION

For shipments in transit, Yellow Transportation, Roadway Express and New Penn record revenue based on the percentage of service completed as of the period end and accrue delivery costs as incurred. In addition, Yellow Transportation, Roadway Express and New Penn recognize revenue on a gross basis since the entities are the primary obligors even when they use other transportation service providers who act on their behalf. Yellow Transportation, Roadway Express and New Penn remain responsible to their customers for complete and proper shipment, including the risk of physical loss or damage of the goods and cargo claims issues. Meridian IQ recognizes revenue upon the completion of services. In certain logistics transactions where Meridian IQ acts as an agent, revenue is recorded on a net basis. Net revenue represents revenue charged to customers less third party transportation costs. Where Meridian IQ acts as principal, it records revenue from these transactions on a gross basis, without deducting transportation costs. Management believes these policies most accurately reflect revenue as earned.

FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings approximates their fair value due to the short-term nature of these instruments.

Effective January 1, 2001, we adopted Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended ("Statement No. 133"). As a result of the adoption of Statement No. 133, we recognize all derivative financial instruments as either assets or liabilities at their fair value. In December 2000, we entered into a three-year interest rate swap agreement ("the swap") to hedge a portion of our variable rate debt, and in December 2003 the swap expired. As a result of the swap, we recorded a \$12 thousand gain in 2003, a \$22 thousand gain in 2002 and a \$34 thousand loss in 2001 in other net nonoperating expense representing the ineffectiveness of the correlation between the hedge and the ABS financing rate. At December 31, 2002, accumulated other comprehensive loss included a \$1.5 million unrealized loss on the interest rate contract. We recognized the differential paid under the contract designated as a hedge as adjustments to interest expense. These adjustments approximated \$2.4 million in 2003, \$2.1 million in 2002 and \$0.8 million in 2001 in additional interest expense.

CLAIMS AND INSURANCE ACCRUALS

Claims and insurance accruals, both current and long-term, reflect the estimated cost of claims for workers' compensation, cargo loss and damage, and property damage and liability that insurance does not cover. We include these costs in "claims and insurance" expense except for workers' compensation, which is included in "salaries, wages, and employees' benefits."

We base reserves for workers' compensation and property damage and liability claims primarily upon actuarial analyses prepared by independent actuaries. These reserves are discounted to present value using a risk-free rate at the date of occurrence. The risk-free rate is the U.S. Treasury rate for maturities that match the expected payout of such claims. The process of determining reserve requirements utilizes historical trends and involves an evaluation of accident frequency and severity, claims management, changes in health care costs, and certain future administrative costs. Through 2003, Yellow Transportation internally managed the administrative portion of claims handling for self-insurance on workers' compensation and property damage and liability claims. As a result of an initiative to begin outsourcing these functions, we recorded a one-time charge in 2003 of \$14.6 million for the liability associated with future claims handling costs related to existing claims. The effect of future inflation for costs is implicitly considered in the actuarial analyses. Adjustments to previously established reserves are included in operating results. At December 31, 2003 and 2002, estimated future payments related to these claims aggregated \$336.8 million and \$126.0 million, respectively. The present value of these estimated future payments was \$279.2 million at December 31, 2003 and \$103.8 million at December 31, 2002. The significant increase in claims and insurance from 2002 to 2003 resulted primarily from the inclusion of Roadway Express and New Penn in 2003.

STOCK-BASED COMPENSATION

Yellow Roadway has various stock-based employee compensation plans, which are described more fully in the Stock Compensation Plans note. We account for those plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25"). We do not reflect compensation costs in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant.

Option Value Information

We estimated the pro forma calculations in the table below using the Black-Scholes option pricing model with the following weighted average assumptions:

	2003	2002	2001
	-----	-----	-----
Dividend yield	--%	--%	--%
Expected volatility	46.7%	39.0%	36.8%
Risk-free interest rate	1.9%	2.6%	4.2%
Expected option life (years)	3	3	3
Fair value per option	\$8.41	\$7.81	\$6.04
	=====	=====	=====

Pro Forma Information

The following table illustrates the effect on income from continuing operations, net income and earnings per share if we had applied the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation ("Statement No. 123").

(in thousands except per share data)	2003	2002	2001
Net income (loss) - as reported	\$40,683	\$(93,902)	\$15,301
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(2,051)	(1,364)	(2,141)
Pro forma net income (loss)	\$38,632	\$(95,266)	\$13,160
Basic earnings (loss) per share			
Income from continuing operations - as reported	\$ 1.34	\$ 0.86	\$ 0.44
Income from continuing operations - pro forma	1.27	0.81	0.35
Net income (loss) - as reported	1.34	(3.35)	0.63
Net income (loss) - pro forma	1.27	(3.40)	0.54
Diluted earnings (loss) per share:			
Income from continuing operations - as reported	\$ 1.33	\$ 0.84	\$ 0.43
Income from continuing operations - pro forma	1.26	0.79	0.34
Net income (loss) - as reported	1.33	(3.31)	0.62
Net income (loss) - pro forma	1.26	(3.36)	0.53

PROPERTY AND EQUIPMENT

Yellow Roadway carries property and equipment at cost less accumulated depreciation. We compute depreciation using the straight-line method based on the following service lives:

	Years
Structures	10 - 40
Revenue equipment	5 - 14
Technology equipment and software	3 - 5
Other	3 - 10

We charge maintenance and repairs to expense as incurred, and capitalize replacements and improvements when these costs extend the useful life of the asset.

Our investment in technology equipment and software consists primarily of advanced customer service and freight management equipment and related software. We capitalize certain costs associated with developing or obtaining internal-use software. Capitalizable costs include external direct costs of materials and services utilized in developing or obtaining the software, payroll, and payroll-related costs for employees directly associated with the project. For the years ended December 31, 2003, 2002, and 2001, we capitalized \$3.3 million, \$1.3 million, and \$2.2 million, respectively, which were primarily payroll and payroll-related costs.

For the years ended December 31, 2003, 2002, and 2001, depreciation expense was \$85.8 million, \$78.9 million, and \$77.0 million, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS

If facts and circumstances indicate that the carrying value of identifiable amortizable intangibles and property, plant and equipment may be impaired, we would perform an evaluation of recoverability in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. If an evaluation were required, we would compare the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down is required.

ACQUISITION, SPIN-OFF AND REORGANIZATION CHARGES

Acquisition charges of \$3.1 million in 2003 related mostly to marketing and promotional expenses primarily for the acquisition of Roadway Corporation. Spin-off charges of \$6.9 million in 2002 included bank fees and external legal and accounting services due to the spin-off of SCST. Reorganization costs of \$1.0 million in 2002 and \$4.9 million in 2001 were primarily associated with the reorganization of Yellow Transportation and Transportation.com. These charges included employee separation, lease termination and rent costs.

RECLASSIFICATIONS

Yellow Roadway has made certain reclassifications to the prior year consolidated financial statements to conform to the current presentation.

PREFERRED STOCK

Our Certificate of Incorporation authorizes the Board of Directors, at its discretion, to issue up to 5 million shares of preferred stock with a \$1 par value per share. As of December 31, 2003, none of these shares have been issued.

ACQUISITIONS

In accordance with SFAS No. 141, Business Combinations ("Statement No. 141"), Yellow Roadway allocates the purchase price of its acquisitions to the tangible and intangible assets and liabilities of the acquired entity based on their fair values. We record the excess purchase price over the fair values as goodwill. The fair value assigned to intangible assets acquired is based on valuations prepared by independent third party appraisal firms using estimates and assumptions provided by management. In accordance with SFAS No. 142, Goodwill and Other Intangible Assets ("Statement No. 142"), goodwill and intangible assets with indefinite useful lives are not amortized but are reviewed at least annually for impairment. An impairment loss would be recognized to the extent that the carrying amount exceeds the assets' fair value. Intangible assets with estimatable useful lives are amortized on a straight-line basis over their respective useful lives.

ROADWAY CORPORATION

On December 11, 2003, Yellow Corporation completed the acquisition of Roadway Corporation ("Roadway") and all of its outstanding stock in approximately a half cash, half stock transaction. As part of the transaction, we changed our name to Yellow Roadway Corporation. In addition, Roadway Corporation became Roadway LLC and a wholly owned subsidiary of Yellow Roadway. Principal operating subsidiaries of Roadway LLC include Roadway Express and New Penn. Roadway Express is a leading transporter of industrial, commercial and retail goods in the two- to five-day regional and long-haul markets. New Penn is a next-day, ground, less-than-truckload carrier of general commodities. The acquisition now provides us with the increased scale, strong financial base and market reach that are necessary to increase shareholder value and enhance customer service. It also has the potential to accelerate our strategy of offering a broader range of services for business-to-business transportation decision makers.

Consideration for the acquisition included \$494 million in cash and 18.0 million shares of Yellow Roadway common stock, based on an exchange ratio of 1.752 and an average price per share of \$31.51, for a total purchase price of \$1.1 billion. The purchase price also included approximately \$19 million for investment banking, legal and accounting fees that Yellow Roadway incurred to consummate the acquisition, resulting in total cash consideration of \$513 million. In addition, by virtue of the merger, Roadway LLC assumed \$225.0 million of principal senior notes with a fair value of \$248.9 million and acquired available cash of \$106.3 million. The cash portion of the purchase price was funded primarily through a term loan of \$175 million under our new credit facility, a private placement of \$250 million of 5.0 percent contingent convertible senior notes due 2023 and a private placement of \$150 million of 3.375 percent contingent convertible senior notes due 2023. The 18.0 million common shares we issued were valued based on the simple average of the daily opening and closing trade prices for the period December 9 through December 15, 2003, which represents two days prior and after the date the price was fixed under the terms of the merger agreement.

Prior to the acquisition, Roadway had agreements in place with key management personnel that would require Roadway to pay specific amounts to those individuals upon a change in control of the entity. On December 11, 2003, in conjunction with the closing of the transaction, Roadway paid \$15.9 million to the individuals covered by the agreement that would not be joining the new Yellow Roadway organization. This amount was expensed in the pre-acquisition financial statements of Roadway Corporation. The

remaining amount covered under the agreement of \$10.6 million was placed in a trust account for possible payment to the three individuals that remain Roadway employees. If any of these individuals are terminated within two years and the applicable conditions of their respective agreements are met, they would receive the agreed to payments, and we would recognize an expense for those payments at the time of the triggering event. If termination does not occur within two years, the funds will be released from restriction and reclassified from a long-term asset to cash on our Consolidated Balance Sheet.

In accordance with Statement No. 141, we included the results of Roadway LLC and its operating subsidiaries in our Statements of Consolidated Operations and Statements of Consolidated Cash Flows from the date of acquisition through December 31, 2003. Our Consolidated Balance Sheet as of December 31, 2003 includes Roadway LLC and its operating subsidiaries after valuing the tangible and intangible assets and liabilities at their fair values.

Based on an independent valuation prepared using estimates and assumptions provided by management, we allocated the total purchase price of approximately \$1.1 billion at the date of acquisition as follows:

(in thousands)	December 11, 2003
Cash and cash equivalents	\$ 106,307
Accounts receivable	373,695
Other current assets	36,202
Property, plant and equipment	823,443
Other long-term assets	32,436
Intangible assets	461,300
Goodwill	597,070
Accounts payable	(127,148)
Other current liabilities	(406,382)
Long-term debt	(249,165)
Deferred income taxes, net	(214,542)
Other long-term liabilities	(335,995)

Total purchase price	\$1,097,221
	=====

As the Roadway acquisition occurred in December 2003, the allocation of the purchase price included in the December 31, 2003 Consolidated Balance Sheet is preliminary and subject to refinement. Although we do not expect any subsequent changes to have a material impact on our results of operations or amounts allocated to goodwill, such changes could result in material adjustments to the preliminary purchase allocation. The most significant pending items include the following: finalization of independent asset valuation for the Roadway tangible and intangible assets including associated remaining lives; completion of all direct costs associated with the acquisition; updating Roadway personnel information used to calculate the pension benefit obligation; determination of the fair value of tax-related contingencies; calculation of an estimate for certain contractual obligations; and numerous other refinements. We expect substantially all of the above refinements will be completed by the end of second quarter 2004.

Intangible Assets

Of the \$461.3 million allocated to intangible assets, \$333.5 million was assigned to the Roadway and New Penn trade names which are not subject to amortization. Of the remaining value, \$111.8 million and \$16.0 million were assigned to customer relationships and software related assets, respectively. We assigned the customer relationships and software assets a weighted average life of 16.5 years and 3 years, respectively.

Goodwill

In considering the acquisition of Roadway, we based our proposed purchase price on the increased value that the combined Yellow Roadway organization could provide to its investors, customers and employees. This value can be attributed to our increased scale and ability to compete in a highly competitive domestic and global transportation marketplace, the reputation and recognition of the distinct brands, and the service capabilities and technologies of both companies. We recorded \$597.0 million in goodwill as part of the acquisition, allocating \$474.7 million to Roadway Express and \$122.3 million to New Penn. Of the total goodwill recorded, the amount that may be deductible for tax purposes is not material to our results of operations.

Pro Forma Results

The following unaudited pro forma financial information presents the combined results of operations of Yellow Roadway as if the acquisition had occurred as of the beginning of the years presented. The unaudited pro forma financial information is not intended to represent or be indicative of the consolidated results of operations of Yellow Roadway that would have been reported had the acquisition been completed as of the dates presented, and should not be taken as representative of the future consolidated results of operations of Yellow Roadway. Summarized unaudited pro forma results were as follows for the years ended December 31:

(in thousands except per share data)	2003	2002
Operating revenue	\$6,120,835	\$5,637,924
Income from continuing operations	38,127	43,597
Net income (loss)	37,972	(70,496)
Diluted earnings (loss) per share:		
Income from continuing operations	0.79	0.94
Net income (loss)	0.79	(1.51)
	=====	=====

GPS LOGISTICS, INC.

In August 2003, a subsidiary of Meridian IQ, Yellow Global, LLC, acquired certain U.S. assets of GPS Logistics, a global logistics provider. Yellow Global, LLC was then renamed Yellow GPS, LLC ("Yellow GPS"). In exchange for the acquisition, Yellow GPS assumed certain of GPS Logistics customer, lease and other obligations and became obligated to pay GPS Logistics earnout payments if certain financial targets for the combined business of Yellow GPS are met. There was no net cash consideration paid in the transaction. In addition, Yellow GPS received a call option to purchase the stock of each of GPS Logistics (E.U.) Ltd., the related United Kingdom ("U.K.") operations of GPS Logistics, and GPS Logistics Group Ltd., the related Asian operations of GPS Logistics. If Yellow GPS does not exercise the Asian option, it would be required to pay a deferred option price to the shareholders of GPS Logistics Group Ltd. In February 2004, Yellow GPS exercised and closed its option to purchase GPS Logistics (E.U.) Ltd. Yellow GPS made a payment of \$7.6 million, which is subject to upward and downward adjustment based on the financial performance of the U.K. business. The acquisition will be reflected in our first quarter 2004 results.

CLICKLOGISTICS, INC. AND MEGASYS, INC.

In the third quarter of 2002, Meridian IQ acquired selected assets, consisting primarily of customer contracts, of Clicklogistics, Inc. ("Clicklogistics") for nominal cash consideration. Clicklogistics provided non-asset transportation and logistics management services. In that same period, Meridian IQ completed the acquisition of MegaSys, Inc. ("MegaSys"), a Greenwood, Indiana based provider of non-asset transportation and logistics management services, for approximately \$17 million. The acquisition price primarily related to \$9.3 million of goodwill and \$7.1 million of identifiable intangible assets. As part of the acquisition, Meridian IQ negotiated an earnout arrangement, which provided for contingent consideration to be paid by Meridian IQ upon MegaSys generating cash flow levels in excess of an established rate of return through December 31, 2005. In the first quarter of 2004, the earnout arrangement was terminated; earnout payments to date were not material to our results of operations. We believe these acquisitions support our strategy to grow our non-asset-based business and be a single-source transportation provider.

TRANSPORTATION.COM

In September 2001, we completed the acquisition of the remaining ownership in Transportation.com from our venture capital partners. The cash purchase price of approximately \$14.3 million was allocated to goodwill of \$10.6 million, tax benefit receivable of \$4.0 million and miscellaneous assets and liabilities of \$(0.3) million. As of the acquisition date, Transportation.com, as well as our other non-asset-based services, have been consolidated under Meridian IQ. The purchase agreements provide for material contingent payments to be paid to the sellers in the event of a public offering of Meridian IQ on or before August 2006. We have no current plans for a public offering of Meridian IQ. Prior to the acquisition date, we accounted for our ownership interest under the equity method of accounting due to substantive participating rights of the minority investors. The loss on our investment of \$5.7 million in 2001 was recorded in nonoperating expense.

GOODWILL AND INTANGIBLES

Goodwill is recognized for the excess of the purchase price over the fair value of tangible and identifiable intangible net assets of businesses acquired. Prior to the adoption on January 1, 2002 of Statement No. 142, we amortized goodwill over the estimated period of benefit on a straight-line basis over periods ranging from 20 to 40 years, and we reviewed goodwill for impairment under the policy for other long-lived assets. Since the adoption of Statement No. 142, we discontinued amortization of goodwill and review goodwill at least annually for impairment based on a fair value approach. Meridian IQ has not amortized goodwill in accordance with the provisions of Statement No. 142. Therefore, income from continuing operations does not include goodwill amortization for any period presented.

The following table shows the amount of goodwill attributable to each segment with goodwill balances and changes therein:

(in thousands)	December 31, 2002	Acquisitions	Foreign Equity Translation Adjustments/ Reclasses	December 31, 2003
Roadway Express	\$ --	\$474,738	\$(225)	\$474,513
New Penn	--	122,332	--	122,332
Meridian IQ	20,491	--	(23)	20,468
Goodwill	<u>\$20,491</u>	<u>\$597,070</u>	<u>\$(248)</u>	<u>\$617,313</u>

The components of amortizable intangible assets are as follows:

(in thousands)	Weighted Average Life (years)	December 31, 2003		December 31, 2002	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer related	16.5	\$117,422	\$1,350	\$5,622	\$355
Marketing related	6	723	159	700	42
Technology based	3	17,061	635	1,061	140
Intangible assets		<u>\$135,206</u>	<u>\$2,144</u>	<u>\$7,383</u>	<u>\$537</u>

Total marketing related intangible assets with indefinite lives were \$334.1 million and \$0.9 million for the years ended December 31, 2003 and 2002, respectively. These intangible assets are not subject to amortization. The gross carrying amount of intangibles at December 31, 2003 included approximately \$461.0 million of Roadway LLC assets and the related accumulated amortization of \$0.6 million. Roadway-related intangibles were not reflected in the December 31, 2002 balances.

Amortization expense for intangible assets, as reflected in income from continuing operations, was \$1.6 million for the year ending December 31, 2003. Estimated amortization expense for the next five years is as follows:

(in thousands)	2004	2005	2006	2007	2008
Estimated amortization expense	<u>\$13,048</u>	<u>\$12,965</u>	<u>\$12,581</u>	<u>\$7,373</u>	<u>\$7,271</u>

The increase in amortization expense from prior years relates primarily to the addition of the Roadway LLC intangible assets as discussed above.

EMPLOYEE BENEFITS

PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Qualified and Nonqualified Defined Benefit Pension Plans

With the exception of Meridian IQ, New Penn and Reimer, Yellow Roadway and its operating subsidiaries sponsor qualified and nonqualified defined benefit pension plans for most employees not covered by collective bargaining agreements (approximately 10,000 employees). Qualified and nonqualified pension benefits are based on years of service and the employees' covered earnings. Employees covered by collective bargaining agreements participate in various multi-employer pension plans to which Yellow Roadway contributes, as discussed later in this section. Meridian IQ and New Penn do not offer defined benefit pension plans and instead offer retirement benefits through either contributory 401(k) savings plans or profit sharing plans, as discussed later in this section. Additionally, beginning January 1, 2004, all new nonunion employees and all Meridian IQ employees will participate in a new defined contribution retirement plan. The existing Yellow Roadway defined benefit pension plans will be closed to new participants.

Our funding policy is to target contributions at the minimum required tax-deductible contribution for the year while taking into consideration each plan's funded status, any variable Pension Benefit Guarantee Corporation premiums and the outlooks for required funding. Our actuarial valuation measurement date for our principal pension plans and postretirement benefit plan is December 31.

Other Postretirement Benefit Plan

Roadway LLC sponsors a postretirement healthcare benefit plan that covers nonunion employees of Roadway hired before February 1, 1997. Health care benefits under this plan end when the participant attains age 65.

Definitions

We have defined the following terms to provide a better understanding of our pension and other postretirement benefits:

Projected benefit obligation: The projected benefit obligation is the present value of future benefits to employees attributed to service as of the measurement date, including assumed salary increases.

Plan assets: Represents the assets currently invested in the plans. Assets used in calculating the funded status are measured at the current market value at December 31.

Funded status: The funded status represents the difference between the projected benefit obligation and the market value of the assets.

Net amount recognized: The net amount recognized represents the amount accrued by Yellow Roadway for pension costs.

Unfunded accumulated benefit obligation: The accumulated benefit obligation is the present value of future benefits attributed to service as of the measurement date, assuming no future salary growth. The unfunded accumulated benefit obligation represents the difference between the accumulated benefit obligation and the fair market value of the assets.

Accumulated postretirement benefit obligation: The accumulated postretirement benefit obligation is the present value of other postretirement benefits to employees attributed to service as of the measurement date.

Funded Status

The following table sets forth the plans' funded status:

(in thousands)	Pension Benefits		Other Postretirement Benefits(a)
	2003	2002	2003
CHANGE IN BENEFIT OBLIGATION:			
Benefit obligation at prior year end	\$ 417,703	\$ 356,035	\$ --
Service cost	17,356	15,772	109
Interest cost	27,854	25,595	169
Plan amendment	136	907	--
Benefits paid	(17,606)	(11,512)	(136)
Foreign exchange rate loss	576	--	--
Acquisition of Roadway	457,181	--	52,934
Actuarial loss	12,039	30,906	--
Benefit obligation at year end	<u>\$ 915,239</u>	<u>\$ 417,703</u>	<u>\$ 53,076</u>
CHANGE IN PLAN ASSETS:			
Fair value of plan assets at prior year end	\$ 248,721	\$ 274,602	\$ --
Actual return on plan assets	66,623	(26,381)	--
Employer contributions	35,552	12,012	134
Benefits paid	(17,606)	(11,512)	(134)
Foreign exchange rate loss	795	--	--
Acquisition of Roadway	280,601	--	--
Fair value of plan assets at year end	<u>\$ 614,686</u>	<u>\$ 248,721</u>	<u>\$ --</u>
FUNDED STATUS:			
Funded status	\$(300,553)	\$(168,982)	\$(53,076)
Unrecognized transition assets	--	(1,344)	--
Unrecognized prior service cost	12,336	13,579	--
Unrecognized net actuarial (gain)/loss	94,177	121,850	(2)
Net amount recognized	<u>\$(194,040)</u>	<u>\$ (34,897)</u>	<u>\$(53,078)</u>

(a) Other postretirement benefits are shown for the period from the date of the Roadway acquisition through December 31, 2003. Prior to the acquisition we did not provide these benefits.

Benefit Plan Obligations

Amounts recognized for the benefit plan liabilities in the Consolidated Balance Sheets at December 31 are as follows:

(in thousands)	Pension Benefits		Other Postretirement Benefits
	2003	2002	2003
Prepaid benefit cost	\$ 7,146	\$ 6,019	\$ --
(Accrued) benefit costs	(246,369)	(102,545)	(53,078)
Intangible asset	12,336	13,579	--
Accumulated other comprehensive loss (pretax)	32,847	48,050	--
Net amount recognized	<u>\$(194,040)</u>	<u>\$ (34,897)</u>	<u>\$(53,078)</u>

Weighted average actuarial assumptions used to determine benefit obligations at December 31:

	Pension Benefits		Other Postretirement Benefits
	2003	2002	2003
Discount rate	6.25%	6.75%	6.25%
Rate of increase in compensation levels	3.87%	4.50%	--

Information for pension plans with an accumulated benefit obligation in excess of plan assets at December 31:

(in thousands)	2003	2002
Projected benefit obligation	\$910,138	\$414,029
Accumulated benefit obligation	769,726	344,015
Fair value of plan assets	605,896	241,392

Equity adjustment

Increases in our pension benefit obligations combined with market losses in 2002 and 2001 negatively impacted the funded status of our plans and resulted in additional funding requirements and pension expense in 2003. Due to these same factors, we recorded a reduction in shareholders' equity in 2002 of \$30.8 million, net of tax of \$17.2 million, to reflect the minimum liability associated with the plans. In 2003, we reduced the minimum liability in shareholders' equity by a net \$10.5 million, as a result of the additional expense we recognized during the year as well as favorable investment experience in 2003. Our minimum liability reflected in shareholders' equity at December 31, 2003 totals \$20.3 million, net of tax of \$12.5 million. As we record additional expense and fund the accumulated benefit obligation, we expect the minimum liability reflected in shareholders' equity to decrease. We reflect these adjustments in the table below.

(in thousands)	2003	2002
Increase (decrease) in minimum liability included in other comprehensive income	\$(15,203)	\$48,050

Plan assets by category

Asset Category	Percentage of Plan Assets at December 31,	
	2003	2002
Equity securities	67%	65%
Debt securities	33%	35%
Total	100%	100%

Our investment policies are based on target asset allocations. We review our pension portfolio periodically and rebalance when significant differences occur from target. Target asset allocations are as follows:

	Yellow Plans	Roadway Plans
Small-cap U.S. equities	10.0%	12.5%
Mid-cap U.S. equities	--	12.5%
Large-cap U.S. equities	40.0%	25.0%
International equities	15.0%	15.0%
Fixed-income securities	35.0%	35.0%
Total	100.0%	100.0%

Contributions

We expect to contribute approximately \$45 million to our pension plans in 2004.

Pension and Other Postretirement Costs

The components of our net periodic pension cost for the years ended December 31, 2003, 2002 and 2001, and other postretirement costs for the period from date of acquisition through December 31, 2003, were as follows:

(in thousands)	Pension Costs			Other Postretirement Costs
	2003	2002	2001	2003
Service cost	\$ 17,356	\$ 15,772	\$ 14,496	\$109
Interest cost	27,854	25,595	23,427	169
Expected return on plan assets	(28,075)	(25,139)	(21,010)	--
Amortization of net transition obligation	(1,344)	(2,380)	(2,384)	--
Amortization of prior service cost	1,379	1,438	1,304	--
Amortization of net loss	2,157	--	--	--
Net periodic pension cost	\$ 19,327	\$ 15,286	\$ 15,833	\$278
Weighted average assumptions for the years ended December 31:				
Discount rate	6.75%	7.25%	7.50%	6.25%
Rate of increase in compensation levels	4.50%	4.50%	4.50%	--
Expected rate of return on assets	9.00%	9.00%	9.00%	--

We developed the expected long-term rate of return on assets assumption by considering the historical returns and the future expectations for returns of each asset class, as well as the target asset allocation of the pension portfolio. We believe our 2003 expected rate of return of 9.0 percent accurately represents our investment portfolio that has performed to this level over time. However, given the addition of the Roadway portfolio of assets and in accordance with our policy on establishing the long-term rate of return, we have lowered this rate to 8.75 percent in determining 2004 pension expense.

Other Postretirement Benefit Plans

Assumed health care cost trend rates at December 31, 2003 are as follows:

Health care cost trend used in the current year	11.5%
Health care cost trend rate assumed for next year	10.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%
Year that the rate reaches the ultimate trend rate	2010

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The policy of Roadway LLC regarding the management of health care costs passes the increase beyond a fixed threshold to the plan participants. As a result, a one-percentage-point increase in the assumed health care cost trend rate would have no effect on the accumulated postretirement benefit obligation or the service and the interest cost components. A one-percentage-point decrease in assumed health care cost trend rates would have the following effects:

(in thousands)	
Effect on total of service and interest cost	\$ 618
Effect on postretirement benefit obligation	5,938

MULTI-EMPLOYER PLANS

Yellow Transportation, Roadway Express and New Penn contribute to multi-employer health, welfare and pension plans for employees covered by collective bargaining agreements (approximately 77 percent of total employees). The largest of these plans, the Central States Southeast and Southwest Areas Pension Plan (the "Central States Plan") provides retirement benefits to approximately 53 percent of our total employees. The amounts of these contributions are determined by contract and established in the agreements. The health and welfare plans provide health care and disability benefits to active employees and retirees. The pension plans provide defined benefits to retired participants. We recognize as net pension cost the required contribution for the period and recognize as a liability any contributions due and unpaid. Yellow Roadway contributed and charged to expense the following amounts to these plans for the years ended December 31:

(in thousands)	2003	2002	2001
Health and welfare	\$195,740	\$156,081	\$150,012
Pension	178,614	159,018	157,148
Total	\$374,354	\$315,099	\$307,160

Under current legislation regarding multi-employer pension plans, a termination, withdrawal or partial withdrawal from any multi-employer plan in an under-funded status would render us liable for a proportionate share of such multi-employer plans' unfunded vested liabilities. This potential unfunded pension liability also applies to our unionized competitors who contribute to multi-employer plans. Based on the limited information available from plan administrators, which we cannot independently validate, we believe that our portion of the contingent liability in the case of a full withdrawal or termination would be material to our financial position and results of operations. Yellow Transportation, Roadway Express and New Penn have no current intention of taking any action that would subject us to obligations under the legislation.

Yellow Transportation, Roadway Express and New Penn each have collective bargaining agreements with their unions that stipulate the amount of contributions each company must make to union-sponsored, multi-employer pension plans. The Internal Revenue Code and related regulations establish minimum funding requirements for these plans. If any of these plans, including (without limitation) the Central States Plan, fail to meet these requirements and the trustees of these plans are unable to obtain waivers of the requirements from the Internal Revenue Service ("IRS") or reduce pension benefits to a level where the requirements are met, the IRS could impose an excise tax on all employers participating in these plans and require contributions in excess of our contractually agreed upon rates to correct the funding deficiency. If an excise tax were imposed on the participating employers and additional contributions required, it could have a material adverse impact on the financial results of Yellow Roadway.

401(K) SAVINGS PLANS

Yellow Roadway and its operating subsidiaries each sponsor defined contribution plans, primarily for employees not covered by collective bargaining agreements. The plans principally consist of contributory 401(k) savings plans and noncontributory profit sharing plans. Plans provided by Yellow Roadway, the holding company, and Yellow Transportation consist of both a fixed matching percentage and a discretionary amount. The nondiscretionary company match for these plans equals 25 percent of the first six percent of an eligible employee's contributions. In 2004, the nondiscretionary company match for these plans will be equal to 25 percent of the first six percent in cash and 25 percent of the first six percent in Yellow Roadway common stock, for a total match of 50 percent of the first six percent. Discretionary contributions for both the 401(k) savings plan and profit sharing plans are determined annually by the Board of Directors. The 401(k) savings plan offered by Meridian IQ in 2003 provided a fixed matching percentage of 75 percent of the first six percent of an eligible employee's contributions with no option for discretionary contributions. In 2004, Meridian IQ terminated their 401(k) savings plan and going forward will participate in the Yellow Roadway plan. The 401(k) savings plan offered by Roadway Express provides a fixed matching percentage of 100 percent of the first four and a half percent of an eligible employee's contributions. We provide the entire matching component of the Roadway Express plan with Yellow Roadway common stock. Contributions for each of the three years in the period ended December 31, 2003, were not material to our operations.

Our employees covered under collective bargaining agreements can also participate in a contributory 401(k) plan. We do not make employer contributions to the plan on their behalf.

PERFORMANCE INCENTIVE AWARDS

Yellow Roadway and its operating subsidiaries each provide annual performance incentive awards to nonunion employees, which are based primarily on actual operating results achieved compared to targeted operating results. Income from continuing operations in 2003, 2002, and 2001 included performance incentive expense for nonunion employees of \$27.6 million, \$15.6 million, and \$2.9 million, respectively. We pay annual performance incentive awards primarily in the first quarter of the following year.

PERFORMANCE BASED LONG-TERM INCENTIVE PLAN

We implemented a long-term incentive plan in 2002. This plan replaced the use of stock options as the exclusive vehicle for delivering long-term incentive compensation potential to certain executive officers. Awards under the plan can be made in cash and performance share units at the discretion of the Board of Directors. Fifty percent of the awarded performance share units vest three years from the date of grant and the remaining 50 percent vest six years from the date of grant. The plan utilizes a phased implementation schedule that allows for one-third of the typical award in the first year of implementation, two-thirds in the second year, and the full award in the third year. In 2003, award amounts were based on growth in our net operating profit after taxes and return on committed capital compared to the Standard and Poor's Small Cap index (approximately 600 companies). Income from continuing operations in 2003 and 2002 included performance incentive accruals under this plan of \$4.9 million and \$2.0 million, respectively.

DEBT AND FINANCING

At December 31, total debt consisted of the following in order of seniority:

(in thousands)	2003	2002
ABS borrowings, secured by Yellow Transportation accounts receivable	\$ 71,500	\$ 50,000
Term loan, secured by Yellow Roadway assets	175,000	--
Senior notes due 2008, secured by certain Roadway LLC assets	248,895	--
Industrial development bonds, primarily secured by related facilities	13,900	18,900
Contingent convertible senior notes, unsecured	400,000	--
Medium-term notes, unsecured	--	55,250
Capital leases and other	44	135
	-----	-----
Total debt	\$909,339	\$124,285
ABS borrowings	(71,500)	(50,000)
Current maturities	(1,757)	(24,261)
	-----	-----
Long-term debt	\$836,082	\$ 50,024
	=====	=====

VARIABLE-RATE DEBT

In 2003, Yellow Roadway replaced its previous \$300 million unsecured credit agreement, which was set to expire April 2004, with a new \$675 million secured credit agreement. The secured credit agreement consists of three parts: a \$175 million term loan, a \$250 million letters of credit facility and a \$250 million revolver loan. As of December 31, 2003, we have borrowed the entire amount of the term loan. We may use the letters of credit facility for issuance of standby letters of credit and the revolver loan for short-term borrowings and additional letters of credit. Interest on borrowings is based on the London inter-bank offer rate ("LIBOR") plus a fixed increment. The credit facility is secured by substantially all of our domestic assets except for those assets securing our ABS facility. Under the terms of the agreement, we must prepare certain reports and meet certain other criteria ("affirmative covenants") and are prohibited from engaging in certain financial activities ("negative covenants"). Certain negative covenants are discussed further in the Commitments, Contingencies and Uncertainties note. At December 31, 2003, we were in compliance with all terms of the credit agreement.

The following table provides a detail of the outstanding components and available unused capacity under the credit agreement:

(in thousands)	December 31, 2003
-----	-----
Total capacity	\$ 675,000
Term loan outstanding	(175,000)
Letters of credit facility outstanding	(250,000) (a)
Letters of credit outstanding under revolver loan	(24,410)

Available unused capacity	\$ 225,590 =====

(a) We have an additional \$1.5 million in letters of credit that are not covered under a credit facility.

We also maintain an ABS agreement that allows us to transfer an ongoing pool of receivables to a conduit administered by an independent financial institution ("the conduit"). Under the terms of the agreement, we may transfer Yellow Transportation trade receivables to a special purpose entity, Yellow Receivables Corporation ("YRC"). YRC is a wholly owned consolidated subsidiary of Yellow Transportation designed to isolate the receivables for bankruptcy purposes. The conduit must purchase from YRC an undivided ownership interest in those receivables. The percentage ownership interest in receivables purchased by the conduit may increase or decrease over time, depending on the characteristics of the receivables, including delinquency rates and debtor concentrations.

Yellow Roadway services the receivables transferred to YRC and receives a servicing fee, which management has determined approximates market compensation for these services. The conduit pays YRC the face amount of the undivided interest at the time of purchase. On a periodic basis, this sales price is adjusted, resulting in payments by YRC to the conduit of an amount that varies based on the interest rate on certain of the conduit's liabilities and the length of time the sold receivables remain outstanding.

The ABS facility involves receivables of Yellow Transportation only and has a limit of \$200 million. Under the terms of the agreement, Yellow Transportation retains the associated collection risks. Although the facility has no stated maturity, we have an underlying letter of credit with the administering financial institution that has a 364-day maturity.

The table below provides the borrowing and repayment activity under the ABS facility, as well as the resulting balances, for the years ending December 31 of each period presented:

(in thousands)	2003	2002
-----	-----	-----
ABS obligations outstanding at January 1	\$ 50,000	\$ 141,500
Transfer of receivables to conduit (borrowings)	151,000	421,500
Redemptions from conduit (repayments)	(129,500)	(513,000)
	-----	-----
ABS obligations outstanding at December 31	\$ 71,500 =====	\$ 50,000 =====

Prior to December 31, 2002, the ABS facility was treated as a sale of assets and the sold receivables and related obligations were not reflected on the Consolidated Balance Sheets. Our loss on the sale of receivables under the ABS facility to the conduit was \$2.6 million in 2002 and \$8.0 million in 2001. These charges are reflected as ABS facility charges on the Statements of Consolidated Operations.

Roadway historically had a similar ABS facility under which Roadway transferred Roadway Express domestic accounts receivable to a special purpose entity, Roadway Funding, Inc. ("REF"). As part of the acquisition, we maintained REF as a wholly owned subsidiary of Roadway LLC but discontinued the related conduit with the independent financial institution. As of December 31, 2003, there was no ABS facility available for Roadway Express.

At December 31, 2003, Reimer had a \$10.0 million secured revolving line of credit available with no outstanding borrowings. In the first quarter of 2004, we closed the facility.

FIXED-RATE DEBT

We have loan guarantees, mortgages, and lease contracts in connection with the issuance of industrial development bonds ("IDBs") used to acquire, construct or expand terminal facilities. Rates on these bonds range from 5.3 percent to 6.1 percent, with principal payments due through 2010.

On August 8, 2003, we closed the sale of \$200 million of our private offering of 5.0 percent contingent convertible senior notes due 2023 ("contingent convertible senior notes") and on August 15, 2003 we closed the sale of an additional \$50 million of the notes pursuant to the exercise of the option of the initial purchasers. We received net proceeds from the sales of \$242.5 million, after fees.

The \$250 million contingent convertible senior notes have an annual interest rate of 5.0 percent and are convertible into shares of Yellow Roadway common stock at a conversion price of \$39.24 per share only upon the occurrence of certain other events. The contingent convertible senior notes may not be redeemed by us for seven years but are redeemable at any time thereafter at par. Holders of the contingent convertible senior notes have the option to require Yellow Roadway to purchase their notes at par on August 8, 2010, 2013 and 2018, and upon a change in control of the company. These terms and other material terms and conditions applicable to the contingent convertible senior notes are set forth in the indenture governing the notes.

On September 30, 2003, we completed the repurchase of \$24 million aggregate principal amount of our medium-term notes ("MTNs"). The remaining \$20 million aggregate principal amount of MTNs outstanding, after scheduled principal payments during 2003 of \$11.3 million, were defeased under the terms thereof. Defeasance refers to the process of placing sufficient funds in an irrevocable trust to pay and discharge the MTNs as they become due. As a result, we were considered legally released as the primary obligor and the MTNs were removed from our balance sheet. The interest rate on the notes ranged from 6.1 percent to 7.8 percent with scheduled maturities ranging from October 2003 to August 2008. We recognized a loss on the extinguishment of debt of \$2.3 million from the repurchase and defeasance that we reflected in "other" nonoperating expenses on our Statement of Consolidated Operations. We funded the repurchase and defeasance with cash on hand.

On November 19, 2003, we announced a private offering of \$130 million of 3.375 percent contingent convertible senior notes with an option for the initial purchasers to acquire an additional \$20 million. On November 25, 2003, we closed the sale of the entire \$150 million of contingent convertible senior notes due 2023. We received net proceeds from the offering of \$145.5 million, after fees, and used the proceeds to fund the acquisition of Roadway.

The \$150 million contingent convertible senior notes have an annual interest rate of 3.375 percent and are convertible into shares of Yellow Roadway common stock at a conversion price of \$46.00 per share only upon the occurrence of certain other events. The contingent convertible senior notes may not be redeemed by us for nine years but are redeemable at any time thereafter at par. Holders of the contingent convertible senior notes have the option to require Yellow Roadway to purchase their notes at par on November 25, 2012, 2015 and 2020, and upon a change in control of the company. These terms and other material terms and conditions applicable to the contingent convertible senior notes are set forth in the indenture governing the notes.

As part of our acquisition of Roadway and by virtue of the merger agreement, we assumed \$225.0 million face value of 8.25 percent senior notes due in full on December 1, 2008 ("senior notes due 2008"), with interest payments due semi-annually on June 1 and December 1. The senior notes due 2008 were revalued as part of purchase accounting and assigned a fair value of \$249.2 million on December 11, 2003. The premium over the face value of the senior notes due 2008 will be amortized as a reduction to interest expense over the remaining life of the notes. The unamortized premium at December 31, 2003 was \$23.9 million. The senior notes due 2008 are secured by assets of certain Roadway LLC subsidiaries. In addition, the stock of certain Roadway LLC subsidiaries has been pledged to secure these notes.

Based on the borrowing rates currently available to us for debt with similar terms and remaining maturities and the quoted market prices for the senior notes due 2008 and contingent convertible senior notes, the fair value of fixed-rate debt at December 31, 2003 and 2002, was approximately \$761.0 million and \$81.5 million, respectively. The carrying amount of such fixed-rate debt at December 31, 2003 and 2002, was \$638.9 million and \$74.3 million, respectively.

The principal maturities of total debt, excluding ABS borrowings, for the next five years and thereafter are as follows:

(in thousands)	IDBs	Contingent convertible senior notes	Senior notes due 2008	Term loan	Capital leases	Total
2004	\$ --	\$ --	\$ --	\$ 1,750	\$ 7	\$ 1,757
2005	4,400	--	--	1,750	37	6,187
2006	--	--	--	1,750	--	1,750
2007	--	--	--	1,750	--	1,750
2008	2,500	--	225,000(a)	168,000	--	395,500
Thereafter	7,000	400,000	--	--	--	407,000
Total	\$13,900	\$400,000	\$225,000	\$175,000	\$44	\$813,944

(a) As discussed above, the senior notes due 2008 had a carrying value of \$248.9 million at December 31, 2003 and a principal maturity value of \$225.0 million.

STOCK COMPENSATION PLANS

Yellow Roadway has reserved 4.8 million shares of its common stock for issuance to key management personnel under five stock option plans. Our long-term incentive plan implemented in 2002, and discussed under our Employee Benefits note, replaced the use of stock options as the exclusive vehicle for delivering long-term incentive compensation potential to our executive officers. The stock option plans generally permit grants of nonqualified stock options and grants of stock options coupled with a grant of stock appreciation rights ("SARs"). In addition, we have reserved 200,000 shares of our common stock for issuance to our Board of Directors. Under the plans, the exercise price of each option equals the closing market price of our common stock on the date of grant. The options vest ratably, generally over a period of four years, and expire ten years from the date of the grant.

Yellow Roadway implemented a new stock option plan in 2002 which reserves 1.0 million of the 4.8 million shares discussed above. This plan permits the issuance of restricted stock and restricted stock units, as well as options, SARs, and performance stock and performance stock unit awards. The maximum cumulative number of shares that can be awarded in any form other than options or SARs is 200,000 shares.

We adjusted our outstanding stock options in 2002 to reflect the impact of the spin-off of SCST. For employees who continued employment with Yellow, the option remained an option for Yellow common stock with the number of shares covered by the option and related exercise price adjusted to preserve the intrinsic value. For employees who worked for SCST after the spin-off, the Yellow options were cancelled and SCST issued options to purchase SCST common stock with the number of shares of SCST common stock and exercise price set to preserve the intrinsic value.

As of December 31, 2003, 2002 and 2001, options on approximately 904,000 shares, 736,000 shares and 1,054,000 shares, respectively, were exercisable at weighted average exercise prices of \$19.44 per share, \$17.77 per share and \$20.62 per share, respectively. The weighted average remaining contract life on outstanding options at December 31, 2003, 2002 and 2001 was 6.7 years, 7.4 years and 7.3 years, respectively.

A summary of activity in our stock option plans is presented in the following table:

	Shares (in thousands)	Exercise Price	
		Weighted Average	Range
Outstanding at December 31, 2000	3,375	\$17.55	\$11.50 - 27.00
Granted	42	20.30	18.25 - 21.87
Exercised	(1,063)	15.64	11.50 - 24.05
Forfeited / expired	(83)	18.57	12.25 - 24.05
-----	-----	-----	-----
Outstanding at December 31, 2001	2,271	\$18.46	\$11.50 - 27.00
Granted	900	26.81	22.42 - 29.67
Exercised	(737)	17.76	10.56 - 24.79
SCST spin-off adjustment	(352)	--	--
Forfeited / expired	(86)	17.83	10.56 - 24.05
-----	-----	-----	-----
Outstanding at December 31, 2002	1,996	\$21.27	\$10.56 - 29.67
Granted	113	25.17	23.67 - 26.94
Exercised	(279)	16.80	13.48 - 29.67
Forfeited / expired	(33)	26.67	14.57 - 29.67
-----	-----	-----	-----
Outstanding at December 31, 2003	1,797	\$22.14	\$11.25 - 29.67
=====	=====	=====	=====

The following table summarizes information about stock options outstanding as of December 31, 2003:

Range of exercise prices	Options Outstanding			Options Exercisable	
	Shares (in thousands)	Weighted Average Remaining Contractual Years	Weighted Average Exercise price	Shares (in thousands)	Weighted Average Exercise price
\$ 11.25 - 17.00	520	6.0	\$14.89	371	\$14.86
\$ 17.01 - 27.50	660	5.4	\$20.82	385	\$19.92
\$ 27.51 - 29.67	617	8.7	\$29.67	148	\$29.67
	===	===	=====	===	=====

As discussed in the Summary of Accounting Policies note, we apply APB 25 in accounting for stock options. Please refer to that note for pro forma effects had we applied Statement No. 123.

INCOME TAXES

Deferred income taxes are determined based upon the difference between the book and the tax basis of our assets and liabilities. Deferred taxes are recorded at the enacted tax rates expected to be in effect when these differences reverse. Deferred tax liabilities (assets) were comprised of the following at December 31:

(in thousands)	2003	2002
-----	-----	-----
Depreciation	\$ 280,818	\$ 90,004
Prepays	7,861	8,193
Employee benefits	85,183	52,330
Revenue	30,688	22,925
Intangibles	181,273	--
Other	17,746	6,354
	-----	-----
Gross tax liabilities	\$ 603,569	\$ 179,806
	-----	-----
Claims and insurance	\$(146,916)	\$ (54,684)
Bad debts	(11,046)	(5,514)
Employee benefits	(120,239)	(45,076)
Revenue	(12,628)	(10,882)
Other	(38,098)	(21,242)
	-----	-----
Gross tax assets	\$(328,927)	\$(137,398)
	-----	-----
Net tax liability	\$ 274,642	\$ 42,408
	=====	=====

A valuation allowance for deferred tax assets was not required at December 31, 2002. Valuation allowances for deferred tax assets at December 31, 2003 were not material to our financial condition.

A reconciliation between income taxes at the federal statutory rate and the consolidated effective tax rate from continuing operations follows:

(in thousands)	2003	2002	2001
-----	-----	-----	-----
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net	1.3	(0.8)	(2.0)
Nondeductible business expenses	3.3	4.5	11.3
Foreign tax credit and rate differential	0.1	(2.2)	(2.5)
Other, net	(0.6)	(0.3)	(2.8)
	-----	-----	-----
Effective tax rate	39.1%	36.2%	39.0%
	=====	=====	=====

The income tax provision from continuing operations consisted of the following:

(in thousands)	2003	2002	2001
-----	-----	-----	-----
Current:			
U.S federal	\$ 2,983	\$12,697	\$(6,853)
State	(1,078)	(353)	(3,628)
Foreign	(1,541)	(180)	505
Current income tax provision	\$ 364	\$12,164	\$(9,976)
Deferred:			
U.S federal	\$23,310	\$ 584	\$14,220
State	2,531	748	2,937
Foreign	(74)	117	(411)
Deferred income tax provision	\$25,767	\$ 1,449	\$16,746
Income tax provision	\$26,131	\$13,613	\$ 6,770
Based on the income from continuing operations before income taxes:			
Domestic	\$71,667	\$37,892	\$16,119
Foreign	(4,853)	(306)	1,240
Income from continuing operations before income taxes	\$66,814	\$37,586	\$17,359
	=====	=====	=====

COMMITMENTS, CONTINGENCIES, AND UNCERTAINTIES

Yellow Roadway incurs rental expenses under noncancelable lease agreements for certain buildings and operating equipment. Rental expense is charged to "operating expense and supplies" on the Statements of Consolidated Operations. Actual rental expense, as reflected in income from continuing operations, was \$42.6 million, \$34.8 million, and \$37.0 million for the years ended December 31, 2003, 2002, and 2001, respectively.

We utilize certain terminals and equipment under operating leases. At December 31, 2003, we were committed under noncancelable lease agreements requiring minimum annual rentals payable as follows:

(in thousands)	2004	2005	2006	2007	2008	Thereafter
-----	-----	-----	-----	-----	-----	-----
Minimum annual rentals	\$73,121	\$54,837	\$32,100	\$17,782	\$11,488	\$14,358
	-----	-----	-----	-----	-----	-----

We expect in the ordinary course of business that leases will be renewed or replaced as they expire. Projected 2004 net capital expenditures are expected to be \$190 to \$210 million, of which approximately \$60 million was committed at December 31, 2003.

Our outstanding letters of credit at December 31, 2003 included \$3.4 million for workers' compensation, property damage and liability claims against SCST. We agreed to maintain the letters of credit outstanding at the spin-off date until SCST obtained replacement letters of credit or third party guarantees. SCST agreed to use its reasonable best efforts to obtain these letters of credit or guarantees, which in many cases would allow us to obtain a release of our letters of credit. SCST also agreed to indemnify us for any claims against the letters of credit that we provide. SCST reimburses us for all fees incurred related to the remaining outstanding letters of credit. We also provided a guarantee of \$5.9 million regarding certain lease obligations of SCST.

Due to the secured credit facility agreement we entered into, as discussed in the Debt and Financing note, we are restricted from participating in certain financial activities. These activities include, but are not limited to, declaring dividends, assuming additional indebtedness outside the normal course of business, directly or indirectly lending money or credit to non-subsidiaries and incurring capital expenditures in excess of a stated annual amount.

We are involved in litigation or proceedings that arise in ordinary business activities. We insure against these risks to the extent deemed prudent by our management, but no assurance can be given that the nature and amount of such insurance will be sufficient to fully indemnify us against liabilities arising out of pending and future legal proceedings. Many of these insurance policies contain self-insured retentions in amounts we deem prudent. Based on our current assessment of information available as of the date of these

financial statements, we believe that our financial statements include adequate provisions for estimated costs and losses that may be incurred with regard to the litigation and proceedings to which we are a party.

Tax Matters

Because of the acquisition of Roadway, we are responsible for certain federal tax obligations of Roadway under a tax sharing agreement with its former parent corporation. The former parent of Roadway, Caliber System, Inc. (which subsequently was acquired by FDX Corporation, a wholly owned subsidiary of FedEx Corporation), is involved in tax litigation with the IRS for tax years 1994 and 1995, years prior to Caliber System, Inc's spin-off of Roadway. The IRS has proposed substantial adjustments for these tax years for multi-employer pension plan deductions. FedEx Corporation filed a petition challenging the IRS's position, and this matter is presently in litigation. We are unable to predict the ultimate outcome of this matter; however, the former parent of Roadway intends to vigorously contest these proposed adjustments.

Under tax sharing agreements entered into by Roadway and its former parent at the time of the spin-off, Roadway LLC, a wholly owned subsidiary of Yellow Roadway Corporation and successor in interest to Roadway, is obligated to reimburse its former parent for any additional taxes and interest that related to Roadway business prior to the spin-off. The amount and timing of any payments is dependent on the ultimate resolutions of the former parent's disputes with the IRS and the determination of the nature and extent of the obligations under the tax sharing agreement. On January 16, 2003, Roadway made a \$14 million payment to its former parent under the tax sharing agreement for taxes and interest related to certain of the proposed adjustments for tax years 1994 and 1995.

We estimate the maximum remaining payments that may be due to the former parent of Roadway to be approximately \$19 million in additional taxes and \$5 million in related interest, net of tax benefit. We have established specific reserves with respect to these proposed adjustments. There can be no assurance, however, that the amount or timing of any liability of Roadway LLC to the former parent of Roadway will not have a material adverse effect on the financial position of Yellow Roadway.

In addition, Roadway LLC, as successor in interest to Roadway, has a similar tax issue in each of its subsequent income tax returns and the IRS has made additional claims for taxes for tax years 1996 through 2000. The outcome of these proposed adjustments is dependent upon the outcome of the existing tax litigation. In the event of an adverse decision, we estimate that the potential taxes and interest, net of tax effect, for all years subsequent to 1995 are approximately \$10 million and \$3 million, respectively.

Environmental Matters

Remediation costs are accrued based on estimates of known environmental remediation exposure using currently available facts, existing environmental permits and technology and presently enacted laws and regulations. Our estimates of costs are developed based on internal evaluations and, when necessary, recommendations from external environmental consultants. These accruals are recorded when it is probable that we will be obligated to pay amounts for environmental site evaluation, remediation or related costs, and the amounts can be reasonably estimated. If the obligation can only be estimated within a range, we accrue the minimum amount in the range. These accruals are recorded even if significant uncertainties exist over the ultimate cost of the remediation. Where we have been identified as a potentially responsible party in a U.S. federal "Superfund" site, we accrue our share of the estimated remediation costs of the site based on the ratio of the estimated volume of waste contributed to the site by us to the total volume of waste at the site.

BUSINESS SEGMENTS

Yellow Roadway reports financial and descriptive information about its reportable operating segments on a basis consistent with that used internally for evaluating segment performance and allocating resources to segments. We manage the segments separately because each requires different operating, marketing and technology strategies. We evaluate performance primarily on adjusted operating income and return on capital.

Yellow Roadway has four reportable segments, which are strategic business units that offer complementary transportation services to their customers. Yellow Transportation and Roadway Express are unionized carriers that provide comprehensive regional, national and international transportation services. New Penn is also a unionized carrier that focuses on business opportunities in the regional and next-day delivery lanes. Meridian IQ, our non-asset based segment, provides domestic and international freight forwarding, multi-modal brokerage and transportation management services.

The accounting policies of the segments are the same as those described in the Summary of Accounting Policies note. We charge management fees and other corporate services to our segments based on the direct benefits received or as a percentage of revenue.

Corporate revenue in 2001 represented certain non-asset-based services prior to the formation of Meridian IQ. Corporate operating losses represent operating expenses of the holding company, including salaries, wages and benefits, along with incentive compensation and professional services for all periods presented. In 2003, corporate operating losses also included \$4.0 million for an industry conference that we host every other year. In 2002, corporate operating losses included approximately \$6.9 million related to the spin-off of SCST. Corporate identifiable assets primarily refer to cash and cash equivalents, in addition to pension intangible assets. In 2003 and 2002, intersegment revenue relates to transportation services provided by Yellow Transportation to Meridian IQ and charges to Yellow Transportation for use of various Meridian IQ service names.

Meridian IQ includes the former operations of Transportation.com as well as other non-asset-based services. The 2001 segment data for Meridian IQ included the partial year results of operations of Transportation.com and other non-asset-based services for the periods they were part of our consolidated financial results. Full year revenue for Meridian IQ was \$31.1 million and full year operating losses were \$(16.8) million in 2001.

Revenue from foreign sources totaled \$29.5 million, \$24.8 million, and \$26.0 million, in 2003, 2002, and 2001 respectively, and is largely derived from Canada and Mexico.

The following table summarizes our operations by business segment:

(in thousands)	Yellow Transportation	Roadway(a) Express	New(a) Penn	Meridian IQ	Corporate / Eliminations	Consolidated
2003						
External revenue	\$2,809,549	\$ 131,248	\$ 9,770	\$118,049	\$ --	\$3,068,616
Intersegment revenue	2,343	--	--	2,196	(4,539)	--
Operating income (loss)	119,906	(6,075)	(221)	288	(25,296)	88,602
Adjustments to operating income(b)	19,020	--	--	482	2,960	22,462
Adjusted operating income (loss)	138,926	(6,075)	(221)	770	(22,336)	111,064
Identifiable assets	986,522	2,002,421	340,713	79,894	53,679	3,463,229
Capital expenditures, net	94,281	1,216	534	3,047	56	99,134
Depreciation and amortization	80,261	3,455	745	2,897	40	87,398
2002						
External revenue	\$ 2,544,573	\$ --	\$ --	\$ 79,575	\$ --	\$2,624,148
Intersegment revenue	2,479	--	--	2,196	(4,675)	--
Operating income (loss)	70,594	--	--	(2,697)	(21,033)	46,864
Adjustments to operating income(b)	523	--	--	1,299	6,613	8,435
Adjusted operating income (loss)	71,117	--	--	(1,398)	(14,420)	55,299
Identifiable assets	940,252	--	--	64,617	38,116	1,042,985
Capital expenditures, net	81,232	--	--	1,537	61	82,830
Depreciation and amortization	76,972	--	--	2,321	41	79,334
2001						
External revenue	\$ 2,485,972	\$ --	\$ --	\$ 11,292	\$ 7,806	\$2,505,070
Intersegment revenue	6,360	--	--	--	(6,360)	--
Operating income (loss)	55,884	--	--	(5,738)	(11,951)	38,195
Adjustments to operating income(b)	2,797	--	--	2,108	510	5,415
Adjusted operating income (loss)	58,681	--	--	(3,630)	(11,441)	43,610
Identifiable assets	757,484	--	--	17,641	19,704	794,829(c)
Capital expenditures, net	80,463	--	--	822	150	81,435
External revenue	76,227	--	--	698	52	76,977
	=====	=====	=====	=====	=====	=====

(a) In 2003, the segment information shown for Roadway Express and New Penn represented income statement and capital expenditure information from the date of acquisition through December 31, 2003 and identifiable assets as of December 31, 2003.

(b) Management excludes these items when evaluating operating income and segment performance to better evaluate the results of our core operations. In 2003, adjustments included acquisition charges, conforming accounting policies, a significant legal provision and losses (gains) on property disposals. In prior periods, adjustments included spin-off and reorganization charges and losses (gains) on property disposals.

(c) The December 31, 2001 total assets per the Consolidated Balance Sheet included \$490.9 million of assets related to discontinued operations not included above.

EARNINGS PER COMMON SHARE

(in thousands except per share data)	2003	2002	2001
Income from continuing operations	\$40,683	\$ 23,973	\$ 10,589
Income (loss) from discontinued operations	--	(117,875)	4,712
Net income (loss)	\$40,683	\$ (93,902)	\$ 15,301
Average common shares outstanding - basic	30,370	28,004	24,376
Effect of dilutive options	285	367	303
Average common shares outstanding - diluted	30,655	28,371	24,679
Basic earnings (loss) per share:			
Income from continuing operations	\$ 1.34	\$ 0.86	\$ 0.44
Income (loss) from discontinued operations	--	(4.21)	0.19
Net income (loss)	\$ 1.34	\$ (3.35)	\$ 0.63
Effect of dilutive options on earnings (loss) per share:			
Income from continuing operations	\$ (0.01)	\$ (0.02)	\$ (0.01)
Loss from discontinued operations	--	0.06	--
Net income (loss)	\$ (0.01)	\$ 0.04	\$ (0.01)
Diluted earnings (loss) per share:			
Income from continuing operations	\$ 1.33	\$ 0.84	\$ 0.43
Income (loss) from discontinued operations	--	(4.15)	0.19
Net income (loss)	\$ 1.33	\$ (3.31)	\$ 0.62

The impacts of certain options were excluded from the calculation of diluted earnings per share because average exercise prices were greater than the average market price of common shares. Data regarding those options is summarized below:

(in thousands except per share data)	2003	2002	2001
Weighted average option shares outstanding	617	129	611
Weighted average exercise price	\$29.67	\$29.67	\$24.18

DISCONTINUED OPERATIONS

Summarized results of operations related to SCST (as reported in discontinued operations) are as follows for the nine months ended September 30, 2002 and the year ended December 31, 2001:

(in thousands except per share data)	2002	2001
Operating revenue	\$ 581,181	\$771,581
Operating expenses	559,751	752,423
Operating income	21,430	19,158
Nonoperating expenses, net	4,735	7,992
Income before income taxes	16,695	11,166
Provision for income taxes	6,748	6,454
Income from continuing operations	9,947	4,712
Loss on disposal of SCST	(52,647)	--
Cumulative effect of change in accounting for goodwill	(75,175)	--
Income (loss) from discontinued operations	\$(117,875)	\$ 4,712
Discontinued operations basic earnings (loss) per share:		
Income from continuing operations	\$ 0.35	\$ 0.19
Loss on disposal of SCST	(1.88)	--
Cumulative effect of change in accounting for goodwill	(2.68)	--
Income (loss) from discontinued operations	\$ (4.21)	\$ 0.19
Discontinued operations diluted earnings (loss) per share:		
Income from continuing operations	\$ 0.35	\$ 0.19
Loss on disposal of SCST	(1.85)	--
Cumulative effect of change in accounting for goodwill	(2.65)	--
Income (loss) from discontinued operations	\$ (4.15)	\$ 0.19

We did not charge to discontinued operations the management fees and other corporate services that we previously allocated to SCST, as we continue to incur a majority of the expense. We allocated interest expense to discontinued operations based on our overall effective borrowing rate applied to the debt reduction we realized from the spin-off. Interest expense included in discontinued operations was \$4.6 million for the nine months ended September 30, 2002, and \$8.0 million for the year ended December 31, 2001. Goodwill amortization expense included in discontinued operations was zero for 2002 and \$3.0 million for 2001. In addition, supplemental cash flow information for 2002 and 2001, as shown on our Statements of Consolidated Cash Flows, includes cash paid on behalf of SCST until the spin-off date.

At December 31, 2001, we had \$100.6 million of goodwill, consisting primarily of \$75.2 million remaining from the acquisition of Jevic. Based on an estimate of Jevic's discounted cash flows, we determined that 100 percent of the Jevic goodwill was impaired due to lower business volumes, compounded by a weak economy and an increasingly competitive business environment. As a result, we recorded a non-cash charge of \$75.2 million in the first quarter of 2002, which was reflected as a cumulative effect of a change in accounting principle. Due to the spin-off, we reclassified the non-cash charge to "discontinued operations" on our Statement of Consolidated Operations.

GUARANTEES OF THE CONTINGENT CONVERTIBLE SENIOR NOTES

In August 2003, Yellow Roadway Corporation issued 5.0 percent contingent convertible senior notes due 2023 pursuant to Rule 144A under the Securities Act of 1933, as amended. In November 2003, we issued 3.375 percent contingent convertible senior notes (the August and November issuances, collectively, may also be known as the "contingent convertible senior notes") due 2023, pursuant to Rule 144A under the Securities Act of 1933, as amended. In connection with the contingent convertible senior notes, the following 100 percent owned subsidiaries of Yellow Roadway have issued guarantees in favor of the holders of the contingent convertible senior notes: Yellow Transportation, Inc., Mission Supply Company, Yellow Relocation Services, Yellow Technologies, Inc., Meridian IQ, LLC, Yellow GPS, LLC, Globe.com Lines, Inc., Roadway LLC, Roadway Next Day Corporation, and Roadway Express, Inc. Each of the guarantees is full and unconditional and joint and several.

The summarized consolidating financial statements are presented in lieu of separate financial statements and other related disclosures of the subsidiary guarantors and issuer because management does not believe that such separate financial statements and related disclosures would be material to investors. There are currently no significant restrictions on the ability of Yellow Roadway Corporation or any guarantor to obtain funds from its subsidiaries by dividend or loan.

The following represents summarized condensed consolidating financial information as of December 31, 2003 and 2002 with respect to the financial position and for the years ended December 31, 2003, 2002 and 2001 for results of operations and cash flows of Yellow Roadway Corporation and its subsidiaries. The Condensed Consolidating Balance Sheet contains Roadway LLC information as of December 31, 2003 and the Condensed Consolidating Statements of Operations and Condensed Consolidating Statements of Cash Flows contain Roadway LLC information from the date of acquisition (December 11) through December 31, 2003. The Parent column presents the financial information of Yellow Roadway Corporation, the primary obligor of the contingent convertible senior notes. The Guarantor Subsidiaries column presents the financial information of all guarantor subsidiaries of the contingent convertible senior notes. The Non-Guarantor Subsidiaries column presents the financial information of all non-guarantor subsidiaries, including Yellow Receivables Corporation and Roadway Funding, Inc., the special-purpose entities that manage or managed our ABS agreements, and those subsidiaries that are governed by foreign laws.

Condensed Consolidating Balance Sheets

December 31, 2003 (in thousands)	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	\$ 18,702	\$ 19,631	\$ 36,833	\$ --	\$ 75,166
Intercompany advances receivable	180,367	3,702	--	(184,069)	--
Accounts receivable, net	3,437	351,152	344,553	--	699,142
Prepaid expenses and other	4,719	97,468	7,941	--	110,128
Total current assets	207,225	471,953	389,327	(184,069)	884,436
Property and equipment	325	2,442,858	95,431	--	2,538,614
Less - accumulated depreciation	(229)	(1,129,253)	(5,864)	--	(1,135,346)
Net property and equipment	96	1,313,605	89,567	--	1,403,268
Investment in subsidiaries	1,373,794	131,653	--	(1,505,447)	--
Receivable from affiliate	--	150,000	--	(150,000)	--
Goodwill and other assets	38,989	883,107	253,429	--	1,175,525
Total assets	\$1,620,104	\$ 2,950,318	\$732,323	\$(1,839,516)	\$ 3,463,229
Intercompany advances payable	\$ --	\$ --	\$184,069	\$ (184,069)	\$ --
Accounts payable	12,326	231,379	16,470	--	260,175
Wages, vacations and employees' benefits	5,872	329,680	15,735	--	351,287
Other current and accrued liabilities	(7,071)	173,460	12,089	--	178,478
ABS borrowings	--	--	71,500	--	71,500
Current maturities of long-term debt	1,750	7	--	--	1,757
Total current liabilities	12,877	734,526	299,863	(184,069)	863,197
Payable to affiliate	--	--	150,000	(150,000)	--
Long-term debt, less current portion	573,250	262,832	--	--	836,082
Deferred income taxes, net	(12,250)	263,513	46,993	--	298,256
Claims and other liabilities	13,934	436,400	13,275	--	463,609
Commitments and contingencies	--	--	--	--	--
Shareholders' equity	1,032,293	1,253,047	222,192	(1,505,447)	1,002,085
Total liabilities and shareholders' equity	\$1,620,104	\$ 2,950,318	\$732,323	\$(1,839,516)	\$ 3,463,229

December 31, 2002 (in thousands)	Parent	Guarantor Subsidiaries	Non - Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	\$ 21,898	\$ 2,470	\$ 4,346	\$ --	\$ 28,714
Intercompany advances receivable	141,057	46,291	--	(187,348)	--
Accounts receivable, net	3,211	29,017	295,685	--	327,913
Prepaid expenses and other	3,518	65,148	60	--	68,726
Total current assets	169,684	142,926	300,091	(187,348)	425,353
Property and equipment	289	1,671,327	7,480	--	1,679,096
Less-accumulated depreciation	(213)	(1,109,710)	(4,197)	--	(1,114,120)
Net property and equipment	76	561,617	3,283	--	564,976
Investment in subsidiaries	263,577	--	--	(263,577)	--
Goodwill and other assets	3,729	44,756	4,171	--	52,656
Total assets	\$437,066	\$ 749,299	\$307,545	\$(450,925)	\$ 1,042,985
Intercompany advances payable	\$ --	\$ --	\$187,348	\$(187,348)	\$ --
Accounts payable	1,412	113,251	326	--	114,989
Wages, vacations and employees' benefits	2,389	157,230	379	--	159,998
Other current and accrued liabilities	(1,098)	101,287	922	--	101,111
ABS borrowings	--	--	50,000	--	50,000
Current maturities of long-term debt	19,250	5,011	--	--	24,261
Total current liabilities	21,953	376,779	238,975	(187,348)	450,359
Intercompany debt	(20,658)	20,658	--	--	--
Long-term debt, less current portion	36,000	14,024	--	--	50,024
Deferred income taxes, net	(17,319)	43,381	(405)	--	25,657
Claims and other liabilities	15,782	141,495	(290)	--	156,987
Commitments and contingencies	--	--	--	--	--
Shareholders' equity	401,308	152,962	69,265	(263,577)	359,958
Total liabilities and shareholders' equity	\$437,066	\$ 749,299	\$307,545	\$(450,925)	\$ 1,042,985

Condensed Consolidating Statements of Operations

For the year ended December 31, 2003 (in thousands)	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	\$ 13,204	\$3,029,250	\$ 39,437	\$(13,275)	\$3,068,616
Operating expenses:					
Salaries, wages and employees' benefits	14,814	1,936,127	19,499	--	1,970,440
Operating expenses and supplies	17,519	420,707	24,824	(13,225)	449,825
Operating taxes and licenses	164	82,049	1,335	--	83,548
Claims and insurance	755	66,357	558	--	67,670
Depreciation and amortization	40	86,103	1,255	--	87,398
Purchased transportation	--	306,079	12,097	--	318,176
Losses (gains) on property disposals, net	1	(176)	8	--	(167)
Acquisition charges	2,959	165	--	--	3,124
Total operating expenses	36,252	2,897,411	59,576	(13,225)	2,980,014
Operating income (loss)	(23,048)	131,839	(20,139)	(50)	88,602
Nonoperating (income) expenses:					
Interest expense	17,597	6,506	6,349	(9,846)	20,606
Other, net	(1,564)	53,537	(60,587)	9,796	1,182
Nonoperating (income) expenses, net	16,033	60,043	(54,238)	(50)	21,788
Income (loss) before income taxes	(39,081)	71,796	34,099	--	66,814
Income tax provision	(14,330)	28,109	12,352	--	26,131
Subsidiary earnings	65,434	(1,132)	--	(64,302)	--
Net income (loss)	\$ 40,683	\$ 42,555	\$ 21,747	\$(64,302)	\$ 40,683

For the year ended December 31, 2002 (in thousands)	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	\$ 43,938	\$2,599,394	\$ 24,754	\$(43,938)	\$2,624,148
Operating expenses:					
Salaries, wages and employees' benefits	12,056	1,697,567	7,759	--	1,717,382
Operating expenses and supplies	14,774	355,476	31,360	(16,088)	385,522
Operating taxes and licenses	206	74,999	532	--	75,737
Claims and insurance	1,233	55,944	20	--	57,197
Depreciation and amortization	41	79,028	265	--	79,334
Purchased transportation	--	244,087	9,590	--	253,677
Losses (gains) on property disposals, net	--	559	(134)	--	425
Spin-off and reorganization charges	6,613	1,397	--	--	8,010
Total operating expenses	34,923	2,509,057	49,392	(16,088)	2,577,284
Operating income (loss)	9,015	90,337	(24,638)	(27,850)	46,864
Nonoperating (income) expenses:					
Interest expense	8,087	3,932	3,394	(8,202)	7,211
ABS facility charges	--	--	2,576	--	2,576
Other, net	(5,047)	74,855	(50,669)	(19,648)	(509)
Nonoperating (income) expenses, net	3,040	78,787	(44,699)	(27,850)	9,278
Income (loss) from continuing operations before income taxes	5,975	11,550	20,061	--	37,586
Income tax provision	1,249	5,143	7,221	--	13,613
Subsidiary earnings	19,249	--	--	(19,249)	--
Income (loss) from continuing operations	23,975	6,407	12,840	(19,249)	23,973
Loss from discontinued operations, net	--	--	(117,875)	--	(117,875)
Net income (loss)	\$ 23,975	\$ 6,407	\$(105,035)	\$(19,249)	\$ (93,902)

For the year ended December 31, 2001 (in thousands)	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	\$ 54,264	\$2,480,119	\$25,987	\$(55,300)	\$2,505,070
Operating expenses:					
Salaries, wages and employees' benefits	8,390	1,622,638	7,634	--	1,638,662
Operating expenses and supplies	13,848	378,599	23,516	(17,909)	398,054
Operating taxes and licenses	174	74,920	543	--	75,637
Claims and insurance	1,983	56,372	(1,356)	--	56,999
Depreciation and amortization	38	76,668	271	--	76,977
Purchased transportation	--	205,424	9,707	--	215,131
Losses (gains) on property disposals, net	(1)	(202)	17	--	(186)
Spin-off and reorganization charges	633	5,089	(121)	--	5,601
Total operating expenses	25,065	2,419,508	40,211	(17,909)	2,466,875
Operating income (loss)	29,199	60,611	(14,224)	(37,391)	38,195
Nonoperating (income) expenses:					
Interest expense	18,513	2,356	5,017	(17,449)	8,437
ABS facility charges	--	--	7,996	--	7,996
Other, net	(16,106)	90,096	(49,645)	(19,942)	4,403
Nonoperating (income) expenses, net	2,407	92,452	(36,632)	(37,391)	20,836
Income (loss) from continuing operations before income taxes	26,792	(31,841)	22,408	--	17,359
Income tax provision	9,679	(10,399)	7,490	--	6,770
Subsidiary earnings	1,812	--	--	(1,812)	--
Income (loss) from continuing operations	15,301	(21,442)	14,918	1,812	10,589
Income from discontinued operations, net	--	--	4,712	--	4,712
Net income (loss)	\$ 15,301	\$ (21,442)	\$19,630	\$ 1,812	\$ 15,301

Condensed Consolidating Statements of Cash Flows

For the year ended December 31, 2003 (in thousands)	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash from (used in) operating activities	\$(119,878)	\$ 276,972	\$42,368	\$(43,726)	\$ 155,736
Investing activities:					
Acquisition of property and equipment	(67)	(102,572)	(688)	--	(103,327)
Proceeds from disposal of property and equipment	6	3,969	218	--	4,193
Acquisition of companies	(513,338)	--	--	--	(513,338)
Net cash used in investing activities	(513,399)	(98,603)	(470)	--	(612,472)
Financing Activities:					
Issuance of long-term debt	575,000	--	--	--	575,000
ABS borrowings, net	--	--	21,500	--	21,500
Debt issuance costs	(34,734)	--	--	--	(34,734)
Repayment of long-term debt	(55,250)	(5,092)	--	--	(60,342)
Treasury stock purchases	(2,921)	--	--	--	(2,921)
Proceeds from exercise of stock options	4,685	--	--	--	4,685
Intercompany advances / repayments	143,301	(156,116)	(30,911)	43,726	--
Net cash provided by (used in) financing activities	630,081	(161,208)	(9,411)	43,726	503,188
Net increase (decrease) in cash and cash equivalents	(3,196)	17,161	32,487	--	46,452
Cash and cash equivalents, beginning of year	21,898	2,470	4,346	--	28,714
Cash and cash equivalents, end of year	\$ 18,702	\$ 19,631	\$36,833	\$ --	\$ 75,166

For the year ended December 31, 2002 (in thousands)	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash from (used in) operating activities	\$ 19,435	\$142,608	\$(95,311)	\$(23,674)	\$ 43,058
Investing activities:					
Acquisition of property and equipment	(59)	(86,120)	(158)	--	(86,337)
Proceeds from disposal of property and equipment	--	3,306	201	--	3,507
Acquisition of companies	(17,105)	(937)	--	--	(18,042)
Net capital expenditures of discontinued operations	--	--	(24,372)	--	(24,372)
Net cash used in investing activities	(17,164)	(83,751)	(24,329)	--	(125,244)
Financing Activities:					
Unsecured bank credit lines, net	(85,000)	--	--	--	(85,000)
Repayment of long-term debt	(22,000)	(75)	(22,525)	--	(44,600)
Dividend from subsidiary upon spin-off	--	--	113,790	--	113,790
Proceeds from exercise of stock options	13,704	--	--	--	13,704
Proceeds from issuance of common stock	93,792	--	--	--	93,792
Intercompany advances / repayments	7,977	(58,256)	26,605	23,674	--
Net cash provided by (used in) financing activities	8,473	(58,331)	117,870	23,674	91,686
Net increase (decrease) in cash and cash equivalents	10,744	526	(1,770)	--	9,500
Cash and cash equivalents, beginning of year	11,154	1,944	6,116	--	19,214
Cash and cash equivalents, end of year	\$ 21,898	\$ 2,470	\$ 4,346	\$ --	\$ 28,714

For the year ended December 31, 2001 (in thousands)	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash from (used in) operating activities	\$ 13,282	\$ (4,042)	\$ 72,818	\$ 6,237	\$ 88,295
Investing activities:					
Acquisition of property and equipment	(33)	(87,814)	(175)	--	(88,022)
Proceeds from disposal of property and equipment	--	6,587	--	--	6,587
Acquisition of companies	--	(14,300)	--	--	(14,300)
Other	--	(5,830)	--	--	(5,830)
Net capital expenditures of discontinued operations	--	--	(19,619)	--	(19,619)
Net cash used in investing activities	(33)	(101,357)	(19,794)	--	(121,184)
Financing Activities:					
Unsecured bank credit lines, net	25,000	--	--	--	25,000
Repayment of long-term debt	(1,000)	(7,694)	(1,718)	--	(10,412)
Proceeds from exercise of stock options	16,638	--	--	--	16,638
Intercompany advances / repayments	(48,811)	105,994	(50,946)	(6,237)	--
Net cash provided by (used in) financing activities	(8,173)	98,300	(52,664)	(6,237)	31,226
Net increase (decrease) in cash and cash equivalents	5,076	(7,099)	360	--	(1,663)
Cash and cash equivalents, beginning of year	6,078	9,043	5,756	--	20,877
Cash and cash equivalents, end of year	\$ 11,154	\$ 1,944	\$ 6,116	\$ --	\$ 19,214

GUARANTEES OF THE SENIOR NOTES DUE 2008

In connection with the senior notes due 2008, assumed by virtue of the merger agreement, and in addition to the primary obligor, Roadway LLC, Yellow Roadway Corporation and its following 100 percent owned subsidiaries have issued guarantees in favor of the holders of the senior notes due 2008: Roadway Next Day Corporation, New Penn Motor Express, Inc., Roadway Express, Inc., Roadway Reverse Logistics, Inc. and Roadway Express International, Inc. Each of the guarantees is full and unconditional and joint and several.

The summarized consolidating financial statements are presented in lieu of separate financial statements and other related disclosures of the subsidiary guarantors and issuer because management does not believe that such separate financial statements and related disclosures would be material to investors. There are currently no significant restrictions on the ability of Yellow Roadway Corporation or any guarantor to obtain funds from its subsidiaries by dividend or loan.

The following represents summarized condensed consolidating financial information of Yellow Roadway Corporation and its subsidiaries as of December 31, 2003 with respect to the financial position, and for the year ended December 31, 2003 for results of operations and cash flows. The Condensed Consolidating Balance Sheet as of December 31, 2003 contains Roadway LLC information and the Condensed Consolidating Statements of Operations and Condensed Consolidating Statements of Cash Flows contain Roadway LLC information from the date of acquisition (December 11) through December 31, 2003. The primary obligor column presents the financial information of Roadway LLC. The Guarantors column presents the financial information of all guarantors of the senior notes due 2008 including Yellow Roadway, the holding company. The Non-Guarantors column presents the financial information of all non-guarantors, including Yellow Receivables Corporation and Roadway Funding, Inc., the special-purpose entities that manage or managed our ABS agreements, and those subsidiaries that are governed by foreign laws.

Condensed Consolidating Balance Sheets

December 31, 2003 (in thousands)	Primary Obligor	Guarantors	Non- Guarantors	Eliminations	Consolidated
Cash and cash equivalents	\$ --	\$ 62,233	\$ 12,933	\$ --	\$ 75,166
Intercompany advances receivable	38,042	109,100	103,582	(250,724)	--
Accounts receivable, net	--	329,219	369,923	--	699,142
Prepaid expenses and other	240	38,866	71,022	--	110,128
Total current assets	38,282	539,418	557,460	(250,724)	884,436
Property and equipment	--	811,995	1,726,619	--	2,538,614
Less - accumulated depreciation	--	(3,380)	(1,131,966)	--	(1,135,346)
Net property and equipment	--	808,615	594,653	--	1,403,268
Investment in subsidiaries	592,413	1,402,909	7,761	(2,003,083)	--
Receivable from affiliate	650,000	--	--	(650,000)	--
Goodwill and other assets	20,778	1,073,193	81,554	--	1,175,525
Total assets	\$1,301,473	\$3,824,135	\$1,241,428	\$ (2,903,807)	\$ 3,463,229
Intercompany advances payable	\$ --	\$ --	\$ 250,724	\$ (250,724)	\$ --
Accounts payable	1,372	122,485	136,318	--	260,175
Wages, vacations and employees' benefits	1,000	188,090	162,197	--	351,287
Other current and accrued liabilities	(31,463)	110,847	99,094	--	178,478
ABS borrowings	--	--	71,500	--	71,500
Current maturities of long-term debt	--	1,750	7	--	1,757
Total current liabilities	(29,091)	423,172	719,840	(250,724)	863,197
Due to affiliate	--	650,000	--	(650,000)	--
Long-term debt, less current portion	248,895	573,250	13,937	--	836,082
Deferred income taxes, net	(11,590)	206,247	103,599	--	298,256
Claims and other liabilities	1,494	346,760	115,355	--	463,609
Commitments and contingencies	--	--	--	--	--
Shareholders' equity	1,091,765	1,624,706	288,697	(2,003,083)	1,002,085
Total liabilities and shareholders' equity	\$1,301,473	\$3,824,135	\$1,241,428	\$ (2,903,807)	\$ 3,463,229

Condensed Consolidating Statements of Operations

For the year ended December 31, 2003 (in thousands)	Primary Obligor	Guarantors	Non- Guarantors	Eliminations	Consolidated
Operating revenue	\$ --	\$148,528	\$2,937,852	\$(17,764)	\$3,068,616
Operating expenses:					
Salaries, wages and employees' benefits	121	106,137	1,864,182	--	1,970,440
Operating expenses and supplies	(76)	38,673	424,774	(13,546)	449,825
Operating taxes and licenses	(45)	4,453	79,140	--	83,548
Claims and insurance	--	4,405	63,265	--	67,670
Depreciation and amortization	--	4,013	83,385	--	87,398
Purchased transportation	--	16,501	303,647	(1,972)	318,176
Losses (gains) on property disposals, net	--	(5)	(162)	--	(167)
Acquisition charges	--	2,960	164	--	3,124
Total operating expenses	--	177,137	2,818,395	(15,518)	2,980,014
Operating income (loss)	--	(28,609)	119,457	(2,246)	88,602
Nonoperating (income) expenses:					
Interest expense	688	20,467	4,867	(5,416)	20,606
ABS facility charges	--	--	--	--	--
Other, net	(2,897)	(1,390)	2,299	3,170	1,182
Nonoperating (income) expenses, net	(2,209)	19,077	7,166	(2,246)	21,788
Income (loss) before income taxes	2,209	(47,686)	112,291	--	66,814
Income tax provision	776	(17,561)	42,916	--	26,131
Subsidiary earnings	5,993	(64,815)	--	58,822	--
Net income (loss)	\$(4,560)	\$ 34,690	\$ 69,375	\$(58,822)	\$ 40,683

Condensed Consolidating Statements of Cash Flows

For the year ended December 31, 2003 (in thousands)	Primary Obligor	Guarantors	Non- Guarantors	Eliminations	Consolidated
Operating activities:					
Net cash from (used in) operating activities	\$(23,817)	\$ 8,745	\$ 170,808	\$ --	\$ 155,736
Investing activities:					
Acquisition of property and equipment	--	(3,016)	(100,311)	--	(103,327)
Proceeds from disposal of property and equipment	--	1,045	3,148	--	4,193
Acquisition of companies	--	(513,338)	--	--	(513,338)
Net cash used in investing activities	--	(515,309)	(97,163)	--	(612,472)
Financing Activities:					
Issuance of long-term debt	--	575,000	--	--	575,000
ABS borrowings, net	--	--	21,500	--	21,500
Debt issuance costs	--	(34,734)	--	--	(34,734)
Repayment of long-term debt	--	(55,250)	(5,092)	--	(60,342)
Treasury stock purchases	--	(2,921)	--	--	(2,921)
Proceeds from exercise of stock options	--	4,685	--	--	4,685
Intercompany advances / repayments	--	91,458	(91,458)	--	--
Net cash provided by (used in) financing activities	--	578,238	(75,050)	--	503,188
Net increase (decrease) in cash and cash equivalents	(23,817)	71,674	(1,405)	--	46,452
Cash and cash equivalents, beginning of year	23,817	(9,441)	14,338	--	28,714
Cash and cash equivalents, end of year	\$ --	\$ 62,233	\$ 12,933	\$ --	\$ 75,166

Independent Auditors' Report

To the Board of Directors and Shareholders of
Yellow Roadway Corporation:

We have audited the accompanying consolidated balance sheets of Yellow Roadway Corporation and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of operations, cash flows, shareholders' equity, and comprehensive income for each of the years in the three year period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Yellow Roadway Corporation and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Goodwill and Intangibles and Discontinued Operations notes to the financial statements, effective January 1, 2002, the Company ceased amortization of goodwill and changed its method of determining impairment of goodwill as required by Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets.

/s/ KPMG LLP

Kansas City, Missouri
February 20, 2004

Item 9. Changes in and Disagreements with Independent Auditors on Accounting and Financial Disclosure

During the years ended December 31, 2003 and 2002, there were no disagreements with KPMG LLP on any matter of accounting principle or practice, financial statement disclosure, or auditing scope or procedure which, if not resolved to the satisfaction of KPMG LLP, would have caused them to make reference to the subject matter of the disagreement in connection with the audit reports on our consolidated financial statements for such years; and there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

Item 9A. Controls and Procedures

We maintain a rigorous set of disclosure controls and procedures and internal controls designed to ensure that information required to be disclosed in our filings under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Our principal executive and financial officers have evaluated our disclosure controls and procedures as of the end of the period covered by this report and have determined that such disclosure controls and procedures are effective.

Subsequent to the evaluation by our principal executive and financial officers, there were no significant changes in internal controls or other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required by this item relating to our directors and nominees, and compliance with Section 16(a) of the Securities Act of 1934 is included under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement related to the 2004 Annual Meeting of Shareholders and is incorporated herein by reference.

The following are our executive officers as of March 15, 2004:

NAME	AGE	POSITION(S) HELD
William D. Zollars	56	Chairman of the Board, President and Chief Executive Officer of Yellow Roadway (since November 1999); President of Yellow Transportation (September 1996 to November 1999); Senior Vice President of Ryder Integrated Logistics, Inc. (1994-1996).
Donald G. Barger, Jr.	61	Senior Vice President and Chief Financial Officer of Yellow Roadway (since November 2000); Vice President and Chief Financial Officer of Hillenbrand Industries, Inc. (1998 to November 2000); Vice President and Chief Financial Officer of Worthington Industries (1993-1998).
Daniel J. Churay	41	Senior Vice President, General Counsel and Secretary of Yellow Roadway (since September 2002); Senior Counsel, Fulbright & Jaworski L.L.P. (2002); Deputy General Counsel and Assistant Secretary of Baker Hughes Incorporated (1998-2002).
James D. Staley	53	President and Chief Executive Officer of Roadway LLC (since December 2003); President and Chief Executive Officer of Roadway Corporation (March 2003 to December 2003); President and Chief Operating Officer of Roadway Express (March 1998 to March 2003); Vice President - Operations of Roadway Express (1993 to March 1998).
Robert L. Stull	48	President of Roadway Express, Inc. (since March 2003); Vice President - New Venture Commerce of Roadway Corporation (May 1999 to March 2003); Vice President - Western Division of Roadway Express, Inc. (October 1994 to May 1999).
James L. Welch	49	President and Chief Executive Officer of Yellow Transportation (since June 2000); Central Group Vice President of Yellow Transportation (1998 - 2000).
Steven T. Yamasaki	49	Senior Vice President - Human Resources of Yellow Roadway (since May 2003); Senior Vice President - Human Resources of ConAgra Foods, Inc. (February 2003 - May 2003); Vice President - Human Resources of Honeywell International (1997 - February 2003).
Bhadresh Sutaria	44	Vice President - Controller and Chief Accounting Officer of Yellow Roadway (since January 2004); Vice President, Finance and Strategy of Mascon (2000 - January 2004); Associate Director, Corporate Planning and Analysis of Monsanto Corporation (1993 - 2000).

The terms of each Yellow Roadway officer designated above are scheduled to expire at the Board of Directors' meeting immediately following our Annual Meeting of Shareholders. The terms of each officer of our subsidiary companies are scheduled to expire on the date of the next annual meeting of shareholders of that company or until the officer's successor is elected or otherwise qualified or until the Board of Directors otherwise removes the officer. No family relationships exist among any of the executive officers named above.

We have adopted a written Code of Conduct that applies to all of our directors, officers and employees, including our principal executive officer and senior financial officers. It is available in the governance section of the investor relations page of our website located at www.yellowroadway.com.

Item 11. Executive Compensation

The information required by this item is included under the caption "Executive Compensation" in our Proxy Statement related to the 2004 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item relating to security ownership of certain beneficial owners and management and securities authorized for issuance under equity compensation plans is included under the captions "Amount and Nature of Beneficial Ownership" and "Equity Compensation Plan Information" in our Proxy Statement related to the 2004 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

None.

PART IV

Item 14. Principal Accountant Fees and Services

The information required by this item is included under the caption "Audit/Ethics Committee Report" in our Proxy Statement related to the 2004 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 15. Exhibits, Financial Statement Schedule, and Reports on Form 8-K

(a) (1) Financial Statements Schedule

	Pages
Independent Auditors' Report on Financial Statement Schedule	76
For the years ended December 31, 2003, 2002 and 2001: Schedule II - Valuation and Qualifying Accounts	77

Schedules other than those listed are omitted for the reason that they are not required or are not applicable.

(a) (2) Exhibits

Form 10-K Exhibits

- 2.1 Agreement and Plan of Merger, dated as of July 8, 2003, by and among Yellow Corporation, Yankee LLC and Roadway Corporation (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K, as amended, filed on July 8, 2003, Reg. No. 000-12255). Pursuant to Item 601(b)(2) of Regulation S-K, certain schedules, exhibits and similar attachments to this Agreement have not been filed with this exhibit. The schedules contain various items relating to the assets of the business being acquired and the representations and warranties made by the parties to the Agreement. The registrants agree to furnish supplementally any omitted schedule, exhibit or similar attachment to the SEC upon request.
- 3.1 Certificate of Incorporation of the company (incorporated by reference to Exhibit 3.1 to the Annual Report on Form 10-K for the year ended December 31, 2002, Reg. No. 000-12255)
- 3.2 Certificate of Amendment to the Certificate of Incorporation of the company changing the name of the company to Yellow Roadway Corporation (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-8, filed December 23, 2003, SEC File No. 333-111499)
- 3.3 Bylaws of the company (incorporated by reference to Exhibit 3.3 to the Registration Statement on Form S-3, filed February 23, 2004, SEC File No. 333-113021)
- 4.1 Indenture (including form of note) dated August 8, 2003 among Yellow Corporation, certain subsidiary guarantors and Deutsche Bank Trust Company Americas, as trustee, relating to Yellow Corporation's 5.0% Contingent Convertible Senior Notes due 2023 (incorporated by reference to Exhibit 4.5 to Registration Statement on Form S-4, filed on August 19, 2003, Reg. No. 333-108081)
- 4.2 Registration Rights Agreement dated August 8, 2003 among Yellow Corporation, certain subsidiary guarantors and Deutsche Bank Securities Inc., as representative of the initial purchasers (incorporated by reference to Exhibit 4.6 to Registration Statement on Form S-4, filed on August 18, 2003, Reg. No. 333-108081)
- 4.3 Indenture (including form of note) dated November 25, 2003 among Yellow Corporation, certain subsidiary guarantors and Deutsche Bank Trust Company Americas, as trustee, relating to Yellow Corporation's 3.375% Contingent Convertible Senior Notes due 2023 (incorporated by reference to Exhibit 4.7 to Registration Statement on Form S-4, filed on August 18, 2003, Reg. No. 333-111499)

- 4.4 Registration Rights Agreement dated November 25, 2003 among Yellow Corporation, certain subsidiary guarantors and Deutsche Bank Securities Inc., as representative of the initial purchasers (incorporated by reference to Exhibit 4.8 to Registration Statement on Form S-4, filed on August 18, 2003, Reg. No. 333-111499)
- 4.5 Indenture (including form of note) dated November 30, 2001 among Roadway Corporation (predecessor in interest to Roadway LLC), certain subsidiary guarantors and SunTrust Bank, as trustee, relating to Roadway's 8 1/4% Senior Notes due December 1, 2008 (incorporated by reference to Exhibit 4.9 to Registration Statement on Form S-4, filed on August 18, 2003, Reg. No. 333-111499)
- 4.6* Supplemental Indenture, dated as of December 11, 2003, among Roadway LLC, as successor obligor, Yellow Roadway Corporation, as a Guarantor, and SunTrust Bank, as Trustee, supplementing the Indenture, dated as of November 30, 2001 for the Roadway Corporation 8 1/4% Senior Notes due December 1, 2008.
- 10.1 Credit Agreement, dated as of December 11, 2003, among Yellow Roadway Corporation, certain of its subsidiaries, various lenders, Bank One, NA, and SunTrust Bank as Co-Syndication Agents; Fleet National Bank and Wachovia Bank, National Association as Co-Documentation Agents; Deutsche Bank AG, New York Branch as Administrative Agent; and Deutsche Bank Securities, Inc. as Sole Lead Arranger and Sole Book Running Manager. Certain schedules and exhibits to this Credit Agreement have not been filed with this exhibit. The schedules and exhibits contain various items related to the representations and warranties made by the parties to the Credit Agreement and forms of documents executed or to be executed in connection with the operation of the Credit Agreement. The registrant agrees to furnish supplementally any omitted schedule or exhibit to the SEC upon request. (incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K, filed on December 11, 2003, Reg. No. 000-12255)
- 10.2 Master Separation and Distribution Agreement dated as of September 30, 2002, between Yellow Corporation and SCS Transportation, Inc. (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, Reg. No. 000-12255)
- 10.3 Tax Indemnification and Allocation Agreement dated as of September 30, 2002, between Yellow Corporation and SCS Transportation, Inc. (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, Reg. No. 000-12255)
- 10.4 (a) Amendment and Restatement dated July 30, 1999 of the Receivables Purchase Agreement Dated as of August 2, 1996, among Yellow Receivables Corporation, Falcon Asset Securitization Corporation, the financial institutions named therein and The First National Bank of Chicago, as Agent (incorporated by reference to Exhibit 10 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 1999, Reg. No. 000-12255)
- (b) Omnibus Amendment dated as of December 31, 2002, among Yellow Transportation, Inc., Yellow Receivables Corporation, Falcon Asset Securitization Corporation, and Bank One, N.A., as Agent and Investor (incorporated by reference to Exhibit 10.20 to the Annual Report on Form 10-K for the year ended December 31, 2002, Reg. No. 000-12255)
- (c) Amendments: (1) Amendment No. 1 to Receivables Sale Agreement, entered into as of July 30, 1999, to that certain Receivables Sale Agreement, dated as of August 2, 1996 by and between Yellow Freight System, Inc. and Yellow Receivables Corporation; (2) Amendment No. 1 to Amended and Restated Receivables Purchase Agreement, dated as of July 28, 2000, to that certain Amended and Restated Receivables Purchase Agreement, dated as of July 30, 1999, by and among Yellow Receivables Corporation, the Investors, Falcon Asset Securitization Corporation and Bank One, NA (formerly known as The First National Bank of Chicago), as Agent; (3) Amendment to Amended and Restated Receivables Purchase Agreement, entered into as of May 1, 2001, to that certain Amended and Restated Receivables Purchase Agreement, dated as of July 30, 1999, by and among Yellow Receivables Corporation, Falcon Asset Securitization Corporation and Bank One, NA (formerly known as The First National Bank of Chicago), as Agent; (4) Second Amendment to Amended and Restated Receivables Purchase Agreement, entered into as of January 23, 2002, to that certain Amended and Restated Receivables Purchase Agreement, dated as of July 30, 1999, by and among Yellow Receivables Corporation, Falcon Asset Securitization Corporation and Bank One, NA, as Agent; (5) Amendment No. 2 to Amended and Restated Receivables Purchase Agreement, entered into as of April 23, 2002, to that certain Amended and Restated Receivables Purchase Agreement, dated as of July 30, 1999, by and among Yellow Receivables Corporation, Falcon Asset Securitization Corporation and Bank One, NA (formerly known as The First

National Bank of Chicago), as Agent; (6) Waiver and Amendment No. 3 to Amended and Restated Receivables Purchase Agreement, entered into as of August 1, 2002, to that certain Amended and Restated Receivables Purchase Agreement, dated as of July 30, 1999, by and among Yellow Receivables Corporation, Falcon Asset Securitization Corporation and Bank One, NA (formerly known as The First National Bank of Chicago), as Agent; (7) Omnibus Amendment, entered into as of December 31, 2002, to that certain Receivables Sale Agreement, dated as of August 2, 1996, by and among Yellow Transportation, Inc. (f/k/a Yellow Freight System, Inc.), Yellow Receivables Corporation, Falcon Asset Securitization Corporation and Bank One, NA (formerly known as The First National Bank of Chicago), as Agent; (8) Amendment No. 4 to Amended and Restated Receivables Purchase Agreement, entered into as of April 29, 2003, to that certain Amended and Restated Receivables Purchase Agreement, dated as of July 30, 1999, by and among Yellow Receivables Corporation, Falcon Asset Securitization Corporation and Bank One, NA (formerly known as The First National Bank of Chicago), as Agent (incorporated by reference to Exhibit 10.1 (as Amendments to Amended and Restated Receivables Purchase Agreement dated July 30, 1999) to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, Reg. No. 000-12255)

- 10.4(d)* Amendment No. 5 to Amended and Restated Receivables Purchase Agreement, entered into as of December 11, 2003, by and among Yellow Receivables Corporation, Falcon Asset Securitization Corporation and Bank One, NA, amending the Amended and Restated Receivables Purchase Agreement, dated as of July 30, 1999.
- 10.5* Operating lease agreement by and between Roadway Express, Inc. and ABN AMRO North America, Inc., dated as of March 15, 1996 (and documents not filed which are substantially identical in all material respects to previously filed documents: (1) Master Lease Agreement between Roadway Express, Inc. and ABN AMRO Bank N.V. dated March 3, 1997. This lease agreement for 3,250 linehaul trailers is identical in all material respects to the Master Lease Agreement dated March 15, 1996 and (2) Master Lease Agreement between Roadway Express, Inc. and ABN AMRO Bank N.V. dated April 1, 1998. This lease agreement for 3,250 linehaul trailers is identical in all material respects to the Master Lease Agreement dated March 15, 1996)
- 10.6* Operating lease agreement between Roadway Express, Inc. and General Electric Capital Corporation, dated as of July 1, 1998
- 10.7* Operating lease agreement between Roadway Express, Inc. and ICX Corporation, dated as of May 10, 1999
- 10.8* Data Processing and Information Technology Agreement between Roadway Express, Inc. and Affiliated Computer Services, Inc., dated September 11, 1998
- 10.9 Employment Agreement dated December 15, 1999 between Yellow Corporation and William D. Zollars (incorporated by reference to Exhibit 10 to the Annual Report on Form 10-K for the year ended December 31, 1999, Reg. No. 000-12255) and Amendment Number One to Employment Agreement dated December 15, 1999 between Yellow Corporation and William D. Zollars (incorporated by reference to Exhibit 10(a) to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2000, Reg. No. 000-12255)
- 10.10 Employment Agreement, dated as of October 10, 2003, by and between Yankee LLC and James D. Staley (incorporated by reference to Exhibit 10.1 to Amendment No. 3 to Registration Statement on Form S-4, filed on October 17, 2003, Reg. No. 333-108081)
- 10.11 Form of Executive Severance Agreement between Yellow Corporation and its executive officers (incorporated by reference to Exhibit 10.1 to the Annual Report on Form 10-K for the year ended December 31, 2002, Reg. No. 000-12255)
- 10.12 2002 Stock Option and Share Award Plan (incorporated by reference to Exhibit 4 to the Registration Statement on Form S-8, filed on May 15, 2002, SEC File No. 333-88268)
- 10.13 1999 Stock Option Plan (incorporated by reference to Exhibit 4 to the Registration Statement on Form S-8, filed on November 9, 2000, SEC File No. 333-49620)
- 10.14 1997 Stock Option Plan (incorporated by reference to Exhibit 4 to the Registration Statement on Form S-8, filed on July 8, 1998, SEC File No. 333-59255)

- 10.15 1996 Stock Option Plan (incorporated by reference to Exhibit 10.6 to the Annual Report on Form 10-K for the year ended December 31, 2002, Reg. No. 000-12255)
- 10.16 1992 Stock Option Plan (incorporated by reference to Exhibit 10.7 to the Annual Report on Form 10-K for the year ended December 31, 2002, Reg. No. 000-12255)
- 10.17 Form of Stock Option Agreement (incorporated by reference to Exhibit 10.8 to the Annual Report on Form 10-K for the year ended December 31, 2002, Reg. No. 000-12255)
- 10.18 Form of Restricted Stock Award Agreement pursuant to 1992 Stock Option Plan with Non-Compete Covenant between Yellow Corporation and each of William D. Zollars, Donald G. Barger, Jr., Gregory A. Reid, James D. Ritchie and James L. Welch (incorporated by reference to Exhibit 10.9 to the Annual Report on Form 10-K for the year ended December 31, 2002, Reg. No. 000-12255)
- 10.19 Form of Option Agreement pursuant to Directors' Stock Compensation Plan for January 2003 grants (incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K for the year ended December 31, 2002, Reg. No. 000-12255)
- 10.20 Form of Option Agreement pursuant to Directors' Stock Compensation Plan for grants prior to January 2003 (incorporated by reference to Exhibit 10.16 to the Annual Report on Form 10-K for the year ended December 31, 2002, Reg. No. 000-12255)
- 10.21* Form of Yellow Roadway Corporation Share Award Agreement
- 10.22 Supplemental Retirement Income Agreement dated July 20, 2001, between Yellow Corporation and Donald G. Barger, Jr. (incorporated by reference to Exhibit 10 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, Reg. No. 000-12255)
- 10.23 Executive Deferred Compensation Plan (incorporated by reference to Exhibit 10.11 to the Annual Report on Form 10-K for the year ended December 31, 2002, Reg. No. 000-12255)
- 10.24 Amended Directors' Stock Compensation Plan (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-8, filed on November 9, 2000, SEC File No. 333-49618)
- 10.25* Roadway Corporation 401(a)(17) Benefit Plan (Effective January 1, 2002), as amended by First Amendment to the Roadway Corporation 401(a)(17) Benefit Plan and Second Amendment to the Roadway Corporation 401(a)(17) Benefit Plan
- 10.26* Roadway Corporation Excess Benefit Plan (Effective as of January 1, 2002), as amended by First Amendment to the Roadway Corporation Excess Benefit Plan and Second Amendment to the Roadway Corporation Excess Benefit Plan
- 10.27* Roadway LLC Pension Plan, amended and restated as of January 1, 2004
- 10.28* Yellow Corporation Pension Plan, amended and restated as of January 1, 2004
- 16.1 Letter from Arthur Andersen LLP dated May 17, 2002, regarding change in certifying accountant (incorporated by reference to Exhibit 16 to the Current Report on Form 8-K for the event dated as of May 17, 2002)
- 21.1 Subsidiaries of the company
- 23.1* Consent of KMPG LLP
- 23.2* Consent of Ernst & Young LLP
- 31.1* Certification of William Zollars pursuant to Exchange Act Rules 13a-14 and 15d-14, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

- 31.2* Certification of Donald G. Barger, Jr. pursuant to Exchange Act Rules 13a-14 and 15d-14, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1* Certification of Williams Zollars pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2* Certification of Donald G. Barger, Jr. pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 99.1 Roadway Corporation and Subsidiaries Audited Consolidated Financial Statements for the Period January 1 to December 11, 2003 and the Years Ended December 31, 2002 and 2001 (incorporated by reference to Exhibit 99.1 to the Form 8-K filed on February 19, 2004 and Amendment No. 1 to Form 8-K filed on March 4, 2004).
- 99.2* Roadway LLC and Subsidiaries Audited Consolidated Financial Statements for the Period December 12 to December 31, 2003
- 99.3* Roadway Express, Inc, and Subsidiaries Audited Consolidated Financial Statements for the Period January 1 to December 11, 2003 and the Years Ended December 31, 2002 and 2001
- 99.4* Roadway Express, Inc. and Subsidiaries Audited Consolidated Financial Statements for the Period December 12 to December 31, 2003
- 99.5* Roadway Next Day Corporation Audited Consolidated Financial Statements for the Period January 1 to December 11, 2003, the Year ended December 31, 2002, the One Month Period ended December 31, 2001 (Successor Periods) and Eleven Month Period Ended November 30, 2001 (Predecessor Periods)
- 99.6* Roadway Next Day Corporation Audited Consolidated Financial Statements for the Period December 12 to December 31, 2003

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 * Indicates documents filed herewith.

(b) Reports on Form 8-K

On October 1, 2003, a Form 8-K was furnished under Item 9, Regulation FD Disclosure, which announced via a press release that we would host an analyst meeting on Friday, October 3, 2003.

On October 20, 2003, a Form 8-K was furnished under Item 9, Regulation FD Disclosure, reporting the issuance of a press release regarding the certification of responses by Yellow and Roadway Corporation to the U.S. Department of Justice's second request for additional information.

On October 21, 2003, a Form 8-K was filed under Item 5, Other Events and Item 7, Financial Statements, Pro Forma Financial Information and Exhibits, and furnished under Item 9, Regulation FD Disclosure, announcing the completion of the private offering of \$250 million in contingent convertible senior notes. We made available in this Form 8-K the consolidated financial statements of Roadway Corporation for the years ended 2002, 2001 and 2000 and for the first and second quarters of 2003; the unaudited condensed combined pro forma balance sheet as of June 30, 2003, pro forma statements of operations for the year ended December 31, 2002 and the six months ended June 30, 2002, the pro forma statement of cash flows for the six months ended June 30, 2003 and the notes to the unaudited condensed combined pro forma financial statements; and the consolidated financial statements of Yellow Corporation and its subsidiaries for the years ended December 31, 2002, 2001 and 2002 and for the three months and six months ended June 30, 2003 and 2002.

On October 21, 2003, a Form 8-K/A was filed under Item 7, Financial Statements, Pro Forma Financial Information and Exhibits, to re-file Exhibit 23.1, the Consent of Ernst & Young LLP, to include certain dates that were inadvertently omitted from the original filing.

On October 24, 2003, a Form 8-K was furnished to the SEC under Item 12, Results of Operations and Financial Condition, in which we made available our results of operations and financial condition for the quarter ending September 30, 2003 by means of a press release.

On October 24, 2003, a Form 8-K was furnished to the SEC under Item 9, Regulation FD Disclosure, in which we corrected a statement made during our third quarter conference call regarding the general rate increase.

On November 18, 2003, a Form 8-K was filed under Item 5, Other Events, to announce via a press release the expiration of the Hart-Scott-Rodino waiting period related to the pending acquisition of Roadway Corporation.

On November 19, 2003, a Form 8-K was filed under Item 5, Other Events and Required FD Disclosure, to announce that Yellow Roadway was seeking to raise, subject to market and other conditions, approximately \$130 million through a private offering of contingent convertible senior notes. Certain pro forma financial information related to the merger was provided in Exhibit 99.2 pursuant to Regulation FD.

On November 20, 2003, a Form 8-K was filed under Item 5, Other Events and Required FD Disclosure, to announce via a press release that our previously announced private offering of \$130 million of contingent convertible senior notes due 2023 had been priced at an annual interest rate of 3.375%. These notes are convertible into shares of Yellow Roadway common stock at a conversion price of \$46.00 per share upon the occurrence of certain events.

On November 21, 2003, a Form 8-K was filed under Item 5, Other Events and Required FD Disclosure, to announce via a press release that we would issue an additional \$20 million of the 3.375% Contingent Convertible Senior Notes due 2023 pursuant to the exercise of the initial purchasers' overallotment option.

On November 25, 2003, a Form 8-K was filed under Item 5, Other Events and Required FD Disclosure, to announce via a press release the cash election deadline related to the pending acquisition of Roadway by Yellow.

On December 3, 2003, a Form 8-K was furnished under Item 9, Regulation FD Disclosure, to announce via a press release a meeting for investors and analysts to be held on December 10, 2003.

On December 5, 2003, a Form 8-K was filed under Item 5, Other Events and Required FD Disclosure, to announce via a press release the exchange ratio that would be used to calculate the merger consideration in the acquisition of Roadway by Yellow.

On December 9, 2003, a Form 8-K was filed under Item 5, Other Events and Required FD Disclosure, to announce via a press release the results of the company's special meeting of shareholders held to approve the issuance of shares and name change related to the acquisition of Roadway by Yellow.

On December 10, 2003, a Form 8-K was furnished under Item 9, Regulation FD Disclosure, to make available a slideshow presentation used at a meeting for investors and analysts held on December 10, 2003.

On December 11, 2003, a Form 8-K was furnished under Item 9, Regulation FD Disclosure, to announce via a press release the completion of our acquisition of Roadway Corporation.

On December 15, 2003, a Form 8-K was furnished under Item 9, Regulation FD Disclosure, to announce via a press release the results of the cash election process related to the acquisition of Roadway Corporation by Yellow Corporation, which was completed on December 11, 2003.

On December 18, 2003, a Form 8-K was filed under Item 2, Acquisition or Disposition of Assets and Item 5, Other Events. Under Item 2, the Form 8-K details changes resulting from the acquisition, including the name change to Yellow Roadway Corporation, the addition of three new board members, the placement of James Staley as President and CEO of the operating subsidiary Roadway LLC, and a breakout of the purchase price into cash, stock and debt assumption. Under Item 5, the Form 8-K discusses the replacement of the existing credit facility with a new credit facility.

Report of Independent Auditors on Financial Statement Schedule

To the Board of Directors and Shareholders of Yellow Roadway Corporation:

Under date of February 20, 2004, we reported on the consolidated balance sheets of Yellow Roadway Corporation and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of operations, cash flows, shareholders' equity, and comprehensive income for each of the years in the three-year period ended December 31, 2003, as contained in the 2003 Annual Report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule of valuation and qualifying accounts (Schedule II). This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Kansas City, Missouri
February 20, 2004

Yellow Roadway Corporation and Subsidiaries
Valuation and Qualifying Accounts
For the Years Ended December 31, 2003, 2002 and 2001

COL. A	COL. B	COL. C		COL. D	COL. E
		ADDITIONS			
Description	Balance, Beginning Of Year (a)	-1- Charged To Costs/ Expenses	-2- Charged To Other Accounts	Deductions (b)	Balance, End Of Year (d)
		(in thousands)			
Year ended December 31, 2003:					
Deducted from asset account - Allowance for uncollectible accounts	\$ 15,731	\$ 14,713	\$ 6,241(c)	\$ (15,846)	\$ 20,839
Added to liability account - Claims and insurance accruals	\$ 115,214	\$ 114,585	\$ 170,422(c)	\$ (100,939)	\$ 299,282
Year ended December 31, 2002:					
Deducted from asset account - Allowance for uncollectible accounts	\$ 7,695	\$ 25,834	\$ 189	\$ (17,987)	\$ 15,731
Added to liability account - Claims and insurance accruals	\$ 110,298	\$ 95,947	\$ --	\$ (91,031)	\$ 115,214
Year ended December 31, 2001:					
Deducted from asset account - Allowance for uncollectible accounts	\$ 10,591	\$ 14,744	\$ 332	\$ (17,972)	\$ 7,695
Added to liability account - Claims and insurance accruals	\$ 119,479	\$ 84,797	\$ --	\$ (93,978)	\$ 110,298

- (a) All balances shown have been reclassified to reflect valuation and qualifying accounts of continuing operations due to the spin-off of SCST on September 30, 2002.
- (b) Regarding the allowance for uncollectible accounts, amounts primarily relate to uncollectible accounts written off, net of recoveries. For the claims and insurance accruals, amounts primarily relate to payments of claims and insurance.
- (c) These amounts primarily represent the beginning balances for Roadway LLC as of December 11, 2003.
- (d) 2003 balances include the results of Roadway LLC from the date of acquisition (December 11) through December 31, 2003.

Signatures

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

Yellow Roadway Corporation

BY: /s/ William D. Zollars

William D. Zollars
Chairman of the Board, President
and Chief Executive Officer

March 15, 2004

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

/s/ Donald G. Barger, Jr. ----- Donald G. Barger, Jr.	Senior Vice President and Chief Financial Officer	March 15, 2004
/s/ Cassandra C. Carr ----- Cassandra C. Carr	Director	March 15, 2004
/s/ Howard M. Dean ----- Howard M. Dean	Director	March 15, 2004
/s/ Frank P. Doyle ----- Frank P. Doyle	Director	March 15, 2004
/s/ John F. Fiedler ----- John F. Fiedler	Director	March 15, 2004
/s/ Dennis E. Foster ----- Dennis E. Foster	Director	March 15, 2004
/s/ John C. McKelvey ----- John C. McKelvey	Director	March 15, 2004
/s/ Phillip J. Meek ----- Phillip J. Meek	Director	March 15, 2004
/s/ William L. Trubeck ----- William L. Trubeck	Director	March 15, 2004
/s/ Carl W. Vogt ----- Carl W. Vogt	Director	March 15, 2004

SUPPLEMENTAL INDENTURE

dated as of December 11, 2003
among

Roadway LLC,
as successor obligor

Yellow Roadway Corporation,
as a Guarantor

and

SunTrust Bank,
as Trustee

81/4 % Senior Notes Due December 1, 2008

SUPPLEMENTAL INDENTURE

This first supplemental indenture (this "SUPPLEMENTAL INDENTURE") is made as of the 11th day of December, 2003, among Roadway LLC, a Delaware limited liability company, as successor obligor (the "SUCCESSOR COMPANY"), Yellow Roadway Corporation, a Delaware corporation, as a Guarantor (a "PARENT"), and SunTrust Bank, a Georgia banking corporation, as Trustee (the "TRUSTEE").

RECITALS

Whereas, Roadway Corporation, a Delaware corporation (the "COMPANY"), the Guarantors party thereto and the Trustee executed and delivered an Indenture, dated as of November 30, 2001 (the "INDENTURE") relating to the Company's 8 1/4% Senior Notes due December 1, 2008 (the "NOTES"); and

Whereas, Section 5.01(a) of the Indenture provides, among other things, that the Company shall not merge into another Person unless (i) the surviving Person is organized and validly existing under the laws of the United States of America or any jurisdiction thereof and expressly assumes by supplemental indenture all of the obligations of the Company under the Indenture and the Notes; and the Company has delivered to the Trustee an Opinion of Counsel stating that such merger and such supplemental indenture complies with that provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with and that such supplemental indenture constitutes the legal, valid and binding obligation of such successor enforceable against such entity in accordance with its terms, subject to customary exceptions; and (ii) immediately after giving effect to the transaction, no Default shall have occurred and be continuing; and (iii) the Company delivers to the Trustee an Officers' Certificate stating that the merger and the supplemental indenture comply with the Indenture; and

Whereas, contemporaneously herewith, the Company is merging with and into the Successor Company (the "MERGER") pursuant to an Agreement and Plan of Merger, dated as of July 8, 2003, under the terms of which and in accordance with the Delaware General Corporation Law and the Delaware Limited Liability Company Act, the separate corporate existence of the Company will cease and the Successor Company will succeed to and assume all the rights and obligations of the Company; and

Whereas, Section 5.01(b) of the Indenture provides that, upon the consummation of any transaction effected in accordance with Section 5.01 of the Indenture where the Company is not the continuing person, the surviving Person will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture with the same effect as if such successor Person had been named as the Company therein, and thereafter, upon such substitution, the Company will be released from its obligations under the Indenture and the Notes; and

WHEREAS, contemporaneously herewith and upon consummation of the Merger, the Parent has agreed to become a Guarantor and provide a Note Guaranty under the Indenture and to be bound by the terms of the Indenture applicable to Guarantors; and

Whereas, contemporaneously herewith, the Successor Company has delivered, or caused to be delivered, to the Trustee, an Officers' Certificate and an Opinion of Counsel, each in accordance with the terms and provisions of the Indenture; and

WHEREAS, the Company, Credit Suisse First Boston (the "COLLATERAL AGENT"), the Trustee and the administrative agent under the Credit Agreement dated as of November 30, 2001, by and among the Company, the lenders party thereto and Credit Suisse First Boston, as administrative agent (hereinafter, the "Credit Agreement") are parties to certain Security Documents, including, without limitation, that certain Pledge, Security and Intercreditor Agreement dated as of November 30, 2001, by and among the Company, the Collateral Agent and the Trustee (the "Intercreditor Agreement"); and

WHEREAS, contemporaneously with the Merger, the obligations under the Credit Agreement will be paid in full and the Liens granted under the Credit Agreement and the Security Documents will be released.

AGREEMENT

Now, therefore, in consideration of the premises and mutual covenants herein contained and intending to be legally bound, the parties to this Supplemental Indenture agree as follows:

SECTION 1. (a) Effective with the Merger, Successor Company hereby expressly and fully and unconditionally assumes all of the obligations, covenants, agreements and undertakings of the Company under the Indenture and the Notes.

(b) Upon the consummation of the Merger, the Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture with the same effect as if the Successor Company had been named as the Company therein. Upon such substitution, the Company will be released from its obligations under the Indenture and the Notes. Each reference in the Indenture and the Notes to the name "Roadway Corporation" shall hereafter be deemed a reference to "Roadway LLC" and each reference in the Indenture and the Notes to the term "Company" shall hereafter be deemed a reference to the "Successor Company".

SECTION 2. Parent, by its execution of this Supplemental Indenture to be effective upon consummation of the Merger, agrees to be a Guarantor under the Indenture and to be bound by the terms of the Indenture applicable to Guarantors, including, but not limited to, Article 10 thereof.

SECTION 3. The Trustee agrees and acknowledges that, upon the payment in full of all obligations under the Credit Agreement, the Security Documents, including, without limitation, the Intercreditor Agreement, will terminate and the Liens granted thereunder will be released, as contemplated by Sections 4.09(b) and 11.01(b) of the Indenture. The Successor Company hereby represents and warrants to the Trustee that the Successor Company and its subsidiaries have complied with Sections 4.06 and 4.09 of the Indenture.

SECTION 4. Capitalized terms used herein and not otherwise defined herein are used as defined in the Indenture.

SECTION 5. This Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 6. This Supplemental Indenture may be signed in various counterparts which together will constitute one and the same instrument.

SECTION 7. This Supplemental Indenture is an amendment supplemental to the Indenture and the Indenture and this Supplemental Indenture will henceforth be read together.

[Signatures are on the following page.]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

ROADWAY LLC, as successor obligor

By: _____
Name:
Title:

YELLOW ROADWAY CORPORATION, as a Guarantor

By: _____
Name:
Title:

SUNTRUST BANK, as Trustee

By: _____
Name:
Title:

AMENDMENT NO. 5 TO AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT

THIS AMENDMENT NO. 5 TO AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT (this "AMENDMENT") is entered into as of December 11, 2003 by and among Yellow Receivables Corporation, a Delaware corporation (the "SELLER"), Falcon Asset Securitization Corporation ("FALCON") and Bank One, NA (formerly known as The First National Bank of Chicago), individually (the "INVESTOR") and as agent (in such capacity, the "AGENT"), with respect to that certain Amended and Restated Receivables Purchase Agreement, dated as of July 30, 1999, among the Seller, Falcon, the Investor and the Agent as heretofore amended from time to time (the "EXISTING AGREEMENT").

W I T N E S S E T H :

WHEREAS, the Seller, Falcon, the Investor and the Agent are parties to the Existing Agreement; and

WHEREAS, the parties hereto desire to amend the Existing Agreement as hereinafter set forth;

NOW, THEREFORE, in consideration of the premises herein contained, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. DEFINED TERMS. Capitalized terms used herein and not otherwise defined shall have their meanings as attributed to such terms in the Existing Agreement.

2. AMENDMENTS.

2.1. Section 7.1(h) of the Existing Agreement is hereby amended and restated in its entirety to read as follows:

(h) A "Default" or an "Event of Default" under and as defined in that certain Credit Agreement dated as of December 11, 2003 by and among Yellow Roadway Corporation, as borrower, various lenders from time to time party thereto, Bank One and SunTrust Bank, as co-syndication agents, Fleet National Bank and Wachovia Bank, National Association, as co-documentation agents and Deutsche Bank AG, New York Branch, as administrative agent, as amended, modified or replaced from time to time (the "YELLOW CREDIT AGREEMENT"), shall occur and be continuing; PROVIDED, HOWEVER, that any Servicer Default arising under this Section 7.1(h) shall be deemed automatically waived if and to the extent that any "Default" or "Event of Default" under the Yellow Credit Agreement is waived in accordance with the terms thereof.

2.2. Section 7.1 of the Existing Agreement is hereby amended to add the following new clause at the end thereof:

(i) Any Level II Trigger Event shall occur.

2.3. Section 11.5 of the Existing Agreement is hereby amended to add the following new clause (c) thereto:

(c) Notwithstanding any other express or implied agreement to the contrary, the parties hereto agree that each of them and each of their employees, representatives, and other agents may disclose to any and all Persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to any of them relating to such tax treatment and tax structure, except where confidentiality is reasonably necessary to comply with U.S. federal or state securities laws.

For purposes of this paragraph, the terms "tax treatment" and "tax structure" have the meanings specified in Treasury Regulation section 1.6011-4(c).

2.4. The following new definitions are hereby inserted in their appropriate alphabetical order in Exhibit I to the Existing Agreement:

"LEVEL I TRIGGER EVENT" means the failure of Yellow Roadway Corporation to maintain a Total Leverage Ratio (as defined in the Yellow Credit Agreement) or a Consolidated Interest Coverage Ratio (as defined in the Yellow Credit Agreement) as set forth in the table below:

TOTAL LEVERAGE RATIO

CONSOLIDATED INTEREST COVERAGE RATIO

< 3.25 : 1.00 at any time between and including 12/11/03 and 12/31/04

> 4.50 : 1.00 for the Test Period (as defined in the Yellow Credit Agreement) ending 12/31/03 or for any Test Period during the fiscal year ending 12/31/04

< 2.75 : 1.00 at any time during the fiscal year ending 12/31/05

> 4.75 : 1.00 for any Test Period thereafter

< 2.50 : 1.00 at any time thereafter

"LEVEL II TRIGGER EVENT" means the failure of Yellow Roadway Corporation to maintain a Total Leverage Ratio (as defined in the Yellow Credit Agreement) or a Consolidated Interest Coverage Ratio (as defined in the Yellow Credit Agreement) as set forth in the table below.

TOTAL LEVERAGE RATIO

CONSOLIDATED INTEREST COVERAGE RATIO

< 4.00 : 1.00 at any time between and including 12/11/03 and 12/31/04

> 3.75 : 1.00 for the Test Period ending 12/31/03 or for any Test Period during the fiscal year ending 12/31/04

< 3.50 : 1.00 at any time during the fiscal year ending 12/31/05

> 4.00 : 1.00 for any Test Period thereafter

< 3.25 : 1.00 at any time thereafter

2.5. The following definitions in the Existing Agreement are hereby amended and restated in their entirety to read, respectively, as follows:

"CHANGE OF CONTROL" means (i) any Person or Persons acting in concert shall acquire beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 20% or more of the outstanding shares of voting stock of Yellow Roadway Corporation; or (ii) during any period of twelve (12) consecutive months, commencing before or after the date hereof, individuals who at the beginning of such twelve-month period were directors of the Originator shall cease for any reason to constitute a majority of the board of directors of the Originator; or (iii) the Originator shall cease to own all of the outstanding shares of voting stock of the Seller on a fully diluted basis; or (iv) Yellow Roadway Corporation shall cease to own all of the outstanding shares of voting stock of the Originator on a fully diluted basis.

"CONCENTRATION LIMIT" means:

(a) for any Obligor and its Affiliates considered as if they were one and the same Obligor, an amount equal to (i) 3.00%, multiplied by (ii) the aggregate Outstanding Balance of all Eligible Receivables at such time;

(b) at any time, for all Government Receivables, 5% of the aggregate Outstanding Balance of all Eligible Receivables at such time; and

(c) at any time when neither a Level I Trigger Event nor a Level II Trigger Event exists and is continuing, for that portion of the Receivables representing Deferred Revenue, 15% of the aggregate Outstanding Balance of all Eligible Receivables at such time, and at any other time, for that portion of the Receivables representing Deferred Revenue, 0% of the aggregate Outstanding Balance of all Eligible Receivables at such time;

PROVIDED, HOWEVER, that:

(i) the Concentration Limit set forth in the preceding clause (c) will automatically become zero (A) at all times while any Labor Action is pending, and (B) immediately following the threat of any Labor Action and for so long as the Agent, FALCON or the Required Investors reasonably believe(s) such threat is likely to be carried out, and

(ii) the Agent may from time to time designate other amounts (each, a "SPECIAL CONCENTRATION LIMIT") for any Obligor or class of Receivables, it being understood and agreed that the Agent, FALCON or the Required Investors may, upon not less than three Business Days' notice to the Seller, cancel any Special Concentration Limit.

2.6. All references in the Existing Agreement to "Yellow Corporation" are hereby replaced with "Yellow Roadway Corporation."

3. REPRESENTATIONS AND WARRANTIES. In order to induce the Agent and the Purchasers to enter into this Amendment, the Seller hereby represents and warrants to the Agent and the Purchasers that after giving effect to the amendments set forth above, (a) no Servicer Default or Potential Servicer Default exists and is continuing as of the Effective Date (as defined in Section 4 below), and (b) each of the Seller's representations and warranties contained in Section 3.1 of the Existing Agreement is true and correct as of the Effective Date.

4. EFFECTIVE DATE. This Amendment shall become effective as of the date first above written (the "EFFECTIVE DATE") when (a) the Agent has received counterparts of this Amendment, duly executed by the Seller, the Agent, Falcon and the Investor, and (b) the "Effective Date" under and as defined in the Yellow Credit Agreement shall have occurred.

5. RATIFICATION. The Existing Agreement, as modified hereby, is hereby ratified, approved and confirmed in all respects.

6. REFERENCE TO AGREEMENT. From and after the Effective Date hereof, each reference in the Existing Agreement to "this Agreement", "hereof", or "hereunder" or words of like import, and all references to the Existing Agreement in any and all agreements, instruments, documents, notes, certificates and other writings of every kind and nature shall be deemed to mean the Existing Agreement, as modified by this Amendment.

7. COSTS AND EXPENSES. The Seller agrees to pay all costs, fees, and out-of-pocket expenses (including reasonable attorneys' fees and disbursements) incurred by the Agent in connection with the preparation, execution and enforcement of this Amendment.

8. CHOICE OF LAW. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF ILLINOIS.

9. EXECUTION IN COUNTERPARTS. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the Seller, Falcon, the Investor and the Agent have executed this Amendment as of the date first above written.

Yellow Receivables Corporation

By: _____
Name:
Title:

FALCON ASSET SECURITIZATION CORPORATION

By: _____
Authorized Signatory

BANK ONE, NA, INDIVIDUALLY AND AS AGENT

By: _____
Name:
Title:

PARTICIPATION AGREEMENT
DATED AS OF MARCH 15, 1996
ENTERED INTO BY AND AMONG
ROADWAY EXPRESS, INC.,
as Lessee,
ABN AMRO BANK N.V.,
not individually, except as expressly
set forth herein, but as Agent
and
The Lessors Listed on
Schedule I Hereto

TABLE OF CONTENTS

	Page

Definitions.....	1
Purchase and Lease of Vehicles.....	1
Fundings; Payment of Purchase Price.....	1
Application of Funds; Sale and Lease of Vehicles.....	2
Time and Place of Delivery Dates.....	3
Executory and Underwriting Fee.....	3
Commitment Fee.....	3
Conditions to Delivery Date Closings.....	3
Delivery Date Notice; Invoices.....	3
Appraisals.....	4
Participation Agreement.....	4
Lease.....	4
Lease Supplements.....	4
Financial Reports.....	5
Financing Statements.....	5
Certificates of Title.....	5
Transaction Costs; Fees.....	5
Opinions of Counsel.....	5
Corporate Status and Proceedings.....	6
Consents and Approvals.....	6
Payment of Impositions.....	6
Search Reports.....	6
Insurance.....	6
Proceedings Satisfactory, Etc.....	6
Absence of Material Adverse Effect.....	6
Representations and Warranties True; Absence of Defaults.....	6
General Provisions.....	7
Nature of Transaction.....	7
Replacements.....	7
Representations and Warranties.....	7
Representations and Warranties of Lessee.....	7
Representations and Warranties of Lessors.....	11
Representations and Warranties of Agent.....	11
Covenants.....	12
Covenants of Lessee.....	12
Covenants of Agent and Lessors.....	16
General Indemnities.....	16

LIST OF SCHEDULES AND EXHIBITS

Schedule I - Commitments of Lessors; Payment Instructions
*Schedule II - Description of Vehicles

*Schedule X - Definitions

Exhibit A - Form of Lease

*Schedule I - Description of Vehicles *Exhibit A - Form of Lease Supplement
*Exhibit B - Form of Delivery Date Notice *Schedule I - Vehicle List and
Purchase Price *Exhibit C-1 - Form of Opinion of Lessee's General Counsel
*Exhibit C-2 - Form of Opinion of Lessee's Local Counsel *Exhibit D - Form of
Officer's Certificate *Exhibit E - Form of Assumption Agreement *Exhibit F -
Form of Investor's Letter *Exhibit G - Form of Schedule I to Lease Supplement
*Exhibit H - Form of Schedule II to Lease Supplement

* Not filed as an exhibit to form 10-Q

PARTICIPATION AGREEMENT

THIS PARTICIPATION AGREEMENT, dated as of March 15, 1996 (this "Participation Agreement"), is entered into among ROADWAY EXPRESS INC., a Delaware corporation, as Lessee ("Lessee"), ABN AMRO BANK N.V., a bank organized under the laws of the Netherlands, not in its individual capacity, except as otherwise expressly provided herein, but solely as Agent for the Lessors (the "Agent"), and the several Lessors listed on Schedule I hereto (together with their respective permitted successors, assigns and transferees, each a "Lessor" and collectively the "Lessors").

WHEREAS, on each Delivery Date, Lessee will transfer to Agent, for the benefit of Lessors, and Agent, on behalf of Lessors, will purchase and receive from Lessee, an interest in certain of the Vehicles described on Schedule II hereto;

WHEREAS, upon the transfer of the Vehicles on each Delivery Date, Agent, on behalf of Lessors, will lease such Vehicles to Lessee and Lessee will lease such Vehicles from Agent, for the benefit of Lessors, pursuant to the terms of the Lease substantially in the form of Exhibit A hereto; and

WHEREAS, on the final Delivery Date during each Interim Period Lessee shall execute and deliver to Agent a Lease Supplement in the form of Exhibit A to the Lease covering the Vehicles purchased on all of the Delivery Dates occurring during such Interim Period;

NOW, THEREFORE, in consideration of the mutual terms and conditions herein contained, the parties hereto agree as follows:

I

DEFINITIONS

Capitalized terms used but not defined herein (including those used in the foregoing recitals) shall have the meanings specified in Schedule X hereto unless the context otherwise requires, which Schedule X shall for all purposes constitute a part of this Participation Agreement.

II

PURCHASE AND LEASE OF VEHICLES

II.1 FUNDINGS; PAYMENT OF PURCHASE PRICE.

(a) Subject to the terms and conditions hereinafter set forth, and in reliance on the representations and warranties contained herein or made pursuant hereto, upon receipt of each Delivery Date Notice, each Lessor shall transfer to Agent on the specified Delivery Date an amount equal to the product of the aggregate Purchase Price of the Vehicles specified in such Delivery Date Notice, multiplied by such Lessor's Commitment Percentage (each such transfer being referred to herein as a "Funding"). In no event shall any Lessor be required to provide funds under this Participation Agreement in an aggregate amount exceeding such Lessor's Commitment.

(b) Remittances pursuant to this Section 2.1 shall be made in immediately available federal funds by wire transfer to the account of Agent set forth below (or as otherwise specified by Agent to each Lessor from time to time not less than three Business Days prior to the date of the requested Funding) and must be received by Agent by 2:00 p.m., New York time on the applicable Delivery Date:

Bank: ABN AMRO Bank N.V.
New York Branch
New York, NY
ABA Routing #: 026009580
Account #: 651001063441

Payee: ABN AMRO Bank N.V., Pittsburgh Branch
Reference: Roadway Express, Inc.

(c) If the Agent determines that any Lessor (a "Defaulting Lessor") will not make available the amount (the "Defaulted Amount") which would constitute its Commitment Percentage of the total Purchase Price of the Vehicles specified in a Delivery Date Notice, Agent shall promptly notify each other Lessor (each, a "Non-Defaulting Lessor") and specify the additional amounts required to be funded by each Non-Defaulting Lessor. Each Non-Defaulting Lessor, as soon as practical after receipt of notice but not before the Delivery Date, shall transfer to the Agent, in immediately available funds, its pro rata share of the Defaulted Amount, determined in the same proportion that such Non-Defaulting Lessor's Commitment bears to the aggregate Commitments of all Non-Defaulting Lessors; provided that such amount, together with all amounts previously funded by each Non-Defaulting Lessor, shall not exceed the Non-Defaulting Lessor's Commitment. If the Defaulted Amount cannot be fully funded by the Non-Defaulting Lessors, Agent shall so notify the Non-Defaulting Lessors and give to all Non-Defaulting Lessors the opportunity to increase their respective Commitments by notice in writing to the Agent; provided that should the aggregate proposed increased Commitments by one or more Non-Defaulting Lessors exceed the Defaulted Amount, Agent shall increase the Commitments of the participating Non-Defaulting Lessors on a pro-rata basis in accordance with the respective amounts by which such Non-Defaulting Lessors have offered to participate, it being understood that in no event shall the aggregate amount funded by any Lessor exceed the amount of such Lessor's Commitment, after giving effect to any increase in such Commitment pursuant to this sentence.

In the event of any funding of all or a portion of the Defaulted Amount by the Non-Defaulting Lessors, the following rules shall apply notwithstanding any other provision in any Operative Agreement:

- (i) The Commitment of the Defaulting Lessor shall be decreased in an amount equal to the total aggregate increase in the Commitments of the Non-Defaulting Lessors pursuant to this Section 2.1(c);
- (ii) A Defaulting Lessor shall be obligated to fund any deliveries occurring after its default based upon its revised Commitment Percentage;
- (iii) A Defaulting Lessor shall not have the right to fund its Defaulted Amount without the written consent of the Agent and Lessee and then only to the extent such Defaulted Amount has not been funded by the Non-Defaulting Lessors;
- (iv) If and to the extent that the Defaulted Amount is not funded by the Non-Defaulting Lessors, Agent may delete Vehicles from the Delivery Date Notice so that the total Purchase Price of the Vehicles specified in the Delivery Date Notice equals the aggregate revised Fundings for the Delivery Date; and
- (v) The Defaulting Lessor shall not be responsible for any consequential damages suffered by Lessee or any of Lessee's Affiliates as a result of its failure to so fund.

II.2 APPLICATION OF FUNDS; SALE AND LEASE OF VEHICLES. On each Delivery Date, upon (a) receipt by Agent of all amounts to be paid by the Lessors pursuant to Section 2.1, and (b) satisfaction or waiver of each of the conditions set forth in Article III, (i) Agent shall purchase, for the benefit of the Lessors, an interest in the Vehicles to be acquired on such Delivery Date, as specified in the relevant Delivery Date Notice delivered pursuant to Section 3.1, (ii) in consideration therefor, Agent, on behalf of the Lessors, shall pay, from the funds made available by the Lessors pursuant to Section 2.1, an amount equal to the aggregate Purchase Price of the interest in the Vehicles being so sold and purchased in immediately available federal funds remitted by wire transfer to the account specified by Lessee in the relevant Delivery Date Notice, and (iii) Agent, on behalf of the Lessors, shall lease to Lessee the Vehicles so purchased by Agent and Lessee shall accept delivery of and lease from Agent such Vehicles pursuant to the Lease. Each Lessor shall hold an undivided interest in the Vehicles equal to such Lessor's Investment Percentage.

II.3 TIME AND PLACE OF DELIVERY DATES. Each Delivery Date Closing shall take place on the Delivery Date set forth in the relevant Delivery Date Notice, and the Initial Delivery Date Closing shall take place at the offices of Winston & Strawn, 35 W. Wacker Drive, Chicago, Illinois at 10:00 a.m. Chicago time, subject to the following:

- (i) no more than thirteen Fundings and thirteen Delivery Dates may occur;
- (ii) the Initial Delivery Date shall occur on a Business Day on or prior to April 5, 1996;
- (iii) the first Subsequent Delivery Date shall occur (A) on April 5, 1996 or a monthly anniversary thereof that is a Business Day if the Initial Delivery Date occurs prior to such date or (B) if the Initial Delivery Date occurs on April 5, 1996, on a monthly anniversary thereof that is a Business Day;
- (iv) each Subsequent Delivery Date shall occur on the 5th day of a month if such date is a Business Day;
- (v) the aggregate number of Vehicles delivered on all Delivery Dates shall not exceed 3,250 without the consent of all Lessors; and (vi) in no event shall the aggregate amount advanced by the Lessors exceed the Total Commitment.

II.4 EXECUTORY AND UNDERWRITING FEE. Lessee shall pay the Executory and Underwriting Fee to the Agent on the Initial Delivery Date.

II.5 COMMITMENT FEE. On each Payment Date Lessee shall pay to Agent, for the benefit of the Lessors, a commitment fee (the "Commitment Fee") equal to the amount accrued on the unfunded portion of the Total Commitment from the date hereof through such Payment Date and remaining unpaid at the rate of .15% per annum.

III

CONDITIONS TO DELIVERY DATE CLOSINGS

The obligation of each Lessor and Agent to perform its obligations on any Delivery Date, and of each Lessor to make its Funding, shall be subject to the fulfillment to the satisfaction of (including, with respect to writings, such writings being in form and substance reasonably satisfactory to the addressee or beneficiary thereof), or the waiver in writing by, each Lessor and Agent of the conditions precedent set forth in this Article III on or prior to such Delivery Date (except that the obligation of any party hereto shall not be subject to the performance or compliance of such party or of any of such party's Affiliates).

III.1 DELIVERY DATE NOTICE; INVOICES. Lessee shall have delivered to Agent and each Lessor, not later than 1:00 p.m. Eastern time not earlier than the tenth (10th) and not later than the third (3rd) Business Day prior to the proposed Delivery Date, an irrevocable notice (a "Delivery Date Notice") substantially in the form of Exhibit B, specifying (i) the proposed Delivery Date, (ii) a description (including model, make, serial number and registration) of each Vehicle to be purchased on such Delivery Date and a representation and warranty that as of the date Lessee takes possession of each such Vehicle and at all times thereafter, such Vehicle will either be (a) used in interstate commerce, titled in a State with respect to which Agent and Lessors have received an opinion in the form of Exhibit C-2 and registered in a State which is a party to the International Registration Plan or (b) used in intrastate commerce, registered in the State in which it is so used and titled in a State with respect to which Agent and Lessors have received an opinion in the form of Exhibit C-2, (iii) the respective Purchase Prices of such Vehicles, and (iv) wire transfer instructions for the disbursement of funds. Concurrently with each Delivery Date Notice, Lessee shall deliver to Agent true and correct copies of the remanufacturer's invoice for the Vehicles to be delivered on such Delivery Date, which invoices shall set forth the Invoice Cost of each such Vehicle. All Vehicles shall be acceptable to the Required Lessors.

III.2 APPRAISALS. At least three Business Days prior to the Initial Delivery Date, Agent and each Lessor shall have received an Appraisal to their reasonable satisfaction opining:

(a) that the Appraised Value of the Vehicles to be delivered with respect to each Interim Period is reasonably expected to be as follows:

Vehicles Delivered in
First Interim Period

Date - - - - -	Value -----
Sum of Appraised Values of Vehicles on the applicable Lease Commencement Date	\$12,400,000
End of Base Period	\$ 8,812,500
End of First Renewal Term	\$ 7,162,500
End of Second Renewal Term	\$ 5,262,500
End of Third Renewal Term	\$ 3,725,000

Vehicles Delivered in
Second Interim Period

Date - - - - -	Value -----
Sum of Appraised Values of Vehicles on the applicable Lease Commencement Date	\$12,400,000
End of Base Period	\$ 8,812,500
End of First Renewal Term	\$ 7,162,500
End of Second Renewal Term	\$ 5,262,500
End of Third Renewal Term	\$ 3,725,000

(b) that the remaining economic useful life of each Vehicle is not less than eight (8) years from the applicable Lease Commencement Date; and

(c) that the values set forth in clause (a) above assume an increase for inflation of 2% per annum, and that such inflation assumption is reasonable.

III.3 PARTICIPATION AGREEMENT. On or prior to the Initial Delivery Date, each of the Participants shall have received a fully executed counterpart of this Participation Agreement.

III.4 LEASE. On or prior to the Initial Delivery Date, each Participant shall have received a fully executed counterpart of the Lease.

III.5 LEASE SUPPLEMENTS. On the last Delivery Date in each Interim Period, Lessee shall execute and deliver to Agent and each Lessor a Lease Supplement in form and substance reasonably satisfactory to Lessors and substantially in the form of Exhibit A to the Lease (each a "Lease Supplement"); provided, however, only Agent shall receive the Lease Supplement delivered on a particular Delivery Date marked "Counterpart No. 1 - Agent's Original Copy". Each Lease Supplement to be executed and delivered by Lessee on each Delivery Date shall set forth:

(a) in Schedule I thereto, a description of and the Purchase Price for the Vehicles covered thereby; and

(b) in Schedule II thereto, the Interest Only Rent, a schedule of the installments of Fixed Rent, the Payment Dates therefor payable during the Base Period and during each Renewal Term applicable thereto, the

Supplement Balance of such Lease Supplement as of the Delivery Date therefor and as of each Payment Date in the Base Term and each Renewal Term applicable thereto, assuming in each case that all installments of Fixed Rent due and payable thereunder to and including such Payment Date have been paid, (iii) the Lease Supplement Termination Percentages applicable thereto, (iv) the Lease Supplement Lessee Risk Percentages applicable thereto and (v) the Lease Supplement Lessor Risk Percentages applicable thereto.

An amortization schedule, providing for equal quarterly installments of Fixed Rent and Variable Rent over the full five years of the Lease Term (that is, the Base Term and the three Renewal Terms), will be prepared for each Lease Supplement using the Interest Rate as determined on the date of the Delivery Date Notice delivered with respect to such Lease Supplement, such that at the end of the Lease Term for such Lease Supplement the Supplement Balance of such Lease Supplement shall be equal to the Appraised Value at such date of the Vehicles subject to such Lease Supplement. The installments of Fixed Rent so determined shall be set forth in Schedule II to such Lease Supplement and shall be payable by Lessee on the dates and in the amounts set forth in said Schedule II. The installments of Variable Rent shall vary over the Lease Term, based upon changes in the applicable Interest Rate. Schedules I and II to each Lease Supplement shall be prepared by Agent, and the items set forth by Agent in such Schedules shall be conclusive and binding upon Lessee for all purposes hereunder. To assist the Agent in preparing Schedules I and II to each Lease Supplement, attached hereto as Exhibits G and H are hypothetical Schedules I and II which have been prepared using certain assumed information.

III.6 FINANCIAL RECORDS. At least three (3) Business Days prior to the Initial Delivery Date, Lessee shall have delivered to Agent and Lessors copies of its financial statements dated December 31, 1995 prepared in accordance with GAAP, applied on a consistent basis throughout the periods covered thereby and on a basis consistent with prior periods (except as disclosed therein).

III.7 FINANCIAL STATEMENTS. On or prior to the Initial Delivery Date, Agent shall have received from Lessee duly executed UCC financing statements covering all of Lessee's pup trailers that Lessee intends to have remanufactured during the next four years, identifying Lessee as debtor and Agent as secured party for the benefit of the Lessors, and describing the Lease as a secured transaction, and such financing statements shall have been filed in (a) the jurisdiction in which Lessee has its principal office and (b) each jurisdiction in which any such Vehicle is or is to be titled. If any such Vehicles not scheduled to be included as Vehicles under the Lease on or prior to the Second Lease Commencement Date pursuant to a Lease Supplement are ultimately not included under any expended lease program between Lessee and Agent, for the benefit of Lessors, Agent will, upon the request of Lessee, execute such amendments to such UCC financing statements as shall be necessary to release the lien of Agent covering such Vehicles in all applicable jurisdictions.

III.8 CERTIFICATES OF TITLE. On or prior to each Delivery Date, Agent and each Lessor shall have received a duly executed Officer's Certificate from Lessee, certifying that (a) Lessee has submitted to each applicable motor vehicle Authority the Certificate of Title or Certificate of Origin for each Vehicle to be delivered on such Delivery Date, together with (i) applications duly completed by Lessee requesting that such Authority record the interests of Agent, on behalf of the Lessors, as lienholder on each such Certificate of Title and (ii) payment of all applicable fees and charges and (b) as so submitted, such Certificates of Title do not evidence title, or any interest in or Lien against title, in any such Vehicle in any Person other than the Lessee and the Agent.

III.9 TRANSACTION COSTS; FEES. On or prior to each Delivery Date, Lessee shall have paid to Agent, for the benefit of Agent and the Lessors, any Transaction Costs invoiced and not previously paid. Such payment shall be made by wire transfer of immediately available funds to the account specified for Agent at Schedule I.

III.10 OPINIONS OF COUNSEL. On or prior to the Initial Delivery Date, each Lessor and Agent shall have received the opinions of (a) John M. Glenn, Vice President and General Counsel to Lessee, substantially to the effect of the matters set forth in Exhibit C-1, and (b) Anderson, Crump, Duzane & Maxwell, special Tennessee counsel to Lessee, substantially to the effect of the matters set forth in Exhibit C-2. By their execution hereof, Lessee expressly instructs Anderson, Crump, Duzane & Maxwell and such general counsel to execute and deliver such opinions to Agent and the Lessors. To the extent that any Vehicle to be delivered

on any Delivery Date is titled in a jurisdiction with respect to which Agent and the Lessors have not previously received a satisfactory opinion or memorandum of counsel establishing to their satisfaction that title to such Vehicle may be held in the name of the Lessee thereof, with the interest of Agent, as lienholder on behalf of the Lessors, noted on the Certificate of Title (and that the Lien of Agent is thereby perfected), then Lessee shall cause such an opinion or memorandum in substantially the form of Exhibit C-2 and satisfactory to the Lessors to be delivered to Agent and each Lessor on or prior to such Delivery Date.

III.11 CORPORATE STATUS AND PROCEEDINGS. On or prior to the Initial Delivery Date, Agent shall have received:

(a) certificates of existence and good standing with respect to Lessee from the Secretary of State of the State of its incorporation, dated no earlier than the 15th day prior to the Initial Delivery Date; and

(b) with respect to Lessee, an Officer's Certificate substantially in the form of Exhibit D, dated the Initial Delivery Date, with respect to such Person's governing documents, resolutions and incumbent officers, representations and warranties and absence of defaults.

III.12 CONSENTS AND APPROVALS. On or prior to the Initial Delivery Date, all necessary consents, approvals and authorizations of, and declarations, registrations and filings with, Authorities and nongovernmental Persons required to consummate the transactions contemplated by this Agreement and the other Operative Agreements shall have been obtained or made by Lessee and shall be in full force and effect.

III.13 PAYMENT OF IMPOSITIONS. All Impositions payable on or prior to each Delivery Date in connection with the execution, delivery, recording or filing of any of the Operative Agreements, in connection with the filing of any of the financing statements, any applications regarding certificates of title and any other documents, in connection with the consummation of any other transactions contemplated hereby or by any of the other Operative Agreements, shall have been paid in full by Lessee.

III.14 SEARCH REPORTS. Prior to each Delivery Date, Agent shall have received reports acceptable to Agent and counsel to the Lessors as to Lessee by the office of the Secretaries of State and the appropriate county filing or recording offices (if applicable) of each jurisdiction contemplated by Section 3.7, each dated as close to the relevant Delivery Date as practicable, in respect of a search of the applicable UCC files and any indices of Liens maintained by such offices (including, if applicable, indices of judgment, revenue and tax liens).

III.15 INSURANCE. On or prior to the Initial Delivery Date, Agent shall have received (and each Lessor shall have received a copy of) current certificates to the effect that insurance complying with Section 7.1 of the Lease is in full force and effect, and there shall be no past due premiums in respect of any such insurance.

III.16 PROCEEDINGS SATISFACTORY, ETC. All proceedings taken in connection with such Delivery Date and all documents relating thereto shall be reasonably satisfactory to each Participant and its counsel, and each Participant and its counsel shall have received copies of such documents as such Participant or its counsel may reasonably request in connection therewith, all in form and substance reasonably satisfactory to such Participant and its counsel.

III.17 ABSENCE OF MATERIAL ADVERSE EFFECT. Since December 31, 1995, no Material Adverse Effect shall have occurred and be continuing.

III.18 REPRESENTATIONS AND WARRANTIES TRUE; ABSENCE OF DEFAULTS. Each of the representations and warranties made by or on behalf of Lessee under the Operative Agreements shall be true on and as of each Delivery Date, and no Incipient Default or Event of Default shall have occurred and be continuing on and as of each Delivery Date.

IV

GENERAL PROVISIONS

IV.1 NATURE OF TRANSACTION. It is the intent of the Participants that: (a) the transaction contemplated hereby constitutes an operating lease from Agent and Lessors to Lessee for purposes of Lessee's financial reporting, (b) the transaction contemplated hereby preserves ownership in the Vehicles to Lessee for purposes of Federal and state income tax, bankruptcy and UCC purposes, (c) the Lease grants a security interest in the Vehicles and the other Collateral to Agent for the benefit of Agent and the Lessors, and (d) the obligations of Lessee to pay Fixed Rent and Variable Rent shall be treated as payments of principal and interest, respectively. Nevertheless, Lessee acknowledges and agrees that Agent has not made any representations or warranties concerning the tax, accounting or legal characteristics of the Operative Agreements and that Lessee has obtained and relied upon such tax, accounting and legal advice concerning the Operative Agreements as it deems appropriate. Except as specifically provided for herein or in the Lease, Agent, for the benefit of the Lessors, shall retain an interest in the Vehicles, free and clear of all Liens other than Permitted Liens, as security for the obligations of Lessee under the Operative Agreements. Lessee shall not have any right, title or interest in the Vehicles except as expressly set forth in this Agreement or in the Lease. Without limiting the foregoing, Lessee shall be permitted to be named as the record owner of each Vehicle leased by Lessee on the Certificate of Title and the registration issued for such Vehicle by each applicable Authority so long as Agent is listed on the same Certificate of Title as having a security interest in the Vehicle or Lessee has taken such other steps as may be necessary to perfect Agent's security interest, on behalf of the Lessors, in such Vehicle. Other than Agent, who will hold a security interest on behalf of the Lessors, and the Lessors, no Person shall be named on the Certificate of Title of any Vehicle as having a security interest in such Vehicle.

IV.2 REPLACEMENTS. Lessors hereby agree that they shall instruct Agent to release a Part or Vehicle from the Lease and evidence such release by the execution and delivery of a termination statement release, a release of Lien from the applicable Certificate of Title and such other documents as may be required to release the replaced Part or Vehicle from the Lease and which are in form and substance satisfactory to the Required Lessors subject to the satisfaction of the conditions set forth in the Lease with respect to the release of such Part or Vehicle.

V

REPRESENTATIONS AND WARRANTIES

V.1 REPRESENTATIONS AND WARRANTIES OF LESSEE. As of each Delivery Date, Lessee makes the representations and warranties set forth in this Section 5.1 to Agent and each Lessor:

(a) TITLE. Lessee has record title to each of the Vehicles listed opposite such Lessee's name on Schedule I to the applicable Delivery Date Notice or has beneficial title to such Vehicle with record title being subject only to the issuance in the ordinary course of the original Certificate of Title, for which an application has already been submitted to the appropriate titling Authority, and each of the Vehicles and all of the other Collateral is free from all Liens except for Permitted Liens.

(b) PERFECTION OF SECURITY INTERESTS. No filing, recordation or registration is necessary or advisable in order to perfect the security interest of Agent, for the benefit of the Lessors, in the Vehicles and other Collateral referred to in the foregoing subsection (a) other than (i) the filing or recording of financing statements under Article 9 of the applicable UCC in the jurisdictions contemplated by Section 3.7, and the recordation on the Certificate of Title for each Vehicle with the applicable Authority of the security interest of Agent on behalf of the Lessors or (ii) in the case of any Sublease, the delivery to Agent of the chattel paper original of such Sublease, and upon the actions described in the foregoing clauses (i) and (ii) the security interests in the Vehicles and the other Collateral are enforceable, properly perfected, first-priority Liens, subject only to Permitted Liens; provided, however, that such actions may not be effective to perfect such security interest in certain Intellectual Property Collateral that can only be perfected by filing with the United States Patent and Trademark Office and certain items described in clause (e) of the definition of "Collateral" to the extent such items are stored in (but not made a part of) a Vehicle and located from time to

time in jurisdictions where no such filing has been made or to the extent that any such item consists of a type of collateral in which a security interest cannot be perfected by taking such actions.

(c) APPRAISAL DATA. The information provided by Lessee to the Appraiser and forming the basis for the conclusions set forth in the Appraisal, taken as a whole, was true and correct in all material respects and did not omit any information necessary to make the information provided not materially misleading as of the time provided.

(d) CORPORATE EXISTENCE. Lessee is a corporation duly incorporated validly existing and in good standing under the laws of the State of Delaware, and Lessee is duly qualified or licensed and in good standing as a foreign corporation authorized to do business in each state where, because of the nature of its activities or properties, such qualification or licensing is required, except for such jurisdictions where the failure to be so qualified or licensed would not have a Material Adverse Effect.

(e) CORPORATE AUTHORITY. Lessee has all requisite corporate power and authority to execute, deliver, and perform its respective obligations under each Operative Agreement to which it is a party.

(f) AUTHORIZATION; NON-CONTRAVENTION. The execution and delivery by Lessee of the Operative Agreements to which it is or will be a party, and the performance by Lessee of its obligations under such Operative Agreements, have been duly authorized by all necessary corporate action (including any necessary stockholder action) on its part, and do not and will not: (i) violate any provision of any law, rule or regulation or of any order, writ, judgment, decree, determination or award, which violation or violations would have, individually or in the aggregate, a Material Adverse Effect; (ii) violate any provision of the charter or bylaws of Lessee; (iii) result in a breach of or constitute a default under any indenture, loan or credit agreement, or any other agreement or instrument to which Lessee is a party or by which Lessee or its properties may be bound or affected, which breaches or default would have, individually or in the aggregate, a Material Adverse Effect; or (iv) result in, or require, the creation or imposition of any Lien of any nature upon or with respect to any of the properties now owned or hereafter acquired by Lessee (other than the security interest contemplated by the Lease); and Lessee is not in default under or in violation of its charter or by-laws.

(g) BINDING EFFECT. Each of the Operative Agreements to which Lessee is or will be a party constitutes the legal, valid and binding obligation of Lessee, enforceable against Lessee, in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, arrangement, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

(h) ABSENCE OF LITIGATION, ETC. There is no litigation (including, without limitation, derivative actions), arbitration or governmental proceedings pending or, to the knowledge of Lessee, threatened against Lessee in which there is a reasonable possibility of an adverse decision which, if adversely determined, would have a Material Adverse Effect.

(i) CONSENTS, ETC. No authorization, consent, approval, license or formal exemption from, nor any filing, declaration or registration with, any Authority, including, without limitation, the Securities and Exchange Commission, or with any securities exchange, is or will be required in connection with the execution and delivery by Lessee of the Operative Agreements to which it is or will be a party, the performance by Lessee of its obligations under such Operative Agreements or the ownership, operation and maintenance of the Vehicles as contemplated by the Operative Agreements, except as described in Section 5.1(b).

(j) LOCATION OF OFFICES. The principal place of business and chief executive office (as such term is used in Article 9 of the UCC) of Lessee is located at 1077 Gorge Boulevard, Akron, Ohio 44310.

(k) ERISA. Relying upon the accuracy of the representations in Section 5.2(a) hereof, the execution and delivery of the Operative Agreements by Lessee will not involve any

prohibited transaction within the meaning of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended.

(l) TAXES. Lessee has filed or caused to be filed all United States Federal and all other material tax returns that are required to be filed by Lessee, and has paid or caused to be paid all taxes shown to be due and payable on such returns or on any assessment received by Lessee to the extent that such taxes have become due and payable except to the extent that taxes due, but unpaid, are being contested in good faith by Lessee by appropriate action or proceeding and has established or caused to be established reserves that are adequate for the payment thereof in accordance with GAAP.

(m) COMPLIANCE WITH LAWS. The Vehicles, the properties from which they are operated and serviced and the current operation thereof and thereon do not violate any laws, rules, regulations, or orders of any Authorities that are applicable thereto, including, without limitation, any thereof relating to matters of occupational safety and health or Environmental Laws, or motor vehicles or the titling or registration thereof, except for such violations as would not have, individually or in the aggregate, a Material Adverse Effect.

(n) DISCLOSURE. Neither this Participation Agreement, nor any offering materials, nor the other Operative Agreements to which Lessee is or will be a party nor the other documents and certificates furnished pursuant to this Participation Agreement to Agent, or the Lessors, in connection with the transactions contemplated by this Participation Agreement, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein, in the light of the circumstances under which they were made, not misleading as of the time furnished.

(o) IMPOSITIONS. No sales, use, excise, transfer or other tax, fee or imposition shall result from the manufacture, remanufacture, titling, registration or delivery of a Vehicle on or before any Delivery Date, except such taxes, fees or impositions that have been paid in full on or prior to the applicable Delivery Date. The cost of remanufacturing each Vehicle is 75% or less of the price of a comparable new vehicle, and the transactions contemplated by the Operative Agreements are not subject to the U.S. federal excise tax imposed by Section 4051(a) of the Code.

(p) CERTAIN VEHICLE MATTERS.

(i) Each Vehicle accepted by the Lessors on a Delivery Date which is to be used in interstate commerce will be properly registered pursuant to the International Registration Plan as in effect in the state in which such Vehicle is titled on such Delivery Date.

(ii) Each Vehicle has a gross weight rating of more than 16,000 pounds.

(iii) Lessee is not in the business of selling vehicles and the Vehicles do not constitute "inventory" under any applicable UCC.

(iv) In connection with the submission of each application to have the Lien of Agent, for the benefit of the Lessors, listed on each Certificate of Title, Lessee has submitted sufficient evidence of ownership of the applicable Vehicle to the relevant motor vehicle titling Authority.

(q) REGISTRATION OF VEHICLES USED IN INTRASTATE OR INTERSTATE COMMERCE. Each Vehicle accepted by the Lessors on a Delivery Date will be, when Lessee takes possession thereof and at all times thereafter, either (i) used in interstate commerce, titled in a State with respect to which Agent has received an opinion in the form of Exhibit C-1 and registered in a State which is a party to the International Registration Plan or (ii) used in intrastate commerce, registered in the State in which it is so used and titled in a State with respect to which Agent and Lessors have received an opinion in the form of Exhibit C-1.

(r) HOLDING COMPANY. Lessee is not subject to regulation as a "holding company," an "affiliate" of a "holding company", or a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(s) INVESTMENT COMPANY ACT. Lessee is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(t) INTELLECTUAL PROPERTY. To Lessee's knowledge or as represented in writing by a vendor of the Vehicles which writing has been provided to Agent, there are no patents, patent rights, trademarks, service marks, trade names, copyrights, licenses or other intellectual property rights with respect to the Vehicles, or proprietary, patented or patentable modifications or Parts used in connection with the Vehicles, the unavailability of which would have a material adverse effect on the current Fair Market Value of the Vehicles.

(u) SUBJECTION TO REGULATION. Neither Agent nor any Lessor will, solely by reason of entering into the Operative Agreements or the consummation and performance of the transactions contemplated thereby (other than upon the exercise of remedies under the Lease) (i) be required to qualify to do business in any jurisdiction, (ii) become subject to ongoing regulation by any Authority as a company engaged in the business of Lessee in any jurisdiction or (iii) become subject to any other ongoing regulation of its operations by any Authority (other than any taxing Authority).

(v) USE OF PROCEEDS. The use of the proceeds from the transaction contemplated by the Operative Agreements will not violate or result in any violation of Section 7 of the Securities Exchange Act of 1934, as amended, or any regulations issued pursuant thereto, including, without limitation, Regulations G, T, U and X of the Board of Governors of the Federal Reserve System.

(w) ABSENCE OF DEFAULTS. No Incipient Default or Event of Default has occurred and is continuing, and since December 31, 1995 there has occurred no Material Adverse Effect.

(x) ABSENCE OF CASUALTY. No Casualty has occurred with respect to the Vehicles being delivered on such Delivery Date.

(y) INSURANCE. All insurance coverages required by Section 7.1 of the Lease are in full force and effect and there are no past due premiums in respect of any such insurance.

(z) FINANCIAL REPORTS. The financial statements delivered by Lessee to Agent pursuant to Section 3.6 will fairly present the financial condition of Lessee and its consolidated Subsidiaries at the dates thereof and the consolidated results of their operations for the periods covered thereby.

(aa) PRIVATE OFFERING. Neither Lessee, nor anyone acting on behalf of it, has taken or will take any action which will subject the issue and sale of any interest being acquired by Agent or the Lessors under the Operative Agreements to the requirements of Section 5 of the Securities Act of 1933, as amended (the "Securities Act"), and, assuming the truth and accuracy of the representations set forth in Section 5.2(b), the issuance, sale and delivery of such interests under the circumstances contemplated by this Agreement do not require the registration of such interests under the Securities Act or the qualification of any of the Operative Agreements under the Trust Indenture Act of 1939, as amended.

(bb) BROKERS, ETC. Lessee has not engaged or authorized any broker, finder, investment banker or other third party to act on its behalf, directly or indirectly, as a broker, finder, investment banker, agent or in any other like capacity in connection with any of the Operative Agreements or the transactions contemplated thereby. Lessee shall be responsible for, and shall indemnify, defend and hold Agent and each Lessor harmless from and against any and all claims, liabilities or demands by any Person for broker's, finder's, investment banker's or agent's fees, commissions or other entitlements with respect the Operative Agreements and the transactions contemplated thereby (except to the extent arising from a breach of Sections 5.2(c) or 5.3(f)).

V.2 REPRESENTATIONS AND WARRANTIES OF LESSORS. Each of Lessors hereby represents and warrants severally but not jointly to the other Participants as set forth in this Section 5.2.

(a) ERISA. Such Lessor is not and will not be funding any of its Commitment or performing any of its obligations under the Operative Agreements with the assets of an "employee benefit plan" (as defined in Section 3(3) of ERISA) which is subject to Title of ERISA, or a "plan" (as defined in Section 4975(e)(1) of the Code.

(b) INVESTMENT. The interest being acquired by such Lessor under the Operative Agreements is being acquired for its own account, without any view to the distribution thereof or any interest therein, provided that such Lessor shall be entitled to assign, transfer or convey its interest in accordance with Section 11.8.

(c) BROKERS, ETC. Such Lessor has not engaged or authorized any broker, finder, investment banker or other third party to act on its behalf, directly or indirectly, as a broker, finder, investment banker, agent or in any other like capacity in connection with any of the Operative Agreements or the transactions contemplated thereby.

V.3 REPRESENTATIONS AND WARRANTIES OF AGENT. ABN AMRO Bank N.V., in its individual capacity, hereby represents and warrants to the other Participants as set forth in this Section 5.2.

(a) ORGANIZATION AND AUTHORITY. Agent is a corporation duly organized and validly existing in good standing under the laws of the Netherlands and has the corporate power and authority to enter into and perform its obligations under the Operative Agreements.

(b) AUTHORIZATION; BINDING EFFECT. The Operative Agreements to which Agent is or will be a party have been or will be, on the date required to be delivered hereby, duly authorized, executed and delivered by Agent, and this Participation Agreement is, and such other Operative Agreements are, or, when so executed and delivered by Agent will be, valid, legal and binding agreements of Agent, enforceable against Agent in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

(c) NON-CONTRAVENTION. Neither the execution and delivery by Agent of the Operative Agreements to which it is or will be a party, either in its individual capacity, as Agent, or both, nor compliance with the terms and provisions thereof, conflicts with, results in a breach of, constitutes a default under (with or without the giving of notice or lapse of time or both), or violates any of the terms, conditions or provisions of: (i) the charter or governing documents of Agent; (ii) any bond, debenture, note, mortgage, indenture, agreement, lease or other instrument to which Agent, either in its individual capacity, as Agent or both, is now a party or by which it or its property, either in its individual capacity, as Agent or both, is bound or affected, where such conflict, breach, default or violation would be reasonably likely to materially and adversely affect the ability of Agent, either in its individual capacity, as Agent or both, to perform its obligations under any Operative Agreement to which it is or will be a party, either in its individual capacity, as Agent or both; or (iii) any of the terms, conditions or provisions of any law, rule, regulation, order, injunction or decree of any Authority applicable to it in its individual capacity, as Agent or both, where such conflict, breach, default or violation would be reasonably likely to materially and adversely affect the ability of Agent, either in its individual capacity, as Agent or both, to perform its obligations under any Operative Agreement to which it is or will be a party.

(d) ABSENCE OF LITIGATION, ETC. There is no litigation, arbitration or governmental proceedings pending or, to the best knowledge of Agent, threatened against it which would be reasonably likely to materially and adversely affect Agent's ability to perform its obligations under the Operative Agreements to which it is party.

(e) CONSENTS, ETC. No authorization, consent, approval, license or formal exemption from, nor any filing, declaration or registration with, any Authority, is or will be required in connection with the execution and delivery by Agent of the Operative Agreements to which it is party or the performance by Agent of its obligations under such Operative Agreements.

(f) BROKERS, ETC. Agent has not engaged or authorized any broker, finder, investment banker or other third party (other than ABN AMRO North America, Inc.) to act on its behalf, directly or indirectly, as a broker, finder, investment banker, agent or in any other like capacity in connection with any of the Operative Agreements or the transactions contemplated thereby.

VI

COVENANTS

VI.1 COVENANTS OF LESSEE. Lessee, covenants and agrees with the Lessors and Agent that during the Lease Term, and, if Lessee has not purchased the Vehicles pursuant to the Lease, for 90 days thereafter, Lessee shall comply with each of the following provisions of this Section 6.1.

(a) CORPORATE EXISTENCE, ETC. Subject to Section 6.1(c) and any merger permitted thereby pursuant to which Lessee ceases to exist (in which case this subsection (a) shall apply to the surviving corporation of such merger), Lessee shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights and powers and franchises and its power and authority to perform its obligations under the Operative Agreements, including, without limitation, any necessary qualification or licensing in any foreign jurisdiction, except where the failure to be so qualified would not have a Material Adverse Effect.

(b) COMPLIANCE WITH LAWS. Lessee shall comply with all applicable statutes, regulations, franchises, and orders of, and all applicable restrictions imposed by, any Authority, in respect of the conduct of its business and the ownership of its properties (including, without limitation, applicable statutes, rules, ordinances, regulations and orders relating to Environmental Laws), except for such instances of non-compliance which would not have, individually or in the aggregate, a Material Adverse Effect. Without limiting the foregoing, Lessee shall at all times be responsible for, and shall comply with, all provisions of any Authority with respect to the titling and registration of Vehicles.

(c) MERGERS, CONSOLIDATIONS, DISPOSITIONS. Lessee shall not consolidate with or merge into any other Person, or convey, transfer or lease all or substantially all of its assets to any other Person, unless:

(i) the Person resulting from such consolidation or merger (if other than Lessee), or the Person which acquires all or substantially all of Lessee's assets (the "Surviving Corporation"), is a corporation organized under the laws of the United States of America or any State thereof, and executes and delivers to Agent and each Lessor an Assumption Agreement substantially in the form of Exhibit E hereto (the "Assumption Agreement"), pursuant to which the Surviving Corporation shall succeed to and assume all of the obligations of Lessee with which it is so merged or whose assets it so acquires under the Operative Agreements and for all purposes thereafter be deemed to be such Lessee thereunder;

(ii) such Surviving Corporation meets the following credit standards: (A) after giving effect to such transaction, the Surviving Corporation shall be in compliance with the financial tests set forth in paragraphs (ii) and (iii) of Section 6.1(i) hereof as of the end of, or for the period ending on, the last day of its most recently ended fiscal quarter, as the case may be; and thereafter, the Surviving Corporation shall be required to meet such tests as Lessee hereunder; (B) after giving effect to such transaction, the Surviving Corporation shall have a Consolidated Tangible Net Worth equal to the greater of (1) eighty-five percent (85%) of its Consolidated Tangible Net Worth as of the end of its most recently ended fiscal quarter (the "Measurement Date"), and (2) the Consolidated Tangible Net Worth of Lessee as of the end of its most recently ended fiscal quarter (such amount, the "Minimum Net Worth"), and (C) thereafter, the Surviving Corporation shall maintain a minimum Consolidated Tangible Net Worth equal to the greater of (1) sum of (i) eighty-five

percent (85%) of its Consolidated Tangible Net Worth as of the Measurement Date plus (ii) fifty percent (50%) of its Consolidated Net Income from the Measurement Date, with no reduction for losses, and (2) the Minimum Net Worth, such amount to be calculated at the end of each fiscal quarter;

(iii) at the time of, and immediately after giving effect to, such transaction, there shall exist no Incipient Default, Event of Default or any violation of any covenant or agreement under any of the Operative Agreements;

(iv) promptly upon the consummation of such transaction, such Surviving Corporation (if other than Lessee) shall cause the Certificate of Title for each Vehicle acquired by it pursuant to such transaction to be reissued with such Surviving Corporation listed as the holder of title to each such Vehicle (unless it has provided to Agent and each Lessor, prior to the consummation of such transaction, an opinion of counsel acceptable to Agent to the effect that such re-titling is not required under applicable law), with the interests of Agent and Lessors as lienholder duly noted thereon, and such Surviving Person shall comply with the provisions of Sections 6.1(f) and (g) in connection therewith, for such purposes treating the date of consummation of such transaction as a "Delivery Date"; and

(v) promptly upon the consummation of such transaction, each Lessor and Agent shall have received an opinion of counsel to such Surviving Corporation with respect to the validity of such transaction and as to the enforceability of the Assumption Agreement and the other Operative Agreements against such Surviving Corporation.

(d) LIENS. Lessee shall not incur or suffer to exist any Lien on any of the Collateral other than Permitted Liens. Without limiting the foregoing, Lessee shall not assign or pledge any of its rights under any Sublease to any Person other than Agent.

(e) CHANGE OF NAME OR LOCATION. Lessee shall furnish to Agent notice on or before the 30th day prior to any relocation of its chief executive office or principal place of business, or change of its name.

(f) PERFECTION OF MAINTENANCE OF SECURITY INTEREST.

(i) Lessee, at its expense, shall cause, as soon as possible, but in any event no later than the 10th day after any request, financing statements (and continuation statements with respect thereto) and all other documents necessary or reasonably requested by Agent in connection with the establishment and perfection of the interest of Agent in the Collateral, to be recorded or filed at the locations contemplated by Section 3.7, and in such manner, and, at its expense, shall take, or shall cause to be taken, all such other action as may be necessary or reasonably requested by Agent or the Required Lessors in order to establish, preserve, protect and perfect the rights, titles and interests of Agent, on behalf of the Lessors, to the Collateral.

(ii) All Certificates of Title relating to Vehicles delivered on any Delivery Date shall indicate the address of Agent set forth in Section 11.4 as the address of the lienholder thereon, for the benefit of the Lessors.

(iii) Lessee shall, no later than seventy-five (75) days following each Delivery Date, have delivered to Agent and each Lessor an Officer's Certificate certifying that each such Certificate of Title is in the possession of Lessee, shows Lessee as owner of record, and names Agent, on behalf of the Lessors (and Lessors to the extent permitted under applicable law and procedure to be so named), on the face of such Certificates of Title as having a perfected first security interest in such Vehicles, and reflecting no other Liens other than Permitted Liens. All Certificates of Title so held by Lessee shall be available for inspection by Agent during normal business hours, and Lessee shall deliver possession of such Certificates of Title to Agent immediately upon Agent's request therefor.

(iv) Notwithstanding the foregoing, if naming Agent (and, if permitted as aforesaid, Lessors) as a secured party on such Certificate or Certificates of Title as hereinabove contemplated is not adequate to perfect the first priority security interest of Agent, for the benefit of the Lessors, then Lessee shall, upon receipt of Agent's request therefor, within the applicable time period specified above, deliver to Agent, in addition to

the original Certificates of Title, all such other documents or filings as reasonably required by Agent or the Required Lessors to ensure that Agent, on behalf of the Lessors, has a perfected first priority security interest in such Vehicles.

Without limiting the foregoing, in the event that any application for registration of such Lien on the Certificate of Title to any Vehicle shall be rejected by the applicable Authority, Lessee shall make such corrections as may be necessary in order that such registration shall be re-submitted to the applicable Authority not more than fifteen (15) days following the initial rejection thereof, and duly completed not more than sixty (60) days following such re-submission. Following receipt by Lessee of any Certificate of Title as contemplated by clause (iv) hereof, Lessee shall not, without the prior written approval of Agent, change the State of title or the Certificate of Title of any Vehicle, apply for an additional Certificate of Title for any Vehicle, or otherwise modify such Certificate of Title. Agent shall grant such written approval upon Lessee's satisfaction of the provisions of this Section 6.1(f) with respect to the perfection of Agent's security interest, on behalf of the Lessors, in such Vehicle (or any Replacement Vehicle) and upon receipt by Agent and each Lessor of an opinion of counsel substantially to the effect of the matters set forth in Exhibit C-2 with respect to the jurisdiction in which such Vehicle is to be titled or registered (to the extent that Agent and Lessors have not previously received such an opinion of counsel with respect to such jurisdiction). The security interest of Agent, on behalf of the Lessors, on any Certificate of Title shall not be removed therefrom, nor shall any other security interest be noted thereon, unless and until such Vehicle is to be released from the Lien created by the Lease in accordance with the applicable provisions of the Operative Agreements. Lessee shall not, without the prior written approval of Agent, register any Vehicle in any manner that would render Section 5.1(q) untrue with respect to such Vehicle as of any date of determination.

It is expressly understood that to the extent that any Certificate of Title is in the possession of Lessee, such possession shall be strictly for the benefit of Agent and solely in accordance with the provisions of the Operative Agreements.

(g) MANDATORY PURCHASE FOLLOWING A DELIVERY DATE. If Lessee shall upon the expiration of the applicable time period set forth in Section 6.1(f) fail to deliver the Officer's Certificate described in Section 6.1(f)(iii) with respect to any Vehicle evidencing no other Liens other than that of Agent, for the benefit of the Lessors, then Lessee shall, on the Payment Date immediately following the expiration of such time period, purchase each of the Vehicles for which Lessee has failed to satisfy any such requirement and pay to Agent, for the benefit of the Lessors, on such Payment Date a portion of the Lease Balance equal to the Casualty Amount for each such Vehicle. Upon Lessors' receipt of the payments described in the preceding sentence and all Rent then due and payable under the Lease and each of the Lease Supplements, Agent shall transfer its interest in such Vehicle or Vehicles to Lessee in accordance with the last two sentences of Section 12.1 of the Lease. Notwithstanding the foregoing, if the amount of the Lease Balance repaid from the Initial Delivery Date to any date of determination pursuant to this Section 6.1(g) and the last sentence of Article X of the Lease exceeds \$3,000,000 in the aggregate, Lessee shall be required to repay the entire outstanding Lease Balance, together with the applicable Agency Fee and all accrued but unpaid Variable Rent to the date of such repayment.

(h) PERIODIC REPORTING. Lessee shall deliver to Agent:

(i) promptly following but in no event more than 60 days following the end of each fiscal quarter Lessee's quarterly unaudited consolidated financial statements and no more than 90 days following the end of each fiscal year Lessee's annual audited consolidated financial statements and prepared in accordance with GAAP, applied on a consistent basis throughout the periods covered thereby and on a basis consistent prior periods (except as otherwise disclosed), together with, (A) in the case of such unaudited consolidated financial statements, a certification as to accuracy and adherence to GAAP by the Chief Financial Officer or Chief Accounting Officer of Lessee, and (B) in the case of such annual financial statements, the report thereon of Lessee's independent certified public accountants;

(ii) concurrently with each delivery pursuant to the foregoing paragraph (i), but in any event not later than the 60th day after the end of each fiscal quarter in each fiscal year of Lessee, an Officer's Certificate of Lessee containing a calculation establishing compliance with the financial tests set forth in subparagraph (i) of this

Section 6.1 and stating that such officer has reviewed the activities of Lessee during such period and that, to the best of such officer's knowledge, during such period Lessee has performed and fulfilled each and every covenant, obligation and condition contained in the Operative Agreements, and no Incipient Default or Event of Default exists under any of the Operative Agreements, or if such condition shall exist, specifying the nature and status thereof; and

(iii) promptly after the filing thereof, if applicable, copies of all registration statements and all reports on Forms 10-K, 10-Q and 8K (or their equivalents) which Lessee shall have filed with the Securities and Exchange Commission under the Securities Act or the Securities Exchange Act of 1934, as amended.

(i) FINANCIAL TESTS. Lessee shall:

(i) maintain a minimum Consolidated Tangible Net Worth equal to the sum of one hundred seventy-five million dollars (\$175,000,000) plus fifty percent (50%) of Consolidated Net Income from January 1, 1996, with no reduction for losses, to be calculated at the end of each fiscal quarter;

(ii) maintain a ratio of Consolidated Debt to Consolidated EBITDA of not more than 3 to 1 at the end of each fiscal quarter; and

(iii) maintain a ratio of Consolidated EBITDAR divided by Consolidated Interest Expense plus Consolidated Rental Expense of at least 1.75 to 1 at the end of each fiscal quarter, calculated on a four quarter rolling average basis.

(j) DEFAULT AND ACCELERATION OF MATERIAL DEBT. Lessee agrees that if an Incipient Default or an Event of Default shall occur, or if an event or condition shall occur that results in the acceleration of the maturity of Debt of Lessee in amounts exceeding ten million dollars (\$10,000,000), or in the event that such acceleration should occur with respect to Debt of any Affiliates of Lessee, Lessee shall promptly notify Agent thereof and upon Agent's request, Lessee shall immediately deliver to Agent, Certificates of Title for all of the Vehicles, duly endorsed by Lessee in blank.

(k) SALE OF ASSETS; MAINTENANCE OF BUSINESS. Lessee will not sell, lease or otherwise transfer any of its assets to any other Person, except for the sale, lease or other transfer of any asset of the Lessee (i) in the ordinary course of business; provided, that (A) the closure and sale of terminals and related real property by Lessee shall be considered to be sales in the ordinary course of business; and (B) the aggregate book value of all assets so sold, leased or transferred in the ordinary course of business other than pursuant to clause (A) in any period of twelve consecutive months shall not exceed ten percent (10%) of consolidated total assets of Lessee and its Subsidiaries as at the beginning of such twelve month period; or (ii) in accordance with the provisions of Section 6.1(c). Lessee shall at all times remain in the nationwide less than truckload trucking business.

(l) ERISA EVENTS. Promptly upon Lessee's becoming aware of the occurrence of any matter or matters referred to in the following clauses (i), (ii) and (iii) involving liability that may reasonably be expected to exceed, individually or in the aggregate, \$5,000,000, Lessee shall notify Agent and each of the Lessors in writing specifying the nature thereof, what action Lessee is taking or proposes to take with respect thereto, and, when known, any action taken by the Internal Revenue Service with respect thereto: (i) a "Reportable Event" as such term is defined in Section 4043 of ERISA, (ii) an "Accumulated Funding Deficiency" as such term is defined in Section 302 of ERISA, or (iii) a "Prohibited Transaction", as such term is defined in Section 4975 of the Code or described in Section 406 of ERISA, in connection with any Pension Plan (or any trust created thereunder).

(m) NOTICE OF DEFAULTS. Promptly upon, but in no event later than five (5) days after Lessee shall have obtained Actual Knowledge thereof, Lessee shall notify Agent and each Lessor in writing of the existence of an Incipient Default, Event of Default, or any other matter which has resulted in or could reasonably be expected to have a Material Adverse Effect, which notice shall describe the nature of such Incipient Default, Event of Default or other matter and the action Lessee is taking with respect thereto.

(n) NOTICE OF PROCEEDINGS. Promptly upon Lessee's becoming aware of any threatened or pending investigation or court or administrative proceeding involving Lessee or any of its Subsidiaries which could reasonably be expected to result in a Material Adverse Effect, Lessee shall notify Agent and each of the Lessors specifying its nature and the action Lessee is taking with respect thereto.

(o) ADDITIONAL INFORMATION. Promptly upon receipt of a written request from Agent or any Lessor, Lessee shall deliver to such requesting party such other data and information as from time to time may be reasonably requested.

(p) REPORTS TO LESSORS. Lessee shall, concurrently with any notice, delivery or other communication required to be delivered to Agent pursuant to any Operative Agreement, deliver a copy of such notice, delivery or other communication to each Lessor at such Lessor's current address.

VI.2 COVENANTS OF AGENT AND LESSORS. Agent, in its individual capacity, and each of the Lessors, covenants and agrees with each of the other parties that: (a) it will not directly or indirectly create, incur, assume or suffer to exist any Lessor Liens arising by, through or under it on the Collateral, other than Permitted Lessor Liens; (b) it will, at its own cost and expense, promptly take such action in its individual capacity as may be necessary to discharge fully such Lessor Liens created by it on the Collateral, other than Permitted Lessor Liens; (c) it will not, except in compliance with the Operative Agreements, sell, transfer or otherwise dispose of all or any part of the Vehicles or the other Collateral; and

(d) it will not claim any depreciation with respect to the Vehicles during the term of the Lease.

VII

GENERAL INDEMNITIES

VII.1 INDEMNITY. Whether or not the transactions contemplated hereby are consummated, to the fullest extent permitted by applicable law, Lessee waives and releases any claims now or hereafter existing against Indemnitees on account of, and shall indemnify, reimburse and hold the Indemnitees harmless on an after-tax basis from, any and all claims by third parties (including, but not limited to, claims relating to trademark or patent infringement and claims based upon negligence, strict liability in tort, violation of laws, including, without limitation, Environmental Laws, statutes, rules, codes or orders or claims arising out of any loss or damage to any property or death or injury to any Person), any losses, damages or obligations owing to third parties, any penalties, liabilities, demands, suits, judgments or causes of action, and all legal proceedings (either administrative or judicial), in each case whether or not the Indemnatee is a party thereto, and any costs or expenses in connection therewith (including costs incurred in connection with discovery) or in connection with the enforcement of this indemnity (including reasonable attorneys' fees and expenses, and fees and expenses of internal counsel, incurred by the Indemnitees), including, in each case, matters based on or arising from the negligence of Indemnitees (subject to the proviso below), which may be imposed on, incurred by or asserted against the Indemnitees by Persons other than Lessee (except to the extent arising by or through a claim of a third party) in any way relating to or arising in any manner out of:

(a) the registration, purchase, manufacture, remanufacture, taking or foreclosure of a security interest in, ownership, delivery, condition, lease, sublease, assignment, storage, transportation, possession, use, operation, return or other disposition of any of the Vehicles, or any defect in any such Vehicle, arising from the material or any article used therein or from the design, testing or use thereof, or from any maintenance, service, repair, overhaul or testing of any such Vehicle regardless of when such defect shall be discovered, whether or not such Vehicle is in the possession of Lessee and no matter where it is located; or

(b) this Participation Agreement, any other Operative Agreement or any document or certificate delivered in connection therewith, the enforcement hereof or thereof or the consummation of the transactions contemplated hereby or thereby;

provided that Lessee shall not be obligated to indemnify an Indemnatee for any such claim, loss, damage, liability, obligation, penalty, demand or suit to the extent the same results directly from:

- (i) the willful misconduct or gross negligence of such Indemnitee;
- (ii) the creation or existence of a Lessor Lien attributable to such Indemnitee;
- (iii) a disposition by such Indemnitee of any Vehicle following the purchase of such Vehicle by such Indemnitee from Agent in a foreclosure sale or any use or operation of such Vehicle following such disposition (other than use or operation by Lessee or Sublessee or an Affiliate, agent or representative of Lessee); or
- (iv) any Impositions described in Section 8.1 except any amount necessary under this Section 7.1 to hold the Indemnitee harmless (subject to Section 8.3) from all Impositions required to be paid by such Indemnitee with respect to the receipt or accrual of such indemnity under the laws of any Authority in the United States;

provided, however, that nothing in the preceding proviso shall be deemed to exclude or limit any claim that any Indemnitee may have under any Operative Agreement or applicable laws from Lessee for breach of its representations, warranties or covenants.

VII.2 EXCESSIVE USE INDEMNITY. In the event that at the end of the Lease Term: (a) Lessee elects the Sale Option; and (b) after paying to Agent any amounts due under Section 11.3 of the Lease, Agent does not have sufficient funds to reduce the Lease Balance to zero, then Lessee shall promptly pay over to Agent the shortfall unless Lessee delivers a report from the Appraiser in form and substance satisfactory to the Required Lessors which establishes that the decline in value in each Vehicle which was sold pursuant to the Sale Option from that amount anticipated for such date in the Appraiser's report delivered with respect to such Vehicle on the applicable Delivery Date was not due to extraordinary use, failure to maintain or replace, failure to use, workmanship or method of installation or removal or any other cause or condition within the power of Lessee to control or effect (each an "Excessive Use").

VII.3 INCREASED CAPITAL COSTS. If any change in, or the introduction, adoption, effectiveness, interpretation, re-interpretation or phase-in of, any law or regulation, directive, guideline, decision or request (whether or not having the force of law) of any court, central bank regulator or other Authority ("Change in Law") affects or would affect the amount of capital required or expected to be maintained by any Lessor directly or by its parent company (including, without limitation, any reserve requirements specified under regulations issued from time to time by the Board of Governors of the Federal Reserve System and then applicable to assets or liabilities consisting of and including "Eurocurrency Liabilities" as defined in Regulation D of such Board of Governors) and such Lessor determines (in its sole and absolute discretion) that the rate of return on it or its parent's capital as a consequence of the Funding made by such Lessor hereunder to pay its share of the Purchase Price is reduced to a level below that which such Lessor or its parent could have achieved but for the occurrence of any such circumstances, then, in any such case, upon written notification from time to time by Lessor to Lessee, Lessee shall, within five (5) Business Days following receipt of the statement referred to in the next sentence, pay directly to such Lessor additional amounts sufficient to compensate Lessor or its parent for such reduction in rate of return (subject to Section 8.3). A statement of a Lessor as to any such additional amount or amounts (including calculations thereof in reasonable detail) shall, in the absence of manifest error, be conclusive and binding on Lessee. In determining such amount, each Lessor shall use any method of averaging or attribution that it (in its reasonable discretion) shall deem applicable.

VII.4 LIBO RATE UNLAWFUL. If any Lessor shall determine in good faith (which determination shall, upon notice thereof to Lessee, be conclusive and binding on Lessee) that a Change in Law makes it unlawful, or the central bank or other Authority asserts that it is unlawful, for such Lessor to make, continue or maintain any amount of such Lessor's Funding on a LIBO Rate basis, the obligations of such Lessor to make, continue or maintain any such Funding shall, upon such determination, forthwith be suspended until such Lessor shall notify Lessee that the circumstances causing such suspension no longer exist, and all Variable Rent allocable to such Lessor, commencing with the Rent Period in which such notice is given, shall automatically be determined on a CD Rate basis beginning on the next immediately succeeding Payment Date with respect thereto or sooner, if required by such law or assertion.

VII.5 FUNDING LOSSES. Lessee agrees to reimburse each Lessor for any loss or expense incurred (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lessor to make, continue or maintain any portion of its Outstanding Investment as a LIBO Rate financing) as a result of (i) the failure of any Delivery Date Closing to occur on the Delivery Date specified in the applicable Delivery Date Notice or (ii) any payment of all or any portion of the Lease Balance for any reason on a date other than a Payment Date with respect to the applicable Lease Supplement. Each Lessor shall promptly notify Lessee in writing of the amount of any claim under this Section 7.5, the reason or reasons therefor and the additional amount required fully to compensate such Lessor for such loss or expense. Such written notice (which shall include calculations in reasonable detail) shall, in the absence of manifest error, be conclusive and binding on Lessee.

VII.6 ACTIONS OF AFFECTED LESSORS. Each Lessor shall use reasonable efforts (including reasonable efforts to change the booking office for this transaction) to avoid or minimize any amounts which might otherwise be payable pursuant to Section 7.3; provided, however, that such efforts shall not be deemed by such Lessor, in its sole discretion, to be disadvantageous to it. In the event that such reasonable efforts are insufficient to avoid or minimize such amounts that might be payable pursuant to Section 7.3, then such Lessor (the "Affected Lessor") shall use its reasonable efforts to transfer to any other Lessor approved by Lessee (which itself is not then an Affected Lessor) its rights and obligations hereunder; provided, however, that such transfer shall not be deemed by such Affected Lessor, in its sole discretion, to be disadvantageous to it (other than the economic disadvantage of ceasing to be a Lessor). In the event that the Affected Lessor is unable, or otherwise is unwilling, so to transfer its rights and obligations, Lessee may designate an alternate financial institution to purchase the Affected Lessor's rights and obligations hereunder, at the amount of such Lessor's Outstanding Investment plus accrued Variable Rent, indemnities, and other amounts owing to such Lessor and, subject to the provisions of Sections 7.5 and 11.8, the Affected Lessor shall transfer its rights and obligations to such alternate financial institution and such alternate financial institution shall become a Lessor hereunder.

VIII

GENERAL TAX INDEMNITY

VIII.1 GENERAL TAX INDEMNITY. Lessee agrees to pay or reimburse Indemnitees for, and to indemnify and hold Indemnitees harmless on an after tax basis from, all Impositions arising at, or relating to, any time prior to or during the Interim Periods, the Base Periods or the Renewal Terms, or upon any termination of the Lease or prior to, or upon the return of, the Vehicles to Agent, and levied or imposed upon Indemnitees or the Vehicles or other Collateral directly or otherwise, by any Federal, state or local government or taxing authority in the United States or by any foreign country or foreign or international taxing authority upon or with respect to: (a) the Vehicles or any other Collateral; (b) the exportation, importation, manufacture, remanufacture, registration, purchase, ownership, delivery, condition, lease, sublease, assignment, storage, transportation, possession, use, operation, maintenance, repair, return, sale (including to Agent or any Lessee pursuant to the Operative Agreements), transfer of title or other disposition thereof; (c) the rentals, receipts, or earnings arising from any of the Vehicles; or (d) the Lease, this Participation Agreement or any payment made thereunder; provided that this Section 8.1 shall not apply to: (i) Impositions which are based upon or measured by the Indemnitee's net income, except any such Imposition imposed upon the Indemnitee by a state or foreign government or taxing authority by reason of the presence of Vehicles or any other Collateral therein; (ii) Impositions characterized under local law as franchise, net worth, or shareholder's capital (excluding, however, any value added, license, property or similar Impositions and any such Imposition imposed upon an Indemnitee by a State or foreign government or taxing authority by reason of the presence of Vehicles or any other Collateral therein); and (iii) Impositions based upon the voluntary transfer, assignment or disposition by Agent or any Lessor of any interest in any of the Vehicles (other than a transfer pursuant to the exercise of remedies under the Operative Agreements, transfers pursuant to the exercise of the Lessee Purchase Option or Sale Option, a transfer to Lessee or otherwise pursuant to the Lease). Notwithstanding the foregoing provisions of this Section 8.1, Lessee shall pay or reimburse, and indemnify and hold harmless, any Lessor which has complied with Section 8.5, from any deduction or withholding of any United States Federal income or other tax.

VIII.2 CONTEST. Lessee shall pay on or before the time or times prescribed by law any Impositions (except any Impositions excluded by Section 8.1); provided, however, that Lessee shall be under no obligation to pay any such Imposition so long as the payment of such Imposition is not delinquent or is being contested by a Permitted Contest. If any claim or claims is or are made against any Indemnitee for any Imposition which is subject to indemnification as provided in Section 8.1, Indemnitee shall as soon as practicable notify Lessee and if, in the reasonable opinion of tax counsel acceptable to the Indemnitee there exists a reasonable basis to contest such Imposition and if the provisos of the definition of "Permitted Contest" continue to be satisfied and so long as no Event of Default exists and no income tax or unindemnified claim is also involved, and the Lessee admits in writing its duty to indemnify for such claim, Lessee at its expense may, to the extent permitted by applicable law to pursue such claim in its own name, contest such imposition, and subsequently may appeal any adverse determination, in the appropriate administrative and legal forums. If the above described conditions are satisfied but the claim involves income tax or an unindemnified claim or must be pursued in the name of the Indemnitee, and the amount at issue exceeds \$100,000, then upon the request of Lessee to such Indemnitee, the Indemnitee, at Lessee's expense, shall contest any such Imposition through applicable administrative forums. Lessee shall pay all expenses incurred by the Indemnitee in contesting any such Imposition including, without limitation, all reasonable attorneys' and accountants' fees, including the allocated costs of internal counsel, upon demand by the Indemnitee. Lessee shall have the right to consult with respect to the conduct of any proceedings controlled by the Indemnitee but such consultation shall not interfere with the Indemnitee's control of such contest. Lessee shall in all events be kept informed, to the extent practicable, of material developments relative to such proceedings. The Indemnitee shall have the right to participate in the conduct of any proceedings controlled by Lessee and the Indemnitee shall in all events be kept informed, to the extent practicable, of material developments relative to such proceedings. The Indemnitees agree that a contested claim for which Lessee would be required to make a reimbursement payment hereunder will not be settled or compromised without Lessee's prior written consent (which consent shall neither be unreasonably delayed nor withheld other than in good faith), unless the provisos of the definition of "Permitted Contest" would not continue to be satisfied, an Event of Default occurs or the Indemnitee waives its right to indemnification with respect thereto. The failure of an Indemnitee to timely contest a claim against it for any Imposition which is subject to indemnification under Section 8.1 and for which it has an obligation to Lessee to contest under this Section 8.2 in the manner required by applicable law or regulations where Lessee has timely requested that such Indemnitee contest such claim shall relieve Lessee of their obligations to such Indemnitee under Section 8.1 with respect to such claim only to the extent such failure precludes contest. If applicable law requires the payment of a contested Imposition as a condition to, or regardless of, its being contested, and Lessee chooses to contest such Imposition or to direct the Indemnitee to contest such Imposition in accordance with this Section, then Lessee shall provide the Indemnitee with the funds to pay such Imposition, such provision of funds to be deemed a non-interest bearing loan by Lessee to the Indemnitee to be repaid by any recovery of such Imposition from such contest and any remaining unpaid amount not recovered to offset Lessee's obligation to indemnify the Indemnitee for such Imposition. In the event that the Indemnitee receives a refund (or like adjustment) in respect of any Imposition for which the Indemnitee has been reimbursed by Lessee, the Indemnitee shall immediately remit the amount of such refund (or like adjustment) to Lessee, net of all costs and expenses incurred by such Indemnitee.

VII.3 GROSS UP. If an Indemnitee shall not be entitled to an immediate corresponding and equal deduction with respect to any payment or Imposition which Lessee is required to pay or reimburse under Article VII, Section 8.1 or Section 8.2 (each such payment or reimbursement under Article VII, Section 8.1 or Section 8.2, an "original payment") and which original payment constitutes income to such Indemnitee, then Lessee shall pay to such Indemnitee on demand the amount of such original payment on a gross-up basis such that, after subtracting all Impositions imposed on such Indemnitee with respect to such original payment by Lessee (including any Impositions otherwise excluded by Section 8.1 and assuming for this purpose that such Indemnitee was subject to taxation at the maximum marginal Federal, state and local tax rates applicable to such Indemnitee for the year in which such income is taxable), such payments shall be equal to the original payment to be received (net of any credits, deductions or other tax benefits then actually recognized that arise from the payment by such Indemnitee of any amount, including taxes, for which the payment to be received is made).

VIII.4 TAX RETURNS. Except as otherwise provided in the third sentence below, Lessee shall prepare and file (whether or not it is a legal obligation of an Indemnitee) all tax returns or reports that may be required with respect to any Impositions assessed, charged or imposed on the Vehicles or the Lease, including, but not

limited to sales and use taxes, property taxes (ad valorem and real property) and any other tax or charge based upon the ownership, leasing, subleasing, rental, sale, purchase, possession, use, operation, delivery, return or other disposition of any of the Vehicles or upon the rentals or the receipts therefrom (excluding, however, any tax based upon the net income of an Indemnitee). Lessee may notify in writing all applicable Authorities having jurisdiction with respect to personal property taxes that Lessee is the appropriate party for receiving notices of (or copies of, if such Authority is required by law to notify Agent) assessment, appeal and payment with respect to the Vehicles. If an Indemnitee is obligated by law to file any such reports or returns, then Lessee shall at least 20 days before the same are due, prepare the same and forward them to the Indemnitee, as appropriate, with detailed instructions as to how to comply with all applicable filing requirements, together with funds in the amount of any payment required pursuant thereto. Indemnitee shall forward to Lessee at its address listed in Section 11.4 copies of all assessment and valuation notices it receives as soon as practicable; provided that Indemnitee's failure to deliver such notices on a timely basis shall not relieve Lessee of any obligations hereunder. The Participants agree that neither they nor any corporation controlled by them, or under common control with them, directly or indirectly will at any time take any action or with respect to the filing of any income tax return, including an amended income tax return, inconsistent with the intention of the parties expressed in Section 4.1(b) and (d) hereof.

VIII.5 WITHHOLDING TAX EXEMPTIONS. At least five (5) Business Days prior to the first date on which any Rent is payable hereunder or under any other Operative Agreement for the account of any Lessor not incorporated under the laws of the United States or a state thereof, such Lessor agrees that it will have delivered to Lessee and Agent two duly completed copies of United States Internal Revenue Service Form 1001 or 4224, certifying in either case that such Lessor is entitled to receive payments under this Agreement and the other Operative Agreements without deduction or withholding of any United States Federal income taxes. Each Lessor which so delivers a Form 1001 or 4224 further undertakes to deliver to Lessee and Agent two additional copies of such form (or a successor form) on or before the date that such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent forms so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by Lessee or Agent, in each case certifying that such Lessor is entitled to receive payments under this Agreement and the other Operative Agreements without deduction or withholding of any United States Federal income taxes, unless prior to the date on which any such delivery would otherwise be required any change in treaty, law or regulation or in the interpretation thereof by the applicable taxing Authority occurring after such Lessor became a Lessor hereunder has rendered all such forms inapplicable or has prevented such Lessor from duly completing and delivering any such form with respect to it and such Lessor advises Lessee and Agent that, as a result of such change in treaty, law, regulation or interpretation, it is not capable of receiving payments without any withholding of United States Federal income tax.

IX

AGENT

IX.1 APPOINTMENT OF AGENT; POWERS AND AUTHORIZATION TO TAKE CERTAIN ACTIONS.

(a) Each Lessor irrevocably appoints and authorizes ABN AMRO Bank N.V. to act as its agent hereunder, with such powers as are specifically delegated to Agent by the terms hereof, together with such other powers as are reasonably incidental thereto. Each Lessor authorizes and directs Agent to, and Agent agrees for the benefit of the Lessors that it will, on the Initial Delivery Date and each other Delivery Date, accept the documents described in Article III of this Participation Agreement. Agent accepts the agency hereby created applicable to it and agrees to receive all payments and proceeds pursuant to the Operative Agreements and disburse such payments or proceeds in accordance with the Operative Agreements. Agent shall have no duties or responsibilities except those expressly set forth in the Lease and this Participation Agreement. Agent shall not be responsible to any Lessor (or to any other Person) (i) for any recitals, statements, representations or warranties of any party contained in the Lease, this Participation Agreement, or in any certificate or other document referred to or provided for in, or received by any of them under, the Operative Agreements, other than the representations and warranties made by Agent in Section 5.3, or (ii) for the value, validity, effectiveness, genuineness, enforceability or sufficiency of the Collateral or the title thereto (subject to Agent's obligations under Section 6.3) or of the Lease or any other document referred to or provided for therein or (iii) for any failure by Lessee, any Lessor or any other third party (other than Agent) to perform any of its

obligations under any Operative Agreement. Agent may employ agents, trustees or attorneys-in-fact, may vest any of them with any property, title, right or power deemed necessary for the purposes of such appointment and shall not be responsible for the negligence or misconduct of any of them selected by it. Neither Agent nor any of its directors, officers, employees or agents shall be liable or responsible for any action taken or omitted to be taken by it or them hereunder, or in connection herewith, except for its or their own gross negligence or willful misconduct.

(b) Agent shall not have any duty or obligation to manage, control, use, operate, store, lease, sell, dispose of or otherwise deal with any Vehicle, any other Collateral or the Lease, or to otherwise take or refrain from taking any action under, or in connection with, this Agreement, the Lease or any related document to which Agent is a party, except as expressly provided by the terms hereof, and no implied duties of any kind shall be read into any Operative Agreement against Agent. The permissive right of Agent to take actions enumerated in this Agreement and the Lease shall never be construed as a duty, unless Agent is instructed or directed to exercise, perform or enforce one or more rights by the Required Lessors (provided that Agent has received indemnification reasonably satisfactory to it). No provision of the Operative Agreements shall require Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its obligations under the Operative Agreements, or in the exercise of any of its rights or powers thereunder. It is understood and agreed that the duties of Agent are ministerial in nature.

(c) Except as specifically provided herein, Agent is acting hereunder solely as agent and is not responsible to any party hereto in its individual capacity, except with respect to any claim arising from Agent's gross negligence or willful misconduct or any breach of a representation or covenant made in its individual capacity.

(d) Agent may accept deposits from, lend money to and otherwise deal with Lessee or any of its Affiliates with the same rights as it would have if it were not the named Agent hereunder.

IX.2 RELIANCE. Agent may rely upon, and shall not be bound or obligated to make any investigation into the facts or matters stated in, any certificate, notice or other communication (including any communication by telephone, telecopy, telex, telegram or cable) reasonably believed by it to be genuine and correct and to have been made, signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by Agent (including any expert selected by Agent to aid Agent in any calculations required in connection with its duties under the Operative Agreements).

IX.3 ACTION UPON INSTRUCTIONS GENERALLY. Subject to Sections 9.4 and 9.6, upon written instructions of the Required Lessors, Agent shall, on behalf of the Lessors, give such notice or direction, exercise such right, remedy or power hereunder or in respect of any Vehicle, and give such consent or enter into such amendment to any document to which it is a party as Agent as may be specified in such instructions. Agent shall deliver to each Lessor a copy of each notice, report and certificate received by Agent pursuant to the Operative Agreements. Agent shall have no obligation to investigate or determine whether there has been an Event of Default or an Incipient Default. Agent shall not be deemed to have notice or knowledge of an Event of Default or Incipient Default unless a Responsible Officer of Agent is notified in writing of such Event of Default or Incipient Default. If Agent receives notice of an Event of Default, Agent shall give prompt notice thereof, at Lessee's expense, to each Lessor. Subject to Sections 9.4 and 9.6 and Article X, Agent shall take action or refrain from taking action with respect to such Event of Default as directed by the Required Lessors; provided that, unless and until Agent receives such directions, Agent may refrain from taking any action, or may act in its discretion, with respect to such Event of Default. Prior to the date the Lease Balance shall have become due and payable by acceleration pursuant to Section 8.2 of the Lease, Required Lessors may deliver written instructions to Agent to waive, and Agent shall waive pursuant thereto, any Event of Default and its consequences; provided that in the absence of written instructions from all Lessors, Agent shall not waive any (i) Payment Default or (ii) covenant or provision which, under Section 10.1, cannot be modified or amended without the consent of all Lessors. As to any matters not expressly provided for by this Agreement, Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder in accordance with instructions signed by the Required Lessors and such instructions of the Required Lessors and any action taken or failure to act pursuant thereto shall be binding on each Lessor.

IX.4 INDEMNIFICATION. Each Lessor shall reimburse and hold Agent harmless, ratably in accordance with its Outstanding Investment at the time the indemnification is required to be given (but only to the extent that any such indemnified amounts have not in fact been paid to Agent by, or on behalf of, Lessee in accordance with Section 7.1), from any and all claims, losses, damages, obligations, penalties, liabilities, demands, suits, judgments, or causes of action, and all legal proceedings, and any reasonable costs or expenses in connection therewith, including allocated charges, costs and expenses of internal counsel of Agent and all other reasonable attorneys' fees and expenses incurred by Agent, in any way relating to or arising in any manner out of (i) any Operative Agreement, the enforcement hereof or thereof or the consummation of the transactions contemplated thereby, or (ii) instructions from the Required Lessors (including, without limitation, the costs and expenses that Lessee is obligated to and does not pay hereunder), provided that no Lessor shall be liable for any of the foregoing to the extent they arise from (a) the gross negligence or willful misconduct of Agent, (b) the inaccuracy of any representation or warranty or breach of any covenant given by Agent in Section 5.3 or Section 6.3 hereof or in the Lease, (c) in the case of Agent's handling of funds, the failure to act with the same care as Agent uses in handling its own funds or (d) any taxes, fees or other charges payable by Agent based on or measured by any fees, commissions or compensation received by it for acting as Agent in connection with the transactions contemplated by the Operative Agreements.

IX.5 INDEPENDENT CREDIT INVESTIGATION. Each Lessor by entering into this Agreement agrees that it has, independently and without reliance on Agent or any other Lessor and based on such documents and information as it has deemed appropriate, made its own credit analysis of Lessee and its own decision to enter into this Agreement and each of the other Operative Agreements to which it is a party and that it will, independently and without reliance upon Agent or any other Lessor, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking action under this Agreement and any related documents to which it is a party. Agent shall not be required to keep itself informed as to the performance or observance by Lessee of any other document referred to (directly or indirectly) or provided for herein or to inspect the properties or books of Lessee. Except for notices or statements which Agent is expressly required to give under this Agreement and for notices, reports and other documents and information expressly required to be furnished to Agent alone (and not also to each Lessor, it being understood that Agent shall forward copies of same to each Lessor) hereunder or under any other Operative Agreement, Agent shall not have any duty or responsibility to provide any Lessor with copies of notices or with any credit or other information concerning the affairs, financial condition or business of Lessee (or any of its affiliates) that may come into the possession of Agent or any of its Affiliates.

IX.6 REFUSAL TO ACT. Except for notices and actions expressly required of Agent hereunder and except for the performance of its covenants in Section 6.3, Agent shall in all cases be fully justified in failing or refusing to act unless (a) it is indemnified to its reasonable satisfaction by the Lessors against any and all liability and reasonable expense which may be incurred by it by reason of taking or continuing to take any such action (provided that such indemnity shall not be required to extend to liability or expense arising from any matter described in clauses (a) through (d) of Section 9.4, it being understood that no action taken by Agent in accordance with the instructions of the Required Lessors shall be deemed to constitute any such matter) and (b) it is reasonably satisfied that such action is not contrary to any Operative Agreement or to any applicable law.

IX.7 RESIGNATION OR REMOVAL OF AGENT; APPOINTMENT OF SUCCESSOR. Subject to the appointment and acceptance of a successor Agent as provided below, Agent may resign at any time by giving notice thereof to each Lessor and Lessee or may be removed at any time by written notice from the Required Lessors. Upon any such resignation or removal, the Required Lessors at the time of the resignation or removal shall have the right (with the reasonable, prompt approval of Lessee unless an Event of Default shall be continuing) to appoint a successor Agent which shall be a financial institution having a combined capital and surplus of not less than \$100,000,000. If, within 30 calendar days after the retiring Agent's giving of notice of resignation or receipt of a written notice of removal, a successor Agent is not so appointed and does not accept such appointment, then the retiring or removed Agent may appoint a successor Agent and transfer to such successor Agent all rights and obligations of the retiring Agent. Such successor Agent shall be a financial institution having combined capital and surplus of not less than \$100,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed

to and become vested with all the rights, powers, privileges and duties of the retiring or removed Agent and the retiring or removed Agent shall be discharged from duties and obligations as Agent thereafter arising hereunder and under any related document. If the retiring Agent does not appoint a successor, any Lessor shall be entitled to apply to a court of competent jurisdiction for such appointment, and such court may thereupon appoint a successor to act until such time, if any, as a successor shall have been appointed as above provided.

IX.8 SEPARATE AGENT. The Required Lessors may, and if they fail to do so at any time when they are so required, Agent may, for the purpose of meeting any legal requirements of any jurisdiction in which any Vehicle or Collateral may be located, appoint one or more individuals or corporations either to act as co-agent jointly with Agent or to act as separate agent of all or any part of the Vehicles or Collateral or the Lease, and vest in such individuals or corporations, in such capacity, such title to the Vehicles or Collateral or the Lease or any part thereof, and such rights or duties as Agent may consider necessary or desirable. Agent shall not be required to qualify to do business in any jurisdiction where it is not now so qualified. Agent shall execute, acknowledge and deliver all such instruments as may be required by any such co-agent or separate agent more fully confirming such title, rights or duties to such co-agent or separate agent. Upon the acceptance in writing of such appointment by any such co-agent or separate agent, it, she or he shall be vested with such interest in the Vehicles or Collateral and the Lease or any part thereof, and with such rights and duties, not inconsistent with the provisions of the Operative Agreements, as shall be specified in the instrument of appointment, jointly with Agent (except insofar as local law makes it necessary for any such co-agent or separate agent to act alone), subject to all terms of the Operative Agreements. Any co-agent or separate agent, to the fullest extent permitted by legal requirements of the relevant jurisdiction, at any time, by an instrument in writing, shall constitute Agent its attorney-in-fact and agent, with full power and authority to do all acts and things and to exercise all discretion on its behalf and in its name. If any co-agent or separate agent shall die, become incapable of acting, resign or be removed, the interest in the Vehicles or Collateral and the Lease and all rights and duties of such co-agent or separate agent shall, so far as permitted by law, vest in and be exercised by Agent, without the appointment of a successor to such co-agent or separate agent.

IX.9 TERMINATION OF AGENCY. The agency created hereby shall terminate upon the final disposition by Agent of all Collateral at any time subject hereto and the final distribution by Agent of all moneys or other property or proceeds received pursuant to the Lease in accordance with its terms, provided that at such time Lessee shall have complied fully with all the terms hereof.

IX.10 COMPENSATION OF AGENCY. As compensation for the performance of Agent's obligations hereunder, Lessee shall pay to Agent, on the Initial Delivery Date and on each anniversary of the Initial Delivery Date occurring during the Lease Term, a fee (the "Agency Fee") in the amount of \$15,000.

IX.11 LIMITATIONS. It is expressly understood and agreed by and among the parties hereto that, except as otherwise provided herein or in the other Operative Agreements: (a) this Participation Agreement and the other Operative Agreements to which Agent is a party are executed by Agent, not in its individual capacity (except with respect to the representations and covenants of Agent in Sections 5.3 and 6.3), but solely as Agent under the Operative Agreements in the exercise of the power and authority conferred and vested in it as such Agent; (b) each and all of the undertakings and agreements herein made on the part of Agent are each and every one of them made and intended not as personal undertakings and agreements by Agent, or for the purpose or with the intention of binding Agent personally, but are made and intended for the purpose of binding only the Collateral unless expressly provided otherwise; (c) actions to be taken by Agent pursuant to its obligations under the Operative Agreements may, in certain circumstances, be taken by Agent only upon specific authority of the Lessors; (d) nothing contained in the Operative Agreements shall be construed as creating any liability on Agent, individually or personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director, employee or agent of, Agent to perform any covenants either express or implied contained herein, all such liability, if any, being expressly waived by the other parties hereto and by any Person claiming by, through or under them; and (e) so far as Agent, individually or personally, is concerned, the other parties hereto and any Person claiming by, through or under them shall look solely to the Collateral and Lessee for the performance of any obligation under any of the instruments referred to herein; provided, however, that nothing in this Section 9.11 shall be construed to

limit in scope or substance the general corporate liability of Agent in respect of its gross negligence or willful misconduct or those representations, warranties and covenants of Agent in its individual capacity set forth herein or in any of the other agreements contemplated hereby.

X

AMENDMENTS TO OPERATIVE AGREEMENTS

X.1 AMENDMENTS TO OPERATIVE AGREEMENTS WITH CONSENT OF LESSORS. This Participation Agreement and each of the other Operative Agreements shall be changed, waived, discharged or terminated with respect to Lessee and each Lessor upon the ratification in writing of such change, waiver, discharge or termination by Lessee and the Required Lessors, in which case such change, waiver, discharge or termination shall be effective as to each Lessor and Lessee; provided no such change, waiver, discharge or termination shall, without the written ratification of each Lessor:

(i) modify any of the provisions of this Section 10.1 or Article III, change the definitions of "Commitment", "Commitment Percentage", "Total Commitment" or "Required Lessors" or modify or waive any provision of an Operative Agreement requiring action by the foregoing, or release any Collateral (except as otherwise specifically provided in any Operative Agreement);

(ii) modify, amend, waive or supplement any of the provisions of Articles III, VII, VIII (except as otherwise expressly provided in Section 9.3 hereof), X or XI, Sections 13.9 or 13.10 of the Lease or Section 11.3 hereof, provided that the Required Lessors may waive an Event of Default other than a Payment Default;

(iii) reduce, modify, amend or waive any indemnities in favor of any Participant, whether pursuant to Articles VII or VIII or otherwise (except that any Person may consent to any reduction, modification, amendment or waiver of any indemnity payable to it);

(iv) modify, postpone, reduce or forgive, in whole or in part, any Rent payment (other than pursuant to the terms of any Operative Agreement), Lease Balance, Termination Value, Lessor Risk Amount, Lessee Risk Amount, interest or, subject to clause (iii) above, any other amount payable under the Lease or Participation Agreement, or modify the definition or method of calculation of any Rent payment (other than pursuant to the terms of any Operative Agreement), Lease Balance, Termination Value, Lessor Risk Amount, Lessee Risk Amount or other amount payable hereunder;

(v) consent to any assignment of the Lease releasing any Lessee from its obligations in respect of the payments due pursuant to the Operative Agreements or changing the absolute and unconditional character of such obligations; or

(vi) permit the creation of any Lien on the Collateral or any part thereof except as contemplated in the Operative Agreements, or deprive any Lessor of the benefit of the security interest in the Collateral granted by Lessee.

X.2 AMENDMENTS TO OPERATIVE AGREEMENTS AFFECTING AGENT. Without the prior written consent of Agent, no amendment of, supplement to, or waiver or modification of, any Operative Agreement shall adversely affect Agent's rights or immunities or modify or increase the duties or obligations of Agent with respect to any Operative Agreement.

XI

MISCELLANEOUS

XI.1 SURVIVAL OF COVENANTS. All claims pertaining to the representations, warranties, covenants or indemnities of the Participants shall survive the termination of the Lease to the extent such claims arose out

24

of events occurring or conditions existing prior to any such termination. Without limiting the foregoing, the provisions of Article VII and Article VIII hereof shall survive the termination of the Lease.

XI.2 APPLICABLE LAW. THIS PARTICIPATION AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED UNDER THE LAWS OF THE STATE OF ILLINOIS WITHOUT REGARD TO THE CHOICE OF LAW PROVISIONS THEREOF.

XI.3 DISTRIBUTION AND APPLICATION OF RENT AND OTHER PAYMENTS. Except as otherwise specifically provided for in the Lease or in Articles VII and VIII hereof, all amounts of money received or realized by Agent pursuant to the Lease which are to be distributed to the Lessors (after payment of accrued but unpaid fees and expenses and indemnification payments payable to Agent in its capacity as Agent that remain unpaid for 30 days or more) shall be distributed to each Lessor pro rata, in accordance with each Lessor's Outstanding Investment and without preference or priority of any Lessor over another; provided, however, that in the case such moneys are insufficient to pay in full the whole amount due, owing and unpaid, then application shall be made in the manner set forth in Section 8.4 of the Lease. All payments to the Lessors shall be made in accordance with Section 3.2 of the Lease.

IX.4 NOTICES. All notices, demands, declarations, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms hereof shall be in writing and shall be deemed to have been duly given when delivered personally, by facsimile (and confirmed, which confirmation may be mechanical), nationally recognized overnight courier or otherwise actually received or 5 Business Days after being deposited in the United States mail certified, postage prepaid, addressed as follows:

IF TO LESSEE:
Roadway Express, Inc.
1077 Gorge Boulevard
Akron, Ohio 44310
Attn: Gregory S. Greenfelder Fax: 330-258-6230

With a copy to:

Roadway Express, Inc.
1077 Gorge Boulevard
Akron, Ohio 44310
Attn: John M. Glenn Fax: 330-258-6082

IF TO AGENT:
ABN AMRO Bank N.V.
Syndications
335 Madison Avenue
New York, NY 10017
Attn: Andrew P. Helene Fax: 212-682-0364

With a copy to:

ABN AMRO Bank N.V.

c/o ABN AMRO North America, Inc.
One PPG Place, Suite 2950
Pittsburgh, PA 15222-5400
Attn: Dennis F. Lennon Fax: 412-566-2266

and

ABN AMRO North America, Inc.

Surface Transportation Group
135 So. La Salle St., Suite 760
Chicago, IL 60603
Attn: David Thomas
Fax: 312-904-2849

If to the Lessors, to their respective addresses set forth on Schedule I hereto or at such other place as any such party may designate by notice given in accordance with this Section 11.4.

XI.5 TRANSACTION COSTS; OTHER EXPENSES. Lessee shall pay all Transaction Costs whether or not the transactions contemplated hereby close. In addition, Lessee shall pay or reimburse Agent and the Lessors for all other out-of-pocket costs and expenses (including allocated fees of internal counsel) reasonably incurred in connection with: (a) entering into, or the giving or (in the case of any amendments, supplements, waivers or consents proposed by Lessee) withholding of, any future amendments, supplements, waivers or consents with respect to the Operative Agreements (including without limitation any legal services rendered in connection with or arising under Section 6.1 hereof), it being understood that Lessee shall only be required to pay for one firm of legal counsel to Agent and Lessors in respect of any transaction under this clause (a); (b) any Casualty or termination of the Lease or any other Operative Agreement; (c) the negotiation and documentation of any restructuring or "workout," whether or not consummated, of any Operative Agreement; (d) the enforcement of the rights or remedies under the Operative Agreements; (e) further assurances requested pursuant to Section 11.13 hereof or any similar provision in other Operative Agreements; (f) any and all out-of-pocket expenses of Agent in connection with the Sale Option described in Section 11.3 of the Lease; (g) any transfer by Agent or a Lessor of any interest in the Operative Agreements during the continuance of an Event of Default; and (h) the Agency Fee.

XI.6 COUNTERPARTS. This Participation Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each executed counterpart constituting an original but all together one agreement.

XI.7 SEVERABILITY. Whenever possible, each provision of this Participation Agreement shall be interpreted in such manner as to be effective and valid under applicable law; but if any provision of this Participation Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Participation Agreement.

XI.8 SUCCESSORS AND ASSIGNS; TRANSFERS. This Participation Agreement shall be binding upon the parties hereto and their respective successors and assigns, and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Lessee may not assign any of its rights and obligations under any Operative Agreement except as expressly provided in the Operative Agreements.

No Lessor shall assign, convey or otherwise transfer (including pursuant to a participation) all or any portion of its right, title or interest in, to or under any of the Operative Agreements, any Collateral and its interest in the Vehicles, except that without the prior written consent of Agent or Lessee (x) any bank or similar financial or commercial lending institution may pledge its interest in the ordinary course of its business without the consent of Lessee or Agent, provided, that no transfer upon a foreclosure pursuant to such a pledge may occur unless the other provisions of this Section are complied with, (y) any Lessor may transfer all or any portion of its interest to any other existing Lessor and (z) any Lessor may transfer any or all of such right, title and interest upon the satisfaction of each of the following conditions:

(a) REQUIRED NOTICE AND EFFECTIVE DATE. Any Lessor desiring to effect a transfer of its interest hereunder shall give written notice of each such proposed transfer to Lessee and Agent at least ten (10) days prior to such proposed transfer, setting forth the name of such proposed transferee, the percentage or interest to be retained by such Lessor, if any, and the date on which such transfer is proposed to become effective. All reasonable out-of-pocket costs incurred by Agent in connection with any such disposition by a Lessor under this Section 11.8 shall be borne by such Lessor, unless such transfer is being made pursuant to Section 7.6, in which case such costs shall be borne by Lessee. In the event of a transfer under this Section 11.8, any expenses

incurred by the transferee in connection with its review of the Operative Agreements and its investigation of the transactions contemplated thereby shall be borne by such transferee or the relevant Lessor, as they may determine, but shall not be considered costs and expenses which Lessee is obligated to pay or reimburse under Section 11.5, unless such transfer is being made pursuant to Section 7.6.

(b) ASSUMPTION OF OBLIGATIONS. Any transferee pursuant to this Section 11.8 shall have executed and delivered to Agent a letter substantially in the form of the Investor's Letter attached hereto as Exhibit F, and thereupon the obligations of the transferring Lessor under the Operative Agreements shall be proportionately released and reduced to the extent of such transfer. Upon any such transfer as above provided, the transferee shall be deemed to be bound by all obligations (whether or not yet accrued) under, and to have become a party to, all Operative Agreements to which its transferor was a party, shall be deemed the pertinent "Lessor" for all purposes of the Operative Agreements and shall be deemed to have made that portion of the payments pursuant to the Participation Agreement previously made or deemed to have been made by the transferor represented by the interest being conveyed; and each reference herein and in the other Operative Agreements to the pertinent "Lessor" shall thereafter be deemed a reference to the transferee, to the extent of such transfer, for all purposes. Upon any such transfer, Agent shall deliver to each Lessor and Lessee a new Schedule I to this Participation Agreement, revised to reflect the relevant information for such new Lessor and the Commitment of such new Lessor (and the revised Commitment of the transferor Lessor if it shall not have transferred its entire interest).

(c) EMPLOYEE BENEFIT PLANS. No Lessor may make any such assignment, conveyance or transfer to or in connection with any arrangement or understanding in any way involving any employee benefit plan (or its related trust), as defined in Section 3(3) of ERISA, or with the assets of any such plan (or its related trust), as defined in Section 4975(e)(1) of the Code (other than a governmental plan, as defined in Section 3(32) of ERISA), with respect to which Lessee or such Lessor or any of their Affiliates is a party in interest within the meaning of ERISA or a "disqualified person" within the meaning of the Code.

(d) AMOUNT OF COMMITMENT. Unless Lessee shall consent otherwise, no Lessor may make any such assignment, conveyance or transfer if, as a consequence thereof, the transferor (if such Lessor retains any part of its Commitment) or transferee Lessor would have a combined Commitment and Outstanding Investment of less than \$5,000,000.

(e) REPRESENTATIONS AND WARRANTIES. Notwithstanding anything to the contrary set forth above, no Lessor may assign, convey or transfer its interest to any Person, unless such Person shall have delivered to Agent and Lessee a certificate confirming the accuracy of the representations and warranties set forth in Section 5.2 with respect to such Person (other than as such representation or warranty relates to the execution and delivery of Operative Agreements).

(f) FINANCIAL CONDITION. Any transferee pursuant to this Section 11.8 shall be a financial institution having combined capital and surplus of at least \$100,000,000.

Each transferee of a Lessor pursuant to this Section 11.8 shall be entitled to the benefits of Articles VII and VIII; provided that no such transferee shall be entitled to receive any greater amount pursuant to such Sections than the transferor Lessor would have been entitled to receive in respect of the amount of the Commitment transferred by such transferor Lessor to such transferee if such transfer had not occurred.

XI.9 JURY TRIAL. LESSEE WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS PARTICIPATION AGREEMENT OR ANY OTHER OPERATIVE AGREEMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR THEREwith OR ARISING FROM ANY RELATIONSHIP EXISTING IN CONNECTION WITH THIS PARTICIPATION AGREEMENT OR ANY OPERATIVE AGREEMENT AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

XI.10 CAPTIONS; TABLE OF CONTENTS. Section captions and the table of contents used in this Participation Agreement (including the exhibits and schedules) are for convenience of reference only and shall not affect the construction of this Participation Agreement.

XI.11 FINAL AGREEMENT. THIS PARTICIPATION AGREEMENT, TOGETHER WITH THE OTHER OPERATIVE AGREEMENTS, REPRESENT THE ENTIRE FINAL AGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED HEREBY AND IN THE OTHER OPERATIVE AGREEMENTS. THIS PARTICIPATION AGREEMENT CANNOT BE MODIFIED, SUPPLEMENTED, AMENDED, RESCINDED OR CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES, EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

XI.12 NO THIRD-PARTY BENEFICIARIES. Nothing in this Participation Agreement or the other Operative Agreements shall be deemed to create any right in any Person not a party hereto or thereto (other than as set forth in Section 13.8 of the Lease and the permitted successors and assigns of Lessors, Agent and Lessee), and such agreements shall not be construed in any respect to be a contract in whole or in part for the benefit of any third party except as aforesaid.

X.13 FURTHER ASSURANCES. Lessee, at its expense, will promptly and duly execute and deliver all such documents and take such further action as may be necessary or appropriate in order to effect the intent or purpose of this Participation Agreement and the other Operative Agreements and to establish and protect the rights and remedies created or intended to be created in favor of the Lessors and Agent for the benefit of the Lessors, including, without limitation, if requested by Required Lessors at the expense of Lessee, the recording or filing of any Operative Agreement or any other document in accordance with the laws of the appropriate jurisdictions.

IX.14 REPRODUCTION OF DOCUMENTS. This Participation Agreement, all documents constituting Schedules or Exhibits hereto, and all documents relating hereto received by a party hereto, including, without limitation:

(a) consents, waivers and modifications that may hereafter be executed; (b) the Certificates of Title and all other documents received by the Lessors or Agent in connection with the receipt and/or acquisition of the Vehicles; and (c) financial statements, certificates, and other information previously or hereafter furnished to Agent or any Lessor may be reproduced by the party receiving the same by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process. Each of the Participants agrees and stipulates that, to the extent permitted by law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such party in the regular course of business) and that, to the extent permitted by law, any enlargement, facsimile, or further reproduction of such reproduction shall likewise be admissible in evidence.

XI.15 CONSIDERATION FOR CONSENTS TO WAIVERS AND AMENDMENTS. Lessee hereby agrees that it will not, and that it will not permit any of its Affiliates to, offer or give any consideration or benefit of any kind whatsoever to any Lessor in connection with, in exchange for, or as an inducement to, such Lessor's consent to any waiver in respect of, any modification or amendment of, any supplement to, or any other consent or approval under, any Operative Agreement unless such consideration or benefit is offered ratably to all Lessors.

XI.16 SUBMISSION TO JURISDICTION. Any suit by Agent or any Lessor to enforce any claim arising out of the Operative Agreements may be brought in any state or Federal court located in Chicago, Illinois having subject matter jurisdiction, and with respect to any such claim, each Participant hereby irrevocably: (a) submits to the jurisdiction of such courts; and (b) consents to the service of process out of said courts by mailing a copy thereof, by registered mail, postage prepaid, to such Participant at its address specified in this Participation Agreement, and agrees that such service, to the fullest extent permitted by law: (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding; and (ii)

shall be taken and held to be valid personal service upon and personal delivery to it. Lessee irrevocably waives, to the fullest extent permitted by law: (A) any claim, or any objection, that it now or hereafter may have, that venue is not proper with respect to any such suit, action or proceeding brought in such a court located in Chicago, Illinois including, without limitation, any claim that any such suit, action or proceeding brought in such court has been brought in an inconvenient forum; and (B) any claim that Lessee is not subject to personal jurisdiction or service of process in such forum. Lessee agrees that any suit to enforce any claim arising out of the Operative Agreements or any course of conduct or dealing of Agent or any Lessor shall be brought and maintained exclusively in any state or Federal court located in Chicago, Illinois. Nothing in this Section 11.16 shall affect the right of Agent or any Lessor to bring any action or proceeding against Lessee or any Vehicle or other Collateral in the courts of any other jurisdiction. Lessee agrees that a final judgment in any action or proceeding in a state or Federal court within the United States may be enforced in any other jurisdiction by suit on the judgment or in any other manner provided by law.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Participation Agreement to be executed and delivered as of the date first above written.

ROADWAY EXPRESS, INC., AS LESSEE

By /s/ M. W. Wickham

Name Printed: M. W. Wickham
Title: President and CEO

ABN AMRO BANK N.V., Pittsburgh Branch not individually, but solely as Agent for the Lessors

By ABN AMRO North America, Inc., as agent

By /s/ David J. Thomas

Name Printed: David J. Thomas
Title: Vice President

By /s/ Kathleen L. Ross

Name Printed: Kathleen L. Ross
Title: Group Vice President

LESSORS:
ABN AMRO BANK N.V., PITTSBURGH BRANCH
By ABN AMRO North America, Inc., as agent

By /s/ David J. Thomas

Name Printed: David J. Thomas
Title: Vice President

By /s/ Kathleen L. Ross

Name Printed: Kathleen L. Ross
Title: Group Vice President

SCHEDULE I
TO
PARTICIPATION AGREEMENT
AGENT AND LESSOR ADDRESSES; LESSOR COMMITMENTS

AGENT: ABN AMRO BANK N.V. (address set forth in Section 11.4)

LESSORS:

1. ABN AMRO BANK N.V.
Commitment: \$25,000,000 Commitment Percentage: 100%

ADDRESS FOR NOTICES AND PAYMENT INSTRUCTIONS

ABN AMRO Bank N.V.
355 Madison Avenue
New York, NY 10017
ABA Routing #026009580
Account #651001063441
Contact: Linda Boardman
(212) 370-8509

EXHIBIT 10.5, PART 2
MARCH 12, 1996
MASTER LEASE INTENDED AS SECURITY
DATED AS OF MARCH 15, 1996
between
ROADWAY EXPRESS, INC.,
AS LESSEE
and
ABN AMRO BANK N.V.,
not individually, but solely
as Agent for the Lessors from
time to time under the
Participation Agreement

TABLE OF CONTENTS

	Page

ARTICLE I.....	1
Transfer.....	1
Acceptance Procedure.....	1
Lease Term.....	2
Interim and Base Periods.....	2
Lease Commencement Dates.....	2
Lease Renewal.....	2
Rent; Other Economic Provisions.....	2
Rent Payments.....	2
Place and Manner of Payment.....	2
Net Lease.....	3
Warranties.....	3
Warranty Disclaimer.....	3
Quiet Enjoyment.....	3
Possession, Assignment, Use and Maintenance of Vehicles.....	4
Restriction on Lessee's Possession and Use.....	4
Subleases.....	4
Maintenance.....	5
Repair, Replacement and Substitution.....	5
Alterations, Modifications and Additions; Removable Parts.....	6
Inspection of Collateral.....	6
Risk of Loss; Replacement; Waiver and Indemnity.....	6
Casualty.....	6
Casualty Proceeds.....	7
Insurance.....	7
Required Coverages.....	7
Delivery of Insurance Certificates.....	8
Default.....	8
Events of Default.....	8
Remedies.....	9
Additional Remedies.....	10
Proceeds of Sale; Deficiency.....	11
Right to Perform Lessee's Agreements.....	11
Return of Vehicles.....	11
Early Termination.....	12
Early Termination as to all Vehicles.....	12
Early Termination as to a Vehicle.....	12
Lease Termination.....	12
Options.....	12
Lessee Purchase Option.....	13
Sale Option.....	13

Ownership, Grant of Security.....	14
Grant of Security Interest.....	14
Retention of Proceeds in the Case of Default.....	14
Attorney-in-Fact.....	14
Release of Liens.....	15
Miscellaneous.....	15
No Waiver.....	15
Survival of Covenants.....	15
APPLICABLE LAW.....	15
Effect and Modification of Lease.....	15
Notices.....	15
Counterparts.....	16
Severability.....	16
Successors and Assigns: Benefit of Agreement.....	16
Assignment by Agent.....	16
Assignment by Lessee.....	16
Jury Trial.....	16
Section Headings; Table of Contents.....	16
Final Agreement.....	16
Timeliness of Performance.....	16

* SCHEDULE I EQUIPMENT LIST

* EXHIBIT A FORM OF LEASE SUPPLEMENT

* Not filed as an exhibit to Form 10-Q

MASTER LEASE INTENDED AS SECURITY

THIS MASTER LEASE INTENDED AS SECURITY (as amended, modified, restated or supplemented from time to time, this "Lease") dated as of March 15, 1996 is between ROADWAY EXPRESS, INC., a Delaware corporation, as Lessee ("Lessee"), with its principal office at 1077 Gorge Boulevard, Akron, Ohio 44310, and ABN AMRO BANK N.V., a bank organized under the laws of the Netherlands, not in its individual capacity, but solely in its capacity as agent ("Agent") for the benefit of the Lessors.

WHEREAS, pursuant to the terms and conditions set forth herein and in that certain Participation Agreement, dated as of March 15, 1996 (the "Participation Agreement"), by and among Lessee, Agent and the Lessors named therein, the Participants have agreed that Agent, on behalf of the Lessors, will lease to Lessee and Lessee will lease from Agent, on behalf of the Lessors, certain personal property described in Schedule I hereto and replacements thereto;

WHEREAS, capitalized terms used but not otherwise defined herein (including those used in the foregoing recitals) shall have the meanings specified in Schedule X to the Participation Agreement, unless the context otherwise requires;

WHEREAS, Lessee may from time to time enter into a Lease Supplement with Agent, on behalf of the Lessors, covering certain of the Vehicles identified on Schedule I hereto;

WHEREAS, each Lease Supplement executed from time to time by Agent, on behalf of the Lessors, and Lessee shall be incorporated herein by reference;

WHEREAS, to secure Lessee's obligations under this Lease and the other Operative Agreements, Lessee will grant to Agent, on behalf of the Lessors, a security interest in the Collateral.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
DELIVERY AND ACCEPTANCE

I.1 TRANSFER, ACCEPTANCE AND LEASE OF VEHICLES. On each Delivery Date, subject to the satisfaction or waiver of the conditions set forth in Article III of the Participation Agreement, (a) Lessee hereby grants, assigns, transfers and sets over unto Agent, on behalf of the Lessors, an interest in the Vehicles to be delivered on such Delivery Date and covered by the Delivery Date Notice delivered by Lessee with respect thereto and the Lease Supplement to be delivered with respect thereto pursuant to Article III of the Participation Agreement, (b) Agent hereby agrees to accept delivery on such Delivery Date of the interest in the Vehicles to be so delivered pursuant to the terms of the Participation Agreement and simultaneously to lease such Vehicles to Lessee under this Lease and the applicable Lease Supplement, and (c) Lessee hereby agrees, expressly for the direct benefit of Agent and the Lessors, to lease from Agent hereunder, for the Lease Term, such Vehicles to be delivered on such Delivery Date.

V.2 ACCEPTANCE PROCEDURE. Agent hereby authorizes one or more employees of Lessee, as the authorized representative or representatives of Agent, to accept delivery of the Vehicles identified on the Delivery Date Notice executed by Lessee in connection with each Delivery Date. Lessee hereby agrees that such acceptance of delivery by such authorized representative or representatives on each Delivery Date shall, without further act, constitute the irrevocable acceptance by Lessee of the Vehicles which are the subject of such Delivery Date Notice for all purposes of this Lease and the other Operative Agreements on the terms set forth therein and herein.

II
LEASE TERM

II.1 INTERIM AND BASE PERIODS. Unless earlier terminated, the term of this Lease shall consist of (a) two interim periods, the first of which shall commence on the Initial Delivery Date and end on (but not include) the First Lease Commencement Date, and the second of which shall commence on the First Lease Commencement Date and end on (but not include) the Second Lease Commencement Date (each, an "Interim Period"), (b) two base periods, the first commencing on the First Lease Commencement Date and ending on the second anniversary thereof and the second commencing on the Second Lease Commencement Date and ending on the second anniversary thereof (each, a "Base Period") and (c) any Renewal Terms (collectively, the "Lease Term").

II.2 LEASE COMMENCEMENT DATES. The first lease commencement date shall be October 5, 1996 (the "First Lease Commencement Date"). The second lease commencement date shall be the last Delivery Date under the Participation Agreement (the "Second Lease Commencement Date").

II.3 LEASE RENEWAL. Lessee may elect to renew this Lease for up to three successive one-year renewal terms with respect to all, but not less than all, of the Vehicles subject to all then-existing Lease Supplements (each, a "Renewal Term") as provided in Article XI.

II
RENT; OTHER ECONOMIC PROVISIONS

III.1 RENT PAYMENTS. Lessee shall pay to Agent, for the benefit of the Lessors, the amounts of Interim Rent, Basic Rent or Renewal Rent, as applicable, determined in accordance with this Section 3.1 and each Lease Supplement. Scheduled installments of Basic Rent and Renewal Rent may be adjusted pursuant to Section 6.1. All computations of interest pursuant to the Operative Agreements shall be made on the basis of actual number of days elapsed in a 360-day year.

RENT DURING INTERIM PERIODS. With respect to each Interim Period for the Lease, Lessee shall pay to Agent, for the benefit of the Lessors, the amount of Interest Only Rent set forth on Schedule II to the Lease Supplement to which Lessee is a party applicable to such Interim Period. Interest Only Rent under each Lease Supplement during the Interim Period with respect to such Lease Supplement shall consist of interest accrued on the Supplement Balance of such Lease Supplement at the Interest Rate for the Interim Period of such Lease Supplement and shall be payable on each Payment Date during such Interim Period and on the Lease Commencement Date for the Base Period following such Interim Period.

BASIC RENT. On each Payment Date during a Base Period, Lessee shall pay to Agent, for the benefit of the Lessors, Basic Rent under each Lease Supplement to which Lessee is a party, consisting of the amount of Fixed Rent set forth opposite the applicable Payment Date on Schedule II to each such Lease Supplement and Variable Rent accrued on the Supplement Balance of each such Lease Supplement during the Rent Period ended on such Payment Date.

RENEWAL RENT. On each Payment Date during any Renewal Term in effect, Lessee shall pay to Agent, for the benefit of the Lessors, Renewal Rent under each Lease Supplement to which Lessee is a party, consisting of the amount of Fixed Rent set forth opposite the applicable Payment Date on Schedule II to each such Lease Supplement and Variable Rent accrued on the Supplement Balance of each such Lease Supplement during the Rent Period ended on such Payment Date; provided, that Lessors may revise the amount of Fixed Rent based upon the results of the Appraisal required to be delivered under Section 11.1(a) in connection with Lessee's exercise of its Renewal Option.

(d) SELECTION OF RENTAL PERIODS. During either Base Period or any Renewal Term, if any, Lessee shall notify Agent not less than three Business Days prior to the expiration of a Rental Period of its selection of one or more Rental Periods to follow such expiring Rental Period and the amount of the Lease Balance applicable to each such Rental Period so selected. Each such notification shall be irrevocable.

III.2 PLACE AND MANNER OF PAYMENT. Rent and all other sums due to Agent or any Lessor hereunder shall be paid in immediately available funds and if payable to Agent, at the Agent's Corporate

Office, and if payable to a Lessor at the office of Lessor as it may from time to time specify to Lessee in a notice pursuant to this Lease. All such payments shall be received by Agent or Lessor, as applicable, not later than 11:00 a.m., Eastern time, on the date due; funds received after such time shall for all purposes under the Operative Agreements be deemed to have been received by Lessor on the next succeeding Business Day. Any payments received by Agent not later than 11:00 a.m. Eastern time, shall be paid by Agent to the Lessors in immediately available funds no later than 1:00 p.m. Eastern time on the same day and any payments received by Agent from or on behalf of Lessee after 11:00 a.m. Eastern time, shall be paid to Lessors as soon after receipt as practicable, but not later than 1:00 p.m. Eastern time on the next succeeding Business Day. Lessee shall pay to Agent, for the benefit of the Lessors, or to a Lessor in the case of payments to a Lessor, on demand, interest at the rate per annum which is 2% above the Interest Rate in effect from time to time on any overdue amount of Rent, or any other payment due under this Lease and (to the extent permitted by applicable law) interest from the date due (not taking into account any grace period) until payment is made.

III.3 NET LEASE. This Lease is a net lease and Lessee's obligation to pay all Rent, indemnities and other amounts payable hereunder shall be absolute and unconditional under any and all circumstances and, without limiting the generality of the foregoing, Lessee shall not be entitled to any abatement or reduction of Rent or any setoff against Rent, indemnity or other amount, whether arising by reason of any past, present or future claims of any nature by Lessee against Agent or any Lessor, or otherwise. Except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the obligations of Lessee be otherwise affected: (a) by reason of any defect in, damage to, or loss of possession or use, obsolescence or destruction, of any or all of the Vehicles, however caused; or (b) by the taking or requisitioning of any or all of the Vehicles by condemnation or otherwise; or (c) by the invalidity or unenforceability or lack of due authorization by Agent, any Lessor or Lessee or other infirmity of this Lease; or (d) by lack of power or authority of Agent or any Lessor to enter into this Lease or any other Operative Agreement; or (e) by the attachment of any Lien of any third party to any Vehicle; or (f) by any prohibition or restriction of or interference with Lessee's use of any or all of the Vehicles by any Person; or (g) by the insolvency of or the commencement by or against Agent, any Lessor or Lessee of any bankruptcy, reorganization or similar proceeding; or (h) by any other cause, whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding. It is the intention of the parties that all Rent, indemnities and other amounts payable by Lessee hereunder shall be payable in all events in the manner and at the times herein provided unless Lessee's obligations in respect thereof have been terminated or modified pursuant to the express provisions of this Lease. To the extent permitted by applicable law, Lessee hereby waives any and all rights which it may now have or which may at any time be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Lease, in whole or in part, except strictly in accordance with the express terms hereof. Each rental, indemnity or other payment made by Lessee hereunder shall be final, and Lessee shall not seek to recover all or any part of such payment from Lessor for any reason whatsoever. Without affecting Lessee's obligation to pay Rent, or other amounts payable hereunder, Lessee may seek damages for a breach by Agent or any Lessor of its obligations under this Lease or the Participation Agreement.

IV WARRANTIES

IV.1 WARRANTY DISCLAIMER. LESSEE ACKNOWLEDGES AND AGREES THAT: (a) EACH OF THE VEHICLES IS LEASED AS-IS AND WHERE-IS; (b) EACH OF THE VEHICLES LEASED BY IT IS OF A SIZE, DESIGN, CAPACITY AND MANUFACTURE SELECTED BY LESSEE; (c) LESSEE IS SATISFIED THAT THE SAME IS SUITABLE FOR ITS PURPOSES; (d) LESSOR IS NOT A MANUFACTURER THEREOF OR A DEALER IN PROPERTY OF SUCH KIND; AND (e) LESSOR HAS NOT MADE NOR SHALL IT BE DEEMED TO HAVE MADE: (i) ANY REPRESENTATION OR WARRANTY OR COVENANT WITH RESPECT TO THE TITLE, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, CONDITION, QUALITY, DESCRIPTION, DURABILITY OR SUITABILITY OF ANY VEHICLE IN ANY RESPECT OR IN CONNECTION WITH OR FOR THE PURPOSES AND USES OF LESSEE; OR (ii) ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO ANY VEHICLE.

IV.2 QUIET ENJOYMENT. In the absence of an Event of Default, neither any Lessor nor the Agent nor any Person acting by, through or under any of such Persons, shall take any actions to interfere with Lessee's quiet enjoyment of the Vehicles during the Lease Term.

V
POSSESSION, ASSIGNMENT, USE AND MAINTENANCE OF VEHICLES

V.1 RESTRICTION ON LESSEE'S POSSESSION AND USE. Lessee shall not nor shall Lessee permit any Sublessee to: (a) use, operate, maintain or store any Vehicle or any portion thereof: (i) except in accordance with Section 5.3; or (ii) in violation of any applicable insurance policy or law or regulation of any Authority; (b) except as permitted by Section 6.1, abandon any Vehicle; (c) except as permitted by Section 5.2, sublease or assign, without the prior written consent of Agent, any Vehicle or permit the operation thereof by anyone other than Lessee; (d) except as set forth in Section 5.2, sell, assign or transfer any of its rights hereunder or in any Vehicle, or directly or indirectly create, incur or suffer to exist any Lien, on any of its rights hereunder or in any Vehicle, except for Permitted Liens; (e) permit any Vehicle to be titled in any jurisdiction other than the jurisdiction in which it was titled on its Delivery Date, except as permitted under Section 6.1(f) of the Participation Agreement; and (f) use, operate, maintain or store any Vehicle or any portion thereof outside of the United States except that Lessee may (and may permit any Sublessee to) use, maintain and operate any Vehicle outside of the United States on trips to and from a point of embarkation located within the United States. Lessee will defend the transfer of the Vehicles by Lessee to Agent, for the benefit of the Lessors or Agent against the claims or demands of all Persons (other than Lessor Liens).

V.2 SUBLEASES. So long as no Event of Default shall have occurred and be continuing, Lessee may sublease one or more Vehicles (i) to a wholly-owned Subsidiary of Lessee without the prior written consent of Lessors and (ii) to any other corporation organized under the laws of the United States or any State thereof with the prior written consent of each of the Lessors, which consent shall not be unreasonably withheld; provided, that any Sublease entered into pursuant to this Section 5.2 shall satisfy each of the following conditions:

such Sublease shall automatically expire upon the termination of the Lease Supplement governing the Vehicle subleased under such Sublease and shall be expressly subordinate and subject to this Lease and the Liens created hereunder, and to the applicable Lease Supplement;

such Sublease shall be in writing and shall expressly prohibit any further assignment, sublease or transfer;

such Sublease shall not contain a purchase option in favor of the Sublessee or any other provision pursuant to which the Sublessee may obtain record or beneficial title to the Vehicle leased thereunder from Lessee of such Vehicle;

such Sublease shall prohibit the Sublessee from making any alterations or modifications to the Vehicle that would violate this Lease;

such Sublease shall require the Sublessee to maintain the Vehicle in accordance with Section 5.3;

on or before execution and delivery of such Sublease, Lessee shall execute and deliver to Agent a security agreement, in a form approved by Agent, whereby Lessee grants to Agent, for the benefit of the Lessors, a security interest in all of Lessee's rights, title and interest in, to and under such Sublease, as Collateral for Lessee's obligations under the Operative Agreements. Such Sublease shall provide that such sublessee shall make all payments under such Sublease directly to Agent, at an account specified by Agent, upon the occurrence of any of the events specified in Section 6.1(j) of the Participation Agreement. In connection therewith, Lessee shall deliver to Agent an executed original counterpart of such Sublease upon the execution and delivery thereof, marked as the sole original execution counterpart for Uniform Commercial Code purposes, and Lessee shall, at its own cost and expense, do any further act and execute, acknowledge, deliver, file, register and record any further documents which Agent may reasonably request in order to create, perfect, preserve and protect Agent's and Lessor's security interest in such Sublease. Any payments received by Agent from Sublessee pursuant to this Section shall be credited to those amounts owing by Lessee under the Lease;

Lessee shall not, without Agent's prior written consent, permit or consent to any renewal or extension of a Sublease at any time when an Event of Default has occurred and is continuing;

Lessee shall notify Agent and each Lessor in writing not less than 30 days prior to entering into any Sublease, which notice shall include (i) a description of the Vehicle or Vehicles to be leased thereunder, and (ii) the street address, city, county and State where such Vehicle or Vehicles will be located during the term of such Sublease, and Lessee shall provide copies of each Sublease to Agent upon request, provided that if such Sublease will require that the Vehicle be titled or registered in a different jurisdiction, then Lessee must comply with Section 6.1(f) of the Participation Agreement in connection with such titling and registration.

The liability of Lessee with respect to this Lease, the Lease Supplements and each of the other Operative Agreements shall not be altered or affected in any way by the existence of any Sublease.

V.3 MAINTENANCE. At all times during the term of this Lease, Lessee shall at its expense or shall cause each Sublessee to: (a) maintain, manage and monitor the Vehicles in compliance in all material respects with all applicable requirements of law, and any Authority and in compliance with all insurance policies; (b) maintain the Vehicles (or cause the Vehicles to be maintained) in as good operating order, repair and condition as they were on the date such Vehicles became subject to this Lease (assuming that, as of such date, each such Vehicle was in good operating order, repair and condition), ordinary wear and tear excepted; (c) maintain, manage and monitor the Vehicles in accordance with the terms of all applicable contracts (including, without limitation, service contracts and insurance contracts) in a manner consistent with Lessee's customary practices; and (d) conduct all scheduled maintenance of the Vehicles in conformity with Lessee's maintenance procedures then in effect for similar equipment owned or leased by Lessee, and applicable warranty guidelines. Lessee shall in any event maintain the Vehicles (or cause the Vehicles to be maintained) in at least as good a condition as comparable equipment owned or leased by Lessee or any of its Subsidiaries. Lessee will maintain or cause to be maintained, and shall permit Agent and Lessors to inspect, any records, logs and other materials required by any Authority having jurisdiction to be maintained or filed in respect of any Vehicle.

V.4 REPAIR, REPLACEMENT AND SUBSTITUTION. As soon as practicable after a Partial Casualty to a Vehicle, Lessee shall repair and rebuild the affected portions of such Vehicle (or cause such affected portions to be repaired and rebuilt) to the condition required to be maintained by Section 5.3. In the event that any Part which may from time to time be incorporated or installed in or attached to any Vehicle becomes at any time worn out, damaged or permanently rendered unfit for use for any reason whatsoever (unless such event constitutes a Casualty, in which event the provisions of Section 6.1 hereof shall apply), Lessee, at its own cost and expense, will promptly replace, or cause to be replaced, such Part with a replacement Part (a "Replacement Part") in accordance with Lessee's customary practices, but in any event subject to Section 5.3. In addition, Lessee may, at its own cost and expense, remove in the ordinary course of maintenance, service, repair, overhaul or testing, any Part, whether or not worn out, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use; provided, that Lessee will, at its own cost and expense, replace such Part with a Replacement Part as promptly as is commercially reasonable. All Replacement Parts shall be free and clear of all Liens (other than Permitted Liens) and shall be in as good operating condition as, and shall have a value and utility at least equal to, the Parts replaced, assuming such replaced Parts and the Vehicles were in the condition and repair required to be maintained by the terms of Section 5.3. Any Part at any time removed from any Vehicle shall remain the property of Agent, for the benefit of the Lessors (subject to this Lease), no matter where located, until such time as such Part shall be replaced by a Part which has been incorporated or installed in or attached to such Vehicle and which meets the requirements for a Replacement Part specified above. Immediately upon any Replacement Part becoming incorporated or installed in or attached to any such Vehicle as above provided, without further act: (i) title to the replaced Part (the "Replaced Part") shall thereupon vest in Lessee of such Vehicle, free and clear of all rights of Agent, for the benefit of the Lessors, and shall no longer be deemed a Part hereunder; (ii) such Replacement Part shall thereupon vest in Lessor, as provided in Section 12.1 (in the same manner as the underlying Vehicle); and (iii) such Replacement Part shall become subject to this Lease, the security interest created hereunder, and the applicable Lease Supplement, and shall be deemed part of such Vehicle for all purposes hereof to the same extent as the Parts incorporated or installed in or attached to such Vehicle on the date such Vehicle became subject to this Lease.

Upon the satisfaction of the conditions specified in Section 5.4(a), and the Replacement Part becoming subject to this Lease and the security interest created hereunder, Agent, on behalf of the Lessors, shall execute and deliver to Lessee such documents as may be reasonably necessary to release the Replaced Part from the terms

and scope of this Lease (but without representations or warranties, except that the Replaced Part is free and clear of all Lessor Liens), in such form as may be reasonably requested by Lessee and are in form and substance satisfactory to the Required Lessors, all at the expense of Lessee.

V.5 ALTERATIONS, MODIFICATIONS AND ADDITIONS; REMOVABLE PARTS. Except as provided in Sections 5.3 and 5.4, Lessee shall not remove, replace or alter any Vehicle or affix or place any accessory, equipment or device on any Vehicle (such actions shall be hereafter referred to collectively as "alter") if such removal, replacement, alteration or addition would materially impair the originally intended function or use or materially reduce the value or useful life of such Vehicle; provided, that Lessee, at its own expense, will make, or cause to be made, any alteration, improvement, modification or addition to or in respect of any Vehicle that may be necessary, from time to time, to comply in all material respects with any applicable law, governmental rule or regulation or to comply with any provision of any insurance policy required to be maintained under Section 7.1 (any Parts being used to comply with this provision shall be hereafter referred to as "Mandatory Parts"). All Parts affixed to or installed as a part of any Vehicle, excluding temporary replacements, shall thereupon become subject to the security interest under this Lease. If no Event of Default shall exist, Lessee may remove, at its expense, any Part at any time during the term of this Lease (such Part, a "Removable Part"): (i) which is in addition to, and not in replacement of or substitution for, any Part originally incorporated or installed in or attached to a Vehicle on the date such item became subject to this Lease or any Part in replacement of or substitution for any such Part originally incorporated or installed or attached to such Vehicle; (ii) which is not a Mandatory Part; and (iii) which can be removed from any Vehicle without causing damage to such Vehicle or diminishing or impairing the value, utility or condition which such Vehicle would have had at such time had such addition not occurred; provided, that: (x) such removal will not materially impair the value, use or useful life which the Vehicle would have had at such time had such Part not been affixed or placed to or on such Vehicle; and (y) such Part is not necessary for the continued normal use of such Vehicle. Lessee shall repair all damage to any Vehicle resulting from any alteration so as to restore such Vehicle to the condition in which it existed prior to such alteration (ordinary wear and tear excepted). Neither Agent nor any Lessor shall have any obligation to pay for or to reimburse Lessee for any alteration required or permitted by this Section 5.5.

As provided in Section 4.1 of the Participation Agreement and Section 12.1 of this Lease, all Parts incorporated or installed in or attached or added to any Vehicle as the result of alterations, modifications or additions under this Section 5.5, except Removable Parts, shall, without further act, vest in Agent, for the benefit of the Lessors, to secure Lessee's performance of its obligations under the Operative Agreements, in the manner provided in clause (ii) of Section 5.4(a) and the other applicable provisions of Section 5.4 shall apply with respect to such Parts. Upon the removal by Lessee of any Removable Part as provided herein, such Removable Part shall no longer be deemed part of the Vehicle from which it was removed. Any Removable Part not removed by Lessee as provided herein prior to the end of the Lease Term shall become the property of Lessor at such time.

V.6 INSPECTION OF COLLATERAL. Agent, the Lessors and each of their agents and representatives shall have the right at all reasonable times, upon reasonable notice, to inspect any Collateral, including without limitation any Certificate of Title or documentation related to the Collateral. Lessee shall maintain: any Certificate of Title, microfiche containing Vehicle registration documents and executed blank powers of attorney enabling the Agent to reregister the Vehicles, each of them to be maintained in Lessee's records in a separate file entitled "ABN AMRO Documentation."

VI

RISK OF LOSS; REPLACEMENT; WAIVER AND INDEMNITY

VI.1 CASUALTY. Upon a Casualty, Lessee shall give prompt written notice thereof (a "Casualty Notice") to Agent, which notice shall specify whether Lessee will:

repay a portion of the Lease Balance equal to the Casualty Amount together with all Variable Rent accrued on such portion of the Lease Balance to the date of payment, which repayment shall be made no later than the next scheduled Payment Date occurring after such Casualty or, if such Casualty occurs during the last 5 Business Days of a Rent Period, then no later than the second Payment Date occurring after such Casualty,

provided that in any event such repayment shall be made no later than the last day of the Lease Term (the "Casualty Settlement Date"); or

replace the Vehicle with respect to which the Casualty has occurred pursuant to the provisions of Section 5.4 (treating such Vehicle, for these purposes, in the same manner as a Part), provided that upon the occurrence and during the continuance of an Event of Default or an Incipient Default, Lessee shall be obligated, at the option of the Required Lessors, to make the payments referred to in clause (a) above and shall not be entitled to exercise any right or election of replacement as set forth in this clause (b).

If Lessee has elected, or is required, to pay the Casualty Amount pursuant to clause (a) above, Lessee shall continue to make all payments of Rent due under the applicable Lease Supplement until and including the Casualty Settlement Date. Upon payment of the Casualty Amount in respect of any Vehicle suffering a Casualty on such Casualty Settlement Date, the remaining scheduled payments of Fixed Rent, if any, shall each be reduced by an amount equal to the product of the scheduled amount of such Fixed Rent prior to the receipt of such payment by Agent multiplied by the Allocation Fraction under such Lease Supplement of the Vehicle suffering such Casualty.

VI.2 CASUALTY PROCEEDS. All proceeds of any casualty insurance or condemnation proceeds ("Casualty Proceeds") paid or payable to Lessee or any Affiliate of Lessee by reason of a Casualty or Partial Casualty to a Vehicle shall be deposited into a deposit account established by Agent, for the benefit of the Lessors (the "Deposit Account"), unless Lessee shall have already complied with the applicable provisions of Section 5.4 or 6.1 with respect to such Casualty or Partial Casualty. Any Casualty Proceeds paid to Agent with respect to a Vehicle suffering a Casualty or a Partial Casualty shall also be deposited in the Deposit Account. Any moneys in the Deposit Account attributable to a Casualty or Partial Casualty shall be remitted promptly to Lessee after Lessee's full compliance with Section 6.1 or Section 5.4, as applicable. Notwithstanding the foregoing provisions of this Section 6.2, and provided that no Incipient Default consisting of an event described in Section 8.1 (a) or (g) or an Event of Default shall exist, if the aggregate amount of Casualty Proceeds at any one time outstanding is [\$250,000] or less, then Lessee may receive such Casualty Proceeds directly, without delivery to Agent; provided, that such Casualty Proceeds are applied in accordance with the requirements of Section 6.1 or Section 5.4, as applicable. Notwithstanding any Casualty, all of Lessee's obligations under this Lease and each Lease Supplement (including its obligation to make all payments of Rent as they become due) shall continue unabated and in full force and effect as provided in this Lease. Without limiting the foregoing, Lessee's obligations under Section 5.4 shall not be affected by the amount of any Casualty Proceeds received by Lessee.

VII INSURANCE

VII.1 REQUIRED COVERAGES. At its own expense, Lessee will maintain the following insurance coverages:

primary automobile and general liability insurance of not less than \$3,000,000 per occurrence, with excess coverages of not less than \$5,000,000 per occurrence and \$95,000,000 in the aggregate, in each case naming Agent and Lessors as additional insureds; and

insurance against all risks of loss or physical damage to the Vehicles in a primary amount of not less than \$250,000 per occurrence and excess "all risk" coverage on the Vehicles in a blanket amount of not less than \$100,000,000, which insurance shall name Agent and Lessors as the sole loss payees.

In the absence of an Event of Default or an Incipient Default, Lessee may provide the insurance coverage required under paragraphs (a) and (b) through its self-insurance program, which retained liability amounts, in both such cases, shall not exceed \$3 million per occurrence and shall be in amounts not greater than amounts customary for similarly situated companies operating comparable equipment in the same industry as Lessee. Lessee shall obtain its excess insurance from financially responsible companies selected by Lessee and having an A.M. Best rating of "A" or better or otherwise acceptable to the Required Lessors.

Such insurance shall (i) name Agent and Lessors as additional insured parties thereunder as specified above (without any representation or warranty by, or obligation upon, Agent or any Lessor) as their respective interests may appear, (ii) contain the agreement by the Insurer that any loss thereunder shall be payable to Agent and Lessors notwithstanding any action, inaction or breach of representation or warranty by Lessee or any other Person having an interest in any Vehicle (including, without limitation, Agent or any Lessor), (iii) provide that there shall be no recourse against Agent or any Lessor for payment of premiums or other amounts with respect thereto, (iv) provide that Insurer shall give Agent and each Lessor at least 30 days' prior written notice of cancellation, lapse or reduction of limits, (v) be primary with respect to any other insurance carried by or available to Agent and the Lessors, (vi) provide that the insurer shall waive any right of subrogation, setoff, counterclaim, or other deduction, whether by attachment or otherwise, against Agent or any Lessor, and (vii) contain a cross-liability clause providing for coverage of Agent and each Lessor as if separate policies had been issued to each of them, provided, however, that such provision shall not increase the total limits of liability over those specified herein. Lessee will notify Agent and Lessors promptly of any policy cancellation, reduction in policy limits, modification or amendment.

VII.2 DELIVERY OF INSURANCE CERTIFICATES. On or before the Initial Delivery Date and thereafter on each Subsequent Delivery Date, Lessee shall deliver to Agent certificates of insurance satisfactory to Agent and Lessors evidencing the existence of all insurance required to be maintained hereunder and setting forth the respective coverages, limits of liability, carrier, policy number and period of coverage. Thereafter, throughout the Lease Term, at the time each of Lessee's insurance policies is renewed (but in no event less frequently than once each year), Lessee shall deliver to Agent and each Lessor certificates of insurance evidencing that all insurance required by Section 7.1 to be maintained by Lessee with respect to the Vehicles is in effect.

VIII DEFAULT

VIII.1 EVENTS OF DEFAULT. The following shall constitute events of default (each an "Event of Default") hereunder and under each Lease Supplement then in effect (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any Authority):

(i) any payment of Rent, or any other payment payable by Lessee hereunder or by Lessee under any other Operative Agreement (including without limitation, any amount payable pursuant to Article VII or VIII of the Participation Agreement) other than a payment due on the Termination Date shall not be paid when due, and such payment shall be overdue for a period of three Business Days or (ii) any payment due on the Termination Date shall not be paid when due;

any representation or warranty made by or on behalf of Lessee contained in any Operative Agreement or in any certificate, letter or other writing or instrument furnished or delivered to Agent or Lessors pursuant thereto shall at any time prove to have been incorrect in any material respect when made, deemed made or reaffirmed, as the case may be; Lessee shall default in the performance or observance of any term, covenant, condition or agreement on its part to be performed or observed under Article X or XI or Section 13.10 of this Lease or under Section 6.1(a), (c), (f), (g) or (i) of the Participation Agreement (except to the extent that Section 13.10 incorporates Section 5.2, in which case clause (e) of this Section 8.1 shall apply);

Lessee shall default in the performance or observance of any term, covenant, condition or agreement on its part to be performed or observed under Section 7.1;

Lessee shall default in the performance or observance of any other term, covenant, condition or agreement on its part to be performed or observed hereunder or under any other Operative Agreement (and not constituting an Event of Default under any other clause of this Section 8.1), and such default shall continue unremedied for a period of 30 days after the earlier to occur of (i) written notice thereof by Agent or any Lessor to Lessee or (ii) Lessee has Actual Knowledge thereof;

Lessee shall generally fail to pay, or admit in writing its inability to pay, its debts as they become due, or shall voluntarily commence any case or proceeding or file any petition under any bankruptcy, insolvency or similar law or seeking dissolution, liquidation or reorganization or the appointment of a receiver, agent, custodian or liquidator for itself or a substantial portion of its property, assets or business or to effect a plan or other arrangement with its creditors, or shall file any answer admitting the jurisdiction of the court and the material allegations of any involuntary petition filed against it in any bankruptcy, insolvency or similar case or proceeding, or shall be adjudicated bankrupt, or shall make a general assignment for the benefit of creditors, or shall consent to, or acquiesce in the appointment of, a receiver, agent, custodian or liquidator for itself or a substantial portion of its property, assets or business; or (ii) corporate action shall be taken by Lessee for the purpose of effectuating any of the foregoing;

involuntary proceedings or an involuntary petition shall be commenced or filed against Lessee under any bankruptcy, insolvency or similar law or seeking the dissolution, liquidation or reorganization of Lessee or the appointment of a receiver, agent, custodian or liquidator for Lessee or of a substantial part of the property, assets or business of Lessee, or any writ, judgment, warrant of attachment, execution or similar process shall be issued or levied against a substantial part of the property, assets or business of Lessee, and such proceedings or petition shall not be dismissed or stayed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded, within 60 days after commencement, filing or levy, as the case may be;

any one or more of the following shall occur and the liability of Lessee and its Subsidiaries on a consolidated basis shall exceed, individually or in the aggregate, \$5,000,000: (i) a contribution failure occurs with respect to any Pension Plan (other than a Multi-employer Plan) sufficient to give rise to a lien under Section 302(f) of ERISA or Section 412(n) of the Code with respect to any Pension Plan (other than a Multi-employer Plan) as to which Lessee or any Related Person to Lessee may have any liability, (ii) there shall exist an unfunded current liability (as defined in 302(d)(8) of ERISA) with respect to any Pension Plan, (iii) steps are undertaken to terminate any Pension Plan, (iv) any Reportable Event occurs with respect to a Pension Plan for which notice to the PBGC has not been waived, (v) any action is taken with respect to a Pension Plan which could result in the requirement that Lessee or any Related Person to Lessee furnish a bond or other security to the PBGC or such Pension Plan, (vi) the occurrence of any event which could cause Lessee or any Related Person to Lessee to incur any liability, fine or penalty with respect to any Pension Plan or any increase in liability with respect to any Pension Plan, or (vii) the occurrence of any event that could result in any increase in the liability (or contingent liability) of Lessee or any Related Person to Lessee with respect to post-retirement benefits under any Welfare Plan;

any Operative Agreement or the security interest granted under this Lease shall (except in accordance with its terms), in whole or in part, terminate, cease to be effective or cease to be the legally valid, binding and enforceable obligation of Lessee or any Affiliate; or Lessee or any Affiliate, directly or indirectly, shall contest in any manner in any court the effectiveness, validity, binding nature or enforceability thereof; or the security interest securing Lessee's obligations under the Operative Agreements shall, in whole or in part, cease to be a perfected first priority security interest;

there shall have occurred any event of default (after giving effect to any applicable grace or cure period) in the performance or observance of any obligation or condition with respect to any Debt owing by or guaranteed by Lessee having an aggregate principal amount in excess of \$10,000,000; provided that should such event of default be subsequently cured or waived, it shall no longer constitute an Event of Default hereunder; or

a final judgment or final judgments for the payment of money are entered by a court or courts of competent jurisdiction against Lessee, and such judgment or judgments remain undischarged or unstayed for a period (during which execution shall not be effectively stayed) of 30 days; provided, that the aggregate of all such judgments exceeds \$10,000,000.

VIII.2 REMEDIES. If any Event of Default has occurred and is continuing, Agent may exercise in any order one or more or all of the remedies set forth in this Section 8.2 (it being understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies, but each and every remedy shall be

cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute):

Agent may proceed by appropriate court action or actions, either at law or in equity, to enforce performance by Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof;

Agent may by notice in writing to Lessee terminate this Lease, but Lessee shall remain liable as hereinafter provided; and Agent may, at its option, do any one or more of the following: (i) declare the Lease Balance, all accrued Variable Rent, all other amounts then payable by Lessee under this Lease and the other Operative Agreements to be immediately due and payable, and recover any other damages and expenses (including the costs and expenses described in Article VII and Section 11.5 of the Participation Agreement) in addition thereto which Agent or any Lessor shall have sustained by reason of such Event of Default; (ii) enforce the security interest given hereunder pursuant to the Uniform Commercial Code or any other law; (iii) enter upon the premises where any Vehicle may be and either remove such Vehicle, with any damage to the improvements on such premises to be borne by Lessee (except to the extent such damage is due to the willful misconduct or gross negligence of Agent or its representatives), or take possession of such Vehicle; and (iv) require Lessee to return the Vehicles as provided in Article IX; or

Agent may require Lessee immediately to purchase the Vehicles for an aggregate purchase price equal to the applicable Termination Value as of the most recent Payment Date. Lessee shall also pay to Agent (i) all accrued unpaid Rent payable on or prior to such Payment Date; (ii) the pro rata Variable Rent from the most recent Payment Date to the date of such purchase; and (iii) all other fees and expenses and other amounts then due and payable pursuant to this Lease and the other Operative Agreements.

Notwithstanding the foregoing, upon the occurrence of any Event of Default described in subsections (a) through (e) and (h) through (k) of Section 8.1, and upon notice by the Agent to Lessee that the Agent seeks to pursue any of the remedies described in Section 8.2, Lessee may, within one (1) Business Day from the receipt of such notice, elect to purchase all of the Vehicles for an amount equal to the applicable Termination Value as of the most recent Payment Date. Lessee shall also pay to Agent (i) all accrued unpaid Rent payable on or prior to such Payment Date; (ii) the pro rata Variable Rent from the most recent Payment Date to the date of such purchase; and (iii) all other fees and expenses and other amounts then due and payable pursuant to this Lease and the other Operative Agreements. The purchase of all Vehicles by Lessee pursuant to the preceding two sentences shall be in immediately available funds within three (3) Business Days from the date of Lessee's election to purchase the Vehicles.

Notwithstanding the foregoing, upon the occurrence of any Event of Default described in subsection (f) or (g) of Section 8.1, Lessee shall automatically and immediately be required to purchase all of the Vehicles for an amount equal to the applicable Termination Value as of the most recent Payment Date. Lessee shall also pay to Agent (i) all accrued unpaid Rent payable on or prior to such Payment Date; (ii) the pro rata Variable Rent from the most recent Payment Date to the date of such purchase; and (iii) all other fees and expenses and other amounts then due and payable pursuant to this Lease and the other Operative Agreements.

Except for notices expressly otherwise provided for in the Operative Agreements, Lessee hereby waives presentment, demand, protest and notice of any kind including, without limitation, notices of default, notice of acceleration and notice of intent to accelerate.

VIII.3 ADDITIONAL REMEDIES. In addition to the remedies set forth in Section 8.2, if any Event of Default shall occur, the Agent (at the direction of the Required Lessors) may, but is not required to, sell the Collateral in one or more sales. The Agent, on behalf of Lessors, may purchase all or any part of the Collateral at such sale. Lessee acknowledges that sales for cash or on credit to a wholesaler, retailer or user of such Collateral, at a public or private auction, are all commercially reasonable. Any notice required by law of intended disposition by the Agent shall be deemed reasonable and properly given if given at least 10 days before such disposition.

VIII.4 PROCEEDS OF SALE; DEFICIENCY. All payments received and amounts held or realized by the Agent at any time when an Event of Default shall have occurred and be continuing and after, pursuant to Section 8.2, the Lease Balance shall have been accelerated or Lessee is required to purchase the Vehicles, as well as all payments or amounts then held or thereafter received by the Agent shall be distributed forthwith upon receipt by the Agent in the following order of priority:

FIRST: (i) so much of such payments or amounts as shall be required to reimburse first the Agent and then any Lessor for any tax (other than any income tax payable on interest not required to be indemnified by Lessee under Article VIII of the Participation Agreement and on fees and other compensation of the Agent), expense or other amount owed to the Agent or any Lessor in connection with the collection or distribution of such payments or amounts to the extent not previously reimbursed by Lessee (including, without limitation, the expenses of any sale, taking or other proceeding, expenses in connection with realizing on any of the Collateral, reasonable attorneys' fees and expenses (including the allocated costs of internal counsel), court costs and any other reasonable expenditures incurred or reasonable expenditures or advances made by the Agent or any Lessor in the protection, exercise or enforcement of any right, power or remedy upon such Event of Default whether pursuant to Section 8.2 or otherwise) shall be so applied by the Agent first to itself and then to such Lessors; and (ii) so much of such payments or amounts as shall be required to pay the reasonable fees and compensation of the Agent in connection with acting as Agent not previously paid by Lessee, shall be distributed to the Agent;

SECOND: so much of such payments or amounts except those specified in clause third below, which under the terms of this Lease and the other Operative Agreements have accrued, including, without limitation, such amounts as shall be required to reimburse the then existing or prior Lessors for payments made by them to Agent pursuant to Section 9.4 of the Participation Agreement (to the extent not previously reimbursed);

THIRD: so much of such payments or amounts remaining as shall be required to pay in full, in the following order of application, (a) all accrued unpaid Variable Rent (including, to the extent permitted by applicable law, interest on interest) and (b) the aggregate unpaid Lease Balance, and in case the aggregate amount so to be distributed shall be insufficient to pay any of the foregoing in full all as aforesaid then, ratably to the Lessors in accordance with their respective Commitment Percentages; and

FOURTH: so much of such payments or amounts as shall remain shall be distributed to Lessee.

VIII.5 RIGHT TO PERFORM LESSEE'S AGREEMENTS. If Lessee fails to perform any of its agreements contained herein or in any other Operative Agreement within the time period specified therefor, whether or not an Event of Default has occurred and is continuing, Agent, upon written instructions from Required Lessors and receipt by Agent of indemnification satisfactory to it, and, upon 3 Business Days' prior notice to Lessee, may perform such agreement and the fees and expenses incurred by Agent (or one or more Lessors) in connection with such performance together with interest thereon shall be payable by Lessee upon demand. Interest on fees and expenses so incurred by Agent (or one or more Lessors) shall accrue at the rate provided in Section 3.2 for overdue payments.

IX RETURN OF VEHICLES

If Agent has terminated this Lease pursuant to Section 8.2, and Lessee has not elected to purchase the Vehicles pursuant to Section 8.2 or Articles X or XI, Lessee shall (a) maintain (or cause to be maintained) the Vehicles in the condition required by Section 5.3, store the Vehicles without cost to Agent or any Lessor and keep all of the Vehicles insured in accordance with Article VII, and (b) upon such termination forthwith package and deliver exclusive possession of such Vehicles to Agent, for the benefit of the Lessors, at a location designated by Agent, together with a copy of an inventory list of the Vehicles then subject to the Lease, all then current plans, specifications and operating, maintenance and repair manuals relating to the Vehicles that have been received or prepared by Lessee, appropriately protected and in the condition required by Section 5.3 (and in any event in condition to be placed in immediate service), to Agent. This Article IX shall survive termination of this Lease.

X
EARLY TERMINATION

X.1 EARLY TERMINATION AS TO ALL VEHICLES. On any scheduled Payment Date after the Second Lease Commencement Date Lessee may, at its option, upon at least 30 days' advance written notice from Lessee to Agent and the Lessors, purchase all, but not less than all, of the Vehicles subject to all Lease Supplements then in effect in immediately available funds in an amount equal to the applicable Termination Value as of such Payment Date. Lessee shall also pay to Agent (i) all accrued unpaid Rent payable on or prior to such Payment Date and (ii) all other fees and expenses and other amounts then due and payable pursuant to this Lease and the other Operative Agreements. Upon the indefeasible payment of such sums by Lessee in accordance with the provisions of the preceding sentence, the obligation of Lessee to pay Rent hereunder shall cease, the term of this Lease shall end on the date of such payment and Agent, on behalf of Lessors, shall execute and deliver to Lessee such documents as may be reasonably required to release the Vehicles from the terms and scope of this Lease (without representations or warranties, except that the Vehicles are free and clear of Lessor Liens), in such form as may be reasonably requested by Lessee, all at Lessee's sole cost and expense.

X.2 EARLY TERMINATION AS TO A VEHICLE. Lessee may, at its option, at any time after the Second Lease Commencement Date and from time to time, purchase any Vehicle for an amount equal to the Casualty Amount of such Vehicle, together with all accrued but unpaid Variable Rent on the portion of the Lease Balance represented by such Casualty Amount, whereupon Agent shall transfer its interest in such Vehicle to Lessee in accordance with the last two sentences of Section 12.1; provided, however, that Lessee shall not have such option to purchase a Vehicle pursuant to this Section 10.2, if as a result of such purchase, all Vehicles theretofore purchased under this Section 10.2 together with the Vehicle to be purchased would have an aggregate Purchase Price in excess of \$3,000,000.

XI
LEASE TERMINATION

XI.1 OPTIONS. Not later than 120 days prior to the last day of the Base Period commencing on the First Lease Commencement Date or any Renewal Term with respect to such Base Period then in effect, Lessee shall, by delivery of written notice to Agent (except in the case of clause (a)), exercise one of the following options:

unless Lessee delivers written notice to the contrary, except in the case of the last such Renewal Term, renew this Lease with respect to all, but not less than all, of the Vehicles then subject hereto for an additional one year Renewal Term (the "Renewal Option") with respect to each Base Period or Renewal Term then in effect, with each such Renewal Term commencing on the last day of the applicable Base Period or Renewal Term then in effect, on the terms and conditions set forth herein and in the other Operative Agreements; provided, that (i) such option shall be exercised only with respect to both Base Periods or Renewal Terms then in effect and (ii) in connection with the exercise of the Renewal Option Lessee shall provide Lessors with an Appraisal of all of the Vehicles subject to this Lease together with its notice of exercise, which Appraisal shall set forth the Appraisal Values of the Vehicles as of the commencement of each Renewal Term and as of the end of each Renewal Term and shall be satisfactory to Required Lessors; or

purchase in immediately available funds in an amount equal to the applicable Termination Value all, but not less than all, of the Vehicles then subject to this Lease on the last day of the Base Term or Renewal Term applicable to such Vehicles with respect to which such option is exercised, on the terms and conditions set forth in Section 11.2. (the "Lessee Purchase Option"); provided, that such option shall be exercised only with respect to all Vehicles then subject to this Lease; or

sell on behalf of the Lessors to a purchaser or purchasers not in any way affiliated with Lessee all, but not less than all, of the Vehicles then subject to this Lease on the last day of the Base Period or of any Renewal Term then in effect with respect to which such option is exercised, on the terms and conditions set forth in Section 11.3 (the "Sale Option"); provided, that such option shall be exercised only with respect to all Vehicles then subject to this Lease.

Lessee's election of the Lessee Purchase Option will be irrevocable at the time made, but if Lessee fails to make a timely election, Lessee will be deemed, in the case of the Lease Term and each Renewal Term then in

effect (other than the last Renewal Term) to have irrevocably elected the Renewal Option and, in the case of the last Renewal Term, Lessee will be deemed to have irrevocably elected the Lessee Purchase Option. In addition, the Sale Option shall automatically be revoked if there exists an Incipient Default or Event of Default at anytime after the Sale Option is properly elected and Agent shall be entitled to exercise all rights and remedies provided in Article VIII. Lessee may not elect the Sale Option if there exists on the date the election is made an Event of Default or an Incipient Default.

XI.2 LESSEE PURCHASE OPTION. If Lessee elects the Lessee Purchase Option, then on the Termination Date applicable to each Lease Supplement, Lessee shall purchase all (but not less than all) of the Vehicles covered by such Lease Supplement for an amount equal to the applicable Termination Value. Lessee shall also pay to Agent all accrued unpaid Rent and all other amounts, if any then due and owing hereunder. Upon the indefeasible payment of such sums by Lessee in accordance with the provisions of the preceding sentence, the obligation of Lessee to pay Rent hereunder with respect to such Vehicles shall cease, the term of this Lease with respect to such Vehicles shall end on the date of such payment and Agent, on behalf of Lessors, shall execute and deliver to Lessee such documents as may be reasonably required to release such Vehicles from the terms and scope of this Lease (without representations or warranties, except that such Vehicles are free and clear of Lessor Liens), in such form as may be reasonably requested by Lessee, all at Lessee's sole cost and expense.

XI.3 SALE OPTION. If Lessee elects the Sale Option, then during the period prior to the Termination Date applicable to each Lease Supplement, Lessee, as agent for Agent and Lessors and at no expense to Agent and Lessors, shall use its commercial best efforts to obtain bids for the purchase in immediately available funds on such Termination Date of the Vehicles from prospective purchasers which are unaffiliated with Lessee and are financially capable of purchasing the Vehicles ("Qualified Purchasers"). The Agent may also, if it so desires, seek to obtain such bids. All bids received by Lessee or Agent, within five Business Days after receipt thereof, shall be certified to the other in writing setting forth the name and address of the party submitting each such bid and the amount and terms thereof.

If any bid is received from a Qualified Purchaser for an amount in excess of the Lease Supplement Lessor Risk Amount with respect to such Lease Supplement, or if Agent agrees in its sole and absolute discretion to accept a bid for less than the Lease Supplement Lessor Risk Amount, then on such Termination Date (i) the Vehicles shall be sold on an "as-is," "where-is" basis (without recourse to or warranty from Agent and Lessors, except that the Vehicles are free of Lessor Liens), to the bidder, which is a Qualified Purchaser, selected by Lessee after consultation with Agent (the "Purchaser"), provided, however, that Agent may not reject the highest bidder if the next highest bid is not at least equal to such Lease Supplement Lessor Risk Amount; (ii) Lessee shall make the Vehicles available to the Purchaser in the same manner and in the same condition and otherwise in accordance with this Lease as if delivery were made to Agent pursuant to Article IX, (iii) such Purchaser shall pay the sale proceeds in immediately available funds to Agent for the benefit of Lessors, (iv) Lessee shall pay to Agent, for the benefit of Lessors, in immediately available funds (x) all accrued unpaid Rent and all other amounts, if any then due and owing under this Lease, and (y) an amount equal to the excess, if any, of (A) the Termination Value as of the Termination Date over (B) the sale proceeds (but in no event shall such amount payable by Lessee under this clause (y) exceed the applicable Lessee Risk Amount), (v) title to such Vehicles shall be transferred to such Purchaser free, and clear of Lessor Liens, and (vi) Agent, on behalf of Lessors, shall execute and deliver to Purchaser such documents as may be reasonably required to release such Vehicles from the terms and scope of this Lease (without representations or warranties, except that such Vehicles are free and clear of Lessor Liens), in such form as may be reasonably requested by Purchaser.

If (x) Agent does not receive any bid in excess of the applicable Lease Supplement Lessor Risk Amount from a Qualified Purchaser or Agent does not accept any bids received for less than the Lease Supplement Lessor Risk Amount prior to the applicable Termination Date Lessee shall have the option to, or (y) the proposed sale to the Purchaser is not consummated prior to the applicable Termination Date, Lessee be required to, purchase such Vehicles by paying to Agent within ten (10) Business Days of the Termination Date, in immediately available funds an amount equal to the applicable Termination Value as of the applicable Termination Date. In the event Lessee exercises such option or is so required to purchase such Vehicles, Lessee shall also pay to Agent (i) all accrued unpaid Rent payable on such Termination Date; (ii) the pro rata

Variable Rent from the Termination Date to the date of such purchase; and (iii) all other fees and expenses and other amounts then due and payable pursuant to this Lease and the other Operative Agreements. If Lessee has the option to, but does not so elect to, purchase such Vehicles pursuant to the immediately preceding sentence, Lessee shall pay to Agent an amount equal to (i) the applicable Lease Supplement Lessee Risk Amount plus (ii) the indemnity for Excessive Use set forth in Section 7.2 of the Participation Agreement, Agent shall retain title to such Vehicles (or, if at such time Lessee holds title to such Vehicles, Lessee shall transfer title to such Vehicles to Agent, without recourse, representations or warranties, except that such Vehicles are free and clear of Lessor Liens) and Lessee shall return such Vehicles to Agent in accordance with Article IX.

XII

OWNERSHIP, GRANT OF SECURITY INTEREST TO LESSOR AND FURTHER ASSURANCES

XII.1 GRANT OF SECURITY INTEREST. Lessee hereby assigns, grants and pledges to Agent, for the benefit of the Lessors, a security interest in all of Lessee's right, title and interest, whether now or hereafter existing or acquired, in the Collateral, to secure the payment and performance of all obligations of Lessee now or hereafter existing under this Lease or any other Operative Agreement. Lessee shall, at its expense, do any further act and execute, acknowledge, deliver, file, register and record any further documents which Agent or any Lessor may reasonably request in order to protect its title to and perfected security interest in the Collateral, subject to no Liens other than Permitted Liens, and Agent's rights and benefits under this Lease. Lessee shall promptly and duly execute and deliver to Agent such documents and assurances and take such further action as Agent or any Lessor may from time to time reasonably request in order to carry out more effectively the intent and purpose of this Lease and the other Operative Agreements, to establish and protect the rights and remedies created or intended to be created in favor of Agent hereunder and thereunder, and to establish, perfect and maintain the right, title and interest of Agent, for the benefit of the Lessors, in and to the Vehicles, subject to no Lien other than Permitted Liens, or of such financing statements or fixture filings or other documents with respect hereto as Agent or any Lessor may from time to time reasonably request, and Lessee agrees to execute and deliver promptly such of the foregoing financing statements and fixture filings or other documents as may require execution by Lessee. Without limiting the foregoing, on and after the date Lessee elects or is deemed to have elected the Lessee Purchase Option or the Sale Option, Agent shall have the unconditional right to demand the execution and delivery by Lessee of bills of sale with respect to the Vehicles leased by Lessee or such documentation as may be necessary to cause title to the Vehicles to be recorded in the name of Agent, for the benefit of the Lessors. To the extent permitted by applicable laws, Lessee hereby authorizes any such financing statements and other documents to be filed without the necessity of the signature of Lessee, if Lessee has failed to sign any such instrument within 10 days after request therefor by Agent or any Lessor. Upon Lessee's request, Agent shall at such time as all of the obligations of Lessee under this Lease or any other Operative Agreements have been indefeasibly paid or performed in full (other than Lessee's contingent obligations, if any, under Articles VII and VIII of the Participation Agreement), execute and deliver termination statements and other appropriate documentation reasonably requested by Lessee, all at Lessee's expense, to evidence Agent's release of its security interest in the Collateral. At such time, Agent shall execute and deliver to Lessee such documents as may be reasonably necessary (without representations or warranties, except that the Vehicles are free and clear of Lessor Liens) to release Agent's security interest in the Vehicles. Any such sale of the Vehicles to either Lessee or a third party shall be on an AS-IS, WHERE-IS basis (without representations or warranties, except that the Vehicles are free and clear of Lessor Liens).

XII.2 RETENTION OF PROCEEDS IN THE CASE OF DEFAULT. If Lessee would be entitled to any amount (including any Casualty Proceeds or Partial Casualty Proceeds) but for the existence of any Event of Default or Incipient Default, Agent shall hold such amount as part of the Collateral and shall be entitled to apply such amounts against any amounts due hereunder; provided, that Agent shall distribute such amount or transfer such Vehicle in accordance with the other terms of this Lease if and when no Event of Default or Incipient Default exists.

XII.3 ATTORNEY-IN-FACT. Lessee hereby irrevocably appoints Agent as Lessee's attorney-in-fact, with full authority in the place and stead of Lessee and in the name of Lessee or otherwise, from time to time in Agent's discretion, upon the occurrence and during the continuance of an Event of Default, to take any action

(including any action that Lessee is entitled to take) and to execute any instrument which Agent or the Required Lessors may deem necessary or advisable to accomplish the purposes of this Lease (subject to any limitations set forth in the Operative Agreements), including, without limitation:

to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for money due and to become due under or in connection with the Collateral;

to receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with the foregoing clause (a);

to file any claim or take any action or institute any proceedings which Agent may deem to be necessary or advisable for the collection thereof or to enforce compliance with the terms and conditions of any Collateral; and

to perform any affirmative obligations of Lessee hereunder.

Lessee hereby acknowledges, consents and agrees that the power of attorney granted pursuant to this Section 12.3 is irrevocable and coupled with an interest.

XII.4 RELEASE OF LIENS. Upon the replacement or substitution of any Vehicle or Part or Sublease, or the payment of all amounts required pursuant to Section 6.1 in connection with a Casualty, in each case in compliance with the applicable provisions of the Lease, such Vehicle or Part or Sublease shall be released from the security interest created hereunder as provided in Section 5.4(b).

XIII MISCELLANEOUS

XIII.1 NO WAIVER. No delay or omission in the exercise of any right, power or remedy accruing to Agent and/or the Lessors upon any breach or default of Lessee hereunder shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein or of or in any similar breach or default thereafter occurring, nor shall any single or partial exercise of any right, power or remedy preclude other or further exercise thereof, or the exercise of any other right, power or remedy, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of Agent or the Lessors of any breach or default under this Lease must be specifically set forth in writing and must satisfy the requirements set forth in Article X of the Participation Agreement with respect to approval by Agent or the Lessors.

XIII.2 SURVIVAL OF COVENANTS. All claims pertaining to the representations, warranties and covenants of Lessee under Articles II, III, IV, V, VI, VII, X, XI and XIII shall survive the termination of this Lease to the extent such claims arose out of events occurring or conditions existing prior to any such termination.

XIII.3 APPLICABLE LAW. THIS LEASE SHALL BE GOVERNED BY AND CONSTRUED UNDER THE LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO THE CHOICE OF LAW PROVISIONS THEREOF.

XIII.4 EFFECT AND MODIFICATION OF LEASE. No variation, modification, amendment or waiver of this Lease, including any schedules or exhibits hereto, or any other Operative Agreement to which Agent or any Lessor is a party shall be valid unless the same shall have been entered into in accordance with Article X of the Participation Agreement.

XIII.5 NOTICES. All notices, demands, requests, consents, approvals and other instruments hereunder shall be in writing and shall be deemed to have been properly given if given as provided for in Section 11.4 of the Participation Agreement.

XIII.6 COUNTERPARTS. This Lease has been executed in several counterparts. One counterpart has been prominently marked "Agent's Copy." Only the counterpart marked "Agent's Copy" shall evidence a monetary obligation of or shall be deemed to be an original or to be chattel paper for purposes of the Uniform Commercial Code, and such copy shall be held by Agent.

XIII.7 SEVERABILITY. Whenever possible, each provision of this Lease shall be interpreted in such manner as to be effective and valid under applicable law; but if any provision of this Lease shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Lease.

XIII.8 SUCCESSORS AND ASSIGNS: BENEFIT OF AGREEMENT. This Lease shall be binding upon each of the parties hereto and, subject to Sections 13.9 and 13.10 hereof, its respective successors and assigns, and shall inure to the benefit of each of the parties hereto and its respective successors and permitted assigns.

It is expressly understood and agreed that Agent is entering into this Lease for the benefit of the Lessors, who are third party beneficiaries of this Lease and each Lease Supplement.

XIII.9 ASSIGNMENT BY AGENT. Agent shall not sell, assign, transfer or otherwise dispose of its rights or delegate its obligations under this Lease to any other Person except as permitted or required by the Participation Agreement.

XIII.10 ASSIGNMENT BY LESSEE. Lessee shall not sell, assign, transfer or otherwise dispose of its rights or delegate its obligations under this Lease to any other Person, except as permitted or required by Section 5.2 hereof or the Participation Agreement.

XIII.11 JURY TRIAL. LESSEE WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS LEASE OR ANY RELATED DOCUMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR THEREWITH OR ARISING FROM ANY RELATIONSHIP EXISTING IN CONNECTION WITH THIS LEASE OR ANY RELATED DOCUMENT AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

XIII.12 SECTION HEADINGS; TABLE OF CONTENTS. Section headings and the table of contents used in this Lease (including the schedule) are for convenience of reference only and shall not affect the construction of this Lease.

XIII.13 FINAL AGREEMENT. THIS LEASE, TOGETHER WITH THE OTHER OPERATIVE AGREEMENTS, REPRESENTS THE ENTIRE FINAL AGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED BY THE LEASE AND THE OTHER OPERATIVE AGREEMENTS. THIS LEASE CANNOT BE MODIFIED, SUPPLEMENTED, AMENDED, RESCINDED OR CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES, EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY THE PARTIES HERETO IN ACCORDANCE WITH THE TERMS OF THE PARTICIPATION AGREEMENT. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

XIII.14 TIMELINESS OF PERFORMANCE. The provisions of Articles VIII and XI pertaining to the delivery of notice and the performance of certain events on dates required by Articles VIII and XI are to be strictly adhered to by the parties hereto.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed and delivered as of the date first above written.

ROADWAY EXPRESS, INC., AS LESSEE

By /S/ M. W. Wickham

Name Printed: M. W. Wickham
Title: President and CEO

ABN AMRO BANK N.V., Pittsburgh Branch, not individually but solely as Agent for the Lessors

By: ABN AMRO North America, Inc., as agent

By /s/ Dennis F. Lennon

Name Printed: Dennis F. Lennon
Title: Vice President

By /s/ Kathleen L. Ross

Name Printed: Kathleen L. Ross
Title: Group Vice President

MASTER LEASE AGREEMENT
dated as of JULY 1, 1998 ("AGREEMENT")

THIS AGREEMENT, is between GENERAL ELECTRIC CAPITAL CORPORATION its successors and assigns, if any ("LESSOR") and ROADWAY EXPRESS, INC. ("LESSEE"). Lessor has an office at 1787 SENTRY PARKWAY/WEST 16 SENTRY PARK/WEST, SUITE 200, BLUE BELL, PA 19422. Lessee is a corporation organized and existing under the laws of the State of Delaware. Lessee's mailing address and chief place of business is 1077 GORGE BLVD., AKRON, OH 44310. This Agreement contains the general terms that apply to the leasing of Equipment from Lessor to Lessee. Additional terms that apply to the Equipment (term, rent, options, etc.) shall be contained on a schedule ("SCHEDULE"). A form of the Schedule is attached.

1. LEASING

(a) Lessor agrees to lease to Lessee, and Lessee agrees to lease from Lessor, the equipment ("EQUIPMENT") described in any Schedule signed by both parties.

(b) Lessor shall purchase Equipment from the manufacturer or supplier ("SUPPLIER") and lease it to Lessee when Lessor receives (i) a Schedule for the Equipment, (ii) evidence of insurance which complies with the requirements of Section 9, and (iii) such other documents as Lessor may reasonably request. Each of the documents required above must be in form and substance satisfactory to Lessor. Lessor hereby appoints Lessee its agent for inspection and acceptance of the Equipment from the Supplier. Once the Schedule is signed, the Lessee may not cancel the Schedule.

2. TERM, RENT AND PAYMENT

(a) The rent payable for the Equipment and Lessee's right to use the Equipment shall begin on the earlier of (i) the date when the Lessee signs the Schedule and accepts the Equipment or (ii) when Lessee has accepted the Equipment under a Certificate of Acceptance ("LEASE COMMENCEMENT DATE"). The term of this Agreement shall be the period specified in the applicable Schedule. The word "term" shall include all basic and any renewal terms.

(b) Lessee shall pay rent to Lessor at its address stated above, except as otherwise directed by Lessor. Rent payments shall be in the amount set forth in, and due as stated in the applicable Schedule. If any Advance Rent (as stated in the Schedule) is payable, it shall be due when the Lessee signs the Schedule. Advance Rent shall be applied to the first rent payment and the balance, if any, to the final rent payment(s) under such Schedule. In no event shall any Advance Rent or any other rent payments be refunded to Lessee. If rent is not paid within ten (10) days of its due date, Lessee agrees to pay a late charge of five cents (\$.05) per dollar on, and in addition to, the amount of such rent but not exceeding the lawful maximum, if any.

(c) Lessor shall not disturb Lessee's quiet enjoyment of the Equipment during the term of the Agreement unless a default has occurred and is continuing under this Agreement.

3. RENT ADJUSTMENT

(a) If, solely as a result of Congressional enactment of any law (including, without limitation, any modification of, or amendment or addition to, the Internal Revenue Code of 1986, as amended, ("CODE")), the maximum effective corporate income tax rate (exclusive of any minimum tax rate) for calendar-year taxpayers ("EFFECTIVE RATE") is higher than thirty-five percent (35%) for any year during the lease term, then Lessor shall have the right to increase such rent payments by requiring payment of a single additional sum. The additional sum shall be equal to the product of (i) the Effective Rate (expressed as a decimal) for such year less .35 (or, in the event that any adjustment has been made hereunder for any previous year, the Effective Rate (expressed as a decimal) used in calculating the next previous adjustment) times (ii) the adjusted Termination Value (defined below), divided by (iii) the difference between the new Effective Tax Rate (expressed as a decimal) and one (1). The adjusted Termination

Value shall be the Termination Value (calculated as of the first rent due in the year for which the adjustment is being made) minus the Tax Benefits that would be allowable under Section 168 of the Code (as of the first day of the year for which such adjustment is being made and all future years of the lease term). The Termination Values and Tax Benefits are defined on the Schedule. Lessee shall pay to Lessor the full amount of the additional rent payment on the later of (i) receipt of notice or (ii) the first day of the year for which such adjustment is being made.

(b) Lessee's obligations under this Section 3 shall survive any expiration or termination of this Agreement.

4. TAXES. If permitted by law, Lessee shall report and pay promptly all taxes, fees and assessments due, imposed, assessed or levied against any Equipment (or purchase, ownership, delivery, leasing, possession, use or operation thereof), this Agreement (or any rents or receipts hereunder), any Schedule, Lessor or Lessee by any governmental entity or taxing authority during or related to the term of this Agreement, including, without limitation, all license and registration fees, and all sales, use, personal property, excise, gross receipts, franchise, stamp or other taxes, imposts, duties and charges, together with any penalties, fines or interest thereon (collectively "TAXES"). Lessee shall have no liability for Taxes imposed by the United States of America or any state or political subdivision thereof which are on or measured by the net income of Lessor except as provided in Sections 3 and 14(c). Lessee shall promptly reimburse Lessor (on an after tax basis) for any Taxes charged to or assessed against Lessor. Lessee shall show Lessor as the owner of the Equipment on all tax reports or returns, and send Lessor a copy of each report or return and evidence of Lessee's payment of Taxes upon request.

5. REPORTS

(a) If any tax or other lien shall attach to any Equipment, Lessee will notify Lessor in writing, within ten (10) days after Lessee becomes aware of the tax or lien. The notice shall include the full particulars of the tax or lien and the location of such Equipment on the date of the notice.

(b) Lessee will deliver to Lessor, Lessee's complete financial statements, certified by a recognized firm of certified public accountants within ninety (90) days of the close of each fiscal year of Lessee. Lessee will deliver to Lessor copies of Lessee's quarterly financial report certified by the chief financial officer of Lessee, within ninety (90) days of the close of each fiscal quarter of Lessee. Lessee will deliver to Lessor all Forms 10-K and 10-Q, if any, filed with the Securities and Exchange Commission within thirty (30) days after the date on which they are filed.

(c) Lessor may inspect any Equipment during normal business hours after giving Lessee reasonable prior notice.

(d) Lessee will keep the Equipment at the Equipment Location (specified in the applicable Schedule) and will give Lessor prior written notice of any relocation of Equipment. If Lessor asks, Lessee will promptly notify Lessor in writing of the location of any Equipment.

(e) If any Equipment is lost or damaged (where the estimated repair costs would exceed the greater of ten percent (10%) of the original Equipment cost or ten thousand and 00/100 dollars (\$10,000)), or is otherwise involved in an accident causing personal injury or property damage, Lessee will promptly and fully report the event to Lessor in writing.

(f) Lessee will furnish a certificate of an authorized officer of Lessee stating that he has reviewed the activities of Lessee and that, to the best of his knowledge, there exists no default or event which with notice or lapse of time (or both) would become such a default within thirty (30) days after any request by Lessor.

6. DELIVERY, USE AND OPERATION

(a) All Equipment shall be shipped directly from the Supplier to Lessee.

(b) Lessee agrees that the Equipment will be used by Lessee solely in the conduct of its business and in a manner complying with all applicable laws, regulations and insurance policies and Lessee shall not discontinue use of the Equipment.

(c) Lessee will not move any equipment from the location specified on the Schedule, without the prior written consent of Lessor.

(d) Lessee will keep the Equipment free and clear of all liens and encumbrances other than those which result from acts of Lessor.

7. MAINTENANCE

(a) Lessee will, at its sole expense, maintain each unit of Equipment in good operating order and repair, normal wear and tear excepted. The Lessee shall also maintain the Equipment in accordance with manufacturer's recommendations. Lessee shall make all alterations or modifications required to comply with any applicable law, rule or regulation during the term of this Agreement. If Lessor requests, Lessee shall affix plates, tags or other identifying labels showing ownership thereof by Lessor. The tags or labels shall be placed in a prominent position on each unit of Equipment.

(b) Lessee will not attach or install anything on any Equipment that will impair the originally intended function or use of such Equipment without the prior consent of Lessor. All additions, parts, supplies, accessories, and equipment ("Additions") furnished or attached to any Equipment that are not readily removable shall become the property of Lessor. All Additions shall be made only in compliance with applicable law. Lessee will not attach or install any Equipment to or in any other personal or real property without the prior written consent of Lessor.

8. STIPULATED LOSS VALUE

If for any reason any unit of Equipment becomes worn out, lost, stolen, destroyed, irreparably damaged or unusable ("CASUALTY OCCURRENCES") Lessee shall promptly and fully notify Lessor in writing. Lessee shall pay Lessor the sum of (x) the Stipulated Loss Value (see Schedule) of the affected unit determined as of the rent payment date prior to the Casualty Occurrence; and (y) all rent and other amounts which are then due under this Agreement on the Payment Date (defined below) for the affected unit. The Payment Date shall be the next rent payment date after the Casualty Occurrence. Upon Payment of all sums due hereunder, the term of this lease as to such unit shall terminate.

9. INSURANCE

(a) Lessee shall bear the entire risk of any loss, theft, damage to, or destruction of, any unit of Equipment from any cause whatsoever from the time the Equipment is shipped to Lessee.

(b) Lessee agrees, at its own expense, to keep all Equipment insured for such amounts and against such hazards as Lessor may reasonably require. All such policies shall be with companies, and on terms, reasonably satisfactory to Lessor. The insurance shall include coverage for damage to or loss of the Equipment, liability for personal injuries, death or property damage. Lessor shall be named as additional insured with a loss payable clause in favor of Lessor, as its interest may appear, irrespective of any breach of warranty or other act or omission of Lessee. The insurance shall provide for liability coverage in an amount equal to at least ONE MILLION U.S. DOLLARS (\$1,000,000.00) total liability per occurrence, unless otherwise stated in any Schedule. The casualty/property damage coverage shall be in an amount equal to the higher of the Stipulated Loss Value or the full replacement cost of the Equipment. No insurance shall be subject to any co-insurance clause. The insurance policies may not be altered or canceled by the insurer until after thirty (30) days written notice to Lessor. Lessee agrees to deliver to Lessor evidence of insurance reasonably satisfactory to Lessor.

(c) Lessee hereby appoints Lessor as Lessee's attorney-in-fact to make proof of loss and claim for insurance, and to make adjustments with insurers and to receive payment of and execute or endorse all documents, checks or drafts in connection with insurance payments. Lessor shall not act as Lessee's attorney-in-fact unless Lessee is in default. Lessee shall pay any reasonable expenses of Lessor in adjusting or collecting insurance. Lessee will not make adjustments with insurers except with respect to claims for damage to any unit of Equipment where the repair costs are less than the lesser of ten percent (10%) of the original Equipment cost or ten thousand and 00/100 dollars (\$10,000). Lessor may, at its option, apply proceeds of insurance, in whole or in part, to (i) repair or replace Equipment or any portion thereof, or (ii) satisfy any obligation of Lessee to Lessor under this Agreement.

10. RETURN OF EQUIPMENT

(a) At the expiration or termination of this Agreement or any Schedule, Lessee shall perform any testing and repairs required to place the units of Equipment in the same condition and appearance as when received by Lessee (reasonable wear and tear excepted) and in good working order for the original intended purpose of the Equipment. If required the units of Equipment shall be deinstalled, disassembled and crated by an authorized manufacturer's representative or such other service person as is reasonably satisfactory to Lessor. Lessee shall remove installed markings that are not necessary for the operation, maintenance or repair of the Equipment. All Equipment will be cleaned, cosmetically acceptable, and in such condition as to be immediately installed into use in a similar environment for which the Equipment was originally intended to be used. All waste material and fluid must be removed from the Equipment and disposed of in accordance with then current waste disposal laws. Lessee shall return the units of Equipment to a location within the continental United States as Lessor shall direct. Lessee shall obtain and pay for a policy of transit insurance for the redelivery period in an amount equal to the replacement value of the Equipment. The transit insurance must name Lessor as the loss payee. The Lessee shall pay for all costs to comply with this section (a).

(b) Until Lessee has fully complied with the requirements of Section 10(a) above, Lessee's rent payment obligation and all other obligations under this Agreement shall continue from month to month notwithstanding any expiration or termination of the lease term. Lessor may terminate the Lessee's right to use the Equipment upon ten (10) days notice to Lessee.

(c) Lessee shall provide to Lessor a detailed inventory of all components of the Equipment including model and serial numbers. Lessee shall also provide an up-to-date copy of all other documentation pertaining to the Equipment. All service manuals, blue prints, process flow diagrams, operating manuals, inventory and maintenance records shall be given to Lessor at least ninety (90) days and not more than one hundred twenty (120) days prior to lease termination.

(d) Lessee shall make the Equipment available for on-site operational inspections by potential purchasers at least one hundred twenty (120) days prior to and continuing up to lease termination. Lessor shall provide Lessee with reasonable notice prior to any inspection. Lessee shall provide personnel, power and other requirements necessary to demonstrate electrical, hydraulic and mechanical systems for each item of Equipment.

11. DEFAULT AND REMEDIES

(a) Lessor may in writing declare this Agreement in default if: (1) Lessee breaches its obligation to pay rent or any other sum when due and fails to cure the breach within ten (10) days; (2) Lessee breaches any of its insurance obligations under Section 9; (3) Lessee breaches any of its other obligations and fails to cure that breach within thirty (30) days after written notice from Lessor; (4) any representation or warranty made by Lessee in connection with this Agreement shall be false or misleading in any material respect; (5) Lessee becomes insolvent or ceases to do business as a going concern; (6) any Equipment is illegally used; or (7) a petition is filed by or against Lessee or any Guarantor of Lessee's obligations to Lessor under any bankruptcy or insolvency laws and in the event of an involuntary petition, the petition is not dismissed within forty-five (45) days of the filing date. The default declaration shall apply to all Schedules unless specifically excepted by Lessor.

(b) After a default, at the request of Lessor, Lessee shall comply with the provisions of Section 10(a). Lessee hereby authorizes Lessor to peacefully enter any premises where any Equipment may be and take possession of the Equipment. Lessee shall immediately pay to Lessor without further demand as liquidated damages for loss of a bargain and not as a penalty, the Stipulated Loss Value of the Equipment (calculated as of the rent date next preceding the declaration of default), and all rents and other sums then due under this Agreement and all Schedules. Lessor may terminate this Agreement as to any or all of the Equipment. A termination shall occur only upon written notice by Lessor to Lessee and only as to the units of Equipment specified in any such notice. Lessor may, but shall not be required to, sell Equipment at private or public sale, in bulk or in parcels, with or without notice, and without having the Equipment present at the place of sale. Lessor may also, but shall not be required to, lease, otherwise dispose of or keep idle all or part of the Equipment. Lessor may use Lessee's premises for a reasonable period of time for any or all of the purposes stated above without liability for rent, costs, damages or otherwise. The proceeds of sale, lease or other disposition, if any, shall be applied in the following order of priorities: (1) to pay all of Lessor's costs, charges and expenses incurred in taking, removing, holding, repairing and selling, leasing or otherwise disposing of Equipment; then, (2) to the extent not previously paid by Lessee, to pay Lessor all sums due from Lessee under this Agreement; then (3) to reimburse to Lessee any sums previously paid by Lessee as liquidated damages; and (4) any surplus shall be retained by Lessor. Lessee shall immediately pay any deficiency in (1) and (2) above .

(c) The foregoing remedies are cumulative, and any or all thereof may be exercised instead of or in addition to each other or any remedies at law, in equity, or under statute. Lessee waives notice of sale or other disposition (and the time and place thereof), and the manner and place of any advertising. Lessee shall pay Lessor's actual attorney's fees incurred in connection with the enforcement, assertion, defense or preservation of Lessor's rights and remedies under this Agreement, or if prohibited by law, such lesser sum as may be permitted. Waiver of any default shall not be a waiver of any other or subsequent default.

(d) Any default under the terms of this or any other agreement between Lessor and Lessee may be declared by Lessor a default under this and any such other agreement.

12. ASSIGNMENT: LESSEE SHALL NOT SELL, TRANSFER, ASSIGN, ENCUMBER OR SUBLET ANY EQUIPMENT OR THE INTEREST OF LESSEE IN THE EQUIPMENT WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR. Lessor may, without the consent of Lessee, assign this Agreement, any Schedule or the right to enter into a Schedule. Lessee agrees that if Lessee receives written notice of an assignment from Lessor, Lessee will pay all rent and all other amounts payable under any assigned Schedule to such assignee or as instructed by Lessor. Lessee also agrees to confirm in writing receipt of the notice of assignment as may be reasonably requested by assignee. Lessee hereby waives and agrees not to assert against any such assignee any defense, set-off, recoupment claim or counterclaim which Lessee has or may at any time have against Lessor for any reason whatsoever.

13. NET LEASE Lessee is unconditionally obligated to pay all rent and other amounts due for the entire lease term no matter what happens, even if the Equipment is damaged or destroyed, if it is defective or if Lessee no longer can use it. Lessee is not entitled to reduce or set-off against rent or other amounts due to Lessor or to anyone to whom Lessor assigns this Agreement or any Schedule whether Lessee's claim arises out of this Agreement, any Schedule, any statement by Lessor, Lessor's liability or any manufacturer's liability, strict liability, negligence or otherwise.

14. INDEMNIFICATION

(a) Lessee hereby agrees to indemnify Lessor, its agents, employees, successors and assigns (on an after tax basis) from and against any and all losses, damages, penalties, injuries, claims, actions and suits, including legal expenses, of whatsoever kind and nature arising out of or relating to the Equipment or this Agreement, except to the extent the losses, damages, penalties, injuries, claims, actions, suits or expenses result from Lessor's gross negligence or willful misconduct ("Claims"). This indemnity shall include, but is not limited to, Lessor's strict liability in tort and Claims, arising out of (i) the selection, manufacture, purchase, acceptance or rejection of Equipment, the ownership of Equipment during the term of this Agreement, and the delivery, lease, possession, maintenance, uses, condition, return or operation of Equipment (including, without limitation, latent and other defects, whether or not discoverable by Lessor or Lessee and any claim for patent, trademark or copyright infringement or environmental damage) or (ii)

the condition of Equipment sold or disposed of after use by Lessee, any sublessee or employees of Lessee. Lessee shall, upon request, defend any actions based on, or arising out of, any of the foregoing.

(b) Lessee hereby represents, warrants and covenants that (i) on the Lease Commencement Date for any unit of Equipment, such unit will qualify for all of the items of deduction and credit specified in Section C of the applicable Schedule ("TAX BENEFITS") in the hands of Lessor, and (ii) at no time during the term of this Agreement will Lessee take or omit to take, nor will it permit any sublessee or assignee to take or omit to take, any action (whether or not such act or omission is otherwise permitted by Lessor or by this Agreement), which will result in the disqualification of any Equipment for, or recapture of, all or any portion of such Tax Benefits.

(c) If as a result of a breach of any representation, warranty or covenant of the Lessee contained in this Agreement or any Schedule (1) tax counsel of Lessor shall determine that Lessor is not entitled to claim on its Federal income tax return all or any portion of the Tax Benefits with respect to any Equipment, or (2) any Tax Benefit claimed on the Federal income tax return of Lessor is disallowed or adjusted by the Internal Revenue Service, or (3) any Tax Benefit is recalculated or recaptured (any determination, disallowance, adjustment, recalculation or recapture being a "LOSS"), then Lessee shall pay to Lessor, as an indemnity and as additional rent, an amount that shall, in the reasonable opinion of Lessor, cause Lessor's after-tax economic yields and cash flows to equal the Net Economic Return that would have been realized by Lessor if such Loss had not occurred. Such amount shall be payable upon demand accompanied by a statement describing in reasonable detail such Loss and the computation of such amount. The economic yields and cash flows shall be computed on the same assumptions, including tax rates as were used by Lessor in originally evaluating the transaction ("NET ECONOMIC RETURN"). If an adjustment has been made under Section 3 then the Effective Rate used in the next preceding adjustment shall be substituted.

(d) All references to Lessor in this Section 14 include Lessor and the consolidated taxpayer group of which Lessor is a member. All of Lessor's rights, privileges and indemnities contained in this Section 14 shall survive the expiration or other termination of this Agreement. The rights, privileges and indemnities contained herein are expressly made for the benefit of, and shall be enforceable by Lessor, its successors and assigns.

15. DISCLAIMER: LESSEE ACKNOWLEDGES THAT IT HAS SELECTED THE EQUIPMENT WITHOUT ANY ASSISTANCE FROM LESSOR, ITS AGENTS OR EMPLOYEES. LESSOR DOES NOT MAKE, HAS NOT MADE, NOR SHALL BE DEEMED TO MAKE OR HAVE MADE, ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, WRITTEN OR ORAL, WITH RESPECT TO THE EQUIPMENT LEASED UNDER THIS AGREEMENT OR ANY COMPONENT THEREOF, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY AS TO DESIGN, COMPLIANCE WITH SPECIFICATIONS, QUALITY OF MATERIALS OR WORKMANSHIP, MERCHANTABILITY, FITNESS FOR ANY PURPOSE, USE OR OPERATION, SAFETY, PATENT, TRADEMARK OR COPYRIGHT INFRINGEMENT, OR TITLE. All such risks, as between Lessor and Lessee, are to be borne by Lessee. Without limiting the foregoing, Lessor shall have no responsibility or liability to Lessee or any other person with respect to any of the following (1) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Equipment, any inadequacy thereof, any deficiency or defect (latent or otherwise) of the Equipment, or any other circumstance in connection with the Equipment; (2) the use, operation or performance of any Equipment or any risks relating to it; (3) any interruption of service, loss of business or anticipated profits or consequential damages; or (4) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Equipment. If, and so long as, no default exists under this Lease, Lessee shall be, and hereby is, authorized during the term of this Lease to assert and enforce whatever claims and rights Lessor may have against any Supplier of the Equipment at Lessee's sole cost and expense, in the name of and for the account of Lessor and/or Lessee, as their interests may appear.

16. REPRESENTATIONS AND WARRANTIES OF LESSEE Lessee makes each of the following representations and warranties to Lessor on the date hereof and on the date of execution of each Schedule.

(a) Lessee has adequate power and capacity to enter into, and perform under, this Agreement and all related documents (together, the "DOCUMENTS"). Lessee is duly qualified to do business wherever necessary to carry on its present business and operations, including the jurisdiction(s) where the Equipment is or is to be located.

(b) The Documents have been duly authorized, executed and delivered by Lessee and constitute valid, legal and binding agreements, enforceable in accordance with their terms, except to the extent that the enforcement of remedies may be limited under applicable bankruptcy and insolvency laws.

(c) No approval, consent or withholding of objections is required from any governmental authority or entity with respect to the entry into or performance by Lessee of the Documents except such as have already been obtained.

(d) The entry into and performance by Lessee of the Documents will not: (i) violate any judgment, order, law or regulation applicable to Lessee or any provision of Lessee's Certificate of Incorporation or bylaws; or (ii) result in any breach of, constitute a default under or result in the creation of any lien, charge, security interest or other encumbrance upon any Equipment pursuant to any indenture, mortgage, deed of trust, bank loan or credit agreement or other instrument (other than this Agreement) to which Lessee is a party.

(e) There are no suits or proceedings pending or threatened in court or before any commission, board or other administrative agency against or affecting Lessee, which if decided against Lessee will have a material adverse effect on the ability of Lessee to fulfill its obligations under this Agreement.

(f) The Equipment accepted under any Certificate of Acceptance is and will remain tangible personal property.

(g) Each financial statement delivered to Lessor has been prepared in accordance with generally accepted accounting principles consistently applied. Since the date of the most recent financial statement, there has been no material adverse change.

(h) Lessee is and will be at all times validly existing and in good standing under the laws of the State of its incorporation (specified in the first sentence of this Agreement).

(i) The Equipment will at all times be used for commercial or business purposes.

17. EARLY TERMINATION

(a) On or after the First Termination Date (specified in the applicable Schedule), Lessee may, so long as no default exists hereunder, terminate this Agreement as to all (but not less than all) of the Equipment on such Schedule as of a rent payment date ("TERMINATION DATE"). Lessee must give Lessor at least ninety (90) days prior written notice of the termination.

(b) Lessee shall, and Lessor may, solicit cash bids for the Equipment on an AS IS, WHERE IS BASIS without recourse to or warranty from Lessor, express or implied ("AS IS BASIS"). Prior to the Termination Date, Lessee shall (i) certify to Lessor any bids received by Lessee and (ii) pay to Lessor (A) the Termination Value (calculated as of the rent due on the Termination Date) for the Equipment, and (B) all rent and other sums due and unpaid as of the Termination Date.

(c) If all amounts due hereunder have been paid on the Termination Date, Lessor shall (i) sell the Equipment on an AS IS BASIS for cash to the highest bidder and (ii) refund the proceeds of such sale (net of any related expenses) to Lessee up to the amount of the Termination Value. If such sale is not consummated, no termination shall occur and Lessor shall refund the Termination Value (less any expenses incurred by Lessor) to Lessee.

(d) Notwithstanding the foregoing, Lessor may elect by written notice, at any time prior to the Termination Date, not to sell the Equipment. In that event, on the Termination Date Lessee shall (i) return the Equipment (in accordance with Section 10) and (ii) pay to Lessor all amounts required under Section 17(b) less the amount of the highest bid certified by Lessee to Lessor.

18. PURCHASE OPTION

(a) Lessee may at lease expiration purchase all (but not less than all) of the Equipment in any Schedule on an AS IS BASIS for cash equal to its then Fair Market Value (plus all applicable sales taxes). Lessee must notify Lessor of its intent to purchase the Equipment in writing at least one hundred eighty (180) days in advance. If Lessee is in default or if the Lease has already been terminated Lessee may not purchase the Equipment.

(b) "Fair Market Value" shall mean the price that a willing buyer (who is neither a lessee in possession nor a used equipment dealer) would pay for the Equipment in an arm's-length transaction to a willing seller under no compulsion to sell. In determining the Fair Market Value the Equipment shall be assumed to be in the condition in which it is required to be maintained and returned under this Agreement. If the Equipment is installed it shall be valued on an installed basis. The costs of removal from current location shall not be a deduction from the value of the Equipment. If Lessor and Lessee are unable to agree on the Fair Market Value at least one hundred thirty-five (135) days before lease expiration, Lessor shall appoint an independent appraiser (reasonably acceptable to Lessee) to determine Fair Market Value. The independent appraiser's determination shall be final, binding and conclusive. Lessee shall bear all costs associated with any such appraisal.

(c) Lessee shall be deemed to have waived this option unless it provides Lessor with written notice of its irrevocable election to exercise the same within fifteen (15) days after Fair Market Value is told to Lessee.

19. MISCELLANEOUS

(a) LESSEE AND LESSOR UNCONDITIONALLY WAIVE THEIR RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, ANY OF THE RELATED DOCUMENTS, ANY DEALINGS BETWEEN LESSEE AND LESSOR RELATING TO THE SUBJECT MATTER OF THIS TRANSACTION OR ANY RELATED TRANSACTIONS, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED BETWEEN LESSEE AND LESSOR. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. THIS WAIVER IS IRREVOCABLE. THIS WAIVER MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING. THE WAIVER ALSO SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, ANY RELATED DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THIS TRANSACTION OR ANY RELATED TRANSACTION. THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(b) The Equipment shall remain Lessor's property unless Lessee purchases the Equipment from Lessor and until such time Lessee shall only have the right to use the Equipment as a lessee. Any cancellation or termination by Lessor of this Agreement, any Schedule, supplement or amendment hereto, or the lease of any Equipment hereunder shall not release Lessee from any then outstanding obligations to Lessor hereunder. All Equipment shall at all times remain personal property of Lessor even though it may be attached to real property. The Equipment shall not become part of any other property by reason of any installation in, or attachment to, other real or personal property.

(c) Time is of the essence of this Agreement. Lessor's failure at any time to require strict performance by Lessee of any of the provisions hereof shall not waive or diminish Lessor's right at any other time to demand strict compliance with this Agreement. Lessee agrees, upon Lessor's request, to execute any instrument necessary or expedient for filing, recording or perfecting the interest of Lessor. All notices required to be given hereunder shall be deemed adequately given if sent by registered or certified mail to the addressee at its address stated herein, or at such other place as such addressee may have specified in writing. This Agreement and any Schedule and Annexes thereto constitute the entire agreement of the parties with respect to the subject matter hereof. NO VARIATION OR MODIFICATION OF THIS AGREEMENT OR ANY WAIVER OF ANY OF ITS PROVISIONS OR CONDITIONS, SHALL BE VALID UNLESS IN WRITING AND SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE PARTIES HERETO.

(d) If Lessee does not comply with any provision of this Agreement, Lessor shall have the right, but shall not be obligated, to effect such compliance, in whole or in part. All reasonable amounts spent and obligations incurred or

assumed by Lessor in effecting such compliance shall constitute additional rent due to Lessor. Lessee shall pay the additional rent within five days after the date Lessor sends notice to Lessee requesting payment. Lessor's effecting such compliance shall not be a waiver of Lessee's default.

(e) Any rent or other amount not paid to Lessor when due shall bear interest, from the due date until paid, at the lesser of eighteen percent (18%) per annum or the maximum rate allowed by law. Any provisions in this Agreement and any Schedule that are in conflict with any statute, law or applicable rule shall be deemed omitted, modified or altered to conform thereto.

(f) Adjustment to Capitalized Lessor's Cost. Lessee hereby irrevocably authorizes Lessor to adjust the Capitalized Lessor's Cost up or down by no more than ten percent (10%) within each Schedule to account for equipment change orders, equipment returns, invoicing errors, and similar matters. Lessee acknowledges and agrees that the rent shall be adjusted as a result of the change in the Capitalized Lessor's Cost. Lessor shall send Lessee a written notice stating the final Capitalized Lessor's Cost, if it has changed.

(g) THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF CONNECTICUT (WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES OF SUCH STATE), INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, REGARDLESS OF THE LOCATION OF THE EQUIPMENT.

(h) Any cancellation or termination by Lessor, pursuant to the provision of this Agreement, any Schedule, supplement or amendment hereto, of the lease of any Equipment hereunder, shall not release Lessee from any then outstanding obligations to Lessor hereunder.

(i) To the extent that any Schedule would constitute chattel paper, as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction, no security interest therein may be created through the transfer or possession of this Agreement in and of itself without the transfer or possession of the original of a Schedule executed pursuant to this Agreement and incorporating this Agreement by reference; and no security interest in this Agreement and a Schedule may be created by the transfer or possession of any counterpart of the Schedule other than the original thereof, which shall be identified as the document marked "Original" and all other counterparts shall be marked "Duplicate".

IN WITNESS WHEREOF, Lessee and Lessor have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

LESSOR:
GENERAL ELECTRIC CAPITAL CORPORATION
By: _____
Name: _____
Title: _____

LESSEE:
ROADWAY EXPRESS, INC.
By: _____
Name: _____
Title: _____

(OVER THE ROAD) TRACTOR SCHEDULE
SCHEDULE NO. 001
DATED THIS JULY 24, 1998
TO MASTER LEASE AGREEMENT
DATED AS OF JULY 1, 1998

LESSOR & MAILING ADDRESS:

GENERAL ELECTRIC CAPITAL CORPORATION
1787 SENTRY PARKWAY/WEST
16 SENTRY PARK/WEST, SUITE 200
BLUE BELL, PA 19422

LESSEE & MAILING ADDRESS:

ROADWAY EXPRESS, INC.
1077 GORGE BLVD.
AKRON, OH 44310

Capitalized terms not defined herein shall have the meanings assigned to them in the Master Lease Agreement identified above ("AGREEMENT"; the Agreement as it relates to this Schedule, together with this Schedule being collectively referred to as "LEASE").

A. EQUIPMENT: Subject to the terms and conditions of the Lease, Lessor agrees to Lease to Lessee the Equipment described below (the "EQUIPMENT").

NUMBER OF UNITS	CAPITALIZED LESSORS COST	MANUFACTURER	SERIAL NUMBER	MODEL AND TYPE OF EQUIPMENT
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SEE ATTACHED ANNEX Z

Equipment immediately listed above is located at: 1077 Gorge Blvd., Akron, SUMMIT County, OH 44310

B. FINANCIAL TERMS (FINANCIAL TERMS ARE DEFINED ON ANNEX Z ATTACHED HERETO AND FORMING A PART HEREOF)

1. Advance Rent (if any): COLUMN A OF ANNEX Z
2. Capitalized Lessor's Cost: COLUMN B OF ANNEX Z
3. Basic Term (No. of Months): 42 Months.
4. Basic Term Lease Rate Factor: COLUMN D OF ANNEX Z
5. Basic Term Commencement Date: COLUMN F OF ANNEX Z
6. Lessee Federal Tax ID No.: 34-0492670
7. Last Delivery Date: JULY 24, 1998
8. Daily Lease Rate Factor: COLUMN E OF ANNEX Z
9. First Termination Date: THIRTY-SIX (36) months after the Basic Term Commencement Date.
10. Interim Rent: For the period from and including the Lease Commencement Date to but not including the Basic Term Commencement Date ("Interim Period"), Lessee shall pay as rent ("Interim Rent") for each unit of Equipment, the product of the Daily Lease Rate Factor times the Capitalized Lessor's Cost of such unit times the number of days in the Interim Period. Interim Rent shall be due on AUGUST 5, 1998.
11. Basic Term Rent. Commencing on AUGUST 5, 1998 and on the same day of each month thereafter (each, a "Rent Payment Date") during the Basic Term, Lessee shall pay as rent ("Basic Term Rent") the product of the Basic Term Lease Rate Factor times the Capitalized Lessor's Cost of all Equipment on this Schedule.

C. TAX BENEFITS Depreciation Deductions:

1. Depreciation method is the 200% declining balance method, switching to straight line method for the 1st taxable year for which using the straight line method with respect to the adjusted basis as of the beginning of such year will yield a larger allowance.
2. Recovery Period: THREE (3) YEARS.
3. Basis: 100% of Capitalized Lessors Cost.

D. PROPERTY TAX

PROPERTY TAX NOT APPLICABLE ON EQUIPMENT LOCATED IN AKRON OH.

Lessor may notify Lessee (and Lessee agrees to follow such notification) regarding any changes in property tax reporting and payment responsibilities.

E. ARTICLE 2A NOTICE

IN ACCORDANCE WITH THE REQUIREMENTS OF ARTICLE 2A OF THE UNIFORM COMMERCIAL CODE AS ADOPTED IN THE APPLICABLE STATE, LESSOR HEREBY MAKES THE FOLLOWING DISCLOSURES TO LESSEE PRIOR TO EXECUTION OF THE LEASE, (A) THE PERSON(S) SUPPLYING THE EQUIPMENT IS VOLVO TRUCKS NORTH AMERICA, INC. (THE "SUPPLIER(S)"), (B) LESSEE IS ENTITLED TO THE PROMISES AND WARRANTIES, INCLUDING THOSE OF ANY THIRD PARTY, PROVIDED TO THE LESSOR BY SUPPLIER(S), WHICH IS SUPPLYING THE EQUIPMENT IN CONNECTION WITH OR AS

PART OF THE CONTRACT BY WHICH LESSOR ACQUIRED THE EQUIPMENT AND (C) WITH RESPECT TO SUCH EQUIPMENT, LESSEE MAY COMMUNICATE WITH SUPPLIER(S) AND RECEIVE AN ACCURATE AND COMPLETE STATEMENT OF SUCH PROMISES AND WARRANTIES, INCLUDING ANY DISCLAIMERS AND LIMITATIONS OF THEM OR OF REMEDIES. TO THE EXTENT PERMITTED BY APPLICABLE LAW, LESSEE HEREBY WAIVES ANY AND ALL RIGHTS AND REMEDIES CONFERRED UPON A LESSEE IN ARTICLE 2A AND ANY RIGHTS NOW OR HEREAFTER CONFERRED BY STATUTE OR OTHERWISE WHICH MAY LIMIT OR MODIFY ANY OF LESSOR'S RIGHTS OR REMEDIES UNDER THE DEFAULT AND REMEDIES SECTION OF THE AGREEMENT.

F. STIPULATED LOSS AND TERMINATION VALUE TABLE*

RENTAL NUMBER	TERMINATION VALUE %	STIPULATED LOSS VALUE %	RENTAL NUMBER	TERMINATION VALUE %	STIPULATED LOSS VALUE %
1	103.587	100.000	22	74.285	71.964
2	102.342	99.431	23	72.746	70.455
3	101.079	98.197	24	71.198	68.937
4	99.805	96.95	25	69.640	67.408
5	98.513	95.690	26	68.072	65.870
6	97.203	94.410	27	66.496	64.324
7	95.883	93.120	28	64.909	62.766
8	94.552	91.818	29	63.314	61.200
9	93.204	90.500	30	61.709	59.625
10	91.839	89.164	31	60.094	58.040
11	90.456	87.811	32	58.468	56.443
12	89.056	86.440	33	56.835	54.839
13	87.646	85.059	34	55.195	53.229

14	86.217	83.661	35	53.549	51.613
15	84.772	82.245	36	51.897	49.990
16	83.316	80.818	37	50.233	48.356
17	81.842	79.374	38	48.563	46.715
18	80.351	77.912	39	46.886	45.068
19	78.849	76.440	40	45.198	43.409
20	77.336	74.957	41	43.503	41.744
21	75.815	73.465	42	41.802	40.073

*The Stipulated Loss Value or Termination Value for any unit of Equipment shall be the Capitalized Lessor's Cost of such unit multiplied by the appropriate percentage derived from the above table. In the event that the Lease is for any reason extended, then the last percentage figure shown above shall control throughout any such extended term.

G. MODIFICATIONS AND ADDITIONS FOR THIS SCHEDULE ONLY

For purposes of this Schedule only, Section 8 of the Agreement is amended as follows:

The phrase "prior to" located after the phrase "as of the rent payment date" and before the phrase "the Casualty Occurrence" is deleted and the phrase "succeeding" is substituted in its place.

EQUIPMENT SPECIFIC PROVISIONS

The first sentence of the REPORTS Section subsection (d) of the Lease shall be deleted in its entirety and the following substituted in its stead:

For purposes of this Schedule only, the Agreement is amended as follows:

1. Section V shall be amended by adding the following as subsection (g) thereof:

(g) Lessee shall make available to Lessor, upon Lessor's request, Lessee's computer mileage tracking reports.

2. Section VI(b) shall be amended to add the following sentence at the end thereof:

Lessee will allow only qualified, properly-licensed personnel selected, employed or controlled by Lessee to operate the Equipment.

3. Section XI(a) shall be amended by adding the following at the end thereof:

Without limiting the foregoing, upon return, each unit of Equipment must be clean, in good appearance and in roadworthy condition and, in order to comply with the requirements of clause (i) hereof, shall meet all of the following conditions:

(a) Tires: All tires shall be of the same type (not necessarily the same brand name), tread and design as on the Basic Term Commencement Date, have an average remaining depth of 10/32 inches with no tire less than DOT minimum requirements and shall not be out of round. All front tires shall be original casings with no cross lugs. Rear tires may be either casings or recapped casings.

(b) Mileage: Average annual mileage for all units shall not exceed 150,000 miles. Should mileage exceed this limit, Lessee agrees to pay a mileage surcharge of Four Cents (\$0.04) per mile, times the number of units of Equipment redelivered for each excess mile. All mileage determinations shall be based upon Lessee's computer tracking reports.

(c) Mechanical Power Train: (i) Lessee shall repair to Lessor's reasonable satisfaction any Unit of Equipment which has engine knock, is smoking, is misfiring, has abnormal engine vibration, or leakage, (ii) there shall be no cracked cylinder heads or engine blocks, (iii) Excess blow-by, exhaust system leakage or oil leakage, (iv) the transmission and rear axles shall be capable of pulling loads to their full rated capacity, (v) there shall be no transmission, drive axle or wheel hub oil leaks and (vi) there shall be no slipping or grabbing clutch.

(d) General Condition: With respect to each unit, no glass shall be broken, or cracked, no upholstery shall have any cut, or burn, there shall be no physical damage as a result of an accident to exterior or interior materials that exceeds \$250, all decals, numbers, customer identification, glue and adhesives shall have been removed from Equipment. Cooling and lubrication systems shall not be contaminated and there shall be no leaking between systems, no battery shall have any dead cell, cracked case or be inoperative, all brake lining shall have an average of 10/32 inches remaining wear with no brake less than DOT minimum requirements and no brake drum shall be cracked.

(e) Documents and Records: Upon return of a unit or units of Equipment, each such unit shall meet applicable ICC requirements, and, shall have passed applicable DOT inspections and shall have a current DOT certificate, shall have proof of payment of any applicable ad valorem tax, shall have all tax receipts including Federal Highway Use Tax Form 2290 and Schedule I, and shall have a copy of the vehicle maintenance records, and make such records available upon Lessor's request.

(f) Inspections:

(i) Not more than 90 days prior to return of Equipment, during regular working hours, Lessee must make the Equipment available to Lessor or Lessors agent so walk-around appraisals can be conducted.

(ii) Determination for testing and appraisal with necessary reconditioning to meet acceptable surrender conditions shall be done by Lessor (or its agent) and Lessee jointly.

(g) Redelivery: Units shall be redelivered to WINSTON-SALEM NC, MEMPHIS TN, CINCINNATI OH, DALLAS TX, ADELANTO CA, ATLANTA GA, CHICAGO IL, with not more than 60 unit(s) delivered to any one location.

H. PAYMENT AUTHORIZATION

You are hereby irrevocably authorized and directed to deliver and apply the proceeds due under this Schedule as follows:

COMPANY NAME	ADDRESS	AMOUNT
- - - - -	- - - - -	- - - - -
Volvo Trucks North America, Inc.	7900 National Service Road Greensboro, NC 27402-6115	\$3,418,979.00

This authorization and direction is given pursuant to the same authority authorizing the above-mentioned financing.

I. MODIFICATIONS AND ADDITIONS FOR ALL SCHEDULES

For the purposes of this Schedule, and for every other Schedule executed and delivered by Lessee pursuant to the Agreement, including those entered into by Lessee and Lessor after this date, the Agreement is amended as follows:

Section III of Master Lease Agreement has been deleted in its entirety.

Except as expressly modified hereby, all terms and provisions of the Agreement shall remain in full force and effect. This Schedule is not binding or effective with respect to the Agreement or Equipment until executed on behalf of Lessor and Lessee by authorized representatives of Lessor and Lessee, respectively.

IN WITNESS WHEREOF, Lessee and Lessor have caused this Schedule to be executed by their duly authorized representatives as of the date first above written.

LESSOR:
GENERAL ELECTRIC CAPITAL CORPORATION

LESSEE:
ROADWAY EXPRESS, INC.

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

ATTEST

By: _____

Name: _____

MASTER LEASE AGREEMENT
Dated as of May 10, 1999 ("Agreement")

THIS AGREEMENT, is between ICX Corporation, its successors and permitted assignees, if any, ("Lessor") and Roadway Express, Inc. ("Lessee"). Lessor has an office at 3 Summit Park Drive, Suite 200, Cleveland, OH 44131. Lessee is a corporation organized and existing under the laws of the State of Delaware. Lessee's mailing address and chief place of business is 1077 Gorge Blvd., Akron, OH 44310. This Agreement contains the general terms that apply to the leasing of Equipment from Lessor to Lessee. Additional terms that apply to the Equipment (term, rent, options, etc.) shall be contained on a schedule ("Schedule"). A form of the Schedule is attached.

1. LEASING

(a) Lessor agrees to lease to Lessee, and Lessee agrees to lease from Lessor the equipment ("Equipment") described in any Schedule signed by both parties.

(b) Lessor shall purchase Equipment from the manufacturer or supplier ("Supplier") and lease it to Lessee when Lessor receives (i) a Schedule for the Equipment, (ii) evidence of insurance which complies with the requirements of Section 9, and (iii) such other documents as Lessor may reasonably request. Each of the documents required above must be in form and substance satisfactory to Lessor. Lessor hereby appoints Lessee its agent for inspection and acceptance of the Equipment from the Supplier. Once the Schedule is signed, the Lessee may not cancel the Schedule.

2. TERM, RENT AND PAYMENT

(a) The rent payable for the Equipment and Lessee's right to use the Equipment shall begin on the earlier of (i) the date when the Lessee signs the Schedule and accepts the Equipment or (ii) when Lessee has accepted the Equipment under a Certificate of Acceptance ("Lease Commencement Date"). The term of this Agreement shall be the period specified in the applicable Schedule. The word "term" shall include all basic and any renewal terms.

(b) Lessee shall pay rent to Lessor at its address stated above, except as otherwise directed by Lessor. Rent payments shall be in the amount set forth in, and due as stated in the applicable Schedule. If any Advance Rent (as stated in the Schedule) is payable, it shall be due when the Lessee signs the Schedule. Advance Rent shall be applied to the first rent payment and the balance, if any, to the final rent payment(s) under such Schedule. In no event shall any Advance Rent or any other rent payments be refunded to Lessee. If rent is not paid within ten (10) days of its due date, Lessee agrees to pay a late charge of one cent (\$.01) per dollar on, and in addition to, the amount of such rent but not exceeding the lawful maximum, if any.

(c) Lessor shall not disturb Lessee's quiet enjoyment of the Equipment during the term of the Agreement unless a default has occurred and is continuing under this Agreement.

3. [Intentionally omitted]

4. [Intentionally omitted]

5. REPORTS

(a) If any tax or other lien shall attach to any Equipment, Lessee will notify Lessor in writing, within ten (10) days after Lessee becomes aware of the tax or lien. The notice shall include the full particulars of the tax or lien and the location of such Equipment on the date of the notice.

(b) Lessee will deliver to Lessor, Lessee's complete financial statements, certified by a recognized firm of certified public accountants within ninety (90) days of the close of each fiscal year of Lessee. Lessee will deliver to Lessor copies of Lessee's quarterly financial report certified by the chief financial officer of Lessee, within ninety (90) days of the close of each fiscal quarter of Lessee. Lessee will deliver to Lessor all Forms 10-K and 10-Q, if any, filed with the Securities and Exchange Commission within thirty (30) days after the date on which they are filed.

(c) Lessor may inspect any Equipment during normal business hours after giving Lessee reasonable prior notice.

(d) Lessee will keep the Equipment at the Equipment Location (specified in the applicable Schedule) and will give Lessor prior written notice of any relocation of Equipment. If Lessor asks, Lessee will promptly notify Lessor in writing of the location of any Equipment.

(e) If any Equipment is lost or damaged (where the estimated repair costs would exceed thirty thousand and 00/100 dollars (\$30,000)), or is otherwise involved in an accident causing personal injury or property damage, Lessee will promptly and fully report the event to Lessor in writing.

6. DELIVERY, USE AND OPERATION

(a) All Equipment shall be shipped directly from the Supplier to Lessee.

(b) Lessee agrees that the Equipment will be used by Lessee solely in the conduct of its business and in a manner complying with all applicable laws, regulations and insurance policies and Lessee shall not discontinue use of the Equipment.

(c) Lessee will not move any equipment from the location specified on the Schedule, without the prior written consent of Lessor.

(d) Lessee will keep the Equipment free and clear of all liens and encumbrances other than those which result from acts of Lessor.

7. MAINTENANCE

(a) Lessee will, at its sole expense, maintain each unit of Equipment in good operating order and repair, normal wear and tear excepted. The Lessee shall also maintain the Equipment in accordance with manufacturer's recommendations. Lessee shall make all alterations or modifications required to comply with any applicable law, rule or regulation during the term of this Agreement. In the event of a default hereunder, if Lessor requests, Lessee shall affix plates, tags or other identifying labels showing ownership thereof by Lessor.

(b) Lessee will not attach or install anything on any Equipment that will impair the originally intended function or use of such Equipment without the prior consent of Lessor. All additions, parts, supplies, accessories, and equipment ("Additions") furnished or attached to any Equipment that are not readily removable shall become the property of Lessor. All Additions shall be made only in compliance with applicable law. Lessee will not attach or install any Equipment to or in any other personal or real property without the prior written consent of Lessor.

8. STIPULATED LOSS VALUE

If for any reason any unit of Equipment becomes worn out, lost, stolen, destroyed, irreparably damaged or unusable ("Casualty Occurrences") Lessee shall promptly and fully notify Lessor in writing. Lessee shall pay Lessor the sum of (x) the Stipulated Loss Value (see Schedule) of the affected unit determined as of the rent payment date succeeding the Casualty Occurrence; and (y) all rent and other amounts which are then due under this Agreement on the Payment Date (defined below) for the affected unit. The Payment Date shall be the next rent payment date after the Casualty Occurrence. Upon payment of all sums due hereunder, the term of this lease as to such unit shall terminate.

9. INSURANCE

(a) Lessee shall bear the entire risk of any loss, theft, damage to, or destruction of, any unit of Equipment from any cause whatsoever from the time the Equipment is shipped to Lessee.

(b) Lessee agrees, at its own expense, to keep all Equipment insured for such amounts and against such hazards as Lessor may reasonably require. All such policies shall be with companies, and on terms, reasonably satisfactory to Lessor. The insurance shall include coverage for damage to or loss of the Equipment, liability for personal injuries, death or property damage. Lessor shall be named as additional insured with a loss payable clause in favor of Lessor, as its interest may appear, irrespective of any breach of warranty or other act or omission of Lessee. The insurance shall provide for liability coverage in an amount equal to at least ONE MILLION U.S. DOLLARS (\$1,000,000.00) total liability per occurrence, unless otherwise stated in any Schedule. The casualty/property damage coverage shall be in an amount equal to the higher of the Stipulated Loss Value or the full replacement cost of the Equipment. No insurance shall be subject to any co-insurance clause. The insurance policies may not be altered or canceled by the insurer until after thirty (30) days written notice to Lessor. Lessee agrees to deliver to Lessor evidence of insurance reasonably satisfactory to Lessor.

(c) Lessee hereby appoints Lessor as Lessee's attorney-in-fact to make proof of loss and claim for insurance, and to make adjustments with insurers and to receive payment of and execute or endorse all documents, checks or drafts in connection with insurance payments. Lessor shall not act as Lessee's attorney-in-fact unless Lessee is in default. Lessee shall pay any reasonable expenses of Lessor in adjusting or collecting insurance. Lessee will not make adjustments with insurers except with respect to claims for damage to any unit of Equipment where the repair costs exceed the greater of ten percent (10%) of the original Equipment cost or ten thousand and 00/100 dollars (\$10,000). Lessor may, at its option, apply proceeds of insurance, in whole or in part, to (i) repair or replace Equipment or any portion thereof, or (ii) satisfy any obligation of Lessee to Lessor under this Agreement. In the event of a total loss of a unit of Equipment, upon payment of all sums due hereunder, the term of this lease as to such unit shall terminate and Lessee shall be entitled to recover possession of such unit.

10. RETURN OF EQUIPMENT

(a) At the expiration or termination of this Agreement or any Schedule, Lessee shall perform any repairs required to place the units of Equipment in the same condition and appearance as when received by Lessee (reasonable wear and tear excepted) and in good working order for the original intended purpose of the Equipment. If required the units of Equipment shall be deinstalled, disassembled and crated by an authorized manufacturer's representative or such other service person as is reasonably satisfactory to Lessor. Lessee shall remove installed markings that are not necessary for the operation, maintenance or repair of the Equipment. All Equipment will be cleaned, cosmetically acceptable, and in such condition as to be immediately installed into use in a similar environment for which the Equipment was originally intended to be used. All waste material and fluid must be removed from the Equipment and disposed of in accordance with then current waste disposal laws. Lessee shall return the units of Equipment to a location within the continental United States as Lessor shall direct. Lessee shall obtain and pay for a policy of transit insurance for the redelivery period in an amount equal to the replacement value of the Equipment. The transit insurance must name Lessor as the loss payee. The Lessee shall pay for all costs to comply with this section (a).

(b) Until Lessee has fully complied with the requirements of Section 10(a) above, Lessee's rent payment obligation and all other obligations under this Agreement shall continue from month to month notwithstanding any expiration or termination of the lease term. Upon ninety (90) days prior written notice to Lessor, Lessee may elect to continue leasing the units on a short-term basis for a period not to exceed ninety (90) days from the end of the lease (the "Short Term Renewal"). The monthly lease rate factor will be based upon the then fair market value. The first post termination rental in advance hereunder is due thirty (30) days from Lease Expiration. Upon expiration of the initial lease term or the Short Term Renewal, if any, the lease shall renew on a month-to-month basis at the monthly rental last due prior to such expiration until terminated by either party upon not less than ninety (90) days prior written notice.

(c) Lessee shall provide to Lessor a detailed inventory of all components of the Equipment including model and serial numbers. Lessee shall also provide an up-to-date copy of all other documentation pertaining to the Equipment. All service manuals, blue prints, process flow diagrams, operating manuals, inventory and maintenance records shall be available to Lessor at least ninety (90) days and not more than one hundred twenty (120) days prior to lease termination.

(d) Lessee shall make the Equipment available for on-site operational inspections by potential purchasers at least one hundred twenty (120) days prior to and continuing up to lease termination. Lessor shall provide Lessee with reasonable notice prior to any inspection. Lessee shall provide personnel, power and other requirements necessary to demonstrate electrical, hydraulic and mechanical systems for each item of Equipment.

11. DEFAULT AND REMEDIES

(a) Lessor may in writing declare this Agreement in default if: (1) Lessee breaches its obligation to pay rent or any other sum when due and fails to cure the breach within ten (10) days; (2) Lessee breaches any of its insurance obligations under Section 9; (3) Lessee breaches any of its other obligations and fails to cure that breach within thirty (30) days after written notice from Lessor; (4) any representation or warranty made by Lessee in connection with this Agreement shall be false or misleading in any material respect; (5) Lessee becomes insolvent or ceases to do business as a going concern; (6) any Equipment is illegally used; (7) Lessee breaches any covenant set forth in the Tax Indemnity Agreement dated as of May 10, 1999, between Lessee and Lessor, and such breach is not cured within thirty (30) days of Lessee's receipt of written notice of such breach; or (8) a petition is filed by or against Lessee or any Guarantor of Lessee's obligations to Lessor under any bankruptcy or insolvency laws and in the event of an involuntary petition, the petition is not dismissed within forty-five (45) days of the filing date.

(b) After a default, at the request of Lessor, Lessee shall comply with the provisions of Section 10(a). Lessee hereby authorizes Lessor to peacefully enter any premises where any Equipment may be and take possession of the Equipment. Lessee shall immediately pay to Lessor without further demand as liquidated damages for loss of a bargain and not as a penalty, the Stipulated Loss Value of the Equipment (calculated as of the rent date next preceding the declaration of default), and all rents and other sums then due under this Agreement and all Schedules. Lessor may terminate this Agreement as to any or all of the Equipment. A termination shall occur only upon written notice by Lessor to Lessee and only as to the units of Equipment specified in any such notice. Lessor may, but shall not be required to, sell Equipment at private or public sale, in bulk or in parcels, with or without notice, and without having the Equipment present at the place of sale. Lessor may also, but shall not be required to, lease, otherwise dispose of or keep idle all or part of the Equipment. Lessor may use Lessee's premises for a reasonable period of time for any or all of the purposes stated above without liability for rent, costs, damages or otherwise. The proceeds of sale, lease or other disposition, if any, shall be applied in the following order of priorities: (1) to pay all of Lessor's costs, charges and expenses incurred in taking, removing, holding, repairing and selling, leasing or otherwise disposing of Equipment; then, (2) to the extent not previously paid by Lessee, to pay Lessor all sums due from Lessee under this Agreement; then (3) to reimburse to Lessee any sums previously paid by Lessee as liquidated damages; and (4) any surplus shall be retained by Lessor. Lessee shall immediately pay any deficiency in (1) and (2) above.

(c) The foregoing remedies are cumulative, and any or all thereof may be exercised instead of or in addition to each other or any remedies at law, in equity, or under statute. Lessee waives notice of sale or other disposition (and the time and place thereof), and the manner and place of any advertising. Lessee shall pay Lessor's actual attorney's fees incurred in connection with the enforcement, assertion, defense or preservation of Lessor's rights and remedies under this Agreement, or if prohibited by law, such lesser sum as may be permitted. Waiver of any default shall not be a waiver of any other or subsequent default.

12. ASSIGNMENT: LESSEE SHALL NOT SELL, TRANSFER, ASSIGN, ENCUMBER OR SUBLET ANY EQUIPMENT OR THE INTEREST OF LESSEE IN THE EQUIPMENT WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR. Lessor may, without the consent of Lessee, assign this Agreement or any Schedule as collateral security in order to finance the transaction. Lessor may also so assign this Agreement or any Schedule and sell the Equipment to another party with the prior consent of Lessee. Lessee agrees that if Lessee receives written notice of an assignment from Lessor, Lessee will pay all rent and all other amounts payable under any assigned

Schedule to such assignee or as instructed by Lessor. Lessee also agrees to confirm in writing receipt of this notice of assignment as may be reasonably requested by assignee. Lessee hereby waives and agrees not to assert against any such assignee any defense, set-off, recoupment claim or counterclaim which Lessee has or may at any time have against Lessor for any reason whatsoever (but Lessee specifically retains the right to assert any such claim directly against Lessor).

13. NET LEASE: Lessee is unconditionally obligated to pay all rent and other amounts due for the entire lease term no matter what happens, even if the Equipment is damaged or destroyed, if it is defective or if Lessee no longer can use it, except as provided in Section 8. Lessee is not entitled to reduce or set-off against rent or other amounts due to Lessor or to anyone to whom Lessor assigns this Agreement or any Schedule whether Lessee's claim arises out of this Agreement, any Schedule, any statement by Lessor, Lessor's liability or any manufacturer's liability, strict liability, negligence or otherwise.

14. INDEMNIFICATION: Lessee hereby agrees to indemnify Lessor, its agents, employees, successors and assigns (on an after tax basis) from and against any and all losses, damages, penalties, injuries, claims, actions and suits, including legal expenses, of whatsoever kind and nature arising out of or relating to the Equipment or this Agreement, except to the extent the losses, damages, penalties, injuries, claims, actions, suits or expenses result from Lessor's gross negligence or willful misconduct ("Claims"). This indemnity shall include, but is not limited to, Lessor's strict liability in tort and Claims, arising out of (i) the selection, manufacture, purchase, acceptance or rejection of Equipment, the ownership of Equipment during the term of this Agreement, and the delivery, lease, possession, maintenance, uses, condition, return or operation of Equipment (including, without limitation, latent and other defects, whether or not discoverable by Lessor or Lessee and any claim for patent, trademark or copyright infringement or environmental damage) or (ii) the condition of Equipment sold or disposed of after use by Lessee, any sublessee or employees of Lessee. Lessee shall, upon request, defend any actions based on, or arising out of, any of the foregoing.

15. DISCLAIMER: LESSEE ACKNOWLEDGES THAT IT HAS SELECTED THE EQUIPMENT WITHOUT ANY ASSISTANCE FROM LESSOR, ITS AGENTS OR EMPLOYEES. LESSOR DOES NOT MAKE, HAS NOT MADE, NOR SHALL BE DEEMED TO MAKE OR HAVE MADE, ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, WRITTEN OR ORAL, WITH RESPECT TO THE EQUIPMENT LEASED UNDER THIS AGREEMENT OR ANY COMPONENT THEREOF, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY AS TO DESIGN, COMPLIANCE WITH SPECIFICATIONS, QUALITY OF MATERIALS OR WORKMANSHIP, MERCHANTABILITY, FITNESS FOR ANY PURPOSE, USE OR OPERATION, SAFETY, PATENT, TRADEMARK OR COPYRIGHT INFRINGEMENT, OR TITLE. All such risks, as between Lessor and Lessee, are to be borne by Lessee. Without limiting the foregoing, Lessor shall have no responsibility or liability to Lessee or any other person with respect to any of the following (1) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Equipment, any inadequacy thereof, any deficiency or defect (latent or otherwise) of the Equipment, or any other circumstance in connection with the Equipment; (2) the use, operation or performance of any Equipment or any risks relating to it; (3) any interruption of service, loss of business or anticipated profits or consequential damages; or (4) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Equipment. If, and so long as, no default exists under this Lease, Lessee shall be, and hereby is, authorized during the term of this Lease to assert and enforce whatever claims and rights Lessor may have against any Supplier of the Equipment at Lessee's sole cost and expense, in the name of and for the account of Lessor and/or Lessee, as their interests may appear.

16. REPRESENTATIONS AND WARRANTIES OF LESSEE: Lessee makes each of the following representations and warranties to Lessor on the date hereof and on the date of execution of each Schedule.

(a) Lessee has adequate power and capacity to enter into, and perform under, this Agreement and all related documents (together, the "Documents"). Lessee is duly qualified to do business wherever necessary to carry on its present business and operations, including the jurisdiction(s) where the Equipment is or is to be located.

(b) The Documents have been duly authorized, executed and delivered by Lessee and constitute valid, legal and binding agreements, enforceable in accordance with their terms, except to the extent that the enforcement of remedies may be limited under applicable bankruptcy and insolvency laws.

(c) No approval, consent or withholding of objections is required from any governmental authority or entity with respect to the entry into or performance by Lessee of the Documents except such as have already been obtained.

(d) The entry into and performance by Lessee of the Documents will not: (i) violate any judgment, order, law or regulation applicable to Lessee or any provision of Lessee's Certificate of Incorporation or bylaws; or (ii) result in any breach of, constitute a default under or result in the creation of any lien, charge, security interest or other encumbrance upon any Equipment pursuant to any indenture, mortgage, deed of trust, bank loan or credit agreement or other instrument (other than this Agreement) to which Lessee is a party.

(e) There are no suits or proceedings pending or threatened in court or before any commission, board or other administrative agency against or affecting Lessee, which if decided against Lessee will have a material adverse effect on the ability of Lessee to fulfill its obligations under this Agreement.

(f) The Equipment accepted under any Certificate of Acceptance is and will remain tangible personal property.

(g) Each financial statement delivered to Lessor has been prepared in accordance with generally accepted accounting principles consistently applied. Since the date of the most recent financial statement, there has been no material adverse change.

(h) Lessee is and will be at all times validly existing and in good standing under the laws of the State of its incorporation (specified in the first paragraph of this Agreement).

(i) The Equipment will at all times be used for commercial or business purposes.

17. EARLY TERMINATION

(a) On or after the First Termination Date (specified in the applicable Schedule), Lessee may, so long as no default exists hereunder, terminate this Agreement as to all (but not less than all) of the Equipment on such Schedule as of a rent payment date ("Termination Date"). Lessee must give Lessor at least ninety (90) days prior written notice of the termination.

(b) Lessee shall, and Lessor may, solicit cash bids for the Equipment on an AS IS, WHERE IS BASIS without recourse to or warranty from Lessor, express or implied ("AS IS BASIS"). Prior to the Termination Date, Lessee shall (i) certify to Lessor any bids received by Lessee and (ii) pay to Lessor (A) the Termination Value (calculated as of the rent due on the Termination Date) for the Equipment, and (B) all rent and other sums due and unpaid as of the Termination Date.

(c) If all amounts due hereunder have been paid on the Termination Date, Lessor shall (i) sell the Equipment on an AS IS BASIS for cash to the highest bidder and (ii) refund the proceeds of such sale (net of any related expenses) to Lessee up to the amount of the Termination Value. If such sale is not consummated, no termination shall occur and Lessor shall refund the Termination Value (less any expenses incurred by Lessor) to Lessee.

(d) Notwithstanding the foregoing, Lessor may elect by written notice, at any time prior to the Termination Date, not to sell the Equipment. In that event, on the Termination Date Lessee shall (i) return the Equipment (in accordance with Section 10) and (ii) pay to Lessor all amounts required under Section 17(b) less the amount of the highest bid certified by Lessee to Lessor.

18. PURCHASE OPTION

(a) Lessee may at lease expiration purchase all of the Equipment in any Schedule on an AS IS BASIS for cash equal to its then Fair Market Value (plus all applicable sales taxes). Lessee must notify Lessor of its intent to purchase the Equipment in writing at least one hundred eighty (180) days in advance. If Lessee is in default or if the Lease has already been terminated Lessee may not purchase the Equipment.

(b) "Fair Market Value" shall mean the price that a willing buyer (who is neither a lessee in possession nor a used equipment dealer) would pay for the Equipment in an arm's-length transaction to a willing seller under no compulsion to sell. In determining the Fair Market Value the Equipment shall be assumed to be in the condition in which it is required to be maintained and returned under this Agreement. If the Equipment is installed it shall be valued on an installed basis. The costs of removal from the current location shall not be a deduction from the value of the Equipment. If Lessor and Lessee are unable to agree on the Fair Market Value at least one hundred thirty-five (135) days before lease expiration, Lessor shall appoint an independent appraiser (reasonably acceptable to Lessee) to determine Fair Market Value. The independent appraiser's determination shall be final, binding and conclusive. Lessee shall bear all costs associated with any such appraisal.

(c) Lessee shall be deemed to have waived this option unless it provides Lessor with written notice of its irrevocable election to exercise the same within fifteen (15) days after Fair Market Value is told to Lessee.

19. MISCELLANEOUS

(a) LESSEE AND LESSOR UNCONDITIONALLY WAIVE THEIR RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, ANY OF THE RELATED DOCUMENTS, ANY DEALINGS BETWEEN LESSEE AND LESSOR RELATING TO THE SUBJECT MATTER OF THIS TRANSACTION OR ANY RELATED TRANSACTION, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED BETWEEN LESSEE AND LESSOR. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. THIS WAIVER IS IRREVOCABLE. THIS WAIVER MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING. THE WAIVER ALSO SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, ANY RELATED DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THIS TRANSACTION OR ANY RELATED TRANSACTION. THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(b) The Equipment shall remain Lessor's property unless Lessee purchases the Equipment from Lessor and until such time Lessee shall only have the right to use the Equipment as a lessee. Any cancellation or termination by Lessor of this Agreement, any Schedule, supplement or amendment hereto, or the lease of any Equipment hereunder shall not release Lessee from any then outstanding obligations to Lessor hereunder. All Equipment shall at all times remain personal property of Lessor even though it may be attached to real property. The Equipment shall not become part of any other property by reason of any installation in, or attachment to, other real or personal property.

(c) Time is of the essence of this Agreement. Lessor's failure at any time to require strict performance by Lessee of any of the provisions hereof shall not waive or diminish Lessor's right at any other time to demand strict compliance with this Agreement. Lessee agrees, upon Lessor's request, to execute any instrument necessary or expedient for filing, recording or perfecting the interest of Lessor. All notices required to be given hereunder shall be deemed adequately given if sent by registered or certified mail to the addressee at its address stated herein, or at such other place as such addressee may have specified in writing. This Agreement and any Schedule and Annexes thereto constitute the entire agreement of the parties with respect to the subject matter hereof. NO VARIATION OR MODIFICATION OF THIS AGREEMENT OR ANY WAIVER OF ANY OF ITS PROVISIONS OR CONDITIONS, SHALL BE VALID UNLESS IN WRITING AND SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE PARTIES HERETO.

(d) If Lessee does not comply with any provision of this Agreement, Lessor shall have the right, but shall not be obligated, to effect such compliance, in whole or in part. All reasonable amounts spent and obligations incurred or assumed by Lessor in effecting such compliance shall constitute additional rent due to Lessor. Lessee shall pay the additional rent within five days after the date Lessor sends notice to Lessee requesting payment. Lessor's effecting such compliance shall not be a waiver of Lessee's default.

(e) Any rent or other amount not paid to Lessor when due shall bear interest, from the date until paid, at the lesser of eighteen percent (18%) per annum or the maximum rate allowed by law. Any provisions in this Agreement and any

Schedule that are in conflict with any statute, law or applicable rule shall be deemed omitted, modified or altered to conform thereto.

(f) Adjustment to Capitalized Lessor's Cost. Lessee hereby irrevocably authorizes Lessor to adjust the Capitalized Lessor's Cost up or down by no more than ten percent (10%) within each Schedule to account for equipment change orders, equipment returns, invoicing errors, and similar matters. Lessee acknowledges and agrees that the rent shall be adjusted as a result of the change in the Capitalized Lessor's Cost. Lessor shall send Lessee a written notice stating the final Capitalized Lessor's Cost, if it has changed.

(g) THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF OHIO (WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES OF SUCH STATE), INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, REGARDLESS OF THE LOCATION OF THE EQUIPMENT.

(h) Any cancellation or termination by Lessor, pursuant to the provision of this Agreement, any Schedule, supplement or amendment hereto, of the lease of any Equipment hereunder, shall not release Lessee from any then outstanding obligations to Lessor hereunder.

(i) To the extent that any Schedule would constitute chattel paper, as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction, no security interest therein may be created through the transfer or possession of this Agreement in and of itself without the transfer or possession of the original of a Schedule executed pursuant to this Agreement and incorporating this Agreement by reference; and no security interest in this Agreement and a Schedule may be created by the transfer or possession of any counterpart of the Schedule other than the original thereof, which shall be identified as the document marked "Original" and all other counterparts shall be marked "Duplicate".

IN WITNESS WHEREOF, Lessee and Lessor have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

LESSOR:	LESSEE:
ICX CORPORATION	ROADWAY EXPRESS, INC.
By:	By:
Name:	Name:
Title:	Title:

ROADWAY EXPRESS, INC.

AFFILIATED COMPUTER SERVICES, INC.

DATA PROCESSING AND INFORMATION TECHNOLOGY AGREEMENT

This Data Processing Services Agreement (this "Agreement") is made and entered into as of September 11, 1998 (the "Effective Date") by and between Roadway Express, Inc., a Delaware corporation with its corporate offices in Akron, Ohio (hereinafter called "Roadway"), and Affiliated Computer Services, Inc. a Delaware corporation with its corporate offices in Dallas, Texas ("ACS").

RECITALS

A. Roadway provides nationwide, long-haul, less than truckload freight and related transportation services. Roadway desires to enter into an agreement with a vendor of information technology, processing, support and management services to perform information technology outsourcing services for Roadway.

B. ACS is experienced and expert in data processing and information technology services, including the systems and environments employed and being implemented by Roadway. ACS desires to establish a contract to provide such services to Roadway in an economical, efficient and competent manner.

C. Roadway and ACS agree that the primary objective of this document is to establish a framework which will be the basis for a structured approach for ACS to provide information systems services necessary to outsource the functions described below, including without limitation, in SCHEDULE 2.1. This document, without limitation:

1. Describes the services that will be provided and the related service levels; including a defined reporting structure for reviewing the actual service levels achieved by ACS.
2. Provides a flexible ACS organization to deliver services.
3. Defines a controlled and structured process which allows changes and continuous improvements to service levels and the overall scope of service.
4. Defines the formal communication interfaces between ACS and Roadway.
5. Provides the rules, processes, and responsibilities of both ACS and Roadway relating to the services.

D. ACS desires to provide reliable, high quality services at a cost to Roadway which is predictable and is consistent with competitive market prices for such services. The cost of services to Roadway should reflect improvements over time in productivity by reason of new tools, methods and technology in the providing of these types of services.

NOW, THEREFORE, in consideration of the mutual promises and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

GENERAL TERMS AND CONDITIONS

SECTION 1. DEFINITIONS.

1.1 CERTAIN DEFINED TERMS. As used in the Agreement, the following terms shall have the meanings set forth below.

(a) "ACS-Provided Software" means the software which ACS owns or licenses or agrees to acquire in its own name and utilize during the Term for the purpose of providing the Services. ACS-Provided Software is

described or identified on SCHEDULES 2.10.1 and 2.10.3. The parties agree to add and delete items from the listing of ACS-Provided Software as ACS changes the software used subject to the applicable provisions of this Agreement.

(b) "Administered Contracts" means the contracts and agreements that ACS will have the responsibility of (i) managing and (ii) verifying the accuracy of invoices related to such contracts and agreements. Administered Contracts as of the Effective Date are identified on SCHEDULES 2.10.4a and 2.10.5.

(c) "Affiliate" means, for any person or entity, any other person or entity that, directly or indirectly controls, is controlled by, or is under common control with, such person or entity.

(d) "Base Price" means the resource-based prices excluding Pass-Through Costs and Pass-Through Plus Costs, payable for each Period (pro-rated for partial Periods) for Services, as described on SCHEDULE 6.1. The Base Price includes the charges shown in SCHEDULE 6.1 as "One-Time Charges."

(e) "Commencement Date" means the date ACS actually begins to perform Services.

(f) "Cutover Date" means the date that data processing, support and management services are transitioned to ACS's Pittsburgh, Pennsylvania facility.

(g) "Pass-Through Costs" means, collectively, costs and expenses that will be paid by ACS and passed through without increase or mark-up for reimbursement by Roadway which costs must be expressly approved in this Agreement or subsequently approved by Roadway to be treated as Pass-Through Costs. Pass-Through Costs are payable in addition to the Base Price. SCHEDULE 6.1 identifies and limits the categories of costs that will be treated as Pass-Through Costs. If a cost is incurred by ACS for the benefit of Roadway and others, then the Pass-Through Cost shall be Roadway's pro-rata share of such cost, computed on a reasonable and equitable basis.

(h) "Pass-Through Plus Costs" means, collectively, costs and expenses that will be paid by ACS and passed through, with an additional administration fee, for reimbursement by Roadway which costs and fee must be expressly approved in this Agreement or subsequently approved by Roadway to be treated as Pass-Through Plus Costs. Pass-Through Plus Costs are payable in addition to the Base Price. SCHEDULE 6.1 identifies and limits the categories of costs that will be treated as Pass-Through Plus Costs.

(i) "Period" means one of Roadway's thirteen (13) four (4)-week accounting periods occurring in each calendar year.

(j) "Roadway-Provided Software" means any and all software which Roadway owns or licenses in its name or agrees to provide and make available to ACS for operation at the ACS data center or another ACS facility for use by ACS to provide the Services. Roadway-Provided Software includes Third-Party Software licensed by Roadway. Current Third-Party Software included in the Roadway-Provided Software is listed and identified in SCHEDULES 2.10.2, 2.10.4 and 2.10.4a.

(k) "Service Level Agreements" means the service level specifications or descriptions, the performance standards and the measurement procedures set forth in SCHEDULE 2.4 and summarized in SCHEDULE 2.5.

(l) "Services" means, collectively, all of the data processing and related information technology services and resources to be provided by ACS to Roadway pursuant to this Agreement, including, but not limited to, those Services described on SCHEDULE 2.1.

(m) "Third-Party Software" means any software owned by a third-party and licensed to Roadway or ACS, as the case may be.

(n) "Year 2000 Compliant" means that the product is designed to be used prior to, during, and after the calendar year 2000 AD, and that the product will operate before, during, and after such time period without

error relating to date data, specifically including any error relating to, or the product of, date data which represents or references different centuries or more than one century. "Year 2000 Compliant" further means:

(i) The product will not abnormally end or provide invalid or incorrect results as a result of date data, specifically including date data which represents or references different centuries or more than one century;

(ii) The product has been designed to ensure year 2000 compatibility, including, but not limited to, date data century recognition, calculations which accommodate same century and multi-century formulas and date values, and date data interface values that reflect the century; and

(iii) The product provides for correct processing of Leap Years. (Leap Years shall mean the year during which an extra day is added in February (February 29). Leap Year occurs in all years divisible by 400 or evenly divisible by 4 and not evenly divisible by 100. For example, 1996 is a Leap Year since it is divisible by 4 and not evenly divisible by 100. 2000 is a Leap Year since it is divisible by 400.)

1.2 OTHER DEFINITIONS. Other capitalized defined terms used in this Agreement are defined in the text in the context in which they are used.

SECTION 2. SERVICES

2.1 Services.

(a) In accordance with the charges, terms and conditions contained in these General Terms and Conditions (the "General Terms and Conditions") and in the Schedules attached hereto ("Schedules") (collectively, the General Terms and Conditions and the Schedules are referred to as this "Agreement"), as in effect from time to time, ACS shall furnish data processing services and other information technology services and resources to Roadway. The Services to be performed by ACS are described in this Agreement, on SCHEDULES 2.1 AND 2.4.

(b) ACS shall furnish initial transition services to commence Processing, and services to migrate to its Pittsburgh data center ("Cutover"), including, without limitation, the services described on SCHEDULE 2.1. The fees for these services are included in the One-Time Charges and the Pass-Through Costs under SECTION 6.1 AND SCHEDULE 6.1.

2.2 SERVICE LEVELS. ACS will perform the Services at or within the Service Level Agreements for the Base Price provided in SECTION 6.1.

2.3 ADDITIONAL SERVICES. ACS agrees to provide other Services not described herein (but only if ACS provides such Services to any existing customer of ACS), as needed by Roadway, from time to time upon the written request of Roadway. Upon receiving Roadway's request for such Services, ACS will promptly provide Roadway with a plan or proposal, including pricing at fair market value (taking into account advances in technology and operating efficiencies), as to the manner in which a requested Service will be provided. If Roadway requests Services that ACS does not provide to any other ACS customer, ACS will contract with a third party, upon commercially reasonable terms, to perform such Services. Such Services will be performed under ACS's management and control. ACS may charge Roadway the third party contract price plus a management fee to be negotiated in good faith by the parties for administering such contract.

2.4 SERVICE LEVELS AND SERVICE LEVEL AGREEMENTS. ACS agrees that it will be responsible for and will perform all of the Services hereunder beginning on the Commencement Date and continuing throughout the Term. ACS agrees that its performance of all Services hereunder will meet and be in accordance with the applicable Service Level Agreements contained in SCHEDULE 2.4.

2.5 SERVICE LEVEL REPORTS. ACS will provide Roadway with Periodic reports comparing ACS's performance to the Service Level Agreements contained in Schedule 2.4. These reports shall be delivered to

Roadway with the content (metrics) identified on Schedule 2.5 to determine whether ACS's performance meets the performance required under the Service Level Agreements. The format of such reports, as may be amended from time to time, is to be mutually agreed upon. At all times, ACS's level of performance shall meet or exceed outsourcing industry standards under similar circumstances and the Service Level Agreements identified in this Agreement.

2.6 Reviews.

(a) Within three (3) Periods after the Cutover Date and at least annually thereafter, Roadway and ACS shall review the Service Level Agreements and shall make adjustments to them as appropriate to reflect improved performance capabilities associated with advances in the technology and methods used to perform the Services. The Parties expect and understand that the Service Level Agreements will be improved over time. As part of this review process, the Parties shall jointly determine and agree on additional Service Level Agreements, and Service Level Credits to be added to SCHEDULE 9.2 as appropriate.

(b) Within three (3) Periods after the Commencement Date and at least annually thereafter, ACS shall conduct customer satisfaction surveys and shall make adjustments to its provisions of the Services as appropriate to reflect valid recommendations in such surveys.

2.7 MEASUREMENT AND MONITORING TOOLS. ACS shall implement the necessary measurement and monitoring tools and procedures required to measure and report ACS performance of the Services against the applicable Service Level Agreements. Such measurement and monitoring shall permit reporting at a level of detail sufficient to verify compliance with the Service Level Agreements, and shall be subject to audit by Roadway. ACS shall provide Roadway with information and access to such tools and procedures upon request, for purposes of verification.

2.8 Continuous Improvement and Best Practices.

(a) ACS shall: (i) on a continuous basis, as part of its total quality management process, identify and document ways to improve service levels; (ii) identify and apply proven techniques and tools from other installations within its operations (i.e., "Best Practices") that would benefit Roadway either operationally or financially; and (iii) document and pass on cost reductions to Roadway as the Best Practices are implemented; provided, that Section 2.8(a)(iii) will not be used to change the unit price for CPU, DASD or Tape contained in the Baseline Pricing Matrix in SCHEDULE 6.1.

(b) MATERIAL COST REDUCTION OPPORTUNITIES. ACS shall advise the Roadway Contract Executive of each opportunity to materially reduce costs that is discovered or made known to ACS and to assist in estimating the magnitude thereof. If ACS proposes an innovative, value-adding, cost-saving solution outside the scope of Services, which Roadway has not previously considered or began to investigate, that Roadway, in its sole discretion, elects to implement, then in each of the three (3) years following such implementation, ACS shall receive or retain, as appropriate, an amount equal to twenty-five percent (25%) of Roadway's actual net cost reduction proximately caused by the solution during such year. This Section 2.8(b) shall apply to net cost reductions that accrue during the Term under accrual basis accounting under Generally Accepted Accounting Principles consistently applied by Roadway, regardless of when the avoided costs would have been incurred.

2.9 SUBCONTRACTORS. ACS may not delegate to subcontractors the performance of any major Service hereunder without the prior written approval of Roadway. Otherwise, ACS may engage subcontractors as it deems appropriate to assist ACS in furnishing the Services; provided, that, ACS shall in all cases remain liable hereunder for the performance of its obligations in this Agreement.

2.10 SOFTWARE.

(a) At the Commencement Date, ACS shall utilize the Roadway-Provided Software in use at the Effective Date by Roadway, including, without limitation, that which is described on SCHEDULES 2.10.2, 2.10.4 AND 2.10.4a, to provide the Services.

(b) SCHEDULES 2.10.1, 2.10.2, 2.10.3, 2.10.4 AND 2.10.4a describe the software that is Roadway-Provided Software and ACS-Provided Software, but may not include an exhaustive listing.

(c) The parties agree to amend SCHEDULES 2.10.1, 2.10.2, 2.10.3, 2.10.4 AND 2.10.4a from time to time to add or delete items included in Roadway-Provided Software and ACS-Provided Software, and to reflect other changes in the software utilized by ACS to provide the Services hereunder. ACS may not change Roadway-Provided Software without Roadway consent. If other software changes will (i) increase the charges payable by Roadway, (ii) increase Roadway's costs, (iii) adversely impact the Services or (iv) effect the rights that Roadway may have negotiated with a vendor, ACS must receive Roadway's consent before making such change.

(d) SCHEDULE 2.10.5 lists the Administered Contracts that ACS will manage at no additional cost to Roadway. In addition, SCHEDULE 2.10.5 lists (i) the party responsible for payments due under the agreements listed therein, (ii) if ACS is to secure the agreement and (iii) the party that has the responsibility to audit the invoices related to such agreements. Roadway may elect to add or delete Administered Contracts, and the parties agree to amend SCHEDULE 2.10.5 from time to time to add or delete items.

(e) ACS will maintain and make available to Roadway comprehensive information (including copies of agreements with vendors other than confidential terms and conditions) regarding all software and Administered Contracts, from time to time.

2.11 EQUIPMENT.

(a) ACS will supply all equipment necessary to perform the Services except those categories of equipment listed on SCHEDULE 2.11. Although ACS may procure, manage and operate it, the party owning or leasing an item of equipment will continue to bear the financial responsibility for that equipment.

(b) ACS will procure for Roadway, and ACS will own or lease, all equipment purchased by ACS pursuant to the One-Time Charges shown on the Baseline Pricing Matrix in SCHEDULE 6.1 at the Effective Date. At any time during the Term or upon termination or expiration of this Agreement and after Roadway has paid the One-Time Charges, upon Roadway's written request, ACS will transfer title, free and clear of all liens, charges or encumbrances, to any such equipment (as replaced or supplemented) to Roadway for no additional consideration. However, if such equipment is located at an ACS facility, ACS will have the option of either (i) transferring title as set forth above, (ii) transferring title to an agreed upon comparable piece of equipment or (iii) paying Roadway the fair market value of such equipment.

(c) ACS will be responsible for acquiring, obtaining and keeping current maintenance for equipment that is necessary to provide the Services.

(d) If ACS and Roadway determine that new equipment (other than mainframe equipment) is necessary to perform the Services, Roadway will have the option to obtain the equipment or to require ACS to obtain the equipment. If Roadway obtains such equipment, ACS shall support and maintain such equipment under the terms of and with pricing consistent with this Agreement. If ACS is required to obtain the equipment, ACS will provide to Roadway detailed cost data including, but not limited to, the actual cost of the equipment, including on-going maintenance costs and lease financing arrangements, if any, the amount of the cost of such equipment that will be charged to Roadway for each Period going forward, the price at which Roadway may acquire such equipment if Roadway were to exercise its right to purchase such equipment at the termination of this Agreement. and the amount of any additional termination fees if Roadway does not wish to purchase such equipment upon termination of this Agreement.

2.12 PROCEDURES MANUAL. ACS shall provide a Procedures Manual. The Procedures Manual shall describe how ACS shall perform the Services under this Agreement, the equipment and software being used, and the documents (e.g., operations manuals, user guides, specifications) which provide further details of such activities. The Procedures Manual shall describe the activities ACS proposes to undertake in order to provide the Services, including where appropriate, those direction, supervision, monitoring, staffing, reporting, planning and oversight activities normally undertaken at facilities that provide services of the type ACS shall provide under this Agreement. The Procedures Manual shall be suitable for use by Roadway to understand the Services. The Procedures Manual is for Roadway's internal use only and will not be disclosed to third parties without written authorization from ACS.

2.13 DRAFT PROCEDURES MANUAL. Within ninety (90) days after the Cutover Date, ACS shall deliver a draft Procedures Manual to Roadway, for its comments and review. ACS shall incorporate reasonable comments or suggestions of Roadway and shall finalize the Procedures Manual within one hundred and twenty (120) days of the Cutover Date. The final Procedures Manual shall be subject to the approval of Roadway. ACS shall periodically update the Procedures Manual to reflect changes in the operations or procedures described therein. Updates of the Procedures Manual shall be provided to Roadway for review, comment, and approval. ACS shall perform the Services in accordance with the Procedures Manual. In the event of a conflict between the provisions of this Agreement and the Procedures Manual, the provisions of this Agreement shall control unless the parties expressly agree otherwise and such agreement is set forth in the relevant portion of the Procedures Manual.

2.14 KEY ACS PERSONNEL. The Key ACS Personnel shall be the personnel set forth as such in SCHEDULE 2.14. The ACS Account Manager shall (i) devote all of his or her time and effort to managing the Services, (ii) serve as the single point of accountability for the Services, and (iii) have day-to-day authority for undertaking to ensure Roadway satisfaction. ACS shall cause each of the Key ACS Personnel to devote all of his or her time and effort to provision the Services under this Agreement. Before assigning an individual to a position designated as Key ACS Personnel, whether as an initial assignment or a subsequent assignment, ACS shall notify Roadway of the proposed assignment, shall introduce the individual to appropriate Roadway representatives, and shall provide Roadway with a resume and other information about the individual reasonably requested by Roadway. If Roadway in good faith objects to the proposed assignment, the Parties shall attempt to resolve Roadway's concern on a mutually agreeable basis. If the Parties have not been able to resolve Roadway's concerns within five (5) working days, ACS shall not assign the individual to that position and shall propose to Roadway the assignment of another individual of suitable ability and qualifications. Key ACS Personnel may not be transferred or reassigned until a suitable replacement has been approved by Roadway. ACS will ensure that during any transition period, any position designated as Key ACS Personnel will be fully staffed by a qualified individual.

2.15 QUALIFICATIONS, RETENTION AND REPLACEMENT OF ACS PERSONNEL. The personnel ACS assigns to perform the Services shall be properly educated, trained and duly qualified for the Services they are to perform. Roadway and ACS both agree that it is in their best interests to keep the turnover rate of the ACS personnel performing the Services to a reasonably low level (the level maintained by well-managed professional service organizations). Accordingly, if ACS and Roadway determine that ACS turnover rate is excessive as compared to information processing service organizations in similar markets, ACS and Roadway shall meet to discuss the reasons for the turnover rate. If appropriate, ACS shall submit to Roadway its proposals (which shall be at no cost to Roadway) for reducing the turnover rate to a reasonable level, and the Parties shall mutually agree on a program to bring the turnover rate down to such level. In any event, notwithstanding transfer or turnover of personnel, ACS remains obligated to perform the Services without degradation and in accordance with this Agreement. In the event that Roadway determines in good faith that the continued assignment to the Roadway account of an ACS employee performing Services hereunder is not in the best interest of Roadway, then Roadway shall give ACS written notice to that effect. After receipt of such notice, ACS shall have a reasonable period of time in which to investigate the matters stated in such notice, discuss its findings with Roadway and resolve any problems with such employee. If, following such period, Roadway requests replacement of such employee, ACS shall replace that employee with a person of suitable ability and qualifications.

2.16 ROADWAY FACILITIES

(a) OFFICE AND DATA ROOM SPACE.

(i) Throughout the Term, Roadway shall make available to ACS adequate space in Roadway's headquarters facility to permit ACS personnel to perform the Services in accordance with this Agreement (such space as it may exist from time to time being referred to as the "Designated Space"). ACS personnel who are assigned to be on-site full time at Roadway's headquarters facility shall have access to the Designated Space 24 hours a day, seven days a week. The Designated Space shall be separated from the remainder of Roadway's headquarters facility and shall have either a separate entrance or an entrance immediately beyond Roadway's guard station, as determined by Roadway. In either case, the location, configuration and use of such entrance shall be subject to Roadway's security requirements. Roadway shall cause the Designated Space to comply and be maintained in accordance with all applicable local, state and federal laws, including but not limited to the Americans with Disabilities Act. The manner in which such compliance and maintenance is achieved (E.G., the type of fire suppression system utilized) shall be determined solely by Roadway. ACS may establish reasonable security procedures with respect to the Designated Space, but Roadway shall have access to the Designated Space at all times upon reasonable notice (which may be verbal or telephonic) to ACS (which notice shall not be required for performing routine security checks or maintenance and repair activities, or in the event of emergency). ACS agrees that the Designated Space and the common areas described below are made available solely as a convenience to Roadway, and that ACS does not have and will not assert any tenancy or other occupancy right whatsoever with respect to any Designated Space or common areas.

(ii) From the Commencement Date through the Cutover Date, the Designated Space shall consist of those portions of Roadway's AGO West (1077 Gorge Boulevard, Akron, Ohio) and AGO East (557 East Tallmadge Avenue, Akron, Ohio) facilities described or identified on SCHEDULE 2.16, which ACS initial Designated Space ACS agrees is adequate. From and after the Cutover Date, Roadway shall have the right in its sole discretion, exercisable from time to time throughout the remainder of the Term, to change the Designated Space to another portion or portions of the AGO West and/or AGO East facilities upon notice to ACS. ACS acknowledges that, since as of the Cutover Date the data processing, support and management services previously accommodated within the initial Designated Space shall be transitioned to ACS' Pittsburgh, Pennsylvania facility, such replacement Designated Space identified by Roadway from time to time following the Cutover Date shall be smaller than the initial Designated Space and shall be of such size as to accommodate only the Services which are not so transitioned. At such time as the new Designated Space is made available for ACS' use, ACS promptly shall vacate the former Designated Space. Notwithstanding the foregoing, at all times the Designated Space shall be (i) of the same kind and at the same level and quality as provided to comparable Roadway employees, and (ii) adequate to permit ACS personnel to perform the Services in accordance with this Agreement.

(iii) ACS shall not make any alterations or improvements to the Designated Space without Roadway's prior written consent. In the event that ACS obtains Roadway's approval of any such alteration or improvement, or if ACS elects to relocate any of its personnel from one portion of the Designated Space to another portion of the Designated Space, ACS shall pay for all of the costs thereof (including without limitation the costs of set-up and of relocating or installing voice data lines), which costs shall not be reimbursed by Roadway. In the event that Roadway desires to alter or improve the Designated Space, or to relocate any of ACS' personnel from one portion of the Designated Space to another portion of the (or to different) Designated Space, Roadway shall pay for all of the costs thereof (including without limitation the costs of set-up and of relocating or installing voice data lines).

(iv) From time to time, whether pursuant to Section 2.16(a)(ii) above or at the end or earlier termination of the Term, ACS shall cause its personnel to vacate any Designated Space, and shall remove all of ACS' furniture or equipment therefrom, promptly upon request by Roadway, leaving such Designated Space and any Office Furniture (as defined herein) furnished by Roadway in at least as good condition as such Designated Space or Office Furniture was in when first made available to ACS, subject to ordinary wear and tear, the effects of casualty (other than the intentional acts of ACS personnel), and any alterations or improvements made or approved by Roadway.

(b) DIRECT COSTS. Subject to the other applicable provisions of this Agreement, Roadway shall be responsible for the direct costs and expenses (I.E., rent, real estate taxes, utilities and other related expenses, excluding telephone charges) of the Designated Space. ACS shall provide its own phone equipment for use within the Designated Space (to the extent that the phone equipment being used by Caliber Technology, Inc. prior to the Effective Date is insufficient for ACS' needs). Long-distance and other phone charges from the Designated Space shall be the responsibility of ACS and shall not be reimbursed by Roadway.

(c) TRAINING AREA: In the event that Roadway and ACS agree to have ACS provide training of Roadway personnel, Roadway shall make available to ACS as part of the Designated Space an adequate area in Roadway's headquarters facility to permit ACS personnel to perform such training services in accordance with the agreement between Roadway and ACS. Such training area shall be subject to all of the same terms and conditions as are applicable to the Designated Space under this Agreement.

(d) COMMON AREAS: ACS' personnel performing the Services under this Agreement shall have the right to use, subject to availability and in common with Roadway and its employees, agents and invitees, the conference rooms within Roadway's Conference Center in the AGO West facility known as Conference Rooms 201-204, the cafeteria located in the AGO West facility (subject to paying the same prices as are charged therein to Roadway's employees), the lobbies and hallways providing access to the Designated Space, and the restrooms in the building(s) in which the Designated Space is located.

(e) OFFICE FURNITURE.

(i) Throughout the Term, Roadway shall make available to ACS within the Designated Space adequate work surfaces and cubicles (the "Office Furniture" to permit ACS personnel to perform the Services in accordance with this Agreement. From the Commencement Date through the Cutover Date, such Office Furniture shall consist of those items described or identified on SCHEDULE 2.16. From and after the Cutover Date, Roadway shall have the right in its sole discretion, exercisable from time to time throughout the remainder of the Term, to change the Office Furniture so provided to ACS upon notice to ACS. ACS acknowledges that, since as of the Cutover Date the data processing, support and management services previously accommodated within the initial Designated Space shall be transitioned to ACS' Pittsburgh, Pennsylvania facility, such replacement Office Furniture provided by Roadway from time to time following the Cutover Date may consist of less than the Office Furniture initially provided by Roadway and shall consist only of such items as to permit ACS personnel to perform the Services which are not so transitioned. At such time as any replacement Office Furniture is made available for ACS' use, ACS promptly shall surrender the former Office Furniture. Notwithstanding the foregoing, at all times the Office Furniture provided by Roadway to ACS shall be (i) of the same kind and at the same level and quality as provided to comparable Roadway employees, and (ii) adequate to permit ACS personnel to perform the Services in accordance with this Agreement.

(ii) The Office Furniture or equipment which Roadway may make available for use by ACS shall be strictly "as is" and without warranty, whether of merchantability or fitness for a particular purpose or otherwise. ACS shall maintain in good condition and repair all Office Furniture made available by Roadway to ACS.

(iii) In order to avoid any confusion over the ownership of furniture and equipment, ACS shall prominently affix an identification label to all items as to which ACS claims ownership or possession and which are located within the Designated Space or elsewhere at Roadway properties. Upon request by Roadway from time to time, ACS shall provide Roadway with a list, including inventory numbers, of all such items, which list shall be updated on a regular basis so that Roadway accurately may identify the same.

(f) GENERAL: ACS' use of the Designated Space, the common areas and the Office Furniture shall be subject to all of the other provisions of this Agreement. All ACS personnel, when present at the Designated Space, the common areas or any other portion of any Roadway facility, or when using Roadway computer systems or the Roadway information systems environment, shall comply with those applicable Roadway rules regarding security, access, conduct, and network and Internet usage that are generally applicable to Roadway personnel and that are furnished to ACS in writing. ACS shall utilize the Designated Space, the common areas and the Office Furniture solely for the purpose of providing the Services to Roadway under this Agreement. ACS shall cause all of its personnel to (i) limit their activities in the use of the Designated Space, the common areas, and the Office Furniture so as not to interfere with the conduct of Roadway's business or with Roadway's customers, vendors or employees, and (ii) conform to all of the standards which Roadway requires of its own employees and that are furnished to ACS in writing.

2.17 VIRUSES. ACS will make Roadway aware of any viruses discovered by ACS which may impact Services. ACS will use reasonable industry standard practices and policies to guard against viruses. In the event that a virus is found to have been introduced in Roadway's environment, ACS shall use commercially reasonable efforts to eliminate the virus and to reduce the effects of the virus.

2.18 ACCESS TO FACILITY. Except as otherwise provided in SECTION 2.16, upon receipt of at least 72 hours notice, ACS will provide access during normal business hours, to Roadway, its employees, agents and representatives to ACS's facilities used to provide the Services for the purpose of exercising audit and inspection rights hereunder. Upon receipt of notice, ACS also will provide access during normal business hours, to Roadway, its employees, agents and representatives to ACS's facilities used to provide the Services for the purpose of visiting such site.

2.19 CONFIDENTIALITY AGREEMENTS. ACS shall execute any confidentiality and user restriction agreements required in order for Roadway to obtain any Third Party Software licenses and consents provided ACS has an opportunity to review and comment on such agreement and restrictions in advance. ACS shall provide a copy of the standard confidentiality agreement entered into between ACS and all of its employees.

2.20 TRAINING. ACS shall be responsible for all education or training to maintain or improve ACS personnel skills required for performance by ACS of the Services under this Agreement.

2.21 ANNUAL PERFORMANCE REVIEW; BENCHMARKING. On an annual basis, the parties shall review the performance of the parties' respective obligations under this Agreement. If Roadway determines at such annual review that ACS is significantly under-performing, Roadway may, with each party sharing the costs equally, obtain the services of an independent third party reasonably acceptable to ACS (which shall include Real Decisions and the Gartner Group and its other affiliates) to benchmark ACS's performance of and cost of performing the Services. The consultant shall compare ACS's performance hereunder against the standards achieved by the top tier of well-managed outsourcing services vendors and internal information systems organizations performing functions similar to the functions that ACS is performing hereunder (a "Benchmarking".) The Benchmarking shall take into account the cost of entering into the Agreement, the Term of the Agreement and other relevant terms and conditions. Roadway shall provide the results of any such audit to ACS. Based on the results of such Benchmarking, the parties, during the annual review, will discuss any unfavorable variances, and ACS will modify its practices to eliminate the variances that are unfavorable to Roadway and bring its practices (including prices under this Agreement) and results to the levels of the standards applied in the Benchmarking. If significant deficiencies are identified in the Benchmarking resulting in an assessment of ACS that is below the above standards, then ACS shall reimburse Roadway for the expense of one (1) follow-up study and shall be subject to the Service Level Credits set forth on SCHEDULE 9.2.

2.22 REPORTS. Roadway and ACS have identified an appropriate set of Periodic service management reports to be issued by ACS to Roadway. Such reports shall be issued at the frequency to be mutually agreed upon by both Parties. ACS shall provide Roadway with suggested formats for such reports, for Roadway's review and approval. In any event, ACS shall provide to Roadway, commencing on the Period after the Commencement Date, a Periodic performance report in a form mutually established by the Parties, describing ACS performance of the Services in the preceding Period. This report will be provided to Roadway by the first Friday after each Period ends. ACS shall also provide reasonable ad-hoc service management reports to Roadway for no additional charge.

2.23 MEETINGS. The Parties shall mutually agree upon an appropriate set of meetings to be held between representatives of Roadway and ACS. Additional meetings will be held at the request of either party. ACS shall prepare and circulate an agenda sufficiently in advance to give participants an opportunity to prepare for the meeting, and shall incorporate into such agenda items that Roadway desires to discuss. Roadway shall prepare and circulate minutes promptly after a meeting. ACS will have the right to comment on such minutes before they become final minutes.

2.24 QUALITY ASSURANCE. ACS shall provide and implement the quality assurance procedures that are reasonably necessary for the Services to be performed in accordance with SCHEDULES 2.1 AND 2.4. Such procedures shall include checkpoint reviews, testing, acceptance, and other procedures for Roadway to assure the quality of ACS performance, and shall be included in the Procedures Manual.

2.25 PRODUCTIVITY AND MANAGEMENT TOOLS. ACS shall utilize project management tools, including productivity aids and project management systems, as reasonably necessary to perform the Services. ACS shall designate a Project Manager for all major activities, whom Roadway will interview and

approve. ACS shall use project management tools in all major projects and employ a regular reporting mechanism to identify project tasks, present current status reports, and identify potential bottlenecks and problems.

2.26 PLANNING RETREAT. On an annual basis, the parties shall meet, at a mutually agreeable location, at ACS's expense (Roadway to pay its own travel costs), and ACS shall review and report on technology advances to Roadway and shall suggest a technology improvement plan for the next year and beyond.

SECTION 3. TERM OF AGREEMENT

This Agreement shall become effective from and as of the date first set out above (the "Effective Date") and shall remain in effect until the month of March of 2004 (the day of such month to be determined by Roadway), unless (i) earlier terminated as provided herein or (ii) extended in writing by mutual agreement of the parties at least six (6) months prior to the end of the Term. At least nine (9) months prior to the end of the Term, ACS shall provide Roadway with its final extension pricing terms which will be consistent with the pricing terms (similar margins) set forth on SCHEDULE 6.1. Roadway will then have ninety (90) days to determine whether to (i) accept such pricing and extend the Agreement or (ii) let the Term of the Agreement lapse. This Agreement may be terminated by the parties before the end of the Term only as provided in SECTION 8.

SECTION 4. SECURITY OF INFORMATION; CONFIDENTIALITY

4.1 OWNERSHIP OF DATA. All of the data provided to ACS or held by ACS in performance of its obligations hereunder is and shall remain the property of Roadway or Roadway's customers or other trading partners and will be safeguarded by ACS against loss, disclosure, unauthorized access or alteration under reasonable security procedures, consistent with those employed by other professional data processing service providers. ACS is authorized to have access to and make use of only that portion of Roadway's data as is necessary and appropriate for the performance of ACS's obligations under this Agreement. It is further agreed that no data provided by Roadway to ACS or held by ACS shall be duplicated and/or disclosed to others, in whole or in part, by ACS, without the express written consent of Roadway, except only to the extent that such duplication or disclosure is necessary to carry out the day-to-day performance of its duties hereunder.

4.2 CONFIDENTIAL INFORMATION.

(a) All information, including, without limitation, information relating to software and to development projects, provided by either party (or any of its subsidiaries) to the other party, or developed or acquired by ACS for the benefit of Roadway, either before or after the Effective Date ("Confidential Information") shall be treated as confidential information of the party disclosing it or the party for whose benefit it was developed or acquired (the "Disclosing Party") to the other party (the "Receiving Party"), subject to the exceptions and exclusions set forth below.

(b) Each party shall exercise diligence to notify the other as to which information it considers Confidential Information and to mark such information with legends and notices. However, the failure to so notify or mark shall not, standing alone, constitute a defense.

4.3 NON-DISCLOSURE AND NON-USE; EXCEPTIONS AND EXCLUSIONS. Each of Roadway and ACS, to the extent it is a Receiving Party, agrees that it shall not disclose nor use the Confidential Information of the Disclosing Party without the prior written consent of the Disclosing Party, except:

(a) Disclosure may be made to, and use may be made by, employees, agents, consultants and contractors of a party for the purpose of performing or effectuating the rights, obligations and responsibilities of the parties under this Agreement, provided that each of the parties shall take reasonable steps to prevent unauthorized use, copying or disclosure of the Confidential Information by such persons, including, without limitation, the use of appropriate written confidentiality agreements; and

(b) Information other than data covered by SECTION 4.1 shall no longer be deemed to be "Confidential Information," where such information (i) is or becomes generally known through no fault of the Receiving Party; (ii) is, prior to submission by the Disclosing Party, in the Receiving Party's possession free of any obligation of confidentiality to the Disclosing Party; provided, that, information in the possession of the Receiving Party prior to the Effective Date which was received or developed, and then held, as confidential information for the benefit of the other party, shall not be excluded from Confidential Information under this subparagraph; (iii) is rightfully obtained by the Receiving Party from a third party who is free of any duty of confidentiality to the Disclosing Party; or (iv) is independently developed by the Receiving Party.

(c) Disclosure of Confidential Information, including data covered by SECTION 4.1, shall be allowed where information is required to be disclosed pursuant to any law, rule or regulation or pursuant to an order or judgment of any court or government body; provided, that, the Receiving Party shall have notified the Disclosing Party promptly prior to making such disclosure and shall have taken all reasonable measures to obtain confidential treatment. The Receiving Party may rely on the opinion of outside counsel as to the disclosure of such Confidential Information.

4.4 BURDEN OF PROOF. The burden of proving the availability of any exception to these confidentiality and use restrictions shall be on the party claiming the exception.

4.5 SECURITY. ACS will establish, with input from Roadway, security procedures for its physical facilities and data centers, and electronic security measures for all systems and databases. ACS will comply with the reasonable security procedures that are in effect at Roadway's premises upon notice from Roadway on the Effective Date or as they may be changed from time to time during the Term. Roadway agrees to comply with all security procedures established by ACS. ACS and Roadway will jointly agree on and comply with all data security procedures.

SECTION 5. CERTAIN ADDITIONAL RESPONSIBILITIES

5.1 GENERAL. In connection with the performance by ACS of the Services, Roadway agrees to perform the responsibilities, if any, specified and described in SCHEDULES 2.1 AND 2.4.

5.2 ROADWAY-PROVIDED SOFTWARE.

(a) Unless the obligation is expressly assumed in writing by Roadway or set forth on a sub-schedule contained in SCHEDULE 2.10, ACS agrees that it will have the responsibility, at ACS's sole expense, to support, obtain maintenance, enhance and manage the maintenance contracts related to the Roadway-Provided Software.

(b) Each party will retain its license agreements and maintenance agreements, but will obtain consent from the licensor, to the extent required, for such software to be operated on ACS's computers or otherwise by ACS to provide the Services to Roadway in accordance with this Agreement.

(c) ACS will be responsible for the licensing, management, support, maintenance and/or enhancement of all systems software used in the Services except where such responsibility is expressly retained or assumed, in writing, by Roadway or set forth on a sub-schedule in SCHEDULE 2.10.

(d) In the event that ACS already has or acquires an independent license to any Roadway-Provided Software that could be used to provide Services at no additional cost to ACS, or at a favorable price to Roadway, then, at Roadway's election,

(i) ACS will include such software in the ACS-Provided Software;

(ii) such software will be removed from the Roadway-Provided Software; and

(iii) ACS will use its best efforts, with participation by Roadway, to negotiate with the vendor of such software so that when this Agreement terminates, Roadway without an additional license or other one-time fee, will have a fully maintained and updated license to such software, based on license maintenance fees paid to the vendor by ACS.

SECTION 6. CHARGES

6.1 PRICES. For the Services furnished by ACS under this Agreement, Roadway shall pay the Base Price set forth in SCHEDULE 6.1. The Base Price includes all charges for the Services, including, but not limited to the following:

- (a) the Services, as set forth in this Agreement;
- (b) ACS efforts to complete all outstanding Year 2000 hardware and software testing according to Roadway's plan;
- (c) transition costs required to commence services and migrate all platforms to Pittsburgh;
- (d) all hardware and software costs of operation and support for all platforms;
- (e) all hardware and software maintenance costs for the mainframe computer and peripherals and the WAN network; and
- (f) Services relating to Administered Contracts.

6.2 PRICE ADJUSTMENTS. SCHEDULE 6.1 also sets out the price adjustment procedures to be used in connection with this Agreement. Except as specifically set forth in this Agreement, all third party costs that are authorized by Roadway, other than those already included in the Base Price, will be charged as Pass-Through Costs unless specifically categorized as a Pass-Through Plus Cost.

6.3 TERMINATION CHARGES. SCHEDULE 6.1 contains the charges for termination services provided in accordance with SECTION 8.3.

6.4 PASS-THROUGH COSTS. Prices payable hereunder in any Period shall also include any Pass-Through Costs and Pass-Through Plus Costs authorized by Roadway and incurred by ACS in that Period. SCHEDULE 6.1 lists the categories of costs that will be Pass-Through Costs and the categories of costs that will be Pass-Through Plus Costs.

6.5 PAYMENT. ACS will invoice Roadway for each Period in arrears for all charges hereunder, which invoices will be payable on or before the thirtieth (30th) day after receipt.

6.6 CONTINUED PERFORMANCE. If (i) all undisputed amounts have been paid by Roadway, (ii) Roadway continues to make payments to ACS which are not in dispute in accordance with this Agreement, and (iii) dispute resolution procedures have been commenced and are being pursued in good faith, then Roadway shall not be deemed to be in default of its obligations to make said payments and ACS must continue to provide the Services.

6.7 RENEGOTIATION. In the event that Roadway's use of the Services increases or decreases over or below the Baseline Usage (as such term and such levels of usage are defined in SCHEDULE 6.1) by more than twenty percent (20%), upon sixty (60) days notice by either party, the parties will negotiate in good faith new pricing with respect to that Service based on the then current usage. ACS and Roadway will renegotiate the LAN/Desktop charge on SCHEDULE 6.1 to a lower amount after Roadway completes the thin-client roll-out and desktop standardization projects.

6.8 ADDITIONAL CHARGES. Prices payable hereunder will not include any charge for any services not previously approved in writing by Roadway.

SECTION 7. TAXES

7.1 ROADWAY RESPONSIBILITY. In addition to the payments due to ACS for the prices and charges for the Services, Roadway shall be responsible for payment of all taxes, however designated, which are exacted in connection with the performance hereof, except net corporate income or franchise taxes of ACS, which are levied or based on the Services provided or the charges made under this Agreement. These taxes shall include, but shall not be limited to, state and local taxes based on gross revenue, including sales, use and/or excise taxes. ACS will work with and accept all legal methods of allocation suggested by Roadway. In the event that Roadway's methodology of allocation is determined to be improper by a taxing authority and ACS incurs tax liability due to such determination, Roadway will indemnify and hold harmless ACS for such liability.

7.2 PAYMENT. All charges and prices stated herein are exclusive of such taxes, and ACS may add such taxes to its invoices hereunder. Upon payment by Roadway to ACS, ACS shall be responsible for filing applicable tax returns and paying and remitting the taxes when due.

SECTION 8. TERMINATION

8.1 AT ROADWAY'S ELECTION. As to any or all of the Services, Roadway may, at its sole discretion, terminate such portions of this Agreement at any time after 26 Periods after the Commencement Date, provided it has given ACS at least six (6) Periods prior written notice. Upon such termination, Roadway agrees to pay and ACS will be entitled to receive the termination charges set forth on SCHEDULE 6.1.

8.2 UPON MATERIAL BREACH. This Agreement may be terminated by either party upon a material breach by the other party if such breach is not cured within thirty (30) days after written notice by the non-breaching party or if the breaching party has not commenced corrective action within such thirty (30) day period which is reasonably likely to cure such breach in a reasonable further period of time; provided, that, this Agreement may not be terminated by ACS for any breach by Roadway other than a repeated failure to pay undisputed amounts when due.

8.3 TERMINATION ASSISTANCE AND SERVICES. Upon expiration or termination of this Agreement for any reason, and upon Roadway's request, ACS will provide the termination assistance (including all requests for information) and transition services described in SCHEDULE 8.3 hereto to enable Roadway to transfer its processing to its own facilities or to a third party. Such termination services shall commence as promptly as practicable after the date of the notice and shall continue as long as reasonably necessary. All applicable provisions of this Agreement shall be extended for the period during which such services are provided. Roadway shall pay for Services rendered during such transition period in accordance with the applicable provisions of this Agreement, and shall also pay the charges for other termination services, if any, described in SCHEDULE 6.1.

8.4 RETURN OF MATERIALS. Upon completion of the termination services, ACS shall have returned to Roadway or its designee all Roadway data and Roadway Confidential Information in its possession or control, including, without limitation, all copies of all Roadway Applications Software and all Roadway-Provided Software transferred or made available by Roadway to ACS.

8.5 PERSONNEL MATTERS ON TERMINATION. SCHEDULE 8.5 contains certain rights and obligations of the parties arising with regard to personnel in connection with the termination or expiration of this Agreement.

8.6 SOFTWARE MATTERS ON TERMINATION. In connection with providing the termination services described herein, ACS will deliver, transfer or assign to Roadway (with Roadway having the right to audit such process through automated means or otherwise), effective as of the date of expiration or termination of the Agreement:

- (a) all Roadway-Provided Software, and licenses and maintenance agreements thereto, if any, which have been transferred or made available to ACS; and
- (b) licenses and maintenance agreements for any other Third-Party Software, if any, used by ACS to furnish Services to Roadway or acquired by ACS on Roadway's behalf;

provided, however, that ACS shall have no obligation to assign or transfer any license or maintenance agreement to Roadway if assignment or transfer is prohibited under the terms of the applicable license or agreement.

8.7 EQUIPMENT MATTERS ON TERMINATION. SCHEDULE 8.7 contains certain rights and obligations of the parties arising in connection with termination or expiration with regard to equipment.

SECTION 9. WARRANTIES, REMEDIES AND INDEMNITIES

9.1 SERVICE WARRANTY. ACS warrants that all Services provided by ACS to Roadway will be performed in a professional, competent and timely manner, and will meet the standards set forth on SCHEDULES 2.1, 2.4 AND 2.5.

9.2 REMEDIES.

(a) If ACS is in breach of the warranty of SECTION 9.1, ACS shall, at ACS's sole cost and expense, take any and all actions necessary to remedy such breach, including, without limitation: (i) initiating problem reports to identify causes of problems; (ii) developing reasonable, feasible written recommendations to Roadway for changes in Roadway procedures to avoid future breaches of the same or similar nature; (iii) implementing modifications to ACS systems and procedures to remedy such breach; and (iv) changing the wide area network, the data center equipment, ACS equipment on Roadway's premises, the operating software environment, or other components of the systems being used by ACS.

(b) Further, for continuing failures to perform in accordance with the standards set forth on SCHEDULES 2.1, 2.4 AND 2.5, Roadway shall receive the Service Level Credits computed in accordance with SCHEDULE 9.2.

(c) The remedies in this SECTION 9.2 shall not be Roadway's sole and exclusive remedies for breaches of the warranty of SECTION 9.1. These remedies shall in no way limit other remedies available to Roadway for other breaches of this Agreement.

9.3 CROSS-INDEMNITY FOR PERSONAL INJURY AND PROPERTY DAMAGE. ACS and Roadway each agree to indemnify and hold harmless the other from any and all liabilities, costs, losses, and expenses, including reasonable attorneys' fees and expenses, arising out of or in connection with any personal injury or death, damage to or destruction of the property or premises leased, licensed, or owned by the indemnitee caused by the negligence or willful acts of the indemnitor's officers, employees, agents or other representatives. During the term of this Agreement, both Roadway and ACS will maintain in full force and effect, at their own expense, insurance coverage to include Workers' Compensation, Employer's Liability, Commercial General Liability (including contractual liability), Automobile Liability and Property insurance. Certificates of Insurance evidencing the required coverages shall be furnished to Roadway and ACS respectively before any work is commenced hereunder and shall provide that there will be no cancellation without 30 days prior written notice. All insurance policies shall be written by a company authorized to do business in the state where the services are delivered. Notwithstanding the foregoing, Roadway understands that ACS is a non-subscriber to the Texas Workers Compensation Act. ACS provides an ERISA qualified plan of benefits for its employees who sustain an occupational injury or disease. ACS currently maintains excess employers indemnity insurance in an amount of \$2,000,000 per employee, \$10,000,000 per occurrence and annual aggregate limits of \$20,000,000 for occupational injury and \$2,000,000 for occupational disease.

9.4 NOTICE AND DEFENSE. The indemnified party shall give the indemnitor prompt notice of any claim as to which it seeks indemnification. The indemnitor shall have the right to control the defense and settlement of any indemnified claim. The indemnitee agrees to provide reasonable assistance in the defense of indemnified claims. Unless it prejudices the indemnitor, a failure to give prompt notice shall not terminate the indemnitor's obligation to indemnify hereunder.

9.5 YEAR 2000 WARRANTY. ACS will be responsible for ensuring that the operating system and hardware platforms are Year 2000 Compliant and available to Roadway for its production use. Additionally, to the extent that each third-party system software provider has a Year 2000 Compliant product, ACS will work with each vendor to ensure that all system software is Year 2000 Compliant. In the event that any ACS hardware or software used by ACS relating to the Services fails to operate and such failure is caused by a problem regarding Year 2000 Compliance, ACS will, at its own expense, either correct the non-compliant item(s) or, upon receiving Roadway's consent, replace them with compatible and functionality equivalent item(s) within sixty (60) days of either Roadway's written notice to ACS of the non-compliance or ACS'

knowledge of such non-compliance, and in no case later than December 31, 1999. ACS will take all reasonable steps to minimize the impact of any Year 2000 Compliance defect on the continuity and quality of the services. ACS will supply to Roadway ACS's Year 2000 preparedness strategy and ACS's current state of Year 2000 readiness with sufficient detail to allow Roadway to make proper disclosure to the Securities and Exchange Commission as to the potential material adverse effect of the Year 2000 problem.

9.6 INDEMNIFICATION.

(a) ACS shall indemnify and hold harmless Roadway against any costs, fees or damages solely arising out of any claim by a third party that Roadway's authorized use or possession of the ACS-Provided Software infringes any United States patent, trade secret, copyright or trademark of any third party; provided however, that (i) ACS has sole control of the defense and/or settlement, (ii) Roadway notifies ACS promptly (but no later than ten (10) days upon receipt by Roadway of notice of such claim in writing of each such claim or suit) and gives ACS all information known to Roadway relating thereto, and (iii) Roadway cooperates with ACS in the settlement and/or defense. ACS shall reimburse Roadway for all reasonable out-of-pocket expenses, including reasonable attorney's fees incurred by Roadway in providing any cooperation requested by ACS.

(b) If all or any part of the ACS-Provided Software is, or in the opinion of ACS may become, the subject of any claim or suit for infringement of any third party's U.S. trademark or copyright, or if Roadway's use of the Software or Documentation is enjoined, ACS shall, in its sole discretion and at its expense, do one of the following: (i) procure for Roadway the right to use the ACS-Provided Software or the affected part thereof; (ii) replace the ACS-Provided Software or affected part with other suitable software and documentation or (iii) modify the ACS-Provided Software or affected part to make it non-infringing.

(c) Roadway shall indemnify and hold harmless ACS against any costs, fees or damages arising out of or relating to any claim by any third party for unpaid invoices for products and/services ordered or received by Roadway prior to the Effective Date, including any matter under the Letter of Intent between the parties.

SECTION 10. LIMITATION OF LIABILITIES AND REMEDIES

10.1 DIRECT DAMAGES. For any claim concerning the performance or nonperformance by ACS pursuant to, or the breach by ACS of, or in any other way related to the subject matter of, this Agreement, Roadway shall be entitled to recover actual direct damages to the limit set forth herein. Direct damages shall include, without limitation, Roadway's costs of cover resulting from a breach or failure of performance hereunder, defined to be Roadway's reasonable internal costs and out-of-pocket expenses for obtaining alternative processing or services and charges of outside contractors.

10.2 LIMITATIONS OF LIABILITY.

(a) ACS's cumulative liability for damages (regardless of the form of action, whether in contract or in tort and excluding any Service Level Credits) shall in no event exceed the greater of \$[18 million] or the amount paid by Roadway to ACS during the preceding ten (10) Periods (or the first ten (10) Periods of scheduled payments by Roadway if this Agreement has not been in effect for ten (10) Periods following the Effective Date). Notwithstanding the foregoing, the above limits of liability shall not apply to damages covered under SECTIONS 7.1, 9.3 AND 9.6.

(b) IN NO EVENT WILL ACS OR ROADWAY BE LIABLE FOR ANY LOSS OF PROFITS OR OTHER INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES OR FOR ANY CLAIM AGAINST THE OTHER PARTY BY ANY OTHER PARTY UNLESS SUCH CLAIM IS EXPRESSLY INDEMNIFIED HEREUNDER.

10.3 FORCE MAJEURE. Without limiting ACS's obligations to provide disaster recovery services as described in SCHEDULE 2.1, neither party shall be liable for any failure to perform its obligations under this Agreement if prevented from doing so by a cause or causes beyond its control. Such causes include strikes, Acts of God or the public enemy, fires, floods, storms, earthquakes, riots, war or war operations, restraints of government or other cause or causes which could not, with reasonable diligence, be controlled or prevented by the party. A party's excuse of performance under this paragraph shall continue only so long as the cause preventing the performance continues or the party could with reasonable diligence have resumed performance through alternative means or otherwise.

SECTION 11. ERRORS AND OMISSIONS

Roadway is responsible for the correctness and accuracy of the data it submits to ACS. ACS shall not be responsible for errors in processing or output due to errors in such data. ACS shall regularly perform backups and off-site file storage in accordance with the policies and practices set out in SCHEDULES 2.1 AND 2.4 or as required to meet the appropriate Service Levels.

SECTION 12. TITLE TO PROPERTY

Roadway does not transfer hereby to ACS any title or ownership right or interest in or to any data or programs provided by Roadway to ACS or any intellectual property rights therein. Except to the extent expressly set out in separate written transfer, assignment, consent or other conveyance documents, neither party transfers or will transfer hereunder rights under any licenses to Third-Party Software. ACS is hereby granted a fully-paid, non-exclusive, non-transferable license, without the right to sublicense, in programs owned by Roadway solely for the purpose of performing the Services hereunder. All ownership rights in any modifications to such Roadway programs whether made by Roadway or ACS, and all intellectual property rights therein, shall belong to Roadway. ACS hereby assigns any such intellectual property rights which it may obtain to Roadway. All Roadway equipment on ACS premises will be properly identified as Roadway property.

SECTION 13. RISK OF LOSS, INSURANCE ON EQUIPMENT

13.1 ROADWAY RISK OF LOSS. All risk of loss from whatever cause, including theft, destruction and damage, to equipment which is furnished by ACS for use at Roadway locations (other than those locations leased by ACS from Roadway) is assumed by Roadway. Roadway will procure and maintain, at its expense, casualty insurance with extended coverage, on all such equipment. Equipment will be insured for its replacement value, for the full Term of this Agreement. Public liability insurance for death, bodily injury and property damage resulting from ownership, maintenance, use or operation of equipment shall also be obtained by Roadway. All such insurance shall name ACS as an additional insured, shall be in reasonable amounts and with reputable insurers rated at least A by A.M. Best and Company and shall provide that the same may not be materially modified, altered or canceled except with notice to ACS. Roadway shall deliver to ACS, at least fifteen (15) days prior to the Effective Date a copy of its insurance policies then in effect. In the event of failure on the part of Roadway to provide such insurance, ACS may, at its option, provide such insurance and add the amount of the premiums to the periodic rental charged to Roadway for such equipment.

13.2 ACS RISK OF LOSS. All risk of loss from whatever cause, including theft, destruction and damage, to equipment which is furnished by Roadway for use at ACS locations (other than those locations leased by Roadway from ACS) is assumed by ACS. ACS will procure and maintain, at its expense, casualty insurance with extended coverage, on all such equipment. Equipment will be insured for its replacement value, for the full Term of this Agreement. Public liability insurance for death, bodily injury and property damage resulting from ownership, maintenance, use or operation of equipment shall also be obtained by ACS. All such insurance shall name Roadway as an additional insured, shall be in reasonable amounts and with reputable insurers rated at least A by A.M. Best and Company and shall provide that the same may not be materially modified, altered or canceled except with notice to Roadway. ACS shall deliver to Roadway, at least fifteen (15) days prior to the Effective Date a copy of its insurance policies then in effect. In the event of

failure on the part of ACS to provide such insurance, Roadway may, at its option, provide such insurance and deduct the amount of the premiums from the periodic payments due ACS.

SECTION 14. DISPOSITION OF DATA

All data, programs, storage media, and other materials furnished by Roadway to ACS in connection with this Agreement and all data used by ACS to set up the operating environment and to perform the Services shall be returned or provided (as the case may be) by ACS to Roadway or delivered to Roadway's designee upon the termination or expiration of this Agreement, unless Roadway requests that ACS otherwise dispose of any of such items. Upon request, Roadway shall be entitled to receive copies of any such data, programs or other materials at any time during the Term. Roadway shall remain liable for all charges imposed under SCHEDULES 6.1 OR 8.3 as a result of data and/or physical media stored with ACS. ACS shall dispose of the data and media not returned to Roadway in the manner requested by Roadway. Roadway agrees to pay ACS for its out-of-pocket expenses incurred as a result of the disposition of the data and/or media. After termination or expiration, ACS reserves the right to dispose of data and/or media stored by Roadway with ACS if Roadway has not utilized ACS facilities and equipment at any time during a continuous period of at least ninety (90) days.

SECTION 15. GOVERNANCE, DISPUTE RESOLUTION AND ARBITRATION

15.1 OPERATIONAL COMMITTEE. Each party will appoint up to five managers to a Operational Committee, whose purpose will be to provide a forum for discussing performance, problems and service needs. The Operational Committee will meet Periodically and no less frequently than Periodically at Roadway's headquarters facility or other location mutually agreed by the parties. The initial members of the Operational Committee are set out on SCHEDULE 15.1. Each party may change its members of the Operational Committee upon written notice to the other party.

15.2 EXECUTIVE COMMITTEE; DISPUTES.

(a) Each of the parties will appoint up to three high-level executives, at least one of which will be an officer of such party, to serve on an Executive Committee. The purpose of the Executive Committee will be to review and resolve any dispute which may arise pertaining to the interpretation and the performance of obligations under this Agreement. If a dispute can not be resolved by the relationship managers or the Operational Committee, then either party may request that the Executive Committee meet to seek to resolve the dispute. Roadway shall prepare and circulate minutes for such meetings. ACS will have the right to comment on such minutes before they become final minutes.

(b) The Executive Committee will meet as promptly as practicable after a request to discuss the dispute or controversy, cause information to be presented and negotiate in good faith in an effort to resolve the dispute or controversy without the necessity of any formal proceeding relating thereto. No formal proceedings for the resolution of such dispute or controversy may be commenced until either or both of the groups of designated executives on the Executive Committee conclude in good faith that resolution through continued negotiation of the matter in issue is not likely to occur.

(c) Each party may change its members of the Executive Committee upon written notice to the other party.

15.3 FORMAL DISPUTE RESOLUTION.

(a) MEDIATION. If the dispute has not been resolved by negotiation as provided hereinabove, the parties shall endeavor to settle the dispute by mediation (with the participation of at least one officer of each party) under the then current presently effective Center for Public Resources ("CPR") Model Procedure for Mediation of Business Disputes. The neutral third party will be selected from the CPR Panels of Neutrals. If the parties encounter difficulty in agreeing on a neutral, they will seek the assistance of CPR in the selection process.

(b) ARBITRATION. Any dispute that shall not have been resolved as hereinabove provided or otherwise by agreement between the parties shall be finally settled by arbitration conducted expeditiously in accordance with the CPR Rules. Arbitration shall be held at Cleveland, Ohio or such other place as the parties shall agree. Upon request of either party for arbitration in accordance with this section, the appropriate representatives of each party shall attempt to agree on a single arbitrator. If no agreement is reached within thirty (30) days of the request, each party shall, within ten (10) days thereafter appoint a single arbitrator. The two arbitrators so appointed shall select a third arbitrator and all decisions thereafter shall be made by a majority of the arbitrators. The parties shall share equally in the fees and costs charged by the arbitrator(s) and shall act in good faith to avoid unnecessary fees and costs. Unless otherwise agreed by the parties, discovery shall be permitted in said arbitration, provided that all discovery is taken within 60 days of commencement of the arbitration proceeding, and each side takes no more than two depositions, and serves only a reasonable number of interrogatories and document requests to be determined by the arbitrator. Any award rendered in arbitration shall be limited to those remedies available to any court of competent jurisdiction. The award rendered through arbitration shall be final and binding upon the parties and judgment thereon may be entered in any court of competent jurisdiction for execution.

SECTION 16. CERTAIN OBLIGATIONS REGARDING THIRD-PARTY SOFTWARE

16.1 ROADWAY OBLIGATIONS.

(a) Roadway may add or delete applications from the Services being provided hereunder. Any Third-Party Software which Roadway purchases or licenses during the Term shall be treated as Roadway-Provided Software and SCHEDULE 2.10 shall be amended accordingly with installation Services occurring at no cost to Roadway. Unless otherwise agreed in writing by the parties, such Software shall be used solely to provide Services to Roadway and Roadway shall be responsible for all license, usage, maintenance and other fees and charges payable as Pass-Through Costs or charges under Administered Contracts with respect to such software, without change in the Base Price. All software license, usage, maintenance and other fees and charges included in the Base Price shall be so indicated on SCHEDULE 2.10 for each software product listed therein.

(b) In the event that Roadway desires to add Third-Party Software to SCHEDULE 2.10, ACS will detail to Roadway the one-time acquisition costs, the on-going maintenance costs and the administrative fee to be charged by ACS for such software. Based on such costs, Roadway will have the option of not adding the software, acquiring the software itself or requiring ACS to acquire the software in Roadway's name. If Roadway chooses to add such software, the charges hereunder will be adjusted accordingly.

(c) In the event that Roadway chooses to delete software from SCHEDULE 2.10, the charges hereunder will be adjusted accordingly.

16.2 ACS OBLIGATIONS

(a) ACS shall obtain all consents, licenses or other rights needed to allow ACS to use all ACS and Roadway-Provided Software that may be required from time to time to provide the Services. ACS shall acquire upgrades and obtain maintenance, support and problem resolution with respect to all such Software, including, without limitation, any data center and systems software utilized by it except to the extent, if any, that Roadway expressly retains or assumes that responsibility in writing.

(b) ACS shall endeavor to obtain Third-Party Software in the most economical manner feasible, and if any such Third-Party Software licenses are also used for purposes other than providing Services to Roadway, such as ACS's internal use or for services to other customers of ACS, the related Pass-Through Costs or other charges shall be abated proportionately. ACS agrees that maintenance agreements on all such Third-Party Software will be kept current and in full force and effect unless approved in writing by Roadway. Unless otherwise approved by Roadway in writing, ACS shall keep all such Third-Party Software at version levels that are supported by the vendor. Upon the written request of Roadway and at no additional charge to Roadway, ACS will upgrade any Third-Party Software with any available upgrade.

SECTION 17. GENERAL

17.1 AMENDMENT; WAIVER; REMEDIES.

(a) No amendment, waiver, alteration or modification of any of the provisions hereof shall be binding upon either party unless signed in writing by the duly authorized representatives of each party. As the parties make authorized changes to the Schedules, the Agreement will be amended accordingly.

(b) The services provided under this Agreement are for the sole benefit and use of Roadway and its Affiliates, and shall not be made available to any other persons. Unless expressly provided otherwise herein, all remedies provided for in this Agreement will be cumulative and in addition to and not in lieu of any other remedies available to either party at law, in equity or otherwise.

17.2 ASSIGNMENT; BINDING EFFECT. This Agreement may not be assigned by either party without the other's prior written consent; provided, that, Roadway may assign this Agreement to a successor in connection with a sale of all or substantially all of its assets and business. This Agreement shall be binding upon, and inure to the benefit of, any successors or assigns of the parties. Upon a change in control of ACS, Roadway will be able to terminate this Agreement without the payment of any termination fees if, in its reasonable discretion, Roadway does not approve of the new ACS controlling entity. In addition, Roadway may terminate this Agreement without the payment of any termination fees if Roadway determines, in its reasonable discretion, that ACS is not financially viable.

17.3 JURISDICTION. This Agreement will be governed by the laws of the State of Ohio. ACS and Roadway agree to jurisdiction and venue in the State and Federal Courts in Ohio.

17.4 CONFLICTS. In the event of conflict between these General Terms and Conditions and the Schedules, the Schedules shall prevail.

17.5 INTEGRATION; COMPLETE DOCUMENT. Roadway and ACS each acknowledges that it has read the Recitals and these General Terms and Conditions together with the Schedules, which together constitute this Agreement, and understands and agrees to be bound by their terms and conditions. Further, the parties agree that this Agreement is the complete and exclusive statement of the agreement between the parties which supersedes all proposals or prior agreements, oral or written, and all other communications between the parties relating to the subject matter of this Agreement.

17.6 NOTICES. Any notices permitted or required hereunder may be given by certified mail, return receipt requested; by telecopy if the receiving machine confirms receipt; or by electronic mail, followed by confirmation either by telecopy or certified mail, to the addresses set out below or any other addresses as to which notice is given.

To Roadway:
Roadway Express, Inc.
1077 Gorge Boulevard
Akron, Ohio 44309
Attention: Robert W. Obee
Vice Pres. of Operations, Planning
Engineering
and
Pamela J. Kelley, Dir. of
Information Technology

Copy To: General Counsel

To ACS:
Affiliated Computer Services, Inc.

2828 N. Haskell
Dallas, Texas 75204
Attention: President

Copy To: General Counsel

17.7 AUDIT RIGHTS. ACS agrees that internal and external auditors designated by Roadway in writing may, at reasonable times, have such access to ACS's data facilities and its programs, records and procedures relating to the processing of Roadway's data as they may reasonably request for purposes of conducting audits of Roadway's financial condition, results of operations or financial statements. ACS will also provide such auditors with access to its personnel who are responsible for maintaining such programs, practices and procedures. Additionally, ACS will provide reasonable assistance to such auditors and inspectors. ACS will not be required to provide such auditors and inspectors access to data of other ACS customers or the proprietary data of ACS.

17.8 EMPLOYEES. With the exception of employees who may be employed by Roadway in accordance with SECTION 8.5 and SCHEDULE 8.5, each party agrees that during the Term and for a Period of thirteen (13) Periods thereafter, it will not, without the consent of the other party, offer employment or employ any person who was an employee of the other party at any time during the Term of this Agreement, without the written consent of the other party.

17.9 SEVERABILITY. If any term or provision of this Agreement or the application thereof to any person or circumstance is, to any extent, declared or found to be illegal, unenforceable or void, then both parties will be relieved of all obligations arising under such term or provision, but only to the extent that such term or provision is illegal, unenforceable or void. The validity of the other provisions hereof shall not be affected, and the remainder of this Agreement shall continue in full force and effect.

17.10 FURTHER ASSURANCES. Each party agrees that it will execute, deliver or file such further documents, and take such actions, as the other party may reasonably request to carry out the purposes and agreements herein.

17.11 SURVIVAL. The covenants and obligations of the parties under SECTIONS 4, 7, 9, 10, 12, 14, 15 AND 17 of this Agreement shall survive the termination or expiration hereof.

17.12 CONSENT. Whenever consent of a party is required hereunder, it shall not be unreasonably withheld nor unduly delayed.

17.13 COUNTERPARTS. This Agreement may be signed in any number of identical counterparts each of which shall be deemed to be an original, and all of which, when taken together, shall constitute a single Agreement.

AFFILIATED COMPUTER SERVICES, INC.

ROADWAY EXPRESS, INC.

Authorized Signature

Authorized Signature

Name (Print or Type)

Name (Print or Type)

Title

Title

Date

Date

[YELLOW ROADWAY LOGO]

YELLOW ROADWAY CORPORATION
SHARE UNIT AGREEMENT

[NAME OF GRANTEE]
GRANTEE

DATE OF GRANT:

TOTAL NUMBER OF UNITS
GRANTED:

VESTING SCHEDULE: [LTIP: 50% OF THE UNITS VEST ON THE THIRD ANNIVERSARY OF THE DATE OF GRANT (SUBJECT TO THE ADDITIONAL HOLDING PERIOD DESCRIBED HEREIN); AND THE REMAINING 50% OF THE SHARES VEST ON THE SIXTH ANNIVERSARY OF THE DATE OF GRANT.

THE COMPANY WILL NOT DELIVER ANY SHARES WITH RESPECT TO VESTED UNITS UNTIL THE EARLIER OF THE SIXTH ANNIVERSARY FROM THE DATE OF GRANT, TERMINATION OF THE GRANTEE'S EMPLOYMENT WITH THE COMPANY, DEATH, DISABILITY OR A CHANGE OF CONTROL (AS DESCRIBED IN THE TERMS AND CONDITIONS)]

[ESP: 100% OF THE UNITS VEST ON THE THIRD ANNIVERSARY OF THE DATE OF GRANT]

GRANT OF SHARE UNITS

Pursuant to action taken by the Compensation Committee (the "Committee") of the Board of Directors of YELLOW ROADWAY CORPORATION, a Delaware corporation (the "Company"), for the purposes of administration of the Yellow Roadway Corporation [2002 Stock Option and Share Award Plan][2004 Long-Term Incentive and Equity Award Plan] or any successor thereto (the "Plan"), the above-named Grantee is hereby granted rights to receive the above number of shares of the Company's \$1 par value per share common stock in accordance with the Vesting Schedule described above on a one share per one unit basis and subject to the other terms and conditions described in this Share Unit Agreement (this "Agreement").

By your acceptance of the Share Units (the "Units") represented by this Agreement, you agree that the Units are granted under and governed by the terms of the Plan, this Agreement and the Terms and Conditions of Share Agreements (____, 20__) attached to this Agreement; you acknowledge that you have received, reviewed and understand the Plan, including the provisions that the Committee's decision on any matter arising under the Plan is conclusive and binding; and you agree that this Agreement amends and supercedes any other agreement or statement, oral or written, in its entirety regarding the vesting or holding period of these Units.

YELLOW ROADWAY CORPORATION

Name:
Title:

Agreement agreed and
accepted by:

Grantee Name: _____

YELLOW ROADWAY CORPORATION

TERMS AND CONDITIONS
OF
SHARE UNIT AGREEMENTS

_____, 20__

These Terms and Conditions are applicable to Share Units (the "Units") granted pursuant to the YELLOW ROADWAY CORPORATION [2002 STOCK OPTION AND SHARE AWARD PLAN][2004 LONG-TERM INCENTIVE AND EQUITY AWARD PLAN] or any successor thereto (the "Plan").

1. ACCELERATION OF VESTING. Notwithstanding the provisions of the vesting schedule provided in the Share Unit Agreement, the vesting of the underlying shares for each Unit may be accelerated in the following circumstances:

1.1 Death or Permanent and Total Disability. If the Grantee dies or is deemed to be "permanently and totally disabled" (as defined herein) while in the employ of the Company or a subsidiary of the Company (a "Subsidiary") and prior to the time the Units vest, the Units shall become fully vested and convert to shares of Yellow Roadway Corporation common stock. For purposes of this Section, a Grantee shall be considered "permanently and totally disabled" if he is unable to engage in any substantial gainful employment by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months. The existence of a permanent and total disability shall be evidenced by such medical certification as the Secretary of the Company shall require and as the Committee approves.

1.2 Change of Control of the Company. If a "Change of Control" of the Company occurs while the Grantee is in the employ of the Company or a Subsidiary prior to the time the Units vest, the Units shall become fully vested and convert to shares of Yellow Roadway Corporation common stock. For the purposes of this Section, a "Change of Control" shall be deemed to have taken place if:

1.2.1 a third person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, purchases or otherwise acquires shares of the Company after the date of grant and as a result thereof becomes the beneficial owner of shares of the Company having 20% or more of the total number of votes that may be cast for election of directors of the Company; or

1.2.2 as the result of, or in connection with any cash tender or exchange offer, merger or other Business Combination, or contested election, or any combination of the foregoing transactions, the Continuing Directors shall cease to constitute a majority of the Board of Directors of the Company or any successor to the Company.

For the purposes of this Section, "Business Combination" means any transaction that is referred to in any one or more of clauses (a) through (e) of Section 1 of Subparagraph A of Article Seventh of the Certificate of Incorporation of the Company; and "Continuing Director" means a director of the Company who meets the definition of Continuing Director contained in Section 7 of Subparagraph C of Article Seventh of the Certificate of Incorporation of the Company.

Yellow Roadway Corporation
Terms and Conditions of
Share Units

_____, 20__

2. LAPSE OF RIGHTS UPON TERMINATION OF EMPLOYMENT.

Except as provided above, upon termination of the Grantee's employment with the Company or any Subsidiary, the Grantee shall forfeit any unvested Unit.

3. TRANSFERS OF EMPLOYMENT; AUTHORIZED LEAVE.

- 3.1 Transfers of Employment. Transfers of employment between the Company and a Subsidiary, or between Subsidiaries, shall not constitute a termination of employment for purposes of the Unit.
- 3.2 Authorized Leave. Authorized leaves of absence from the Company shall not constitute a termination of employment for purposes of the Unit. For purposes of the Unit, an authorized leave of absence shall be an absence while the Grantee is on military leave, sick leave, or other bona fide leave of absence so long as the Grantee's right to employment with the Company is guaranteed by statute, a contract or Company policy.
- 5.3 Withholding. To the extent the Grantee has taxable income in connection with the grant or vesting of the Unit or the delivery of shares of Company common stock, the Company is authorized to withhold from any compensation payable to Grantee, including shares of common stock that the Company is to deliver to the Grantee, any taxes required to be withheld by foreign, federal, state, provincial or local law. By executing the Share Unit Agreement, the Grantee authorizes the Company to withhold any applicable taxes.

4. NON-TRANSFERABILITY. No rights under the Share Unit Agreement shall be transferable otherwise than by will, the laws of descent and distribution or pursuant to a Qualified Domestic Relations Order ("QDRO"), and, except to the extent otherwise provided herein, the rights and the benefits of the Share Unit Agreement may be exercised and received, respectively, during the lifetime of the Grantee only by the Grantee or by the Grantee's guardian or legal representative or by an "alternate payee" pursuant to a QDRO.

5. LIMITATION OF LIABILITY. Under no circumstances will the Company be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan or the Company's role as Plan sponsor.

6. UNITS SUBJECT TO PLAN. A copy of the Plan is included with the Share Unit Agreement. The provisions of the Plan as now in effect and as the Plan may be amended in the future (but only to the extent such amendments are allowed by the provisions of the Plan) are hereby incorporated in the Share Unit Agreement by reference as though fully set forth herein. Upon request to the Secretary of the Company, a Grantee may obtain a copy of the Plan and any amendments.

7. DEFINITIONS. Unless redefined herein, all terms defined in the Plan have the same meaning when used as capitalized terms in this Agreement.

8. COMPLIANCE WITH REGULATORY REQUIREMENTS. Notwithstanding anything else in the Plan, the shares received upon vesting of the Units may not be sold, pledged or hypothecated until such time as the Company complies with all regulatory requirements regarding registration of the Shares to be issued under the terms of the Plan.

Yellow Roadway Corporation
Terms and Conditions of
Share Units

_____, 20____

ROADWAY CORPORATION
401(A)(17) BENEFIT PLAN
(Effective January 1, 2002)

ARTICLE I	PURPOSE OF THE PLAN.....	1
1.1	Purpose.....	1
ARTICLE II	DEFINITIONS.....	1
2.1	Generally.....	1
2.2	Account.....	1
2.3	Accrued Benefit.....	2
2.4	Employer.....	2
2.5	401(a)(17) Benefit.....	2
2.6	Participant.....	2
2.7	Pension Plan.....	2
2.8	Spouse.....	2
2.9	Valuation Date.....	2
ARTICLE III	401(a)(17) BENEFITS.....	2
3.1	Amount of Benefit.....	2
3.2	Manner and Time of Payment.....	3
3.3	Liability for Payment.....	3
3.4	Eligibility for Benefit.....	3
3.5	Payment to Guardian.....	3
3.6	Effect on other Benefits.....	4
3.7	Effect of Termination of Plan.....	4
ARTICLE IV	PARTICIPANT'S ACCOUNT.....	4
4.1	Generally.....	4
4.2	Limitation on Rights of Participants and Spouses.....	4
ARTICLE V	VESTING.....	4
5.1	Vesting Provisions.....	4
ARTICLE VI	METHOD OF FUNDING.....	4
6.1	General Obligation.....	4
EXHIBIT A	6

ROADWAY CORPORATION
401(A)(17)
BENEFIT PLAN

(Effective January 1, 2002)

THIS PLAN is made and executed this _____ day of _____, 2002 by Roadway Corporation, a Delaware corporation. This Plan is an amendment and restatement of the Roadway Express, Inc. 401(a)(17) Benefit Plan.

ARTICLE I
PURPOSE OF THE PLAN

1.1 Purpose

The Company hereby establishes the Roadway Express, Inc. 401(a)(17) Benefit Plan (the "Plan"). The purpose of this Plan is to provide to certain of the highly compensated employees of the Company and of certain other Employers benefits they would receive under the terms of certain defined benefit pension plans of the Controlled Group but for the limit on the amount of compensation that may be taken into account under such Pension Plans due to the application of Section 401(a)(17) of the Code. This Plan includes the Roadway Corporation Administrative Document for Excess Plan and 401(a)(17) Benefit Plan (the "Administrative Document"), which is incorporated herein by reference.

ARTICLE II
DEFINITIONS

2.1 Generally

The following words and phrases shall have the same meanings as specified in the applicable Pension Plan, as it may be amended from time to time, unless the context clearly requires otherwise:

"Actuarial (or Actuarially) Equivalent"
"Actuary"
"Code"
"Employee"
"Pension Commencement Date"
"Plan Year"

The following words and phrases shall have the same meaning as specified in the Administrative Document, as it may be amended from time to time, unless the context clearly requires otherwise:

"Board"
"Committee"
"Controlled Group" or "Controlled Group Members"
"Effective Date"
"Excess Plan"
"401(a)(17) Benefit Plan"

In addition, for purposes of this Plan, the following words and phrases shall have the meanings hereinafter indicated unless the context clearly indicates otherwise.

2.2 Account

"Account" means the record maintained in accordance with Article III by the Company for each Participant.

2.3 Accrued Benefit

"Accrued Benefit" of a Participant as of any date, hereinafter called an "accrual date," equals the amount of 401(a)(17) Benefit to which the Participant would be entitled under Section 3.1 if he terminated his employment with the Controlled Group on the accrual date.

2.4 Employer

"Employer" means the Company and any other Controlled Group Member that adopts this Plan in accordance with Section 7.7 of the Administrative Document.

2.5 401(a)(17) Benefit

"401(a)(17) Benefit" means the monthly benefit payable to or with respect to a Participant and/or his Spouse under Article III.

2.6 Participant

"Participant" means an Employee who (a) is participating in one or more Pension Plans whose benefits thereunder are limited by Section 401(a)(17) of the Code, (b) is selected by the Company for participation in this Plan, and (c) retires from an Employer on or after the Effective Date.

2.7 Pension Plan

"Pension Plan" means, with respect to any Participant, the defined benefit pension plan(s) specified on Exhibit A hereto (which is incorporated herein by reference) in which he participates.

2.8 Spouse

"Spouse" shall mean the deceased Participant's surviving spouse if such person married such Participant at least one (1) year prior to his death.

2.9 Valuation Date

"Valuation Date" shall mean the last day of each calendar year or such other dates as may be established by the Company.

ARTICLE III
401(a)(17) BENEFITS

3.1 Amount of Benefit

(a) Participants in a Single Pension Plan. The 401(a)(17) Benefit payable to or with respect to a Participant for any month of any Plan Year shall be an amount equal to the excess, if any, of (i) the amount of the monthly benefit, expressed as a single life annuity commencing as of the Participant's Pension Commencement Date, or, if the Participant is married on his Pension Commencement Date, expressed as a 100% joint and survivor annuity in an Actuarially Equivalent amount commencing on the Participant's Pension Commencement Date, that would be payable to or with respect to the Participant under the Pension Plan if the Pension Plan did not contain limitations pursuant to Sections 415 and 401(a)(17) of the Code, over (ii) the sum of (A) the amount of the monthly benefit payable on the same basis to or with respect to the Participant under such Pension Plan for such month and (B) the amount payable to or with respect to the Participant under the Excess Plan for such month less (iii) the amount, if any, the Participant would be entitled to receive, as of the Effective Date, under the Roadway Services, Inc. 401(a)(17) Benefit Plan. Such 401(a)(17) Benefit shall reflect any adjustments under such Pension Plan because of the Participant's determination not to elect to waive any qualified pre-retirement survivor annuity.

(b) Participants in Multiple Pension Plans. If a person has been a Participant in more than one Pension Plan, his 401(a)(17) Benefit for any month of any Plan Year shall be an amount equal to the excess, if any, of (i) the largest amount of monthly benefits to which he or his Beneficiary would be entitled under any of the Pension Plans for such Plan Year if the Pension Plans did not contain limitations pursuant to Sections 401(a)(17) and 415 of the Code, over (ii) the amount of benefits in fact payable to the Participant or his Beneficiary under all of the Pension Plans and the Excess Plan for such month, and computed and adjusted as provided in Section 3.1(a).

(c) Pre-retirement Survivor Annuity. If a married participant dies before his Pension Commencement Date, and has a Spouse entitled to a qualified pre-retirement survivor annuity under any Pension Plan, such Spouse shall receive a pre-retirement survivor annuity based on the 401(a)(17) Benefit computed and adjusted as provided in Subsections 3.1(a) and (b) to which the Participant would be entitled. Such pre-retirement survivor annuity shall be payable at the same time and in the same manner as the qualified pre-retirement survivor annuity.

3.2 Manner and Time of Payment

(a) Manner of Payment. The 401(a)(17) Benefit in the amount determined from time to time under Section 3.1 shall be payable monthly to a Participant for the life of the Participant, commencing as of the Participant's Pension Commencement Date; provided, however, for a married Participant, the 401(a)(17) Benefit, in an Actuarially Equivalent amount, shall be payable monthly to the Participant as an annuity for the life of the Participant, with a survivor annuity for the life of the Spouse, which is one hundred percent (100%) of the amount of the annuity payable during the joint lives of the Participant and the Spouse.

(b) Time of Payment. (i) The first monthly payment of a 401(a)(17) Benefit to a retired Participant entitled to such benefit shall be payable as of the first day of the first calendar month after such Participant shall have become entitled thereto pursuant to the provisions of the Pension Plan and this Plan, and each subsequent monthly payment of such benefit shall be payable as of the first day of each calendar month thereafter during his lifetime, ceasing with the payment made as of the first day of the calendar month in which the death of such Participant occurs. Any survivorship benefit shall be paid in the same manner, beginning the month following the month during which the death of such retired Participant occurs and continuing until such Spouse dies.

(ii) The 401(a)(17) Benefit of any retired Participant receiving a retirement benefit shall terminate as of the date of his re-employment if such retired Participant is re-employed by an Employer and, upon his subsequent retirement pursuant to the provisions of the Pension Plan after any period of such re-employment, such Participant shall thereupon be eligible for the 401(a)(17) Benefit then in effect, pursuant to the provisions of this Plan, with such adjustments in the amount of such benefit as may be necessary to reflect actuarially the value of any 401(a)(17) Benefit previously paid such Participant under this Plan.

3.3 Liability for Payment

The Company shall pay the 401(a)(17) Benefit to the Participant and/or his Beneficiary.

3.4 Eligibility for Benefit

Each Participant shall be eligible for a 401(a)(17) Benefit.

3.5 Payment to Guardian

If a benefit payable hereunder is payable to a minor, to a person declared incompetent or to a person incapable of handling the disposition of his property, the Company may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or person. The Company may require such proof of incompetency, minority, incapacity or guardianship as it may deem appropriate prior to distribution of the benefit. Such distribution shall completely discharge the Company from all liability with respect to such benefit.

3.6 Effect on other Benefits

Benefits payable to or with respect to a Participant under the Pension Plans, the Excess Plan or any other Company-sponsored (qualified or nonqualified) plan, if any, are in addition to those provided under this Plan.

3.7 Effect of Termination of Plan

Notwithstanding anything in this Plan to the contrary, in the event of a termination of this Plan, the Company, in its sole and absolute discretion, shall have the right to change the time and/or manner of distribution of Participants' 401(a)(17) Benefits, including, without limitation, by providing for the satisfaction of the Company's obligation to pay 401(a)(17) Benefits by payment of a single lump sum payment to each Participant or Spouse then entitled to a 401(a)(17) Benefit in an amount equal to the Actuarially Equivalent present value of such 401(a)(17) Benefit, provided that the Company may not diminish the value of the 401(a)(17) Benefit payable to any Participant or Spouse hereunder.

ARTICLE IV
PARTICIPANT'S ACCOUNT

4.1 Generally

The Company, through its accounting records, shall establish an Account for each Participant to reflect the value of the Participant's 401(a)(17) Benefit under this Plan. The Accounts established hereunder shall be segregated from other accounts on the books and records of the Company as a contingent liability of the Company to Participants. As of each Valuation Date, the Company shall credit each Participant's Account with the increase in the Actuarially Equivalent present value of the Participant's Accrued Benefit since the preceding Valuation Date and shall debit from the Participant's Account any decrease in such Actuarially Equivalent present value and the amount of any payments of a 401(a)(17) Benefit since the preceding Valuation Date. The amount of such credits and/or debits shall be determined by the Company.

4.2 Limitation on Rights of Participants and Spouses

The establishment of each Participant's Account hereunder is solely for the Company's convenience in administering this Plan. Amounts "credited" to the Account shall continue for all purposes to be part of the general funds of the Company. Each Participant's Account is merely a record of the value of the Company's unsecured contractual obligation to the Participant and his Spouse under this Plan.

ARTICLE V
VESTING

5.1 Vesting Provisions

Anything herein to the contrary notwithstanding, except as otherwise provided in Section 5.3(b) of the Administrative Document or Article VI of the Administrative Document, 401(a)(17) Benefits of Participants who are vested under the Pension Plan shall at all times be fully vested.

ARTICLE VI
METHOD OF FUNDING

6.1 General Obligation

The obligation of the Company hereunder shall be a general unfunded and unsecured obligation of the Company only. It is not intended hereby to establish a fund to provide for the payment of 401(a)(17) Benefits or to create a trust or lien (equitable or otherwise) for the benefit of any Participant, Spouse or any other person.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed by its duly appointed officer, effective as of January 1, 2002.

ROADWAY CORPORATION

By: /s/ John J. Gasparovic

VP, General Counsel & Secretary

EXHIBIT A

ROADWAY CORPORATION PENSION PLAN

First Amendment
to the
Roadway Corporation 401(a)(17) Benefit Plan
(Effective January 1, 2002)

WHEREAS, Roadway Corporation (the "Company") maintains the Roadway Corporation 401(a)(17) Benefit Plan (the "Plan"); and

WHEREAS, the Board of Directors of the Company (the "Board") has authority to amend the Plan; and

WHEREAS, the Board has determined that it is desirable to amend the Plan to provide for participants to receive payment of their benefits under the Plan at substantially the same time and in the same form of payment as their benefits are paid under the Company's tax-qualified defined benefit pension plan;

NOW, THEREFORE, Section 3.2 of the Plan is hereby amended to read as follows:

(a) Time and Form of Payment. A Participant's 401(a)(17) Benefit shall be paid at substantially the same time and in the same form of payment as the Participant's pension benefit is paid under the Pension Plan. If a Participant's 401(a)(17) Benefit is paid in a form other than a life annuity for the life of the Participant, such form of payment shall be Actuarially Equivalent to the Participant's 401(a)(17) Benefit payable in the form of a single life annuity for the life of the Participant.

(b) Effect of Reemployment. If a Participant who has commenced receiving an 401(a)(17) Benefit hereunder becomes reemployed by any member of the Controlled Group, payment of the Participant's 401(a)(17) Benefit shall be suspended in the same manner and to the same extent as such 401(a)(17) Benefit would be suspended if it were a pension benefit paid under the Pension Plan.

IN WITNESS WHEREOF, Roadway Corporation has caused this First Amendment to the Roadway Corporation 401(a)(17) Benefit Plan to be adopted as of this 5th day of November 2002.

ROADWAY CORPORATION

By: /s/ John J. Gasparovic
Vice President, General Counsel & Secretary

Second Amendment
to the
Roadway Corporation 401(a)(17) Benefit Plan
(Effective January 1, 2002)

Roadway Corporation hereby adopts this Second Amendment to the Roadway Corporation 401(a)(17) Benefit Plan (Effective January 1, 2002) (the "Plan") effective as of the date set forth below. Words and phrases used herein with initial capital letters that are defined in the Plan are used herein as so defined.

I.

Article II of the Plan is hereby amended by the addition of the following new Section immediately following Section 2.3 thereof:

"2.3A Change in Control

'Change in Control' means

(a) (i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the 'Exchange Act')) (a 'Person') of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of voting securities of the Company where such acquisition causes such Person to own 20% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the 'Outstanding Company Voting Securities'); provided, however, that for purposes of this subsection (i), the following acquisitions shall not be deemed to result in a Change of Control: (A) any acquisition directly from the Company that is approved by the Incumbent Board (as defined in subsection (ii) below), (B) any acquisition by the Company, or (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; provided, further, that if any Person's beneficial ownership of the Outstanding Company Voting Securities reaches or exceeds 20% as a result of a transaction described in clause (A) or (B) above, and such Person subsequently acquires beneficial ownership of additional voting securities of the Company, such subsequent acquisition shall be treated as an acquisition that causes such Person to own 20% or more of the Outstanding Company Voting Securities; and provided, further, that if at least a majority of the members of the Incumbent Board determines in good faith that a Person has acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the Outstanding Company Voting Securities inadvertently, and such Person divests as promptly as practicable a sufficient number of shares so that such Person beneficially owns (within the meanings of Rule 13d-3 promulgated under the Exchange Act) less than 20% of the Outstanding Company Voting Securities, then no Change of Control shall have occurred as a result of such Person's acquisition; or

(b) (ii) individuals who, as of February 22, 2002, constitute the Board (the 'Incumbent Board' (as modified by this clause (ii)) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to February 22, 2002 whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) (iii) The consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation, or other transaction ('Business Combination') excluding, however, such a Business Combination pursuant to which (A) the individuals and entities who were the ultimate beneficial owners of voting securities of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than 65% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the entity resulting from such Business Combination (including, without limitation, an entity that as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) (B) no Person (excluding any employee benefit plan (or related trust) of the Company, the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of the entity resulting from such Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) (iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company except pursuant to a Business Combination described in clauses (A), (B) and (C) of subsection (iii), above."

II.

Section 3.2(a) of the Plan is hereby amended by the addition of the following new sentence at the end thereof:

"Notwithstanding the foregoing, in the event of a Change in Control, the 401(a)(17) Benefit of any former employee receiving a 401(a)(17) Benefit at the time of the Change in Control shall be paid as soon as administratively feasible following such Change in Control, but in no event later than five business days following the Change in Control, in a single lump sum payment, the amount of which shall be Actuarially Equivalent to such former Employee's 401(a)(17) Benefit payable in the form of a single life annuity for the life of such former Employee."

EXECUTED this 7th day of August, 2003.

ROADWAY CORPORATION

By: /s/ John J. Gasparovic
Title: Executive Vice President,
General Counsel & Secretary

ROADWAY CORPORATION
EXCESS PLAN
(Effective January 1, 2002)

ARTICLE I	PURPOSE OF THE PLAN.....	1
1.1	Purpose.....	1
ARTICLE II	DEFINITIONS.....	1
2.1	Generally.....	1
2.2	Account.....	1
2.3	Accrued Benefit.....	1
2.4	Employer.....	2
2.5	Excess Retirement Benefit.....	2
2.6	Participant.....	2
2.7	Pension Plan.....	2
2.8	Spouse.....	2
2.9	Valuation Date.....	2
ARTICLE III	EXCESS RETIREMENT BENEFITS.....	2
3.1	Amount of Benefit.....	2
3.2	Manner and Time of Payment.....	3
3.3	Liability for Payment.....	3
3.4	Eligibility for Benefit.....	3
3.5	Payment to Guardian.....	3
3.6	Effect on other Benefits.....	3
3.7	Effect of Termination of Excess Plan.....	4
ARTICLE IV	PARTICIPANT'S ACCOUNT.....	4
4.1	Generally.....	4
4.2	Limitation on Rights of Participants and Spouses.....	4
ARTICLE V	VESTING.....	4
5.1	Vesting Provisions.....	4
ARTICLE VI	METHOD OF FUNDING.....	4
6.1	General Obligation.....	4
EXHIBIT A	4

ROADWAY CORPORATION
EXCESS PLAN
(Effective January 1, 2002)

THIS PLAN is made and executed this _____ day of _____, 2002 by Roadway Corporation, Delaware corporation (the "Company"). This Plan is an amendment and restatement of the Roadway Corporation Excess Plan.

ARTICLE I
PURPOSE OF THE PLAN

1.1 Purpose

The Company hereby establishes the Roadway Corporation Excess Plan (the "Plan"). The purpose of this Plan is to provide to certain of the employees of the Company and of certain other Employers benefits they would receive under the terms of certain defined benefit pension plans of the Controlled Group but for the limit on the benefits payable under such Pension Plans due to the application of Section 415 of the Code. This Plan includes the Roadway Corporation Administrative Document for Excess Plan and 401(a)(17) Benefit Plan (the "Administrative Document"), which is incorporated herein by reference.

ARTICLE II
DEFINITIONS

2.1 Generally

The following words and phrases shall have the same meanings as specified in the applicable Pension Plan, as it may be amended from time to time, unless the context clearly requires otherwise:

"Actuarial (or Actuarially) Equivalent"
"Actuary"
"Code"
"Employee"
"Pension Commencement Date"
"Plan Year"

The following words and phrases shall have the same meaning as specified in the Administrative Document, as it may be amended from time to time, unless the context clearly requires otherwise:

"Board"
"Committee"
"Controlled Group" or "Controlled Group Members"
"Effective Date"
"Excess Plan"
"401(a)(17) Benefit Plan"

In addition, for purposes of this Plan, the following words and phrases shall have the meanings hereinafter indicated unless the context clearly indicates otherwise.

2.2 Account

"Account" means the record maintained in accordance with Article IV by the Company for each Participant.

2.3 Accrued Benefit

"Accrued Benefit" of a Participant as of any date, hereinafter called an "accrual date," equals the amount of Excess Retirement Benefit to which the Participant would be entitled under Section 3.1 if he terminated his employment with the Controlled Group on the accrual date.

2.4 Employer

"Employer" means the Company and any other Controlled Group Member that adopts this Plan in accordance with Section 7.7 of the Administrative Document.

2.5 Excess Retirement Benefit

"Excess Retirement Benefit" means the monthly benefit payable to or with respect to a Participant and/or his Spouse under Article III.

2.6 Participant

"Participant" means an Employee who (a) is participating in one or more Pension Plans whose benefits thereunder are limited by Section 415 of the Code and (b) who retires from an Employer on or after the Effective Date.

2.7 Pension Plan

"Pension Plan" means, with respect to any Participant, the defined benefit pension plan(s) specified on Exhibit A hereto (which is incorporated herein by reference) in which he participates.

2.8 Spouse

Spouse shall mean the deceased Participant's surviving spouse if such person married such Participant at least one (1) year prior to his death.

2.9 Valuation Date

"Valuation Date" shall mean the last day of each calendar year or such other dates as may be established by the Company.

ARTICLE III
EXCESS RETIREMENT BENEFITS

3.1 Amount of Benefit

(a) Participants in a Single Pension Plan. The Excess Retirement Benefit payable to or with respect to a Participant for any month of any Plan Year shall be an amount equal to the excess, if any, of (i) the amount of the monthly benefit, expressed as a single life annuity commencing as of the Participant's Pension Commencement Date, or, if the Participant is married on his Pension Commencement Date, expressed as a 100% joint and survivor annuity in an Actuarially Equivalent amount commencing as of the Participant's Pension Commencement Date, that would be payable to or with respect to the Participant under the Pension Plan if the Pension Plan did not contain limitations pursuant to Section 415 of the Code, over (ii) the amount of the monthly benefit payable on the same basis to or with respect to the Participant under such Pension Plan for such month less (iii) the amount, if any, the Participant would be entitled to receive, as of the Effective Date, under the Roadway Services, Inc. Excess Plan. Such Excess Retirement Benefit (1) shall be reduced to reflect any post-retirement increases in monthly benefits payable to the Participant under such Pension Plan by reason of increases in the limits under Section 415 of the Code, and (2) shall reflect any adjustments under such Pension Plan because of the Participant's determination not to elect to waive any qualified pre-retirement survivor annuity.

(b) Participants in Multiple Pension Plans. If a person has been a Participant in more than one Pension Plan, his Excess Retirement Benefit for any month of any Plan Year shall be an amount equal to the excess, if any, of (i) the largest amount of monthly benefits to which he or his Beneficiary would be entitled under any of the Pension Plans for such Plan Year if the Pension Plans did not contain limitations pursuant to Section 415 of the Code, over (ii) the amount of monthly benefits in fact payable to the Participant or his Beneficiary under all of the Pension Plans for such month, and computed and adjusted as provided in Section 3.1(a).

(c) Pre-retirement Survivor Annuity. If a married Participant dies before his Pension Commencement Date, and has a Spouse entitled to a qualified pre-retirement survivor annuity under any Pension Plan, such Spouse shall receive a pre-retirement survivor annuity based on the Excess Retirement Benefit computed and adjusted as provided in Subsections 3.1(a) and (b) to which the Participant would be entitled. Such pre-retirement and survivor annuity will be payable at the same time and in the same manner as the qualified pre-retirement survivor annuity.

3.2 Manner and Time of Payment

(a) Manner of Payment. The Excess Retirement Benefit in the amount determined from time to time under Section 3.1 shall be payable monthly to a Participant for the life of the Participant, commencing as of the Participant's Pension Commencement Date; provided, however, for a married Participant, the Excess Retirement Benefit, in an Actuarially Equivalent amount, shall be payable monthly to the Participant as an annuity for the life of the Participant, with a survivor annuity for the life of the Spouse, which is one hundred percent (100%) of the amount of the annuity payable during the joint lives of the Participant and the Spouse.

(b) Time of Payment. (i) The first monthly payment of an Excess Retirement Benefit to a retired Participant entitled to such benefit shall be payable as of the first day of the first calendar month after such Participant shall have become entitled thereto pursuant to the provisions of the Pension Plan and this Plan, and each subsequent monthly payment of such benefit shall be payable as of the first day of each calendar month thereafter during his lifetime, ceasing with the payment made as of the first day of the calendar month in which the death of such Participant occurs. Any survivorship benefit shall be paid in the same manner, beginning the month following the month during which the death of such retired Participant occurs and continuing until such Spouse dies.

(ii) The Excess Retirement Benefit of any retired Participant receiving a retirement benefit shall terminate as of the date of his re-employment if such retired Participant is re-employed by an Employer and, upon his subsequent retirement pursuant to the provisions of the Pension Plan after any period of such re-employment, such Participant shall thereupon be eligible for the Excess Retirement Benefit then in effect, pursuant to the provisions of this Plan, with such adjustments in the amount of such benefit as may be necessary to reflect actuarially the value of any Excess Retirement Benefit previously paid such Participant under this Plan.

3.3 Liability for Payment

The Company shall pay the Excess Retirement Benefit to the Participant and/or his Beneficiary.

3.4 Eligibility for Benefit

Each Participant shall be eligible for an Excess Retirement Benefit.

3.5 Payment to Guardian

If a benefit payable hereunder is payable to a minor, to a person declared incompetent or to a person incapable of handling the disposition of his property, the Company may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or person. The Company may require such proof of incompetency, minority, incapacity or guardianship as it may deem appropriate prior to distribution of the benefit. Such distribution shall completely discharge the Company from all liability with respect to such benefit.

3.6 Effect on other Benefits

Benefits payable to or with respect to a Participant under the Pension Plans, the 401(a)(17) Benefit Plan or any other Company-sponsored (qualified or nonqualified) plan, if any, are in addition to those provided under this Plan.

3.7 Effect of Termination of Excess Plan

Notwithstanding anything in this Plan to the contrary, in the event of a termination of this Plan, the Company, in its sole and absolute discretion, shall have the right to change the time and/or manner of distribution of Participants' Excess Retirement Benefits, including, without limitation, by providing for the satisfaction of the Company's obligation to pay Excess Retirement Benefits by payment of a single lump sum payment to each Participant or Spouse then entitled to an Excess Retirement Benefit in an amount equal to the Actuarially Equivalent present value of such Excess Retirement Benefit, provided that the Company may not diminish the value of the Excess Retirement Benefit payable to any Participant or Spouse hereunder.

ARTICLE IV
PARTICIPANT'S ACCOUNT

4.1 Generally

The Company, through its accounting records, shall establish an Account for each Participant to reflect the value of the Participant's Excess Retirement Benefit under this Plan. The Accounts established hereunder shall be segregated from other accounts on the books and records of the Company as a contingent liability of the Company to Participants. As of each Valuation Date, the Company shall credit each Participant's Account with the increase in the Actuarially Equivalent present value of the Participant's Accrued Benefit since the preceding Valuation Date and shall debit from the Participant's Account any decrease in such Actuarially Equivalent present value and the amount of any payments of an Excess Retirement Benefit since the preceding Valuation Date. The amount of such credits and/or debits shall be determined by the Company.

4.2 Limitation on Rights of Participants and Spouses

The establishment of each Participant's Account hereunder is solely for the Company's convenience in administering this Plan. Amounts "credited" to the Account shall continue for all purposes to be part of the general funds of the Company. Each Participant's Account is merely a record of the value of the Company's unsecured contractual obligation to the Participant and his Spouse under this Plan.

ARTICLE V
VESTING

5.1 Vesting Provisions

Anything herein to the contrary notwithstanding, except as otherwise provided in Section 5.3(b) of the Administrative Document or Article VI of the Administrative Document, Excess Retirement Benefits of Participants who are vested under the Pension Plan shall at all times be fully vested.

ARTICLE VI
METHOD OF FUNDING

6.1 General Obligation

The obligation of the Company hereunder shall be a general unfunded and unsecured obligation of the Company only. It is not intended hereby to establish a fund to provide for the payment of Excess Retirement Benefits or to create a trust or lien (equitable or otherwise) for the benefit of any Participant, Spouse or any other person.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed by its duly appointed officer, effective as of the January 1, 2002.

ROADWAY Corporation
By: /s/ John J. Gasparovic
Title: VP, General Counsel & Secretary

EXHIBIT A

ROADWAY CORPORATION PENSION PLAN

First Amendment
to the
Roadway Corporation Excess Plan
(Effective January 1, 2002)

WHEREAS, Roadway Corporation (the "Company") maintains the Roadway Corporation Excess Benefit Plan (the "Plan"); and

WHEREAS, the Board of Directors of the Company (the "Board") has authority to amend the Plan; and

WHEREAS, the Board has determined that it is desirable to amend the Plan to provide for participants to receive payment of their benefits under the Plan at substantially the same time and in the same form of payment as their benefits are paid under the Company's tax-qualified defined benefit pension plan;

NOW, THEREFORE, Section 3.2 of the Plan is hereby amended to read as follows:

(a) Time and Form of Payment. A Participant's Excess Retirement Benefit shall be paid at substantially the same time and in the same form of payment as the Participant's pension benefit is paid under the Pension Plan. If a Participant's Excess Retirement Benefit is paid in a form other than a life annuity for the life of the Participant, such form of payment shall be Actuarially Equivalent to the Participant's Excess Retirement Benefit payable in the form of a single life annuity for the life of the Participant.

(b) Effect of Reemployment. If a Participant who has commenced receiving an Excess Retirement Benefit hereunder becomes reemployed by any member of the Controlled Group, payment of the Participant's Excess Retirement Benefit shall be suspended in the same manner and to the same extent as such Excess Retirement Benefit would be suspended if it were a pension benefit paid under the Pension Plan.

IN WITNESS WHEREOF, Roadway Corporation has caused this First Amendment to the Roadway Corporation Excess Plan to be adopted as of this 5th day of November 2002.

ROADWAY CORPORATION

By: /s/ John J. Gasparovic
Vice President, General Counsel & Secretary

Second Amendment
to the
Roadway Corporation Excess Plan
(Effective January 1, 2002)

Roadway Corporation hereby adopts this Second Amendment to the Roadway Corporation Excess Plan (Effective January 1, 2002) (the "Plan") effective as of the date set forth below. Words and phrases used herein with initial capital letters that are defined in the Plan are used herein as so defined.

I.

Article II of the Plan is hereby amended by the addition of the following new Section immediately following Section 2.3 thereof:

"2.3A Change in Control

'Change in Control' means

(a) (i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the 'Exchange Act')) (a 'Person') of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of voting securities of the Company where such acquisition causes such Person to own 20% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the 'Outstanding Company Voting Securities'); provided, however, that for purposes of this subsection (i), the following acquisitions shall not be deemed to result in a Change of Control: (A) any acquisition directly from the Company that is approved by the Incumbent Board (as defined in subsection (ii) below), (B) any acquisition by the Company, or (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; provided, further, that if any Person's beneficial ownership of the Outstanding Company Voting Securities reaches or exceeds 20% as a result of a transaction described in clause (A) or (B) above, and such Person subsequently acquires beneficial ownership of additional voting securities of the Company, such subsequent acquisition shall be treated as an acquisition that causes such Person to own 20% or more of the Outstanding Company Voting Securities; and provided, further, that if at least a majority of the members of the Incumbent Board determines in good faith that a Person has acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the Outstanding Company Voting Securities inadvertently, and such Person divests as promptly as practicable a sufficient number of shares so that such Person beneficially owns (within the meanings of Rule 13d-3 promulgated under the Exchange Act) less than 20% of the Outstanding Company Voting Securities, then no Change of Control shall have occurred as a result of such Person's acquisition; or

(b) (ii) individuals who, as of February 22, 2002, constitute the Board (the 'Incumbent Board' (as modified by this clause (ii)) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to February 22, 2002 whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) (iii) The consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation, or other transaction ('Business Combination') excluding, however, such a Business Combination pursuant to which (A) the individuals and entities who were the ultimate beneficial owners of voting securities of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than 65% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the entity resulting from such Business Combination (including, without limitation, an entity that as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) (B) no Person (excluding any employee benefit plan (or related trust) of the Company, the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of the entity resulting from such Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) (iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company except pursuant to a Business Combination described in clauses (A), (B) and (C) of subsection (iii), above."

II.

Section 3.2(a) of the Plan is hereby amended by the addition of the following new sentence at the end thereof:

"Notwithstanding the foregoing, in the event of a Change in Control, the Excess Retirement Benefit of any former Employee receiving an Excess Benefit at the time of the Change in Control shall be paid as soon as administratively feasible following such Change in Control, but in no event later than five business days following the Change in Control, in a single lump sum payment, the amount of which shall be Actuarially Equivalent to such former Employee's Excess Retirement Benefit payable in the form of a single life annuity for the life of such former Employee."

EXECUTED this 7th day of August, 2003.

ROADWAY CORPORATION

By: /s/ John J. Gasparovic
Title: Executive Vice President,
General Counsel & Secretary

YELLOW CORPORATION PENSION PLAN
AS AMENDED AND RESTATED JANUARY 1, 2004

TABLE OF CONTENTS

	PAGE

ARTICLE I Purpose 1	
ARTICLE II Definitions and Construction.....	2
2.1. Definitions.....	2
2.2. Construction.....	7
ARTICLE III Participation and Service.....	8
3.1. Participation.....	8
3.2. Vesting Service.....	9
3.3. Credited Service.....	9
3.4. Break in Service.....	10
3.5. Military Service.....	10
3.6. Transfer of Employment Between United States and Canada.....	11
ARTICLE IV Requirements for Retirement Pension.....	12
4.1. Normal Retirement Pension.....	12
4.2. Vested Pension.....	12
4.3. Minimum Benefit Pension:.....	13
4.4. Maximum Pension Benefit.....	14
4.5. Increase in Benefits:.....	15
4.6. Special Rule Deletion of Maximum Age Limitation for Participation...	16
4.7. Transitional Rules pursuant to Notice 88-131.....	16
4.8. Early Retirement Window.....	16
ARTICLE V Manner of Payment and Optional Pensions.....	17
5.1. Qualified Joint and Survivor Annuity.....	17
5.2. Qualified Pre-retirement Survivor Annuity:.....	18
5.3. Optional Pension Payments.....	18
5.4. Level Benefit.....	19
5.5. Commutation.....	19
5.6. Limitations on Distributions.....	19
5.7. Direct Rollovers to Eligible Retirement Plans.....	20
5.8. No Duplication of Benefits:.....	21
ARTICLE VI Plan Financing.....	22
6.1. Contributions.....	22
6.2. Trust Fund.....	22
6.3. Contribution by Mistake of Fact.....	22
6.4. Contributions Conditioned on Deductibility.....	22
ARTICLE VII Administration.....	23
7.1. Named Fiduciaries.....	23
7.2. Responsibilities and Powers of Administrative Committee:.....	23
7.3. Individual and Shared Responsibilities of Named Fiduciaries.....	24
7.4. Employment of Advisers.....	24
7.5. Fiduciary in More Than One Capacity.....	24
7.6. Power to Construe and Interpret Plan.....	24
7.7. Indemnity Agreement.....	24
7.8. Costs.....	24
7.9. Application and Forms for Pension.....	24
7.10. Claims Procedure.....	25

	PAGE

ARTICLE VIII Successor Employer and Merger or Consolidation of Plans.....	27
8.1. Successor Employer.....	27
8.2. Plan Assets.....	27
ARTICLE IX Restrictions on Benefits Payable to Highly Compensated Employees.....	28
ARTICLE X Plan Termination.....	29
10.1. Right to Terminate.....	29
10.2. Partial Termination:.....	29
10.3. Liquidation of Trust Fund.....	29
10.4. Manner of Distribution.....	30
10.5. Residual Amounts.....	31
ARTICLE XI Amendments.....	32
11.1. No Consent Required to Modify.....	32
11.2. No Amendment to Lessen Vested Interest.....	32
11.3. Amendments to be in Writing.....	32
11.4. When Consent of Trustee is Required.....	32
11.5. Effective Date.....	32
ARTICLE XII Miscellaneous.....	33
12.1. No Right to Employment.....	33
12.2. Fund Sole Source of Pensions.....	33
12.3. Notice to be in Writing.....	33
12.4. Employees may Inspect Plan Documents.....	33
12.5. Reliance on Information Furnished by Employee.....	33
12.6. Spendthrift Clause.....	33
12.7. Law to Govern.....	33
12.8. Complete Agreement Clause.....	33
12.9. Copies of This Plan as Originals.....	34
12.10. Effect of Delay in Payment of Benefit.....	34
12.11. Qualified Domestic Relations Orders.....	34
ARTICLE XIII Admission to the Plan of Affiliated Companies.....	35
13.1. Method of Adoption.....	35
13.2. Definition of "Employer".....	35
ARTICLE XIV Multiple Trustees.....	36
14.1. Multiple Trustees.....	36
14.2. Single Fund.....	36
14.3. Transfer of Assets From One Trustee to Another.....	36
14.4. Termination.....	36
ARTICLE XV Tax Equity and Fiscal Responsibility Act of 1982/Top-Heavy Provisions.....	37
15.1. Application.....	37
15.2. Special Vesting Rule.....	37
15.3. Special Minimum Benefit.....	37
15.4. Prohibited Distributions.....	38
15.5. Key Employee Defined.....	38

YELLOW CORPORATION PENSION PLAN

As Amended and Restated January 1, 2004

ARTICLE I

Purpose

Effective as of July 1, 1955, YELLOW FREIGHT SYSTEM, INC., adopted the "Yellow Freight Office, Clerical, Sales and Supervisory Personnel Pension Plan", hereinafter referred to as the "Plan", to provide retirement benefits for its Employees.

The Plan was subsequently amended; and the Corporation adopted an amended and restated Plan, effective January 1, 1976.

The Plan, as amended and restated effective January 1, 1976, was subsequently amended; and the Corporation adopted an amended and restated Plan, effective January 1, 1989.

The Plan, as amended and restated effective January 1, 1989, was subsequently amended, and effective January 1, 2004, the Corporation changed the name of the Plan to the "Yellow Corporation Pension Plan" and adopted an amended and restated Plan as set forth herein.

The Plan is intended to meet the requirements of Sections 401(a) and 501(a) of the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974, as amended.

The provisions of this Plan shall apply only to an Employee who terminates Employment on or after the Effective Date. The rights and benefits, if any, of a former Employee shall be determined in accordance with the prior provisions of the Plan in effect on the date his Employment terminated unless the provisions of the Plan, as amended and restated, clearly indicate otherwise.

ARTICLE II

Definitions and Construction

2.1. Definitions: Where the following words and phrases appear in this Plan, they shall have the respective meanings set forth below, unless the context clearly indicates to the contrary:

(a) Accrual Computation Period: This is the calendar year.

(b) Accrued Benefit: The greater of (1) one-twelfth (1/12) of a Participant's total accumulation of Annual Unit Credits plus one-twelfth (1/12) of his Past Service Unit Credits, if any; or (2) one-twelfth (1/12) of the Accrued Minimum Benefit Pension, as provided in Section 4.3.

(c) Actuarial (or Actuarially) Equivalent: Equality in value of the aggregate amount expected to be received under different forms of payment, based on the assumption as follows.

(1) Annuity Forms of Payment.

(i) A 7% interest rate; and

(ii) Mortality rates for Participants according to the 1971 Group Annuity Mortality Table and the mortality rates for spouses of Participants (or other beneficiaries) according to the 1971 Group Annuity Mortality Table set back six years (which results in a unisex mortality table).

(2) Lump Sum Payments Payable Before January 1, 2000.

(i) An interest rate no greater than the applicable interest rate if the vested accrued benefit (using the applicable interest rate) is not in excess of \$25,000, and

(ii) An interest rate no greater than 120 percent of the applicable interest rate if the vested accrued benefit exceeds \$25,000 (as determined under subparagraph (i) above). In no event shall the present value determined under this subparagraph (ii) be less than \$25,000.

(iii) For purposes of subparagraphs (i) and (ii) above, the term "applicable interest rate" means the interest rate which would be used (as of the beginning of the Plan Year of the date of distribution) by the PBGC for purposes of valuing a lump-sum distribution on Plan termination.

(3) Lump Sum Payments Payable on or After January 1, 2000.

(i) The annual interest rate on 30-year Treasury securities as specified by the Commissioner for the month of November preceding the Plan Year in which the Participant's distribution is made or commences.

(ii) The 1983 Group Annuity Mortality Table using a blend of 50% of the male table and 50% of the female table, provided that effective December 31, 2002, this table shall be replaced by the 94 GAR/GATT 2003 Mortality Table prescribed in Revenue Ruling 2001-62.

(iii) Notwithstanding (i) and (ii) above, for any lump sum payment payable from January 1, 2000 through December 31, 2000, the actuarial assumptions in subparagraph (i) and (ii) above will only be used if they produce a larger amount than the actuarial assumptions provided in (2) above.

(4) Level Benefit Option Payments. Notwithstanding (1) through (3) above, the level benefit option under Section 5.4 shall be computed on the basis of the interest and mortality assumptions specified for lump sum payments if those assumptions produce a larger benefit.

(d) Actuary: The individual actuary or firm of actuaries selected by the Employer to provide actuarial services in connection with the administration of the Plan.

(e) Affiliated Company: Any corporation or unincorporated trade or business which is a member of a group to which the Employer belongs that is a controlled group of corporations, a group of controlled trades or businesses (whether or not incorporated), or an affiliated service group, as those terms are defined in Sections 414(b), (c), (m) and (o) of the Code.

(f) Annual Unit Credits: For service after December 31, 1967, a Participant will accumulate one (1) Annual Unit Credit, for each year of Credited Service, equal to 1.4% of his Base Wage for that year as defined in Section 2.1(h)(2) and for service prior to January 1, 1968, a Participant will accumulate one (1) Annual Unit Credit for each year of Credited Service equal to 1.4% of his Base Wage multiplied by the number of months or portion thereof of Credited Service for that year as defined in Section 2.1(h)(1).

(g) Authorized Leave of Absence: Any absence authorized by the Employer under the Employer's standard personnel practices.

(h) Base Wage:

(1) Base Wage for Credited Service Prior to January 1, 1968:

(i) With respect to Annual Unit Credits accrued prior to January 1, 1968, the "Base Wage" shall be the basic salary or wages, as amortized, being paid by the Employer or a Participating Affiliated Company to the Employee for personal services on or as of each January 1st with respect to the ensuing year or applicable portion thereof.

(ii) In determining "Base Wage" for service prior to January 1, 1968, if an Employee was compensated on any other than on a monthly basis, monthly wage shall be determined as follows:

- A. Annual--Divided by 12;
- B. Bi-Weekly--Multiply by 26 and Divide by 12;
- C. Semi-Monthly--Multiply by 2;
- D. Weekly--Multiply by 52 and Divide by 12;
- E. Daily--Multiply by 260 and Divide by 12;
- F. Hourly--Multiply by 2080 and Divide by 12.

(iii) If an Employee did not work for the full year or is not full time, then his monthly wage shall be determined as described above, but on a pro rata basis taking into consideration only the time actually worked.

(2) Base Wage Credited Service After December 31, 1967: With respect to all Annual Unit Credits to be accrued under the Plan for Credited Service after December 31, 1967, an Employee's "Base Wage" shall be (i) the total salary, wages and cash bonuses paid to him for personal services by the Employer or a Participating Affiliated Company during the current year (or applicable portion thereof) before deductions for taxes or any other purpose (that is, "Base Wage" after that date shall include salary, wages, and cash bonuses which are included for the current year (or portion thereof) on the federal W-2 income tax form) plus (ii) the amount of any reduction in the Participant's salary, wages, and bonuses for the year (or applicable portion thereof) made pursuant to a salary reduction agreement under Section 401(k), Section 125 and/or Section 132(f)(4) of the Code.

(3) The Employee's "Base Wage" shall not include any fringe benefits or any other reportable income which is not salary, wages or bonuses.

(4) Effective for Plan Years after December 31, 1988, the compensation of each Participant taken into account under the Plan for any year to determine Base Wage shall not exceed \$200,000 (\$150,000 for Plan Years after December 31, 1993) as adjusted by the Secretary of the Treasury pursuant to Section 401 (a)(17) of the Code.

(5) In addition to other applicable limitations set forth in the Plan, and notwithstanding any other provision of the Plan to the contrary, for Plan Years beginning on or after January 1, 2002, the Base Wage of each Employee taken into account under the Plan shall not exceed two hundred thousand dollars (\$200,000), as adjusted for cost-of-living increases in accordance with Section 401(a)(17)(B) of the Code. The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding 12 months, over which compensation is determined (determination period) beginning in the calendar year. For Plan Years beginning on or after January 1, 2002, any reference in the Plan to the limitation under Section 401(a)(17) of the Code shall mean the limitation set forth in this paragraph. If the Base Wage for any prior determination period is taken into account in determining a Participant's benefits accruing in the current Plan Year, the Base Wage for that prior determination period shall not exceed the limitation under Section 401(a)(17) of the Code in effect for that prior determination period. Notwithstanding the preceding sentence, in determining benefit accruals in Plan Years beginning on or after January 1, 2002, the limitation under Section 401(a)(17) of the Code for determination periods beginning before January 1, 2002 shall be two hundred thousand dollars (\$200,000).

(i) Board: The Board of Directors, or the Compensation Committee of the Board of Directors, of Yellow Roadway Corporation.

(j) Break in Service: Break in Service is defined in Section 3.4.

(k) Code: The Internal Revenue Code of 1986, as amended.

(l) Corporation: Yellow Roadway Corporation (formerly known as Yellow Corporation and Yellow Freight System, Inc. of Delaware)

(m) Credited Service: The period of a Participant's Employment considered in determining the amount of his Pension payable to or on behalf of the Participant in accordance with Section 3.3.

(n) Effective Date: January 1, 2004, the date on which the provisions of this amended and restated Plan became effective. Some Sections of the Plan have earlier effective dates as indicated in this Plan and if ERISA or the Code requires an earlier effective date for any provision herein in order for this Plan and the Trust to be and remain qualified under Sections 401(a) and 501(a) of the Code, then the Effective Date of the provision shall be the date so required.

(o) Eligibility Computation Period: The twelve (12) consecutive month period beginning with the Employment Commencement Date. In the event that an Employee fails to complete 1,000 Hours of Service in the twelve (12) consecutive months beginning with the Employment Commencement Date, the Eligibility Computation Period shall be the twelve (12) consecutive month period beginning with the first anniversary of the Employment Commencement Date, and, where additional Eligibility Computation Periods are necessary, the twelve consecutive month periods beginning on succeeding anniversaries of the Employment Commencement Date.

(p) Eligible Spouse: A spouse who has been married to the Participant throughout the one (1) year period ending on the earlier of (a) the date the Participant's Pension commences or (b) the date of the Participant's death; provided, that if a Participant marries within one (1) year before the date the Participant's Pension commences and the Participant and the Participant's spouse in the marriage have been married for at least a one (1) year period ending on or before the date of the Participant's death, the Participant and the spouse shall be treated as having been married throughout the one (1) year period ending on the date the Participant's Pension commences. To the extent provided in a Qualified Domestic Relations Order and subject to all limitations of Section 414(b) of the Code, the former spouse of a Participant, if the former spouse and Participant had been married for one year, shall be treated as an Eligible Spouse.

(q) Employee: Any person who, on or after the Effective Date, is receiving remuneration for personal services rendered to the Employer, or an Affiliated Company while it is an Affiliated Company. In addition, any Leased Employee who is leased by the Employer, or an Affiliated Company while it is an Affiliated Company, shall be treated as an Employee. However, contributions or benefits provided by the leasing organization for any Leased Employee which are attributable to services performed for the Employer shall be treated as provided by the Employer. The preceding sentences shall not apply to any Leased Employee if (a) Leased Employees do not constitute more than 20% of the Employer's non-highly compensated workforce (as defined by reference to Section 414(q) of the Internal Revenue Code) and (b) the Leased Employee is covered by a money purchase pension plan maintained by the leasing organization which provides (i) a nonintegrated employer contribution rate for each participant of at least 10 percent of compensation, (ii) full and immediate vesting and (iii) immediate participation for all employees of the leasing organization (except for those individuals whose compensation is less than \$1,000 in each plan year during the 4-year period ending with the plan year).

(r) Employer: Yellow Roadway Corporation (formerly known as Yellow Corporation and Yellow Freight System, Inc. of Delaware) a corporation existing under the laws of the State of Delaware, or its successor or successors and where provided by Article XIII, "Employer" shall also refer to a Participating Affiliated Company.

(s) Employment: The period during which a person is an Employee.

(t) Employment Commencement Date (not applicable to Vesting Computation Period): This is the date on which the Employee first performs an Hour of Service for the Employer and in the case of an Employee of a Participating Affiliated Company, it is the date on which the company becomes an Affiliated Company, or date he first performs an Hour of Service, if later.

(u) ERISA: Public Law No. 93-406, the Employee Retirement Income Security Act of 1974, as amended from time to time.

(v) Hour of Service or Hour of Employment:

(1) An Hour of Service is each hour for which an Employee is paid, or entitled to payment, for the performance of duties for the Employer or an Affiliated Company during the applicable computation period. For purposes of this Section 2.1(v), "computation period" means the Accrual Computation Period, the Eligibility Computation Period or the Vesting Computation Period, as applicable.

(2) An Hour of Service is each hour for which an Employee is paid, or entitled to payment, by the Employer or an Affiliated Company on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including Short-Term Disability, defined as the first 6 months of an Employee's disability), layoff, jury duty, military duty or leave of absence. Notwithstanding the preceding sentence:

(i) No more than 501 Hours of Service shall be credited under this subsection (v)(2) to an Employee on account of a single continuous period during which the Employee performs no duties (whether or not the period occurs in a single computation period), provided, that a Participant shall be credited with the numbers of Hours of Service represented by the compensation paid to the Participant by the Employer or Affiliated Company during his period of Short-Term Disability. Hours of Service accrued during a period of Short-Term Disability will be credited to the Participant for the computation period in which the Short-Term Disability was paid.

(ii) An hour for which an Employee is directly or indirectly paid, or entitled to payment, on account of a period during which no duties are performed shall not be credited to the Employee if the payment is made or due under a plan, if any, maintained solely for the purpose of complying with applicable Workers' Compensation, or Unemployment Compensation or disability insurance law; and

(iii) Hours of Service shall not be credited for a payment which solely reimburses an Employee for medical or medically related expenses incurred by the Employee. For purposes of

this subsection (v)(2), payment shall be deemed to be made by or due from the Employer or an Affiliated Company regardless of whether the payment is made by or due from the Employer, directly or indirectly through, among others, a trust, fund, or insurer, to which the Employer contributes or pays premiums and regardless of whether contributions made are due to the trust fund, insurer or other entity or for the benefit of particular employees or are on behalf of a group of employees in the aggregate.

(3) An Hour of Service is each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer or Affiliated Company. The same Hours of Service shall not be credited both under subsection (v)(1) or subsection (v)(2), as the case may be, and under this subsection. Thus, for example, an Employee who receives a back pay award following a determination that he or she was paid at an unlawful rate for Hours of Service previously credited will not be entitled to additional credit for the same Hours of Service. Crediting for Hours of Service for back pay awarded or agreed to with respect to period described in subsection (v)(2) shall be subject to the limitations set forth in that subsection. For example, no more than 501 Hours of Service are required to be credited for payments of back pay, to the extent that that back pay is agreed to or awarded for a period of time during which an Employee did not or would not have performed duties.

(4) Solely for the purpose of determining whether a one year Break in Service has occurred for purposes of eligibility or vesting, during a "parental absence" (as defined below) an Employee shall be credited with the Hours of Service which otherwise would normally have been credited to the Employee but for the absence, or in any case in which the hours cannot be determined, eight Hours of Service per day of the absence. The Hours of Service credited under this paragraph shall be credited in the computation period in which the absence begins if the crediting is necessary to prevent a Break in Service in that period; or in all other cases, in the following computation period.

(5) As used in subsection (v)(4) above, the term "parental absence" means an Employee's absence from work which begins on or after January 1, 1985 (a) by reason of pregnancy of the Employee (b) by reason of birth of a child of the Employee, (c) by reason of the placement of a child with the Employee in connection with adoption of the child by the Employee, or (d) for purposes of caring for the child for a period beginning immediately following the birth or placement.

(6) An Employee who is on an unpaid leave of absence pursuant to the terms of the Family and Medical Leave Act of 1993 will be credited with Hours of Service for the purpose of determining whether a Break in Service has occurred, provided the Employee returns after the leave.

(w) Leased Employee: Any individual (other than a common law employee of the Employer) who pursuant to an agreement between the Employer and other person ("leasing organization") has performed services for the Employer (or for the Employer and related persons determined in accordance with Section 414(n)(6) of the Code) on a substantially full-time basis for a period of at least 1 year, and the services are performed under the primary direction and control of the Employer.

(x) Named Fiduciaries: The Employer, the Administrative Committee, and the Trustee, but only with respect to the specific responsibilities of each for Plan and Trust administration, all as described in Section 7.1.

(y) Normal Retirement Date and Age: The later of (a) the last day of the calendar month in which the Participant's sixty-fifth (65th) birthday occurs; or (b) the last day of the calendar month in which the Participant terminates employment. A Participant will attain his "Normal Retirement Age" on his 65th birthday except that "Normal Retirement Age" for an Employee who becomes a Participant within the five-year period preceding his 65th birthday shall be the first day of the calendar month coincident with or immediately following completion of the Participant's fifth year of Vesting Service (or Plan participation, whichever is earlier).

(z) Participant: Any Employee of the Employer or a Participating Affiliated Company who has become a Participant as provided in Article III hereof.

(aa) Participating Affiliated Company: An Affiliated Company which has adopted the Plan.

(bb) Past Service Unit Credits: For service prior to July 1, 1955, a Participant will accumulate a Past Service Unit Credit equal to 1.4% of his monthly wage as of July 1, 1955, times the number of months of continuous service immediately prior to July 1, 1955, provided, that a Participant shall not accumulate a Past Service Unit Credit unless he was eligible to participate in the Plan as of July 1, 1955, and unless he was employed by Yellow Freight System, Inc., or as provided under the Prior Plan.

(cc) PBGC: Pension Benefit Guaranty Corporation, a body corporate within the Department of Labor established under the provisions of Title IV of ERISA.

(dd) Pension: A series of monthly amounts which are payable to a person who is entitled to receive benefits under the Plan.

(ee) Pension Administrative Committee or Administrative Committee: The persons appointed under the provisions of Article VII to administer the Plan.

(ff) Plan: The Yellow Corporation Pension Plan (formerly known as the Yellow Freight Office, Clerical, Sales and Supervisory Personnel Pension Plan), the Plan set forth herein, as amended from time to time.

(gg) Plan Year: The twelve (12) month period commencing on January 1 and ending on December 31.

(hh) Prior Plan: The Plan as it existed prior to January 1, 1976

(ii) Sponsoring Employer: The Corporation.

(jj) Trust Fund: All cash, securities and other property held by the Trustee pursuant to the terms of a trust agreement between the Corporation and the Trustee together with any income therefrom.

(kk) Trustee: One or more corporations or individuals appointed by the Corporation to administer the Trust.

(ll) Vesting Computation Period: Subject to Section 3.4(a), this is the 12-consecutive month period beginning with the latest of the following dates, and each anniversary thereof:

(1) The date on which the Employee first performs an Hour of Service for the Employer or an Affiliated Company while it is an Affiliated Company;

(2) Date on which the Employee attains age 18;

(3) July 1, 1955. (Date the original plan was adopted.)

(mm) Vesting Service: The period of a Participant's Employment considered in the determination of his eligibility for a Pension under the Plan in accordance with Section 3.2.

2.2. Construction: The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, and the singular may include the plural, unless the context clearly indicates to the contrary. The words "hereof", "herein", "hereunder" and other similar compounds of the word "here" shall mean and refer to the entire Plan, not to any particular provision or Section.

ARTICLE III

Participation and Service

3.1. Participation.

(a) The following individuals shall be excluded from the Plan;

(1) Any individual who is covered by a collective bargaining agreement which does not expressly provide for inclusion of the Employee in this Plan,

(2) Any individual who is not classified as Office, Clerical, Sales or Supervisory (including executive),

(3) Any individual who is working on a permanent basis outside of the United States (as defined in Section 3(10) of ERISA) and who is paid in other than United States currency,

(4) Any individual who is a non-resident alien and who receives no earned income (within the meaning of Section 911(d)(2) of the Code) from the Employer which constitutes income from sources within the United States (within the meaning of Section 861(a)(3) of the Code),

(5) Any individual who is classified as an independent contractor by the Employer, regardless of the classification placed on the person by the Internal Revenue Service or other governmental agency or a court of competent jurisdiction,

(6) Any individual who is an active participant in (1) the Roadway LLC Pension Plan or any other defined benefit plan intended to be qualified under Section 401(a) of the Code maintained by an Employer or an Affiliated Company, or (2) the Yellow Roadway Corporation Core Retirement Plan.

(b) Any Employee participating in the Plan on December 31, 2003, shall continue to participate in the Plan on January 1, 2004 if he is an Employee of the Employer on that date.

(c) Any Employee not excluded from the Plan shall become an "Active Participant" in this Plan as follows:

(1) Any Employee (excluding those who were ineligible under the Prior Plan because of having reached his fifty-fifth (55th) birthday) hired or first satisfying eligibility requirements of the Prior Plan during the period of January 2, 1973, to December 31, 1975, will commence participation or retroactively commence participation on the later of following dates:

(i) January 1 coincident with or next following date of hire; and

(ii) January 1 coincident with or next following the date he first meets the eligibility requirements of the Prior Plan.

(2) Notwithstanding 3.1(a) above, any Employee not a Participant as of January 1, 1976 who has both attained twenty-five (25) and completed during the twelve (12) month period ending December 31, 1975, not less than 1,000 Hours of Service (and who is eligible for participation) shall become an Active Participant on January 1, 1976.

(3) The participation of any Employee eligible on or after January 1, 1976, to become an Active Participant shall commence on the first day of the month coincident with or next following the date on which he has both attained age twenty-five (25) and has completed not less than 1,000 Hours of Service during his Eligibility Computation Period ending prior to that date.

(4) Beginning January 1, 1985, the participation of any Employee eligible to become an Active Participant shall commence on the first day of the month, but not prior to January 1, 1985, coincident with or next following the date on which he has both attained age twenty-one (21) and has completed not less than 1,000 Hours of Service during his Eligibility Computation Period ending prior to that date.

(5) Notwithstanding the foregoing, prior to January 1, 1985, any Employee whose Employment commenced on or after sixtieth (60th) birthday was excluded from Participation in the Plan.

(d) If any Active Participant changes employment status so that he becomes an individual described in Section 3.1(a), the Participant shall cease to be an Active Participant on the day his employment status changes. If the Participant continues to be an Employee, he shall continue as a Participant under the Plan but shall not be considered as an Active Participant until the day upon which his employment status changes so that he is not precluded from being an Active Participant under Section 3.1(a).

(e) After a Break in Service, the provisions of Section 3.4 shall be applicable.

(f) Notwithstanding any other provision of the Plan, the provisions of this Section 3.1(f) shall be controlling.

(i) No Employee hired after December 31, 2003 shall become a Participant or an Active Participant of the Plan.

(ii) Any Participant who incurs a Break in Service and is reemployed after December 31, 2003 shall not become an Active Participant of the Plan or accrue any additional benefits under the Plan.

(iii) An Employee of an Affiliated Company, that is not a Participating Affiliated Company, who transfers to employment with the Employer after December 31, 2003, shall be excluded from the Plan.

(iv) Any Employee who is an Active Participant (or any Employee who is eligible to become an Active Participant upon completion of the age and service requirements of Sections 3.1(b) and (c)) on December 31, 2003 will continue to be an Active Participant (or will become an Active Participant after completion of the age and service requirements of Sections 3.1(b) and (c)).

3.2. Vesting Service: A Participant's eligibility for Vesting of any Pension under the Plan shall be determined by his period of Vesting Service in accordance with the following:

(a) Vesting Service Prior to January 1, 1976: For a Participant as of the Effective Date, who had been covered under the Prior Plan, the Participant's last period of continuous employment with the Employer ending on the last day of his Vesting Computation Period which ends within the twelve month period prior to January 1, 1976, the period of employment to be counted as beginning on the first day of his initial Vesting Computation Period, as defined in Section 2.1(11), shall be counted as Vesting Service, including periods of Authorized Leave of Absence credited as service under the provisions of the Plan in effect prior to January 1, 1976. Notwithstanding any provisions to the contrary, no Vesting Service prior to July 1, 1955, shall be considered for vesting purposes.

(b) Vesting Service from and after January 1, 1976: Subject to the Break in Service provisions of Section 3.4, a Participant shall accrue a year of Vesting Service for each Vesting Computation Period ending on or after January 1, 1976 in which he has 1,000 or more Hours of Employment.

3.3. Credited Service: The amount of any Pension payable to or on behalf of a Participant shall be determined on the basis of his Credited Service, in accordance with the following:

(a) Credited Service Prior to January 1, 1976: As of January 1, 1976, a Participant who has been covered under the Prior Plan shall have the Credited Service as provided under the Prior Plan.

(b) Credited Service From and After January 1, 1976: Subject to the Break in Service provisions of Section 3.4, an Active Participant shall accrue one year of Credited Service for each calendar year after he becomes an Active Participant in which he has 1,000 or more Hours of Employment. If he is an Active Participant during only a part of the calendar year, he will accrue Credited Service for the period of active participation provided his Hours of Employment equal or exceed a proration of 1,000 hours based on the proportion that the period of active participation bears to the calendar year. For example, if he is an Active Participant for six months (one-half) of the calendar year, he will accrue six months of Credited Service if he has 500 or more Hours of Employment during the period (or periods) of active participation.

(c) Credited Service shall not accrue to any Employee while he is not an Active Participant in the Plan; and if he thereby ceases to be an Active Participant but remains an Employee, he shall receive no Credited Service until he is again an Active Participant.

3.4. Break in Service.

(a) The following Break in Service rules apply only to Breaks in Service on or after January 1, 1985. The Prior Plan shall govern Breaks in Service prior to January 1, 1976. On and after January 1, 1976, and before January 1, 1985, Breaks in Service shall be governed by the rules of the Plan in effect at the time the Breaks in Service occurred. A Vesting Computation Period beginning on or after January 1, 1976 during which a Participant does not complete more than 500 Hours of Employment shall constitute a Break in Service. Upon incurring a Break in Service, an Employee's rights and Benefits under the Plan shall be determined in accordance with his Vesting Service, Credited Service, and Compensation at the time of the Break in Service. If a Participant who satisfied the requirements for a deferred Vested Pension under Section 4.2 (which means he had a vested interest under the Plan) at the time of a Break in Service, is again employed in an eligible class and becomes an Active Participant in accordance with Section 3.1, his pre-Break in Service Vesting Service and Credited Service shall be restored in determining his rights and Benefits under the Plan and he shall re-participate in the Plan immediately upon re-employment. If a Participant who had not fulfilled the requirements for a deferred Vested Pension under Section 4.2 at the time of a Break in Service is again employed in an eligible class and becomes an Active Participant in accordance with Section 3.1, his years of pre-Break in Service Vesting Service and Credited Service shall be restored unless the number of consecutive one-year Breaks in Service equal or exceeds the greater of (a) five consecutive one-year Breaks in Service or (b) the aggregate number of years of pre-Break in Service Vesting Service, otherwise all the credits shall be cancelled and he shall begin as a new employee. If the Participant's pre-Break in Service Vesting Service is restored as provided in the preceding sentence, then he shall commence participation immediately upon being re-employed in an eligible class and becoming an Active Participant in accordance with Section 3.1.

(b) Any Active Participant who transfers employment from one Employer to another Employer, both Employers under the Plan, shall not for that sole reason be considered as breaking service or terminating Employment and shall retain all of his rights as an Active Participant.

(c) Except as provided in Section 4.1, a Participant shall not receive a Pension during a period of Employment. If a Participant has received Pension payments under the Plan and returns to Employment so that his Pension is suspended, the Pension payable upon his subsequent Retirement shall be reduced by the Actuarial Equivalent of any Pension payments, except disability retirement pension payments under the Plan prior to July 16, 1979, he received prior to his subsequent retirement, provided, that no adjustment to a Pension shall be made unless the adjustment satisfies the requirements of Section 411(b) of the Code.

3.5. Military Service: A leave of absence due to service in the Armed Forces of the United States and which meets the applicable requirements of the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) shall not constitute a Break in Service and shall be considered as Vesting Service and Credited Service

under the Plan, provided that the Employee receives an honorable discharge from the military service and returns to employment with the Employer within the period provided by USERRA.

3.6. Transfer of Employment Between United States and Canada:
Notwithstanding any provision of this Plan to the contrary, this Section shall apply to any Employee transferred to, or from, employment with the Employer in Canada.

(a) Transfer to Canada.

(1) Vesting Service and Credited Service for Year Prior to Transfer: In the event a Participant is transferred to Canada for employment as a Canadian employee with the Corporation, the Vesting Service or Credited Service accrued to the end of the year preceding the year of his transfer shall be retained for his benefit under this Plan and his accumulated benefits under this Plan will be payable at his subsequent retirement, termination of employment, disability, or death, according to the terms of the Plan.

(2) Transfer of Vesting Service: The Participant's years of "Vesting Service" as defined under this Plan shall be considered years of "Continuous Service" under the Pension Plan for Canadian Employees of Yellow Freight System, Inc. (the "Canadian Plan").

(3) Credited Participation During Year of Transfer: The transferred Participant's period of Continuous Service under the Canadian Plan will include the period from January 1 of the year in which the Participant transfers to Canadian employment to the date of the transfer. For example, if a Participant transfers to the Canadian Plan on August 1 and remains a Canadian Employee with the Corporation through the end of that year, he would accrue one (1) year of Credited Participation or Continuous Participation under the Canadian Plan for the term January 1 through December 31 in the year of his transfer.

(4) Calculation of Benefits: "Earnings" under the Canadian Plan for the year of the Employee's transfer will include the Employee's "Base Wage" under this Plan for the period from January 1 of the year in which the Participant transfers to Canada for employment as a Canadian Employee to the date of transfer. In no event will a Participant accrue less in benefits during his year of transfer to the Canadian Plan than the benefit he would have accrued under this Plan for the same period.

(b) Transfer from Canada:

(1) Continuous Service Shall Be Deemed Vesting Service: In the event an Employee who was a Member of the Canadian Plan is transferred to Employment within the United States and is eligible to participate in this Plan under Section 3.1 of the Plan, his years of "Continuous Service" under the Canadian Plan shall be considered "Vesting Service" under this Plan.

(2) Credited Service and/or Vesting Service During Year of Transfer: The transferred Participant's period of Credited Service and/or Vesting Service under this Plan shall include the period from January 1 of the year in which the Employee transfers to Employment within the United States to the date of the transfer.

(3) Calculation of Benefits: The transferred Participant's "Basic Wage" under this Plan shall include "Earnings" under the Canadian Plan for the period from January 1 of the year of transfer to Employment within the United States to the date of transfer. In no event will a transferred Participant's accrued benefits in this Plan during his year of transfer be less than the benefit he would have accrued under the Canadian plan for the same period.

(c) Administrative Committee to Regulate Transfers: The Administrative Committee shall enact rules, regulations and/or interpretations it may deem proper and necessary to facilitate the efficient transfer, of Employees to and from the Canadian Plan.

ARTICLE IV

Requirements for Retirement Pension

4.1. Normal Retirement Pension

(a) Upon attaining Normal Retirement Age, a Participant shall be eligible for and have a nonforfeitable right to a Normal Retirement Pension, payable monthly, equal to his Accrued Benefit, calculated as of the date he actually terminates Employment. The monthly pension is payable for life and is calculated on a single life basis; however, it may be paid out on other than a single life basis. The various methods for payment are described in Article V. A Normal Retirement Pension shall commence as of the last day of the month immediately following the month the Participant terminates Employment. Notwithstanding the foregoing, a Participant shall receive his Normal Retirement Pension benefit as described in this Section 4.1 for each month after attaining Normal Retirement Age in which the Participant accrues fewer than forty (40) Hours of Employment.

(b) Likewise, a retired Participant who is receiving a monthly pension shall have his pension payments suspended if he is reemployed after his Normal Retirement Age unless he will accrue less than forty (40) Hours of Employment per month.

4.2. Vested Pension

(a) Normal Retirement. Upon termination of Employment, a Participant not eligible for a Normal Retirement Pension shall be eligible for a Vested Pension if he has completed five (5) or more years of Vesting Service. The Vested Pension, payable monthly, is equal to the Participant's Accrued Benefit. The Vested Pension is payable for life and is calculated on a single life basis; however, the Vested Pension may be paid out on other than a single life basis. The various methods of payment are described in Article V. Unless the Participant elects the early retirement pension provided in Section 4.2(b), his Vested Pension shall commence as of his Normal Retirement Date.

(b) Early Retirement. If the Participant has completed ten (10) or more years of Credited Service, he may request the Administrative Committee to authorize commencement of his Pension as of the last day of any subsequent calendar month within the ten (10) year period preceding his Normal Retirement Date (i.e., a Participant's earliest retirement date is age 55 and accrual of ten (10) years of Credited Service). If the Participant requests the early commencement, his Pension shall commence as of the date so requested, but the amount thereof shall be the following percentage of his Accrued Benefit, using linear interpolation for non-integral ages:

AGE	PERCENTAGE
65	100
64	90
63	81
62	73
61	66
60	60
59	55
58	50
57	46
56	43
55	40

(c) Rule of 85 Service Retirement. Notwithstanding (a) above, for a Participant who terminates Employment on or after January 1, 2000 and after the sum of his attained age and his years of "Rule of 85 Service" (as defined below) is 85 or more, there shall be no reduction of his Accrued Benefit and the Participant may request the Administrative Committee to authorize commencement of his Pension as of the last day of any subsequent calendar month. For purposes of the preceding sentence, "Rule of 85 Service" shall have the same meaning as Vesting Service under Section 3.2(b), provided that the counting method specified therein shall be applied to all periods of Employment (including Employment prior to January 1, 1976).

(d) Minimum Benefit after December 31, 1980. As of any benefit determination date after December 31, 1980, the amount of Pension payable on a single-life basis shall not be less than the amount of Pension payable on a single-life basis, determined as the product of the smaller of (a) and (b), multiplied by (c); where (a) is the Accrued Benefit as of December 31, 1980, (b) is the Accrued Benefit as of the Benefit determination date, and (c) is the early retirement reduction factor using the basis in effect on December 31, 1980.

4.3. Minimum Benefit Pension:

(a) Unit of Minimum Pension: (1) divided by (2), where

(1) is 1-3/7% of Average Final Compensation (as defined in (c) below) multiplied by Projected Credited Service (as defined in (e) below) at Normal Retirement Date less 1-3/7% of Primary Social Security (as defined in (d) below) multiplied by Projected Credited Service at Normal Retirement Date, maximum thirty (30);

(2) is the Projected Credited Service at Normal Retirement Date.

(b) Accrued Minimum Benefit Pension: The greater of (1) or (2)

where

(1) is the Unit of Minimum Pension determined in accordance with Section 4.3(a) multiplied by the Credited Service at date of determination plus one-third (1/3) of the excess, if any, of Credited Service at date of determination over one-half (1/2) of Projected Credited Service at Normal Retirement Date;

(2) is the Minimum Benefit Pension determined as of December 31, 1993 plus the product of the Unit of Minimum Pension determined in accordance with Section 4.3(a) multiplied by the difference of (i) minus (ii) where:

(i) is the Credited Service at date of determination plus one-third (1/3) of the excess, if any, of Credited Service at date of determination over one-half (1/2) of Projected Credited service at Normal Retirement Date; and

(ii) is the Credited service as of December 31, 1993 or date of determination if earlier plus one-third (1/3) of the excess, if any, of the Credited Service over one-half (1/2) of Projected Credited Service at Normal Retirement Date.

(c) Average Final Compensation: Calendar years to be used to calculate "Average Final Compensation" shall include only those years which are "qualified years" in accordance with the following definition. A "qualified year" is any calendar year in which the Participant accrues a full year of Credited Service, or the Participant attains age 65 in December of that year and is an Active Participant for the entire year up to the date upon which he attains age 65. A Participant's "Average Final Compensation" is his Base Wage so defined in Section 2.1(h) (eliminating, however, the references to "after December 31, 1967") for the five (5) consecutive qualified years out of the last ten (10) consecutive qualified years which will produce the highest total, divided by five (5).

(d) Primary Social Security Benefit:

(1) A Participant's "Primary Social Security Benefit" is the amount of the annual primary old age benefit payable under the Social Security Act, as amended, as of the earlier of age sixty-five (65), or his date of termination of Employment, to which a Participant would be entitled upon proper and timely application therefor and assuming that Pension Benefits are his only source of income. For the purpose of computing a "Primary Social Security Benefit" of a Participant whose Employment terminates prior to his Normal Retirement Date, it shall be assumed that the Participant had continued his Employment until age sixty-five (65) and had received during his Employment the same salary he was receiving immediately prior to his date of termination of Employment.

(2) For purposes of determining "Primary Social Security Benefit," the Plan Administrator shall follow the rules in Revenue Ruling 1984-85 in determining a Participant's wage history based on national averages for changes in wages from year to year and notifying the Participant of his right to furnish actual wage history. If actual wage history is obtained, then the Primary Social Security Benefit will be computed based on actual wages.

(3) Subject to the foregoing, it shall be assumed that for any year prior to his Employment by the Employer as to which the Administrative Committee cannot secure his actual Compensation, his Compensation was equal to the Compensation paid to him during the first full year of his Employment by the Employer. In determining the "Primary Social Security Benefit" for an Employee who is not a citizen of the United States, and who is covered by the Social Security System of a foreign country, the amount of the annual primary old age benefit payment under the social security system of the foreign country will be used in lieu of the amount of the annual old age benefit payment under the Social Security Act.

(e) Projected Credited Service at Age 65: Credited Service at date of determination plus 1/12 of a year for each full or partial month between the date the Participant ceases to be an Active Participant and his Normal Retirement Date.

(f) Notwithstanding anything contained herein, the Accrued Minimum Benefit Pension of any Active Participant who was an Active Participant on January 1, 1979, shall not be less than the Minimum Benefit Pension to which he would have been entitled pursuant to Section 4.3 of the Plan immediately prior to Amendment No. 6 which was effective January 1, 1979. Effective for Plan Years beginning January 1, 1994, the Accrued Minimum Benefit Pension calculated under this Section 4.3(f) shall be transitioned and adjusted pursuant to the method contained in Sections 4.3(a) and (b) to take into account compensation limitations contained in Section 401(a) (17) of the Code.

4.4. Maximum Pension Benefit. The total annual benefit (as defined hereinafter) of any Participant shall not exceed the limitations set forth in this Section 4.4 and its subsections.

(a) Annual Benefit: For purposes of this Section 4.4, the term "annual benefit" means a benefit payable in the form of a straight life annuity with no ancillary benefits, under a plan to which Employees do not contribute and under which no rollover contributions (as defined in Sections 402(a)(5), 403(a)(4), 408(d)(3) and 409(b)(3) of the Internal Revenue Code) have been made.

(b) Maximum Permissible Amount: Defined Benefit Dollar Limitation and Compensation Limitation: The total annual benefit shall not exceed the lesser of (1) One Hundred Sixty Thousand Dollars (\$160,000) or as that amount may hereafter be adjusted by the Secretary of the Treasury pursuant to Section 415(d) of the Code in the manner as the Secretary shall prescribe, hereinafter referred to as the "defined benefit dollar limitation"; and (2) one hundred percent (100%) of the Participant's average compensation for his highest three (3) years of Plan participation (as defined in Section 4.4(g)), hereinafter referred to as the "compensation limitation".

(c) Adjustment for Less Than Ten Years of Service: If the Participant has less than ten (10) years of participation with the Employer, the defined benefit dollar limitation is reduced by one-tenth for each year of participation (or part thereof) less than ten (10). To the extent provided in regulations or in other guidance issued by the Internal Revenue Service, the preceding sentence shall be applied separately with respect to each change in the benefit structure of the Plan. If the Participant has less than ten (10) years of service with the Employer, the compensation limitation is reduced by one-tenth for each year of service (or part thereof) less than ten (10). The adjustments of this Section 4.4(c) shall be applied in the denominator of the defined benefit fraction based upon years of service. Years of service shall include future years occurring before the Participant's Normal Retirement Date. Future years shall include the year which contains the Participant's Normal Retirement Date, only if it can be reasonably anticipated that the Participant will receive a year of service for that year.

(d) Commencing Annual Benefit between Age 62 and Age 65: The dollar limitation set forth in Section 4.4(b) shall apply if the Participant's Annual Benefit begins at any time from the Participant's attainment of age 62 to the Participant's attainment of age 65.

(e) Adjustment for Commencing Annual Benefit Prior to Age 62: If the Annual Benefit of a Participant commences prior to age 62, the defined benefit dollar limitation shall be the actuarial equivalent of an annual benefit beginning at age 62, reduced for each month by which benefits commence before the month in which the Participant attains age 62. For purposes of this Section 4.4(e), actuarial equivalence shall be determined based on the same reduction factors used to calculate the reduced benefit payable upon a Participant's early retirement date under Section 4.2, but in no event shall the reduction be less than what the reduction would be if the reduction was based on an interest rate assumption of 5% per annum and the 1983 Group Annuity Mortality Table using a blend of 50% of the male table and 50% of the female table (the "1983 GAM (50% male/50% female)", Effective December 31, 2002, the 1983 GAM (50% male/50% female) table shall be replaced by the 94 GAR/GATT 2003 Mortality Table prescribed in Revenue Ruling 2001-62 (hereinafter in this Section referred to as the "Applicable Mortality Table"). Any decrease in the defined benefit dollar limitation determined in accordance with this provision (e) shall not reflect the mortality decrement to the extent that benefits will not be forfeited upon the death of the Participant.

(f) Adjustment for Commencing Annual Benefit After Social Security Retirement Age: If the annual benefit of a Participant commences after the Participant attains age 65, the defined benefit dollar limitation as reduced in (c) above, if necessary, shall be adjusted so that it is the Actuarial Equivalent of an annual benefit of the dollar limitation beginning at the Participant's attainment of age 65, provided that the adjustment shall not be more than what the adjustment would be if the adjustment was based on an interest rate assumption of five percent (5%) per annum and the Applicable Mortality Table.

(g) Definition of Highest Three Years of Participation: For purposes of this Section 4.4, a Participant's highest 3 years of Plan participation shall be the period of consecutive calendar years (not more than 3) during which the Participant was both an Active Participant in the Plan and had the greatest aggregate compensation from the Employer. For this purpose, a Participant's compensation shall include those items listed in Section 1.415-2(d)(2) of the regulations and shall exclude those items listed in Section 1.415-2(d)(3) of the regulations. In the alternative, the Pension Administrative Committee may determine compensation on the basis of either (i) wages subject to federal income tax withholding or (ii) wages subject to federal income tax withholding plus other payments which the Employer is required to report under Sections 6041(d) and 6051(a)(3) of the Code, excluding moving expense reimbursements which the Employer reasonably believes a Participant may deduct under Section 217 of the Code. Notwithstanding, the preceding provisions of this Section, compensation for purposes of this Section shall include elective deferrals (as defined in Section 402(g)(3) of the Code) to any plan of an Employer or an Affiliated Company, amounts not includable in an Employee's gross income by application of Section 125 of the Code and amounts not includable in an Employee's gross income by application of Section 132(f)(4) of the Code.

(h) Adjusting Benefits to Straight Life Annuity Equivalent: When retirement benefits under this Plan are payable in any form other than the form described in Section 4.4(a), the determination as to whether the limitation described in this Section 4.4 has been satisfied shall be made, in accordance with regulations prescribed by the Secretary of the Treasury, by adjusting the benefit so that it is the Actuarial Equivalent to the benefit described in Section 4.4(a). Notwithstanding the preceding sentence, the adjustment for any benefit payable in an annuity form shall be calculated based on an interest rate assumption of 5% per annum and the Applicable Mortality Table, if the adjustment based on these assumptions produces a lower benefit and the adjustment for any benefit payable in a level benefit option under Section 5.4 shall be calculated on an interest rate assumption of the 30-year Treasury rate specified in Section 2.1(c) and Applicable Mortality Table, if the adjustment based on these assumptions produces a lower benefit. For purposes of this Section 4.4(h), any ancillary benefit which is not directly related to retirement income benefits shall not be taken into account; and that portion of any joint and survivor annuity which constitutes a qualified joint and survivor annuity (as defined in Section 417(b) of the Code) shall not be taken into account.

4.5. Increase in Benefits:

(a) Effective January 1, 1981, the monthly benefits then being paid under the terms of the Plan shall be increased for the following individuals:

(1) Each former Active Participant who (i) terminated Employment on or before December 31, 1979, and (ii) at the time of termination of Employment (A) was an Active Participant, (B) was age 55 or older, and (C) had accrued 15 or more years of Credited Service; and

(2) Each spouse of a former Active Participant who met the requirements of paragraph (a) above.

(b) The benefit for the individuals described in (a) above which would have been received for the month of January, 1981, but for this increase, shall be increased by 80% of the percentage increase in the U.S. Department of Labor Consumer Price Index - All Urban Consumers (excluding mortgage interest costs) for the year in which the Pension actually commenced (in the case of a spouse, the year in which the Pension commenced for the Participant under whom the spouse's Pension is derived) compared to the Index for the year 1980. The dollar amount of increase in monthly Pension benefits shall be limited to a maximum of \$225.00, determined on a single-life basis. For the purposes of applying this maximum increase provision, amounts being paid on other than a single-life basis will be converted to a single-life basis.

4.6. Special Rule Deletion of Maximum Age Limitation for Participation: For any Participant who becomes a Participant on or after January 1, 1988 and did not accrue Credited Service prior to January 1, 1988, solely because of the maximum age limitation contained in the Plan prior thereto (i.e. beginning Employment on or after attaining age 60), the Participant shall be given Credited Service for the period prior to January 1, 1988 as if the maximum age limitation was not in place when the Participant began Employment.

4.7. Transitional Rules pursuant to Notice 88-131: In accordance with Alternative II D of Internal Revenue Service Notice 88-131, the Pension payable to a Participant who was a highly compensated employee described in Section 414(q)(1)(A) or (B) of the Code at any time after 1988 shall not exceed, for distributions during the period January 1, 1989 through December 31, 1994, the Pension the Participant had accrued as of the later of December 31, 1988 or the date the Participant first became a highly compensated employee described in Section 414(q)(1)(A) or (B) of the Code. The Pension payable to a participant from and after January 1, 1995 shall not be subject to the restriction. No adjustment shall be made in the Pension payable to a Participant from and after January 1, 1995 to recognize that the amount payable to the Participant prior to that date was subject to the restriction set forth in this Section 4.7.

4.8. Early Retirement Window: Notwithstanding any provision herein to the contrary, a Participant not eligible for a Normal Retirement Pension, (a) who, on January 1, 1997, has (i) attained age 55, (ii) has completed twenty (20) years or more of Vesting Service, and (iii) is actively employed by a Participating Affiliated Company, (b) who signs an agreement on or before January 15, 1997, electing to retire effective January 31, 1997, and waives all claims and rights granted under the Age Discrimination in Employment Act; and (c) who does not timely rescind his election, shall retire effective January 31, 1997 and shall receive a Vested Pension commencing at the end of February, 1997, payable monthly, equal to his Accrued Benefit, unreduced by the provisions of Section 4.2 covering a Vested Pension which commences prior to Normal Retirement Date; and the monthly amount of the Vested Pension shall be increased for each month until the Participant attains age 65 by Twenty Dollars (\$20) multiplied by the Participant's years of Vesting Service. For example, if an eligible Participant elects to retire under this provision and has an Accrued Benefit equal to One Thousand Dollars (\$1,000), has twenty-two (22) years of Vesting Service, and is paid on a single life basis, he will receive a monthly pension, beginning at the end of February, 1997, of One Thousand Four Hundred Forty Dollars (\$1,440) ($\$1,000 / 22 (\$20)$) until age 65 (or date of death, if earlier) and One Thousand Dollars (\$1,000) for life thereafter.

ARTICLE V

Manner of Payment and Optional Pensions

5.1. Qualified Joint and Survivor Annuity

(a) If on the date a Participant's Pension commences he is not married to an Eligible Spouse, then his Pension under Article IV shall be paid in the form of a single life annuity for his life as provided in Article IV, unless he is eligible for and elects an optional form of benefit under Section 5.3.

(b) If on the date a Participant's Pension commences he is married to an Eligible Spouse, then his Pension shall be paid in the form of a 50% Joint and Survivor Annuity as defined below. A 50% Joint and Survivor Annuity means an annuity for the life of the Participant with a survivor annuity for the life of the Participant's Eligible Spouse which survivor annuity is 50% of the amount of the annuity payable during the joint lives of the Participant and the Eligible Spouse and the 50% Joint and Survivor Annuity is the Actuarial Equivalent of the normal form of Pension due the Participant under Article IV (which is a single life Pension). The last payment of a Pension paid in the form of a 50% Joint and Survivor Annuity (or any other joint and survivor annuity provided in this Plan) shall be made as of the last day of the month preceding the month in which the death of the Participant has occurred and if the Eligible Spouse survives the Participant, then the first payment of the survivor annuity shall be paid on the last day of the month in which the Participant dies and the last payment of the survivor annuity to the Eligible Spouse shall be the last day of the month preceding the month in which the death of the Eligible Spouse has occurred.

(c) If during the period of time beginning 90 days before the Participant's annuity starting date (i.e., the first date on which an amount is paid or payable as an annuity or any other form) and ending when his benefits actually commence, a proper election is made as provided below, in lieu of the 50% Joint and Survivor Annuity, a Participant and his Eligible Spouse may elect in writing to receive the Participant's Pension in the form of a single life Pension based on the Participant's life as provided in Article IV or, if eligible, may elect an optional form of Pension under Section 5.3.

(d) If a Participant is married to an Eligible Spouse, no election to receive the Pension in other than a qualified joint and survivor annuity form shall take effect unless the Eligible Spouse of the Participant consents in writing to the election and the Eligible Spouse's consent acknowledges the effect of the election and is witnessed by a notary public or it is established to the satisfaction of the Administrative Committee that the consent required under this sentence may not be obtained because there is no Eligible Spouse, the Eligible Spouse cannot be located, or because of other circumstances as the Secretary of the Treasury may by regulation prescribe. Any consent by an Eligible Spouse (or the establishment that the consent of an Eligible Spouse may not be obtained) under the preceding sentence shall be effective only with respect to the Eligible Spouse.

(e) A Participant may revoke his election not to take a qualified joint and survivor annuity at any time and any number of times prior to the later of the Participant's annuity starting date or the expiration of the 7 day period that begins the day after the written benefit explanation described in (h) below is provided to the Participant.

(f) An Eligible Spouse may not revoke his or her consent waiving the right to receive the Pension in the form of a qualified joint and survivor annuity.

(g) For purposes of Section 401(a)(11) of the Code, the Pensions for both married and unmarried Participants, described herein (other than certain of the optional forms under Section 5.3) are qualified joint and survivor annuities. Any Pension herein which provides an annuity for the life of the Eligible Spouse which is not less than 50 percent and not more than 100 percent of the amount of the annuity which is payable during the joint lives of the Participant and the Eligible Spouse, is a qualified joint and survivor annuity.

(h) The Administrative Committee shall provide to each Participant, within a reasonable period of time before the Participant's Pension is to commence (and consistent with the regulations as the Secretary of the Treasury may prescribe, i.e., no less than 30 days and no more than 90 days prior to the date when the Participant's benefits actually commence) a written explanation of the terms and conditions of the qualified joint and survivor

annuity and each optional form of Pension, the Participant's right to make, and the effect of, an election to waive the qualified joint and survivor annuity form of Pension, the rights of the Participant's Eligible Spouse to receive the benefit and the requirement that the Eligible Spouse consent to the waiver of the benefit and the right to make, and the effect of, a revocation of an election to waive the qualified joint and survivor annuity form of Pension by electing a different form of Pension and the relative values of the various optional forms of benefits under the Plan. Benefits may actually commence to a Participant less than 30 days after the written explanation is given, provided that: (i) the Administrative Committee clearly informs the Participant that the Participant has a right to a period of at least 30 days after receiving the explanation to consider the decision of whether or not to elect a distribution or a particular distribution option; (ii) the Participant, after receiving the explanation, affirmatively elects a distribution, with the consent of the Participant's Spouse, if applicable, and (iii) distribution does not commence before the expiration of the 7 day period that begins the day after the explanation is provided to the Participant. Pension payments shall commence as of a Participant's annuity starting date, provided that this contemplates retroactive payments when payments actually commence after the Participant's annuity starting date.

5.2. Qualified Pre-retirement Survivor Annuity:

(a) 100% Survivor Annuity: An Active Participant whose Employment has not terminated, and who has satisfied the requirements for early retirement under Section 4.2 (i.e., attained age 55 and accrued 10 years of Credited Service or sum of attained age and years of Rule of 85 Service is 85 or more) on or before the last day of the month preceding the date of the Participant's death, will be treated as if he had retired on the day before his death and requested that his Vested Pension start immediately in the form of a 100% Joint and Survivor Annuity provided he is survived by an Eligible Spouse and the survivor annuity shall commence on the last day of the month immediately following the Participant's death. A 100% Joint and Survivor Annuity means an annuity for the life of the Participant with a survivor annuity for the life of the Participant's Eligible Spouse which survivor annuity is 100% of the amount of the annuity which is payable during the joint lives of the Participant and the Eligible Spouse and the 100% Joint and Survivor Annuity is the Actuarial Equivalent of the normal form of Pension due the Participant under Article IV (which is a single life Pension).

(b) 50% Survivor Annuity After Age 55: If a Participant (i) is entitled to a Vested Pension, (ii) is not covered by a 100% Joint and Survivor Annuity as provided in Section 5.2(a), (iii) dies prior to commencement of his Pension, (iv) is married to an Eligible Spouse at the time of his death and (v) dies after attaining age fifty-five (55), then the Participant will be treated as if he had retired on the day before his death and had the right to and did request that his Vested Pension be started immediately under Section 4.2 to be paid in the form of a 50% Joint and Survivor Annuity and the resulting survivor annuity to the Eligible Spouse shall commence on the last day of the month immediately following the month in which the Participant's date of death occurs.

(c) 50% Survivor Annuity On or Before Age 55: If a Participant (i) is entitled to a Vested Pension, (ii) is not covered by a 100% Joint and Survivor Annuity as provided in Section 5.2(a), (iii) dies prior to commencement of his Pension, (iv) dies on or before attaining age 55 and (v) is married to an Eligible Spouse at the time of his death, then the Participant will be treated as though he had (1) terminated Employment on the date of his death (or the actual date of termination of Employment, if earlier) (2) survived to age fifty-five (55), (3) retired at age 55 and had the right to and did request that his Vested Pension be started immediately under Section 4.2 to be paid in the form of a 50% Joint and Survivor Annuity, and (4) died on the day after the day on which he would have attained age fifty-five (55), provided, that the resulting survivor annuity shall commence to the Eligible Spouse on the last day of the month in which the Participant would have attained age fifty-five (55).

(d) Notwithstanding (a) through (c) above, an Eligible Spouse shall not receive any benefit under this Section 5.2 until the Participant would have attained age 65 unless the Eligible Spouse consents in writing during the period of time beginning 90 days before the annuity starting date and ending when benefits actually commence. The Administrative Committee shall provide a notice to the Eligible Spouse of his or her right to start the benefit within a reasonable time.

5.3. Optional Pension Payments: A Participant or a former Participant eligible for a Vested Pension, by timely executing and filing a proper election, may convert the monthly Pension otherwise payable to him under the Plan into a monthly Pension of equivalent actuarial value in accordance with one of the options set forth below. An optional form of Pension may be elected during the period of time beginning 90 days before the Participant's

annuity starting date and ending when his benefits actually commence. The optional form of Pension which may be timely elected by a Participant, in lieu of the Pension for his life only, shall be:

(a) Options Limited to Spouse as Beneficiary.

(1) A smaller Pension payable for the Participant's life, to be continued (in whole, or 75% or 50%, provided that the percentage payable to his spouse shall not be so high as to make the actuarial value of the Pension to his spouse exceed the actuarial value of the Participant's smaller Pension) for the life of the Participant's spouse.

(2) A smaller Pension payable for the Participant's life, but guaranteed to be paid in any event for a minimum of one hundred twenty (120) months (but not to exceed the joint life expectancies of the Participant and his spouse), the remaining guaranteed payments, if any, falling due after his death to be made to his spouse, or to his estate if the Participant's spouse predeceases him.

(b) Option Limited to Spouse, Brother, Sister or Dependent. A smaller Pension payable for the Participant's life, but guaranteed to be paid in any event for a minimum of sixty (60) months, the remaining guaranteed payments, if any, falling due after his death be made to a Beneficiary selected by him and named in the election form, or to his estate if the Beneficiary be not surviving. For the purposes of this optional form of Pension contained in this Section 5.3(b), the selection of a Beneficiary shall be limited to a spouse, brother, sister, or a dependent of the Participant. The word "dependent" shall have the definition it has for federal income tax purposes.

(c) Election of Optional Form. An optional form of Pension must be elected on forms provided by the Administrative Committee. The amount of any reduced Pension will be the Actuarial Equivalent of the normal Pension payable for life only.

(d) Revocation of Election. Any election by a Participant of an optional form of Pension under this Section may be revoked by written notice, prior to the latter of the Participant's annuity starting date or the expiration of the 7 day period that begins the day after the written benefit explanation is provided to the Participant, and shall be considered automatically revoked if the Beneficiary (or all beneficiaries of a contingent beneficiary or beneficiaries named in an election to receive remaining guaranteed payments) die(s) before the Participant's Pension commences. In addition, if the Participant dies before his Pension commences, his election of an optional form of Pension under this Section shall be considered automatically revoked.

5.4. Level Benefit: If a Participant elects to receive a Pension prior to his Normal Retirement Date and if the Pension is paid on a single-life basis then the Participant may elect a monthly Pension, Actuarially Equivalent of his Accrued Benefit in an amount which will integrate with the then projected amount of his Social Security benefits at age sixty-five (65), to the end that (i) his monthly Pension under the Plan to age sixty-five (65) will be substantially equivalent to (ii) the total of his projected Social Security Benefits plus a reduced monthly Pension under the Plan after age sixty-five (65), provided, that if the actuarial value of his Pension rights on early retirement is insufficient to provide an optional Pension on the basis including monthly Pension under the Plan after age sixty-five (65) of \$10.00, then the Optional Pension shall be limited to a monthly Pension payable only until he attains age sixty-five (65) or his prior death, whichever first occurs.

5.5. Commutation: Notwithstanding anything contained herein to the contrary, if the present value of any Pension is not more than \$5,000.00 on the date a Participant terminates Employment, then it will be paid to the recipient in a single sum in full settlement of all benefits otherwise payable. The present value shall be determined using the interest rate prescribed in the definition of the term "Actuarial Equivalent."

5.6. Limitations on Distributions: Notwithstanding any provision contained herein to the contrary, the following limitations shall apply to all distributions:

(a) Before Death: Unless sooner distributed under this Plan, each Participant's distribution

(1) will commence not later than April 1 of the calendar year following the calendar year in which he attains age 70 1/2, or

(2) will be distributed:

(i) in accordance with regulations prescribed by the Secretary, over the life of the Participant or over the lives of the Participant and his designated beneficiary, or

(ii) in accordance with the regulations, over a period not extending beyond the life expectancy of the Participant or the life expectancy of the Participant and his designated beneficiary.

(b) After Death: Unless sooner distributed under this Plan and except as provided below, if a Participant dies before the distribution of his interest has begun in accordance with Section 5.6(a) above, the entire interest of the Participant will be distributed within five years after his death. Also, if the distribution of the Participant's interest has begun in accordance with Section 5.6(a) and the Participant dies before his entire interest has been distributed to him, the remaining portion of the interest will be distributed at least as rapidly as under the method of distributions being used under Section 5.6(a) as of the date of his death. If any portion of the Participant's interest is payable to (or for the benefit of) a designated beneficiary, that portion may be distributed over the life of the designated beneficiary (or over a period not extended beyond the life expectancy of the beneficiary) if the distributions begin not later than one year after the date of the Participant's death or at any later date as the Secretary of the Treasury may by regulation prescribe. If the designated beneficiary referred to in the preceding sentence is the surviving spouse of the Participant, then the date on which the distributions are required to begin under the preceding sentence shall not be earlier than the later of (1) December 31 of the calendar year immediately following the calendar year in which the Participant died and (2) December 31 of the calendar year in which the Participant would have attained age 70 1/2. If the surviving spouse dies before the distributions to the spouse begin, this Section 5.6(b) shall be applied as if the surviving spouse were the Participant.

(c) Before Death Exception: Notwithstanding Section 5.6(a), a Participant who is not a 5% owner (as defined in Section 416(i) of the Code) may elect to defer the commencement of his benefit until the first day of April of the calendar year immediately following the calendar year in which he retires. If a Participant is employed by the Employer after the first day of April of the calendar year immediately following the calendar year in which he attains age 70 1/2 and not receiving benefits, when the Participant retires, his benefit shall be determined based on the greater of his continued accruals or the Actuarial Equivalent of his deferred benefit as required under Section 401(a)(9)(C)(iii) of the Code.

5.7. Direct Rollovers to Eligible Retirement Plans

(a) At the election of a "distributee" who is eligible for a distribution from the Plan that is an "eligible rollover distribution" the Administrative Committee shall authorize the "direct rollover" of the distributed amount from the Plan's Trust to an "eligible retirement plan." Direct rollovers shall be made in accordance with procedures established by the Administrative Committee conforming to the requirements of Section 401(a)(31) of the Code and regulation thereunder. For purposes of this Section, the following definitions shall apply:

(b) Eligible Rollover Distribution: An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee otherwise due him under the terms of the Plan, except that an eligible rollover distribution does not include: any distribution that is one of, a series of substantially equal payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or life expectancies) of the distributee and the distributee's designated Beneficiary or for a specified period of ten (10) years or more; any distribution to the extent the distribution is required under Section 401(a)(9) of the Code and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities). Any amount that is distributed on account of hardship shall not be an eligible rollover and the distributee may not elect to have any portion of a distribution paid directly to an eligible retirement plan.

(c) Eligible Retirement Plan: An eligible retirement plan is an individual retirement account described in Section 408(a) of the Code (other than a ROTH IRA), and individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. An eligible retirement plan shall also mean an annuity contract described in Section 403(b) of the Code and an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into the plan from this Plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code.

(d) Distributee: A distributee includes an Employee or former Employee, in addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse as the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

(e) Direct Rollover: A direct rollover is a payment by the plan to the eligible retirement plan specified by the distributee.

5.8. No Duplication of Benefits: There shall be no duplication of any pension or other benefit payable under this Plan to any Participant or beneficiary and of any pension under a similar plan maintained or contributed to by the Employer, any Participating Affiliated Company or any Affiliated Company or any predecessor thereof to the same individual, the amount of which is based, in whole or in part on the same period of employment of an Employee with, or on compensation from, the Employer, any Participating Affiliated Company, or any Affiliated Company or any predecessor thereof, or both. In that case, an appropriate adjustment (as determined by the Administrative Committee) shall be made in the pension or other benefit otherwise payable hereunder to prevent any duplication unless the other pension or other benefit is appropriately adjusted or is clearly intended to supplement the benefits under this Plan. No pension or other benefit shall be paid to any Participant, beneficiary or other person under more than one Section of this Plan for the same period of time.

ARTICLE VI

Plan Financing

6.1. Contributions: No contributions shall be required or permitted under the Plan from any Participant. The Employer shall make contributions in amounts and at times as determined by the Board in accordance with a funding method and policy to be established by the Administrative Committee as provided in Article VII. Forfeitures arising under this Plan because of severance of Employment before a Participant becomes eligible for a Pension, or for any other reason, shall be applied to reduce the cost of the Plan, not to increase the benefits otherwise payable to Participants.

6.2. Trust Fund: All contributions made by the Employer under this Plan shall be paid to the Trustee and deposited in the Trust Fund. Except as otherwise provided in Section 10.5, all assets of the Trust Fund, including investment income, shall be retained for the exclusive benefit of Participants and their beneficiaries, shall be used to pay benefits to the persons or to pay expenses, costs and fees incurred in the administration and operation of the Plan and shall not revert to or inure to the benefit of the Employer.

6.3. Contribution by Mistake of Fact: Notwithstanding anything herein to the contrary, upon the Employer's request, a contribution which was made by mistake of fact, or conditioned upon qualifications of the Plan or any amendment thereof or upon deductibility of the contribution under Section 404 of the Code, shall be returned to the Employer within one year after the payment of the contribution, the denial of qualification or the disallowance of the deduction (to the extent disallowed), whichever is applicable.

6.4. Contributions Conditioned on Deductibility. Each contribution to the Plan is specifically conditioned upon the deductibility of the contribution under Section 404 of the Code.

ARTICLE VII

Administration

7.1. Named Fiduciaries: The following persons shall be Named Fiduciaries under the Plan and shall be the only Named Fiduciaries hereunder.

(a) The Trustee: Subject to the direction of the Administrative Committee as set out hereinafter, the Trustee shall have exclusive authority and discretion to manage and control the assets of the Trust Fund, as provided in the Trust Agreement, and shall have no responsibilities other than those provided in the Trust Agreement.

(b) Administrative Committee: The Administrative Committee shall be the "Administrator," as that term is defined under Section 3(16)(A) of ERISA, of the Plan. The Administrative Committee shall consist of at least three (3) persons appointed by the Board.

7.2. Responsibilities and Powers of Administrative Committee:

(a) The Administrative Committee shall have responsibility and authority to control the operation and administration of the Plan in accordance with the terms of the Plan, including, without limiting the generality of the foregoing, (1) all functions assigned to the Pension Administrative Committee under the terms of the Plan; (2) determination of benefit eligibility and amount and certification thereof to the Trustee; (3) determination of any questions arising in connection with the interpretation, application or administration of the Plan (including any questions of fact relating to age, service, compensation or eligibility of Employees); (4) hiring of persons to provide necessary services to the Plan; (5) issuance of directions to Trustee to pay any fees, taxes, charges or other costs incidental to the operation and management by the Administrative Committee of the Plan; (6) issuance of directions to Trustee as to Benefits to be paid to Participants; (7) issuance of directions to the Trustee concerning the allocation, payment and distribution of all funds, including interest thereon; (8) payment, if required by law, of insurance premiums to the Pension Benefit Guaranty Corporation; (9) maintenance of all records of the Plan other than those required to be maintained by the Trustee; (10) issuance of directions to the Trustee as to the investment of the Plan assets; (11) appointment of investment managers; and (12) issuance of directions to the Trustee as to any other matter.

(b) The Administrative Committee's decisions and actions shall be conclusive and binding upon any and all persons and parties;

(c) The Administrative Committee may provide by resolution that any two (2) of its members may act for the Administrative Committee in all matters clearly prescribed by the terms of the Plan or by the terms of any administrative rules or interpretation of the Administrative Committee, and otherwise the vote or consent of a majority of the members of the Administrative Committee shall be required.

(d) The Administrative Committee shall establish the method and policy of funding the Plan (hereinafter called "Funding Standards"). In establishing the Funding Standards, the Administrative Committee shall employ persons as it shall deem necessary to advise it concerning its responsibilities hereunder. At the end of each calendar year or at other times as the Board may request, the Administrative Committee shall advise the Board of the amount of contribution necessary to properly fund the Plan for the year pursuant to the Funding Standards and pursuant to the applicable law. The directions to the Trustee may be made at any time and shall be made coincident with the delivery of Employer contributions to the Trustee or Trustees or as soon thereafter as possible.

(e) Members of the Administrative Committee shall serve without compensation for their services in the administration and operation of the Plan unless compensation therefor is fixed by the Board in its appointment of the Administrative Committee or thereafter.

(f) The Administrative Committee shall enact rules and regulations as it may deem proper and necessary to facilitate the carrying out of the Plan.

7.3. Individual and Shared Responsibilities of Named Fiduciaries: This Article VII is intended to allocate to each Named Fiduciary the individual responsibility for the prudent execution of the functions assigned to him, and none of the responsibilities or any other responsibility shall be shared by two or more of the Named Fiduciaries unless the sharing shall be provided by a specific provision of the Plan or the Trust Agreement. Whenever one Named Fiduciary is required by the Plan or the Trust Agreement to follow the directions of another Named Fiduciary, the two Named Fiduciaries shall not be deemed to have been assigned a shared responsibility, but the responsibility of the Named Fiduciary giving the directions shall be deemed his sole responsibility, and the responsibility of the Named Fiduciary receiving those directions shall be to follow them insofar as the instructions are on their face proper under applicable law.

7.4. Employment of Advisers: A Named Fiduciary may employ one or more persons to render advice concerning any responsibility the Named Fiduciary has under the Plan or Trust Agreement.

7.5. Fiduciary in More Than One Capacity: Any person serving as a fiduciary may serve in more than one fiduciary capacity.

7.6. Power to Construe and Interpret Plan

(a) The Administrative Committee shall have the sole, absolute and exclusive right, power, and discretionary authority to construe and interpret the provisions of the Plan, and all parts thereof, and then administer the Plan for the best interests of the Participants and Beneficiaries. It may construe any ambiguity, or supply any omission, or reconcile any inconsistencies in the manner and to the extent as it deems proper. The Administrative Committee shall have further discretionary authority to determine all questions with respect to the individual rights of the Employees under the Plan, including, but not by way of limitation, all issues with respect to any Employee's or Beneficiary's eligibility for Benefits and Employee's earnings, compensation base, Credited Service and retirement, as may be reflected by the records of the Employer, and any other information on which these decisions shall be based. It is the intent of this Plan that any Court reviewing an action of the Administrative Committee shall apply the arbitrary and capricious standard of review.

(b) The Administrative Committee shall be entitled to rely upon all tables, valuations, certificates and reports furnished by the Actuary, upon all certificates and reports made by any duly appointed accountant, and upon all opinions given by any duly appointed legal counsel.

7.7. Indemnity Agreement(a) Any person who is serving or who has served as a member of the Administrative Committee and who, by reason of that service, is entitled to indemnification pursuant to Article V of the Bylaws of the Sponsoring Employer, shall be indemnified by the Sponsoring Employer to the extent set forth in Article V of the Bylaws of the Sponsoring Employer, provided, further, any person who is or was an employee or agent of the Sponsoring Employer while so serving as a member of the Administrative Committee, shall be indemnified by the Sponsoring Employer under the circumstances and to the full extent set forth Article V of the Bylaws of the Sponsoring Employer.

(b) The foregoing right of indemnification shall be in addition to any other rights to which the members of the Administrative Committee may be entitled as a matter of law.

7.8. Costs: The assets of the Trust Fund shall be used to pay all expenses, costs and fees of the Administrative Committee, the Plan and the Trust Fund to the extent the expenses, costs and fees are not paid by the Employer.

7.9. Application and Forms for Pension

(a) The Administrative Committee may require a Participant or beneficiary to complete and file with the Administrative Committee an Application for Pension and all other forms approved by the Administrative Committee, and to furnish all pertinent information requested by the Administrative Committee. The Administrative Committee may rely upon all information so furnished it, including the Participant's current mailing address.

7.10. Claims Procedure

(a) If the claim of any person (the "Claimant") to all or any part of any payment or benefit under this Plan shall be denied, the Administrative Committee shall provide to the Claimant, within ninety (90) days after receipt of the claim, a written notice setting forth:

- (1) the specific reason or reasons for the denial;
- (2) the specific references to the pertinent Plan provisions on which the denial is based;
- (3) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation as to why the material or information is necessary; and
- (4) a description of the Plan's review procedures and the time limits applicable to those procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse decision on review by the Administrative Committee.

(b) If the Administrative Committee determines that special circumstances require an extension of time beyond the initial ninety (90)-day period, the Administrative Committee shall provide to the Claimant, within the initial ninety (90)-day period, a written notice of the extension stating the special circumstances requiring the extension and the date by which the Administrative Committee expects to make its determination (which date will not be later than ninety (90) days after the end of the initial ninety (90)-day period).

(c) Within sixty (60) days after receipt of a notice of denial of his claim for benefits, a Claimant may request, upon written application to the Administrative Committee, a review by the Administrative Committee of its decision denying the Claimant's claim. The Administrative Committee shall provide the Claimant the opportunity to submit written comments, documents, records and other information relating to his claim for benefits, and shall provide the Claimant, upon request and free of charge, reasonable access to and copies of pertinent documents. The Administrative Committee shall make a full and fair review, and shall make its decision on review by taking into account all comments, documents, records and other information submitted by the Claimant, regardless of whether the comments, documents, records and other information were considered by the Administrative Committee when it initially denied the Claimant's claim for benefits.

(d) The Administrative Committee shall issue its decision on review of a Claimant's denied claim for benefits within a reasonable period of time, but not later than sixty (60) days after the Plan receives the Claimant's request for a review. If the Administrative Committee determines that special circumstances require an extension of time for processing a Claimant's review request beyond the initial sixty (60)-day period, the Administrative Committee shall provide the Claimant, within the initial sixty (60)-day period, a written notice of the extension stating the special circumstances requiring the extension and the date by which the Administrative Committee expects to make its decision on review (which date will not be later than sixty (60) days after the end of the initial sixty (60)-day period). If the Administrative Committee grants an extension due to the Claimant's failure to submit information necessary to decide a Claimant's claim, the period for making the decision on review shall be tolled from the date on which the Administrative Committee sends the notice of extension to the Claimant until the date on which the Claimant responds to the request for additional information.

(e) The Administrative Committee shall notify a claimant of its decision on review in writing, and if the decision is adverse, the notice shall set forth:

- (1) the specific reasons for the decision;
- (2) the specific references to the pertinent Plan provisions on which the decision on review is based;
- (3) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents and other information relevant to his claim for benefits; and

(f) a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA.

ARTICLE VIII

Successor Employer and Merger or Consolidation of Plans

8.1. Successor Employer: In the event of the dissolution, merger, consolidation or reorganization of the Corporation, provision may be made by which the Plan and Trust will be continued by the successor; and, in that event, the successor shall be substituted for the Corporation under the Plan. The substitution of the successor shall constitute an assumption of the Plan liabilities by the successor and the successor shall have all the powers, duties and responsibilities of the Corporation under the Plan.

8.2. Plan Assets: In the event of any merger or consolidation of the Plan with, or transfer in whole or in part of the assets and liabilities of the Trust Fund to another trust fund held under any other plan of deferred compensation maintained or to be established for the benefit of all or some of the Participants of this Plan, the assets of the Trust Fund applicable to the Participants shall be transferred to the other trust fund if:

(a) each Participant would (if either this Plan or the other plan then terminated) receive a benefit immediately after the merger, consolidation or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation or transfer (if this Plan had been terminated);

(b) resolutions of the Board and of any new or successor employer of the affected Participants, shall authorize the transfer of assets; and, in the case of the new or successor employer of the affected Participants, its resolutions shall include an assumption of liabilities with respect to the Participants' inclusion in the new employer's plan; and

(c) the other plan and trust are qualified under Sections 401(a) and 501(a) of the Code.

ARTICLE IX

Restrictions on Benefits Payable to Highly Compensated Employees

Notwithstanding any provisions of the Plan to the contrary, in accordance with Section 411(d) of the Code and regulations thereunder, the annual benefits paid to a Participant who is among the 25 highest paid highly compensated employees or highly compensated former employees (within the meaning of Section 414(q) of the Code and regulations thereunder) of the Employer and Affiliated Companies for a Plan Year, or to a spouse or beneficiary with respect to a Participant shall not exceed the amount payable annually if the Participant's Accrued Benefit were paid in the form of a single life annuity. The foregoing limitation shall not apply (a) if the value of benefits payable to or with respect to the Participant is less than 1% of the Plan's current liabilities (as defined in Section 412(1)(7) of the Code) or (b) if, after payment of all benefits to or with respect to the Participant, the value of Plan assets is at least 110% of the current' liabilities.

ARTICLE X

Plan Termination

10.1. Right to Terminate: In accordance with the procedures set forth in this Article, the Corporation may terminate the Plan at any time. In the event of the dissolution, merger, consolidation or reorganization at the Corporation, the Plan shall terminate and the Trust Fund shall be liquidated unless the Plan is continued by a successor to the Corporation in accordance with Section 8.1. Subject to applicable requirements, if any, of ERISA governing termination of employer pension benefit plans, the Corporation shall direct and require the Trustee to liquidate the Trust Fund, or the applicable portion thereof, in accordance with the provisions of this Article.

10.2. Partial Termination: Upon termination of the Plan with respect to a group of Participants which constitutes a Partial Termination of the Plan, the Trustee shall allocate and segregate for the benefit of the Employees then or theretofore employed by the Employer with respect to which the Plan is being terminated the proportionate interest of the Participants in the Trust Fund. The proportionate interest shall be determined by the Actuary. The Actuary shall make this determination on the basis of the contributions made by the Employer, the provisions of this Article and any other considerations as the Actuary deems appropriate. The Named Fiduciaries shall have no responsibility with respect to the determination of any proportionate interest. The funds so allocated and segregated shall be used by the Trustee to pay benefits to or on behalf of Participants in accordance with Section 10.3.

10.3. Liquidation of Trust Fund: Upon termination of the Plan, or upon termination of Employment of a group of Participants constituting a Partial termination of the Plan, each Participant's Accrued Benefit, based on his service, Credited Service and Compensation prior to the date of termination shall become fully vested and nonforfeitable to the extent funded. The assets of the Trust Fund, or the portion thereof segregated in accordance with Section 10.2, shall be liquidated (after provision is made for the expenses of liquidation) by the payment or provision for the payment of benefits in the following order of preference:

(a) Certain Benefits Payable Three Years Prior to Termination: The available assets of the Trust Fund shall first be allocated to provide Pensions that become payable three (3) or more years before the effective date of Plan termination, or that could have become payable at the beginning of the three (3) year period had the Participant not deferred the commencement of his Pension by failing to elect earlier commencement, or that could have become payable had a Participant's retirement occurred immediately prior to the beginning of the three (3) year period, provided that

(i) the portion of the Pension payable to a Participant or the Beneficiary of a Participant (or that could have been payable) shall be based on the provisions of the Plan in effect five (5) years prior to the effective date of Plan termination; and for this purpose, the first Plan Year in which an amendment becomes effective, or was adopted if later, shall constitute the first year an amendment was in effect; and provided further that,

(ii) if the Pension payable under the Plan had been reduced, either by amendment or due to the form in which the Pension is being paid, during the three (3) year period ending on the effective date of Plan termination, then the lowest benefit in pay status during the three (3) year period shall be considered the Benefit in pay status for purposes of this category (a).

(b) Other Benefits Eligible for Termination Insurance: To the extent that the amount of a Pension has not been provided in the foregoing category (a), the remaining assets shall be allocated to provide any Pension provided under the Plan for a Participant whose Employment terminated prior to the effective date of Plan termination, or any immediate or deferred Pension that would have been payable to or on behalf of a Participant had his Employment terminated for a reason other than death on the effective date of Plan termination, provided that the amount of a Pension to be provided under this category (b) shall be determined as follows:

(i) the portion of the Pension payable to a Participant or the Beneficiary of a Participant (or that could have been payable) based on the provisions of the Plan in effect five (5) years prior to the effective date of Plan termination; and for this purpose, the first Plan Year in which an amendment became effective, or was adopted if later, shall constitute the first year an amendment was in effect; plus

(ii) the portion of the Pension payable to a Participant or the Beneficiary of a Participant which would have been included in (i) above had the Plan or a Plan amendment been in effect five (5) years prior to the effective date of Plan termination, determined as follows: twenty percent (20%) for each Plan Year (less than five) that the Plan or an amendment thereto was in effect, multiplied by the amount that would have been included under subparagraph (i) for the Participant or Beneficiary had the Plan or the amendment been in effect for five (5) Plan Years as of the effective date of Plan termination; provided that,

(iii) no benefit payable under this category (b) to a Participant or Beneficiary shall exceed an amount with an actuarial value of a monthly Benefit in the form of a life only annuity commencing at age sixty-five (65) equal to Seven Hundred Fifty Dollars (\$750.00) multiplied by a fraction, the numerator of which is the contributing and benefit base determined under Section 230 of the Social Security Act in effect at the effective date of Plan termination and the denominator of which is the contribution and benefit base in effect in calendar year 1974.

(c) Other Vested Benefits: To the extent that the amount of a Pension has not been provided in the foregoing categories (a) and (b), the remaining assets shall be allocated to provide the Benefit payable under the Plan to or on behalf of a Participant whose employment terminated prior to the effective date of Plan termination, or that would have been payable to or on behalf of a Participant had his Employment terminated for a reason other than death on the effective date of Plan termination, in the following order of preference:

(i) to any Participant who had retired prior to the effective date of Plan termination under either Section 4.1 or 4.3, or who was eligible to retire on the effective date of Plan termination under either of those Sections;

(ii) to any Participant who had retired prior to the effective date of Plan termination under Section 4.2, or who was eligible to retire on the effective date of Plan termination under that Section; or

(iii) to any Participant whose Employment had terminated prior to the effective date of Plan termination with entitlement to a deferred Vested Pension under Section 4.2, or who would have been eligible for a deferred Vested Pension under that Section as his Employment terminated on the effective date of Plan termination.

(d) Other Benefits: To the extent that the amount of a Pension has not been provided in the foregoing categories (a), (b) and (c), the remaining assets shall be allocated to provide the benefit accrued under the Plan, without regard to the satisfaction of the Vesting requirements of this Plan, with respect to each Participant whose Employment had not terminated as of the effective date of Plan termination, according to the respective actuarial value of each Participant's Accrued Benefit.

(e) If the assets of the Trust Fund applicable to any of the above categories are insufficient to provide full benefits for all persons in the group, the benefits otherwise payable to the persons shall be reduced proportionately. The Actuary shall calculate the allocation of the assets of the Trust Fund in accordance with the above priority categories, and certify his calculations to the Fiduciaries. No liquidation of assets and payment of benefits (or provision therefor) shall actually be made by the Trustee until after it is advised by the Corporation in writing that applicable requirements, if any, of ERISA governing termination of "Employee Pension Benefit Plans" have been, or are being, complied with or that appropriate authorizations, waivers, exemptions or variances have been, or are being, obtained.

(f) If applicable, the procedures regarding lost Participants under Section 4050 of ERISA shall be followed.

10.4. Manner of Distribution: Subject to the foregoing provisions of this Article X, any distribution after termination of the Plan may be made, in whole or in part, to the extent that no discrimination in value results, in cash, in securities or other assets in kind, or in nontransferable annuity contracts, as the Committee in its discretion shall determine.

10.5. Residual Amounts: In no event shall the Employer receive any amounts from the Trust Fund upon termination of the Plan, except that, and notwithstanding any other provision of the Plan, the Employer shall receive the amounts, if any, as may remain after the satisfaction of all liabilities of the Plan and arising out of any variations between actual requirements and expected actuarial requirements.

ARTICLE XI

Amendments

11.1. No Consent Required to Modify: The Corporation may, through action of the Board, without the consent of any party (except as provided in this Plan) amend, change or modify this Plan at any time, subject to the limitations below specified.

11.2. No Amendment to Lessen Vested Interest: No amendment, alteration, change or modification shall (a) vest in the Employer any right, title or interest in or to the funds held hereunder, or (b) modify a vesting schedule other than in compliance with Section 411(a)(10) of the Code. Except where permitted by regulations issued by the Secretary of the Treasury, no amendment shall be construed to have the effect of decreasing a Participant's accrued benefit. A Plan amendment which has the effect of (1) eliminating or reducing a subsidy or an early retirement benefit (as defined by regulations issued by the Secretary of the Treasury), or (2) eliminating an optional form of benefit, with respect to benefits attributable to service before the amendment, shall be treated as reducing accrued benefits. In case of a retirement type subsidy, the preceding sentence shall apply only with respect to a Participant who satisfies (either before or after the amendment) the pre-amendment conditions for the subsidy.

11.3. Amendments to be in Writing: Any amendment of the provisions of this instrument shall be evidenced by a written instrument. Notice of any amendment shall be given to the Administrative Committee and the Trustee.

11.4. When Consent of Trustee is Required: If any amendment or modification affects the rights, duties, responsibilities or obligations of the Trustee hereunder, the amendment or modification must be made with the consent of the Trustee. In the event that the Trustee shall not give its consent to any amendment or modification within ten (10) days from delivery of the amendment or modification, the Trustee may be required to resign on thirty (30) days' written notice.

11.5. Effective Date: Any amendment to this Pension Plan shall become effective at the time stated in the written instrument setting out the amendment.

ARTICLE XII

Miscellaneous

12.1. No Right to Employment: Nothing contained in this Pension Plan shall be construed to give any Employee the right to be retained in the employ of the Employer or to interfere with the right of the Employer to terminate the Employment of any Employee at any time.

12.2. Fund Sole Source of Pensions: All benefits provided under this Pension Plan shall be payable by the Trustee as and when due from the Trust Fund upon written instructions of the Administrative Committee. The Trust Fund shall be the sole source of all Pensions or other benefits provided under this Pension Plan and except as otherwise may be provided under Title IV of ERISA, the Employer, its officers, directors and employees, nor any member of the Administrative Committee, nor the Trustee as to its individual assets, shall be liable or responsible therefor.

12.3. Notice to be in Writing: Any notice, request, instructions or other communications required to be given or made hereunder shall be made in writing and either personally delivered to the person to whom addressed, or if to the Employer, to its Secretary, as the case may be, or by deposit of the same in the United States mail, fully postage paid and duly addressed to the person or corporation at the last address for notice shown on the records of the Administrative Committee; provided, that any notice, request, instruction or other communication may be in accordance with the provisions of the Trust Agreement adopted concurrently herewith shall be valid for all purposes.

12.4. Employees may Inspect Plan Documents: A copy of the Pension Plan and any and all future amendments thereto shall be available for inspection at all reasonable times to all Employees at the office of the Employer at or out of which the Employee is employed.

12.5. Reliance on Information Furnished by Employee: The Employer, the Board, the Administrative Committee, the Trustee and any other person involved in the administration hereof, who shall act in reliance thereon shall be entitled to rely upon any representation made or evidence furnished by any Employee in respect to age or other facts required to be determined under any of the provisions of the Pension Plan and shall not be liable on account of the payment of any monies in reliance upon any representation or evidence which, upon being made or furnished, shall be binding upon the Employee but not upon the Employer, the Board, the Administrative Committee or the Trustee; but nothing herein contained shall be construed to prevent the Employer, the Board, the Administrative Committee or the Trustee from contesting any representation, or to relieve the Employee from the duty of submitting additional satisfactory proof of age or any other fact.

12.6. Spendthrift Clause: Wherever and whenever it is provided in this Plan for payments or distributions to be made, whether in money or otherwise, the payments or distributions shall be made directly into the hands of the Employee and not into the hands of any other, whether claiming by their authority or otherwise, in such manner, that the payments or distributions shall not be subject to anticipation or assignment or garnishment, attachment or execution or levy of any kind, or be liable for any debts or obligations of the Employee, provided, that deposit to the credit of an Employee in any bank or trust company shall be deemed payment into his hands, and provided further that in the event any person otherwise entitled to receive any payment or distribution shall be a minor or an incompetent, the payment or distribution may be made to his guardian or any other person in behalf of the payee in the sole discretion of the Administrative Committee, or of the Trustee in the absence of specific directions from the Administrative Committee. Notwithstanding the preceding sentence, a judgment, order, decree or settlement in accordance with Section 401(a)(13)(C) of the Code shall be recognized.

12.7. Law to Govern: Except as preempted by Federal law, this Pension Plan and every provisions thereof shall be construed and its validity determined according to the laws of the State of Kansas.

12.8. Complete Agreement Clause: This Pension Plan and each and every provision thereof shall be binding on the parties hereto and their respective representatives, successors, heirs, executors, administrators and assigns and upon all participating Employees, retired Employees, their Beneficiaries and estates.

12.9. Copies of This Plan as Originals: This Pension Plan may be executed in any number of counterparts, each of which shall be deemed the original although the others shall not be produced, and shall be binding on the respective successors and assigns of the Employer.

12.10. Effect of Delay in Payment of Benefit: Under no circumstances shall any interest be payable on any Benefit, monthly Pension payment or cash settlement payment by reason of non-payment on the due date, regardless of the lapse of time before payment is actually made, and regardless of the reason for delay in payment.

12.11. Qualified Domestic Relations Orders: Notwithstanding any provision contained herein, nothing shall prevent the Plan from paying any benefit pursuant to a "Qualified Domestic Relations Order," as defined in Section 414 (p) of the Code. Upon receiving a Qualified Domestic Relations Order, the Administrative Committee shall notify the Participant affected and any other alternate payee as required by law. The Administrative Committee shall also determine whether any order received is a Qualified Domestic Relations Order. Any payment made pursuant to a Qualified Domestic Relations order shall reduce the Accrued Benefit of the affected Participant and any present value calculation necessary to determine the reduction of Accrued Benefit shall use the interest rate specified in the definition of Actuarial Equivalent.

ARTICLE XIII

Admission to the Plan of Affiliated Companies

13.1. Method of Adoption: Any corporation now or hereafter becoming an Affiliated Company of the Corporation, may at any time become a Participating Affiliated Company by executing a formal written adoption of the Plan and the Trust Agreement thereunder, on the following terms and conditions.

13.2. Definition of "Employer": A Participating Affiliated Company shall be "the Employer" with respect to its eligible employees, and each eligible employee shall be an "Employee" with respect to his employer, as those terms are used in the Plan, except as otherwise provided in this Article XIII.

(a) The "effective date" of the Plan as to the Participating Affiliated Company and its eligible employees shall be the first day of the calendar month during which the Participating Affiliated Company adopts the Plan or, if so provided in the adoption, the first day of any preceding calendar month during the same calendar year, or at any other time agreed to by the Participating Affiliated Company and the Corporation.

(b) All eligible employees of the Participating Affiliated Company employed at the date of adoption or thereafter shall, if eligible, be Participants under the Plan and shall submit to the Administrative Committee in writing the information (age, etc.) necessary to determine their rights and to make the actuarial determinations under the Plan.

(c) No provision of the Plan with respect to past service or Past Service Unit Credit or Employer contributions with respect thereto shall apply to a Participating Affiliated Company or its eligible or participating or retired employees, and Annual Unit Credits will accumulate only with respect to service after the effective date, but the Participating Affiliated Company may, if so provided in the adoption, make or otherwise provide for the payment of the entire contribution to the Trust necessary to fund that portion of the first Annual Unit Credit (or partial Annual Unit Credit if the effective date is not January 1st) applicable to the period from the effective date to the first day of the calendar month following the date of adoption of the Plan.

(d) The provisions of this Article XIII shall apply to each Employer and its respective employees separately, and if an Employer terminates the Plan as to it under Article X, the actuary shall prorate the Trust Fund as of the date of termination using sound actuarial and accounting practices and segregate the portion of the Trust Fund applicable to the terminating Employer and its participating and retired employees. References to "the Trust Fund" in Article X shall refer to the segregated portion of the Fund.

(e) A Participating Affiliated Company that ceases to be an Affiliated Company by reason of the sale by the Corporation of the Participating Affiliated Company's stock shall cease to be a Participating Affiliated Company on the date of the stock sale

ARTICLE XIV

Multiple Trustees

14.1. Multiple Trustees: The Employer may adopt Trust Agreements with two or more Trustees of similar import and effect to the existing Trust Agreement into which Employer contributions may be made and from which benefits may be paid in accordance with the terms, provisions and conditions of this Pension Plan and the Trust Agreement.

14.2. Single Fund: If and when multiple Trustees are serving under the Plan, the aggregate of the Trust Funds held and administered by all Trustees shall, for the purposes of benefits under the Plan, constitute a single Trust Fund. Employer annual contributions may be made to either or any Trustee with respect to its fund, or part to two or more Trustees.

14.3. Transfer of Assets From One Trustee to Another: The Administrative Committee may direct any Trustee to transfer specified fund assets to another Trustee if needed to make pension or other required payments; and the Employer may on thirty (30) days' written notice direct transfer of specified fund assets to another Trustee for investment, management and disbursement under the Plan.

14.4. Termination: If the Plan is terminated when multiple Trustees are serving, each Trustee (except the one first appointed) shall promptly transfer its fund assets to the Trustee designated by Employer, who shall carry out the Trustee obligations under Article X of the Plan relating to liquidation on termination.

ARTICLE XV

Tax Equity and Fiscal Responsibility Act
of 1982/Top-Heavy Provisions

15.1. Application The provisions of this Article XVI shall only be applicable if the Plan becomes "top-heavy" (as defined in Section 416(g) of the Code) aggregating this Plan and all other qualified plans maintained by the Employer, i.e., generally, if 60% or more of the aggregate present value of the Accrued Benefits of participants of this Plan and the accounts of Participants in the defined contribution plans as of any "determination date" (as defined in Section 416(g)(4) of the Code), i.e., the December 31 beginning as of December 31, 1983, is attributable to "key employees" (as defined in Section 416(i) (1) of the Code). The actuarial assumptions used to determine the aggregate present value of Accrued Benefits for this purpose shall be the funding assumptions then in effect. If the Plan becomes "top-heavy" as of any determination date, then effective in the next succeeding Plan Year, the provisions of this Article XVI shall apply.

(b) The present values of accrued benefits and the amounts of account balances of an Employee as of the determination date shall be increased by the distributions made with respect to the Employee under the Plan and any plan aggregated with the Plan under Section 416(g)(2) of the Code during the one-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the plan under Section 416(g)(2)(A)(i) of the Code. In the case of a distribution made for a reason other than separation from service, death, or disability, this provision shall be applied by substituting "five-year period" for "one-year period."

(c) Benefits will not be taken into account in determining the top-heavy ratio for any Employee who has not performed services for the Employer during the last one-year period ending upon the determination date.

(d) The Accrued Benefit of a Participant other than a key employee shall be determined under (1) the method, if any, that uniformly applies for accrual purposes under all defined benefit plans maintained by the Employer, or (2) if there is no method, as if the benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional rule of Section 411(b)(1)(C) of the Code.

15.2. Special Vesting Rule: Notwithstanding the provisions of Section 4.2 hereof to the contrary, a Participant shall be fully vested in his Accrued Benefit or minimum accrued benefit upon the accrual of six years of Vesting Service and shall be partially vested after accrual of two years of Vesting Service as determined in accordance with the following schedule:

Years of Vesting Service	Vesting Percentage
Less than 2 years	0%
2 years	20%
3 years	40%
4 years	60%
5 years	100%

15.3. Special Minimum Benefit: Notwithstanding the provisions of Section 2.1(b) and/or Section 4.4 hereof to the contrary, each Active Participant of the Plan who is not a "key employee" (as defined in Section 416(i) of the Internal Revenue Code) shall be entitled to a minimum accrued monthly benefit equal to (i) the amount otherwise provided by this Plan or (ii) one-twelfth (1/12) of two percent (2%) of the Participant's Average Final Compensation multiplied by his years of Credited Service up to ten (10) years after 1983 for each Plan Year in which the Plan was "top-heavy" (as defined in Section 416 of the Internal Revenue Code), and benefits (within the meaning of Section 410(b) of the Code) at least one (1) key employee or former key employee, whichever is greater. For purposes of satisfying the minimum benefit requirements of Section 416(c)(1) of the Code and the Plan, in determining Credited Service with the Employer, any service with the Employer shall be disregarded to the extent that the service occurs during a Plan Year when the Plan benefits (within the meaning of Section 410(b) of the Code) no key employee or former key employee.

15.4. Prohibited Distributions: Notwithstanding any provisions contained herein to the contrary, in no event shall a "key employee" Participant's distribution from the Plan commence (or Plan benefit otherwise be paid) before he reaches age 59-1/2 unless the Participant acknowledges, in writing, that he is either going to rollover the distribution to an Individual Retirement Plan or he understands that the distribution is subject to a 10% tax penalty.

15.5. Key Employee Defined(a) The term "key employee" means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the determination date was (i) an officer of the Employer having an annual compensation greater than one hundred thirty thousand dollars (\$130,000) (as adjusted under Section 416(i)(1) of the Code for Plan Years beginning after December 31, 2002), (ii) a 5% owner of the Employer, or (iii) a 1% owner of the Employer having an annual compensation in any Plan Year of more than One Hundred and Fifty Thousand Dollars (\$150,000).

(b) For purposes of (a) above, "annual compensation" means compensation as defined in Section 415(c)(3) of the Code. The determination of who is a key employee will be made in accordance with Code Section 416(i)(1) and the regulations thereunder.

3/5/04 DRAFT

ROADWAY LLC PENSION PLAN

(Amended and Restated Effective December 11, 2003)

ROADWAY LLC PENSION PLAN

(Amended and Restated Effective December 11, 2003)

TABLE OF CONTENTS

	PAGE

ARTICLE I PRELIMINARY MATTERS.....	1
1.1. Discretionary Powers.....	1
1.2. Construction.....	1
ARTICLE II DEFINITIONS.....	2
2.1. Generally.....	2
2.2. Accrued Benefit.....	2
2.3. Actuarial (or Actuarially) Equivalent.....	2
2.4. Actuary.....	2
2.5. Average Annual Compensation.....	2
2.6. Beneficiary.....	3
2.7. Board of Directors.....	3
2.8. Capped Participant.....	3
2.9. Code.....	3
2.10. Committee or Administrative Committee.....	3
2.11. Company.....	3
2.12. Compensation.....	3
2.13. Controlled Group.....	4
2.14. Controlled Group Member.....	4
2.15. Covered Employee.....	4
2.16. Death Beneficiary.....	4
2.17. Earliest Retirement Age.....	4
2.18. Effective Date.....	5
2.19. Eligible Employee.....	5
2.20. Eligible Rollover Distribution.....	5
2.21. Employee.....	5
2.22. Employer.....	5
2.23. Employment Commencement Date.....	6
2.24. ERISA.....	6
2.25. Exempt Participant.....	6
2.26. Fiduciary.....	6
2.27. Final Average Annual Compensation.....	6
2.28. Highly Compensated Employee.....	6
2.29. Hour of Service.....	7
2.30. Instrument of Adoption.....	7
2.31. Named Fiduciary.....	7
2.32. Non-Exempt Participant.....	7
2.33. Normal Retirement Date.....	7
2.34. 1-Year Break in Service.....	7
2.35. Participant.....	8
2.36. Pension Commencement Date.....	8
2.37. Period of Service.....	8
2.38. Period of Severance and Severance Date.....	9
2.39. Plan.....	9
2.40. Plan Administrator.....	9
2.41. Plan Year.....	10
2.42. Predecessor Employer.....	10
2.43. Prior Plan.....	10

	PAGE

2.44. Qualified Joint and Survivor Annuity.....	10
2.45. Qualified Pre-retirement Survivor Annuity.....	10
2.46. Reemployment Commencement Date.....	10
2.47. Retired Participant.....	10
2.48. Service.....	10
2.49. Social Security Retirement Age.....	10
2.50. Spouse.....	10
2.51. Temporary or Casual Employee.....	11
2.52. Trust.....	11
2.53. Trust Agreement.....	11
2.54. Trust Fund.....	11
2.55. Trustee.....	11
2.56. Year of Service.....	11
 ARTICLE III ELIGIBILITY AND PARTICIPATION.....	 13
3.1. Conditions of Eligibility.....	13
3.2. Duration of Participation.....	13
3.3. Loaned Participants.....	13
3.4. No Commencement of Participation After December 31, 2003.....	13
 ARTICLE IV BENEFITS.....	 14
4.1. Normal Retirement Benefit.....	14
4.2. Early Retirement Benefit.....	16
4.3. Disability Retirement Benefit.....	17
4.4. Termination Prior to Retirement.....	18
4.5. Surviving Spouse Benefit.....	19
4.6. Qualified Pre-retirement Survivor Annuity.....	19
4.7. No Duplication of Benefits.....	21
4.8. Benefit Adjustment for Military Service.....	21
4.9. Provision Pursuant to Internal Revenue Code Section 415(b).....	22
4.10. Provision Pursuant to Internal Revenue Code Section 415(e).....	23
4.11. Other Internal Revenue Code Section 415 Provisions.....	24
4.12. Forfeitures.....	24
 ARTICLE V FORM AND PAYMENT OF BENEFITS.....	 25
5.1. Application for Pensions.....	25
5.2. Normal Form of Payment (Including Qualified Joint and Survivor Annuity).....	25
5.3. Optional Forms of Benefits.....	27
5.4. Optional Forms - General.....	29
5.5. Immediate Distributions.....	29
5.6. Payment of Pensions.....	29
5.7. Reemployment of Retired Participants.....	30
5.8. Latest Time for Distribution.....	31
5.9. Provision Pursuant to Internal Revenue Code Section 401(a)(15).....	32
 ARTICLE VI EMPLOYER CONTRIBUTIONS.....	 33
6.1. No Contributions by Employees.....	33
6.2. Contributions to the Trust Fund.....	33
6.3. Return of Contributions to Employers.....	33
6.4. Funding Policy.....	33
6.5. No Duty to Enforce Payment.....	33
 ARTICLE VII ADMINISTRATION OF THE PLAN AND FIDUCIARY RESPONSIBILITIES.....	 34
7.1. Responsibility for Administration.....	34
7.2. Named Fiduciaries.....	34
7.3. Delegation of Fiduciary Responsibilities.....	34

	PAGE

7.4. Immunities.....	34
7.5. Limitation on Exculpatory Provisions.....	35
7.6. Administrative Committee - Organization.....	35
7.7. Compensation.....	35
7.8. Qualification.....	35
7.9. Interpretation of the Plan and Findings of Facts.....	35
7.10. Operation of the Committee.....	35
7.11. Correction of Errors.....	36
ARTICLE VIII CLAIMS PROCEDURES.....	37
8.1. Claims.....	37
8.2. Review of Claims.....	37
8.3. Delegation of Committee's Duties.....	38
ARTICLE IX AMENDMENT AND TERMINATION.....	39
9.1. Right to Amend or Terminate.....	39
9.2. Procedure for Termination or Amendment.....	39
9.3. Distribution Upon Termination.....	39
9.4. Amendment Changing Vesting Schedule.....	39
9.5. Nonforfeitable Amounts.....	39
9.6. Prohibition on Decreasing Accrued Benefits.....	40
ARTICLE X LIMITATION ON BENEFITS OF CERTAIN PARTICIPANTS.....	41
10.1. Restriction of Benefits on Plan Termination.....	41
10.2. Restriction on Plan Distribution.....	41
10.3. Miscellaneous Provisions.....	41
ARTICLE XI MISCELLANEOUS.....	42
11.1. Employment Not Affected.....	42
11.2. Inalienability.....	42
11.3. Incapacity to Receive Payment.....	42
11.4. Unclaimed Benefits.....	42
11.5. Dissolution, Merger or Consolidation of the Company.....	42
11.6. Action by the Company.....	43
11.7. Limitation to Rights Created Under the Plan.....	43
11.8. Recourse Against Officers, Directors or Stockholders.....	43
11.9. Interpretation.....	43
11.10. Severability.....	43
11.11. Counterparts.....	43
11.12. Plan Merger or Transfer of Assets.....	43
11.13. Indemnification.....	43
11.14. Service of Process/Necessary Parties.....	44
11.15. EGTRRA.....	44
ARTICLE XII ADOPTION OF PLAN BY CONTROLLED GROUP MEMBERS.....	45
12.1. Adoption Procedure.....	45
12.2. Effect of Adoption by a Controlled Group Member.....	45
12.3. Withdrawal of an Employer.....	45
ARTICLE XIII TOP-HEAVY PLAN PROVISIONS.....	46
13.1. Definitions.....	46
13.2. Determination of Top-Heavy Status.....	47
13.3. Determination of Extra Top-Heavy Status Effective prior to January 1, 2000,...	47
13.4. Top-Heavy Plan Requirements.....	48
13.5. Minimum Vesting Requirement.....	48
13.6. Minimum Benefit Requirement.....	48

	PAGE

13.7. Adjustment to Maximum Benefits and Allocations.....	49
13.8. Coordination With Other Plans.....	49
13.9. Certain Changes Effective January 1, 2002.....	49
ARTICLE XIV TRANSFERS OF EMPLOYMENT STATUS.....	51
14.1. Transfer from Non-Exempt Status to Exempt Status.....	51
14.2. Transfer from Exempt Status to Non-Exempt Status.....	51
14.3. Re-hire of Non-Exempt Participants on or after January 1, 2000.....	51
14.4. Transfer from Non-Exempt Status to Union Status.....	51
14.5. Transfer from Exempt Status to Union Status.....	52
14.6. Transfer from Union Status to Non-Union Status.....	52

ROADWAY LLC PENSION PLAN

(Amended and Restated Effective December 11, 2003)

THIS PLAN is amended and restated this ___ day of March, 2004 to be effective as of December 11, 2003 by Yellow Roadway Corporation, a Delaware corporation.

As a result of the acquisition of Roadway Corporation (the former Plan sponsor) by Yellow Roadway Corporation effective December 11, 2003, Roadway Corporation merged with and into Yankee, LLC, a Delaware corporation and wholly owned subsidiary of Yellow Roadway Corporation, changed its name to "Roadway LLC," and transferred sponsorship of the Plan to Yellow Roadway Corporation.

Yellow Roadway Corporation hereby adopts this amended and restated Plan, effective December 11, 2003, which, among other things, changes the name of the Plan to the "Roadway LLC Pension Plan" and, effective January 1, 2004, limits participation in the Plan to those Employees described in Section 3.4(d) of the Plan.

This amendment and restatement of the Plan is effective December 11, 2003. However, certain provisions of this amendment and restatement of the Plan are effective as of some other date. The provisions of this amendment and restatement of the Plan which are effective prior to December 11, 2003 shall be deemed to amend the corresponding provisions of the Plan as in effect before this amendment and restatement and all amendments thereto. Events occurring before the applicable effective date of any provision of this amendment and restatement of the Plan shall be governed by the applicable provision of the Plan in effect on the date of the event.

ARTICLE I

PRELIMINARY MATTERS

1.1. Discretionary Powers

All discretionary powers granted hereunder shall be exercised in a uniform, nondiscriminatory manner.

1.2. Construction

(a) Unless the context otherwise indicates, the masculine wherever used herein shall include the feminine and neuter, the singular shall include the plural and words such as "herein," "hereof," "hereby," "hereunder" and words of similar import refer to the Plan as a whole and not to any particular part thereof.

(b) Wherever the word "person" appears in the Plan, it shall refer to both natural and legal persons.

(c) A number of the provisions of the Plan are designed to contain provisions required or contemplated by certain federal laws and/or regulations thereunder. All such provisions are intended to have the meaning required or contemplated by such provisions of such law or regulations and shall be construed in accordance with valid regulations and valid published governmental rulings and interpretations of such provisions. In applying such provisions of the Plan, each Fiduciary may rely (and shall be protected in relying) on any determination or ruling made by any agency of the United States Government that has authority to issue regulations, rulings or determinations with respect to the federal law thus involved.

ARTICLE II

DEFINITIONS

2.1. Generally

The following terms, when used with initial capital letters, unless the context clearly indicates otherwise, shall have the following respective meanings.

2.2. Accrued Benefit

"Accrued Benefit" means the amount of a pension to which a Participant is entitled under the terms of the Plan on any date (determined without regard to vesting requirements) expressed as an annual benefit payable in the form of a single life annuity (without ancillary benefits) commencing on the Participant's Normal Retirement Date.

2.3. Actuarial (or Actuarially) Equivalent

(a) "Actuarial Equivalent" means a benefit of equivalent actuarial value when computed on the basis of the actuarial factors, assumptions and procedures approved from time to time by the Committee upon the advice of the Actuary.

(b) Except as provided in Subsection (c) of this Section, Actuarially Equivalent benefits under the Plan shall be determined using the UP-1984 Table and an interest rate of five percent (5%) per annum, compounded annually.

(c) For determinations involving lump sum equivalents: (i) the Applicable Interest Rate to be used for distributions (x) made prior to January 1, 2000 shall be the annual rate of interest on thirty (30) year Treasury securities for the November before the Plan Year in which the Participant's Pension Commencement Date occurs; (y) made during the period commencing on January 1, 2000 and ending on March 31, 2001 shall be the lesser of the annual rate of interest on thirty (30) year Treasury securities for the November before the Plan Year in which the Participant's Pension Commencement Date occurs or the annual rate of interest on thirty (30) year Treasury securities for the August before the Plan Year in which the Participant's Pension Commencement Date occurs; and (z) after March 31, 2001 shall be the annual rate of interest on thirty (30) year Treasury securities for the August before the Plan Year in which the Participant's Pension Commencement Date occurs; and (ii) the Applicable Mortality Table to be used shall be the mortality table prescribed by the Secretary of the Treasury pursuant to Code Section 417(e)(3)(A)(ii)(I).

2.4. Actuary

"Actuary" means an individual actuary who is an enrolled actuary under the provisions of ERISA Section 3042 or a firm of actuaries, at least one of whose members is such an enrolled actuary, which individual or firm is selected from time to time by the Committee to provide actuarial services in connection with the Plan.

2.5. Average Annual Compensation

(a) "Average Annual Compensation" means the annual average of Compensation received by a Participant from an Employer during the final two hundred forty (240) consecutive months in which he is a Covered Employee. Notwithstanding the foregoing, for purposes of determining a Participant's Average Annual Compensation, (i) the annual average of Compensation received by a Participant from an Employer during the 1980 through 1984 calendar years in which he was a Covered Employee shall be treated as his Compensation for each calendar year prior to the 1980 calendar year, and (ii) no period during which a Participant is on a leave of absence and receives less than 100% of his basic rate of Compensation shall be considered.

(b) For purposes of determining the Compensation that applies to a particular month, the following rules shall apply: (i) if the latest months considered equal only a portion of a calendar year, the actual Compensation for those months will be used, (ii) if any months considered equal an entire calendar year, the actual

Compensation for that year will be used, and (iii) if the earliest months considered equal only a portion of a calendar year, a proration of the Compensation for that year will be used, based on the number of months under consideration.

(c) For purposes of determining a Participant's Average Annual Compensation, to the extent necessary, months and "compensation" (as defined in the Prior Plan) attributable to periods prior to January 1, 1996, while the Participant was a "covered employee" under the Prior Plan (as defined in the Prior Plan) shall be taken into account.

2.6. Beneficiary

"Beneficiary" means the Participant's Death Beneficiary or any other person entitled to receive benefits under this Plan by reason of a Participant's death.

2.7. Board of Directors

"Board of Directors" means the Board of Directors, or the Compensation Committee of the Board of Directors, of the Company.

2.8. Capped Participant

"Capped Participant" means a Participant who was a Covered Employee on December 31, 1993 under the Prior Plan and whose Accrued Benefit under the Prior Plan as of December 31, 1993 is based on Compensation in excess of the limitation set forth in Code Section 401(a)(17) as in effect on the day after such date.

2.9. Code

"Code" means the Internal Revenue Code of 1986, as amended.

2.10. Committee or Administrative Committee

"Committee" or "Administrative Committee" means the committee established by the Board of Directors under Section 7.6 to administer the Plan. The Committee shall be a Named Fiduciary hereunder and, effective as of January 1, 2003, the Plan Administrator.

2.11. Company

"Company" means Roadway Corporation, a Delaware corporation. For periods prior to January 1, 2003, the Company shall be the Plan Administrator and a Named Fiduciary hereunder. Effective December 11, 2003, the term "Company" means Yellow Roadway Corporation, a Delaware corporation.

2.12. Compensation

(a) "Compensation" means the base pay of an Employee paid by the Controlled Group in a calendar year plus overtime compensation, cash incentive compensation and vacation compensation paid to that Employee, but excluding (i) any payments of cash incentive compensation made after the calendar year of the Employee's termination of employment with the Controlled Group, (ii) payments of vacation compensation made after the Employee's termination of employment with the Controlled Group to an Employee who is not entitled to a retirement benefit pursuant to Section 4.1 or 4.2, (iii) effective as of January 1, 2000, payments pursuant to the Century Bonus Program, (iv) payments pursuant to a tax equalization, relocation or cost of living program, an expatriate program or any similar programs or arrangements and (v) other extra or contingent compensation including signing bonuses. Notwithstanding the foregoing, Compensation shall include any pay that would have been paid to such Employee had he not signed a salary deferral agreement that satisfies the requirements of Code Section 401(k), 125, 129 or 132(f).

(b) Notwithstanding the foregoing, Compensation of any Employee taken into account for any purpose for any Plan Year shall not exceed (i) One Hundred Fifty Thousand Dollars (\$150,000) for Plan Years

beginning before January 1, 2002, or (ii) Two Hundred Thousand Dollars (\$200,000) for Plan Years beginning on and after January 1, 2002, as adjusted by the Secretary of the Treasury for increases in the cost of living in accordance with Code Section 401(a)(17). In applying the Code Section 401(a)(17) limit for all Plan Years up to and including the 1993 Plan Year, the Code Section 401(a)(17) limit in effect during the Year of calculation shall be applied for all purposes when calculating a Participant's Accrued Benefit. In determining benefit accruals in Plan Years beginning on and after January 1, 2002, the foregoing compensation limit in this Section 2.12(b) for Plan Years beginning after December 31, 1993 and before January 1, 2002 shall be Two Hundred Thousand Dollars (\$200,000).

2.13. Controlled Group

"Controlled Group" means the Company and any and all other corporations, trades and/or businesses, the employees of which, together with employees of the Company, are required by Code Section 414 to be treated as if they were employed by a single employer. For purposes of Sections 4.9 and 4.10, "Controlled Group" shall be interpreted in accordance with Code Section 415(h).

2.14. Controlled Group Member

"Controlled Group Member" means each corporation or unincorporated trade or business that is or was a member of the Controlled Group, but only during such period as it is or was such a member of the Controlled Group.

2.15. Covered Employee

"Covered Employee" means any Employee of an Employer who is compensated on a salaried or hourly-rated basis and who is in a class or group to which the Employer has extended eligibility for participation in the Plan, excluding, however, any Employee who (a) is included in a collective bargaining unit (either directly or through an employer's association) unless the collective bargaining agreement expressly provides that the Employee is to be eligible under the Plan, (b) is a non-resident alien (other than an alien who is only temporarily located outside of the United States), or (c) is a leased employee (as defined in Section 2.21).

2.16. Death Beneficiary

"Death Beneficiary" means the person or persons designated by a Participant as his Death Beneficiary under the Plan by written instrument signed by the Participant and filed, before the Participant's death, with the Plan Administrator. Such designation may be revoked or changed (without the consent of any previously designated Death Beneficiary, except as expressly provided in this Section) only by a written instrument (in the form provided by the Plan Administrator) signed by the Participant and filed with the Plan Administrator before the Participant's death. A designation by a married Participant of a person other than his Spouse as Death Beneficiary shall not take effect unless the Participant's Spouse consents in writing thereto. A Spouse's consent required by this Section shall (a) be signed by the Spouse, (b) acknowledge the effect of such consent, (c) be witnessed by a notary public, (d) be effective only with respect to such Spouse and (e) designate a Death Beneficiary that cannot be changed without spousal consent. Such consent is not required if it is established to the satisfaction of the Committee that the consent cannot be obtained because there is no Spouse, because the Spouse cannot be located, or because of such other circumstances as the Secretary of the Treasury may prescribe by regulations. In default of such a designation and at any other time when there is no existing Death Beneficiary designated by the Participant, his Death Beneficiary shall be determined by the Committee in the following order: his Spouse, if still living at the date of the Participant's death, and, if the Spouse is not living, then his estate. If a person designated by a Participant as his Death Beneficiary ceases to exist prior to or on the date of the Participant's death, the Death Beneficiary shall not be entitled to any part of any payment thereafter to be made to the Participant's Death Beneficiary unless the Participant's designation specifically provides to the contrary.

2.17. Earliest Retirement Age

"Earliest Retirement Age" means the first date on which a Participant is entitled to receive a pension hereunder, or would be entitled to receive a pension hereunder if he terminated employment with the

Controlled Group or retired on or before such date, assuming, in the case of a deceased Participant, that he had not died.

2.18. Effective Date

"Effective Date" means January 1, 1996. The effective date of this amendment and restatement of the Plan is December 11, 2003.

2.19. Eligible Employee

"Eligible Employee" means an Employee who is eligible for participation in the Plan in accordance with Article III.

2.20. Eligible Rollover Distribution

"Eligible Rollover Distribution" means any distribution from the Plan to a Participant, except (a) any distribution required under Code Section 401(a)(9), (b) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten (10) or more years, (c) any distribution if it and all other Eligible Rollover Distributions to the Participant during the calendar year are reasonably expected to total less than Two Hundred Dollars (\$200.00), (d) effective as of January 1, 1999, any "hardship" distribution (as defined in Code Section 401(k)), (e) for periods prior to January 1, 2002, the portion of a distribution not includible in gross income, and (f) such other amounts specified in Treasury Regulations or Internal Revenue Service rulings, notices or announcements issued under Code Section 402(c).

2.21. Employee

"Employee" means any person who is subject to the dominion and control of a Controlled Group Member with respect to the type, kind, nature and scope of employment services furnished and to the extent required by Code Section 414(n), any person who is a "leased employee" of a Controlled Group Member. Effective as of January 1, 1997, for purposes of this Section, a "leased employee" is any person who, pursuant to an agreement between a Controlled Group Member and any other person ("leasing organization"), has performed services for the Controlled Group Member on a substantially full-time basis for a period of at least one year, and such services are performed under the primary direction and control of the Controlled Group Member. Contributions or benefits provided to a leased employee by the leasing organization that are attributable to services performed for a Controlled Group Member will be treated as provided by the Controlled Group Member. A leased employee will not be considered an Employee of a Controlled Group Member, however, if (a) leased employees do not constitute more than twenty percent (20%) of the Controlled Group Member's nonhighly compensated work force (within the meaning of Code Section 414(n)(5)(C)(ii)) and (b) such leased employee is covered by a money purchase pension plan maintained by the leasing organization that provides (i) a nonintegrated employer contribution rate of at least ten percent (10%) of Compensation, (ii) immediate participation and (iii) full and immediate vesting.

2.22. Employer

"Employer" means Roadway LLC and any other Controlled Group Member that adopts the Plan as specified in Article XII. However, any person that adopts the Plan and thereafter ceases to exist, ceases to be a member of the Controlled Group or withdraws or is eliminated from the Plan, shall not thereafter be an Employer. The Employers under the Plan are listed on Exhibit A, which may be amended by the Administrative Committee from time to time.

2.23. Employment Commencement Date

"Employment Commencement Date" means the date on which an Employee first performs an Hour of Service for a Controlled Group Member.

2.24. ERISA

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

2.25. Exempt Participant

Effective as of January 1, 1999, "Exempt Participant" means a Participant who is classified as exempt by his Employer.

2.26. Fiduciary

"Fiduciary" means any person who (a) exercises any discretionary authority or discretionary control respecting management of the Plan or exercises any authority or control respecting management or disposition of the Trust Fund, (b) renders investment advice for a fee or other compensation, direct or indirect, with respect to the Trust Fund, or has authority or responsibility to do so, or (c) has any discretionary authority or discretionary responsibility in the administration of the Plan or the Trust Fund. The term "Fiduciary" shall also include any person to whom a Named Fiduciary delegates any of his fiduciary responsibilities hereunder in accordance with the provisions of the Plan, as long as such designation is in effect.

2.27. Final Average Annual Compensation

(a) "Final Average Annual Compensation" means the annual average of Compensation received by a Participant from an Employer during the final sixty (60) consecutive months in which he is a Covered Employee. Notwithstanding the foregoing, for purposes of determining a Participant's Final Average Annual Compensation, no period during which a Participant is on a leave of absence and receives less than 100% of his basic rate of Compensation shall be considered.

(b) For purposes of determining the Compensation that applies to a particular month, the following rules shall apply: (i) if the latest months considered equal only a portion of a calendar year, the actual Compensation for those months will be used, (ii) if any months considered equal an entire calendar year, the actual Compensation for that year will be used, and (iii) if the earliest months considered equal only a portion of a calendar year, a proration of the Compensation for that year will be used, based on the number of months under consideration.

(c) For purposes of determining a Participant's Final Average Annual Compensation, to the extent necessary, months and "compensation" (as defined in the Prior Plan) attributable to periods prior to January 1, 1996 while the Participant was a "covered employee" under the Prior Plan (as defined in the Prior Plan) shall be taken into account.

2.28. Highly Compensated Employee

(a) Effective as of January 1, 1997, "Highly Compensated Employee" means, for a particular Plan Year, any Employee who, during the current or preceding Plan Year, (i) was at any time a five percent (5%) owner (as such term is defined in Code Section 416(i)(1)), or (ii) for the preceding Plan Year received compensation from the Controlled Group in excess of \$80,000 (as adjusted under Code Section 414(q)(1)), and was in the top-paid group of Employees for such Plan Year.

(b) "Highly Compensated Employee" shall include a former Employee whose termination of employment with the Controlled Group occurred prior to the Plan Year and who was a Highly Compensated Employee for the Plan Year in which his termination of employment occurred or for any Plan Year ending on or after his fifty-fifth (55th) birthday.

(c) For purposes of this Section, (i) the term "compensation" shall mean, for the period prior to January 1, 1998, the sum of an Employee's compensation under Section 4.11(b) and elective or salary reduction contributions pursuant to a 401(k) Plan, a cafeteria plan under Code Section 125 or a tax sheltered annuity under Code Section 403(b) (subject to the limitations described in Section 2.12(b)), and for the period commencing on and after January 1, 1998, an Employee's compensation under Section 4.11(b) (subject to the limitation described in Section 2.12(b)) and (ii) the term "top-paid group of Employees" shall mean that group of Employees of the Controlled Group consisting of the top twenty percent (20%) of such Employees when ranked on the basis of compensation paid by the Controlled Group during the preceding Plan Year.

2.29. Hour of Service

(a) "Hour of Service" means an hour for which an Employee is paid, or entitled to payment, by one or more Controlled Group Members for the performance of duties as an Employee and, with respect to a Temporary or Casual Employee, shall be determined in accordance with the provisions of 29 C.F.R. Section 2530.200b-2(a) and (b), which provisions are incorporated herein by reference.

(b) For purposes of determining the Hours of Service of a Temporary or Casual Employee, Hours of Service shall be credited to eligibility computation periods and Plan Years in accordance with the provisions of 29 C.F.R. Section 2530.200b-2(c), which provisions are incorporated herein by reference.

(c) Anything in the Plan to the contrary notwithstanding, for purposes of determining the Hours of Service of a Temporary or Casual Employee, such Employee shall be credited with such Hours of Service not otherwise credited to him under the Plan as may be required by any applicable law.

2.30. Instrument of Adoption

"Instrument of Adoption" means the instrument referred to in Section 12.1 by which a corporation or other business organization adopts the Plan and designates a group or groups of its Employees as Covered Employees under the Plan.

2.31. Named Fiduciary

"Named Fiduciary," within the meaning of ERISA Section 402, means the Committee, the Trustee and each other person designated as a Named Fiduciary by the Company pursuant to the power of delegation reserved to the Committee in Section 7.3.

2.32. Non-Exempt Participant

Effective as of January 1, 1999, "Non-Exempt Participant" means a Participant who is classified as non-exempt by his Employer.

2.33. Normal Retirement Date

"Normal Retirement Date" means the first day of the calendar month coinciding with or next following the later of (a) the date on which a Participant attains his sixty-fifth (65th) birthday, or (b) the earlier of the fifth (5th) anniversary of the date on which a Participant commences participation in the Plan or commenced participation in the Prior Plan, or completion of five (5) Years of Service. For Employees hired before January 1, 1994, "Normal Retirement Date" means the first day of the calendar month coinciding with or next following the date on which a Participant attains his sixty-fifth (65th) birthday.

2.34. 1-Year Break in Service

(a) "1-Year Break in Service" means a twelve (12) month period beginning on an Employee's Severance Date and ending on the first anniversary of such Date, provided that during such period the Employee does not perform an Hour of Service.

(b) If an Employee is absent from work for any period due to (i) the pregnancy of the Employee, (ii) the birth of a child of the Employee, (iii) the placement of a child with the Employee in connection with the adoption of such child by the Employee, or (iv) caring for a child for a period beginning immediately following the birth or placement of such child, such Employee shall not, solely by reason of such absence, be considered to have incurred a Period of Severance until the expiration of the twenty-four (24) consecutive month period commencing on the first day of such absence and shall incur a 1-Year Break in Service if he does not perform an Hour of Service during the twelve (12) month period immediately following such twenty-four (24) month period.

(c) Notwithstanding the provisions of Subsection (a) of this Section, with respect to a Temporary or Casual Employee, "1-Year Break in Service" means a Plan Year in which such Employee does not complete more than 500 Hours of Service.

(d) Notwithstanding the provisions of Subsection (b) of this Section, if a Temporary or Casual Employee is absent from work for any period due to (i) the pregnancy of the Employee, (ii) the birth of a child of the Employee, (iii) the placement of a child of the Employee in connection with the adoption of such child by the Employee, or (iv) caring for a child for a period beginning immediately following the birth or placement of such child, such Employee shall receive credit for Hours of Service equal to:

(1) the number of Hours of Service which otherwise would normally have been credited to him but for the absence; or

(A) if the number of Hours of Service under Subparagraph (A) is not determinable, eight (8) Hours of Service per normal work day of the absence;

provided, however, that no more than 501 Hours of Service shall be credited under this Subsection by reason of the absence. The Hours of Service shall be credited:

(I) in the Plan Year in which the absence from work begins, if the Employee would be prevented from incurring a 1-Year Break in Service in such Year; or

(II) in the immediately following Plan Year.

2.35. Participant

"Participant" means any Employee who has become and continues to be a Participant in accordance with the provisions of Article III, or a Retired Participant.

2.36. Pension Commencement Date

"Pension Commencement Date" means the first day of the first period for which an amount is payable under the Plan as an annuity or in any other form, regardless of whether such amount is in fact paid on such day. Notwithstanding the preceding provisions of this Subsection, a Retired Participant whose pension is suspended pursuant to Section 5.7(a) shall be treated as not having reached his Pension Commencement Date, and the Pension Commencement Date for any amount that later becomes payable to such individual shall be determined pursuant to the preceding sentence. An individual who commences to receive a pension pursuant to Section 5.8(b) shall be treated as having reached his Pension Commencement Date in accordance with the first sentence of this Subsection.

2.37. Period of Service

(a) "Period of Service" means, except as otherwise provided in this Section, the sum of (i) for periods prior to January 1, 1996, those periods taken into account under the Prior Plan as of that date, pursuant to the terms of the Prior Plan in effect prior to that date and (ii) for periods on or after January 1, 1996, the total of an Employee's periods of Service commencing with his Employment Commencement Date or Reemployment Commencement Date, if applicable, and ending on his next following Severance Date.

(b) (Periods of Service before 1-Year Break in Service) In the case of any Employee who incurs a Period of Severance that includes at least one 1-Year Break in Service and who later again becomes an

Employee, any Period of Service before such Period of Severance (a "Prior Period of Service") shall not be taken into account in determining his Period of Service hereunder if at the beginning of such Period of Severance he did not have any nonforfeitable right to a benefit under the Plan and the length of his Period of Severance equals or exceeds five (5) years; and the length of his Prior Period of Service shall not include any time that is not required to be counted under this Section by reason of any prior Period of Severance that included at least one 1-Year Break in Service.

(c) (Periods of Service for Eligibility Years of Service and Vesting Years of Service of Employees other than Temporary or Casual Employees) Solely for purposes of determining Eligibility Years of Service and Vesting Years of Service of an Employee (other than a Temporary or Casual Employee), the following rules shall apply:

(1) If an Employee, whose Period of Severance occurs as a result of a quit, discharge, or retirement, performs an Hour of Service for a Controlled Group Member within the twelve (12) consecutive month period beginning on his Severance Date, the period beginning on his Severance Date and ending on the date on which he performs an Hour of Service shall be taken into account in determining his Period of Service hereunder. Notwithstanding the foregoing, if an Employee's Period of Severance occurs as a result of a quit, discharge or retirement during a period of absence referred to in Section 2.38(a)(ii), the period beginning on his Severance Date (i.e., the date of the quit, discharge, or retirement) and ending on the date on which he performs an Hour of Service shall not be taken into account in determining his Period of Service unless he performs such Hour of Service within twelve (12) months of the date on which the Employee was first absent.

(2) (Controlled Group Member) A Covered Employee's Period of Service shall include any employment with a Controlled Group Member who is not an Employer prior to the date that entity became a Controlled Group Member, provided that such Covered Employee was employed by such Controlled Group Member immediately prior to becoming a Covered Employee.

(d) Notwithstanding anything in the Plan to the contrary, an Employee shall be credited with such Periods of Service not otherwise credited to him under the Plan as may be required by applicable law and no Employee shall be credited with a Period of Service more than once for the same period of employment unless otherwise required by applicable law.

2.38. Period of Severance and Severance Date

(a) "Period of Severance" means, except as provided in Section 2.34(b), the period commencing with the earlier of (i) the date on which an Employee separates from Service by reason of quitting, retirement, death, or discharge, or (ii) the date twelve (12) months after the first day of a period in which the Employee remains absent from Service (with or without pay) for any reason other than quitting, retirement, death or discharge, and ending, if applicable, with the date such Employee resumes Service.

(b) "Severance Date" means the date on which an Employee's Period of Severance commences.

2.39. Plan

"Plan" means the Roadway Corporation Pension Plan, the terms and provisions of which are hereinafter set forth, as the same may be amended from time to time.

2.40. Plan Administrator

"Plan Administrator" means, as defined in ERISA Section 3(16)(A) and Code Section 414(g), for periods prior to January 1, 2003, the Company, and effective January 1, 2003, the Committee.

2.41. Plan Year

"Plan Year" means a twelve (12) month period coinciding with Company's federal income tax year which is currently January 1 through December 31 of each year.

2.42. Predecessor Employer

"Predecessor Employer" means, for the periods prior to January 1, 1996, Roadway Services, Inc. and any and all other corporations, trades and/or businesses, the employees of which, together with Employees of Roadway LLC (formerly known as Roadway Corporation), were required by Code Section 414 to be treated as if they were employed by a single employer.

2.43. Prior Plan

"Prior Plan" means the Roadway Services, Inc. Pension Plan and Trust, as amended and restated, as in effect from time to time prior to the January 1, 1996.

2.44. Qualified Joint and Survivor Annuity

"Qualified Joint and Survivor Annuity" means the form of pension payment provided in Section 5.2(b).

2.45. Qualified Pre-retirement Survivor Annuity

"Qualified Pre-retirement Survivor Annuity" means the spousal benefit provided in Section 4.6.

2.46. Reemployment Commencement Date

"Reemployment Commencement Date" means the date following an Employee's 1-Year Break in Service on which he again performs an Hour of Service for a Controlled Group Member.

2.47. Retired Participant

"Retired Participant" means any Participant whose employment with the Controlled Group shall have terminated and who is eligible for or is receiving a pension under the Plan, even if such pension has not commenced or will not commence until after the proper filing of an application and/or the arrival of the time at which such pension becomes payable.

2.48. Service

"Service" means employment with any Controlled Group Member.

2.49. Social Security Retirement Age

"Social Security Retirement Age" means the age used as the retirement age under section 216(1) of the Social Security Act, as amended, except that such section shall be applied (a) without regard to the age increase factor, and (b) as if the early retirement age under section 216(1)(2) of the Social Security Act were sixty-two (62).

2.50. Spouse

"Spouse" means the person to whom an Employee is legally married at the specified time; provided, however, that a former Spouse may be treated as a Spouse or surviving Spouse to the extent required under the terms of a "qualified domestic relations order" (as such term is defined in Code Section 414(p)).

2.51. Temporary or Casual Employee

"Temporary or Casual Employee" means any Employee regularly scheduled to work less than 2,000 hours in a Plan Year.

2.52. Trust

"Trust" means the trust established under the Trust Agreement for the holding, investment, administration and distribution of the Trust Fund.

2.53. Trust Agreement

"Trust Agreement" means the Trust Agreement for the Roadway Express, Inc. Pension Plan between Roadway LLC (formerly known as Roadway Corporation) and the Trustee providing, among other things, for the Trust and the establishment of the Trust Fund, as such Trust Agreement shall be amended from time to time, or any trust agreement superseding the same. The Trust Agreement is hereby incorporated into the Plan by reference.

2.54. Trust Fund

"Trust Fund" means the assets held by the Trustee under the provisions of the Trust Agreement, without distinction as to principal and interest.

2.55. Trustee

"Trustee" means the trustee or trustees appointed pursuant to the Trust Agreement, and any successor trustee thereto.

2.56. Year of Service

"Year of Service" means the portion of an Employee's Period of Service credited pursuant to the provisions of this Section.

(a) (Eligibility Years of Service and Vesting Years of Service of Employees other than Temporary and Casual Employees) For purposes of computing the Years of Service of an Employee (other than a Temporary or Casual Employee) to determine his eligibility to participate in the Plan (his "Eligibility Years of Service") and to determine his eligibility for (as distinguished from the amount of) a benefit under the Plan (his "Vesting Years of Service"), his entire Period of Service shall be counted.

(b) (Benefit Years of Service) For purposes of computing an Employee's Years of Service to determine the amount of (as distinguished from his eligibility for) any benefit under the Plan (his "Benefit Years of Service"), only those portions of his Periods of Service on or after January 1, 1996 during which he is a Covered Employee shall be counted. For purposes of this Subsection, with respect only to those Covered Employees for whom assets and liabilities are transferred from the Prior Plan to this Plan, employment with a Predecessor Employer prior to January 1, 1996 shall be considered as employment with a Controlled Group Member. Notwithstanding anything in this Subsection to the contrary, an Employee who was employed by Roadway Express, Inc. on or after January 6, 1977 and who immediately prior to such employment was employed by Western Gillette, Inc. shall not be considered a Covered Employee before January 1, 1978.

(c) (Counting Years of Service) For purposes of determining the number of an Employee's Years of Service, (i) before March 31, 2000, each portion of an Employee's Period of Service counted pursuant to Subsection (a) or (b) of this Section, as the case may be, (whether or not consecutive) shall be aggregated on the basis (A) that 365 days of such Service shall equal one (1) Year of Service, (B) that each additional 30 days of Service shall equal one-twelfth (1/12) of a Year of Service, and (C) that each additional 15 days of Service shall equal one-twelfth (1/12) of a Year of Service; and (ii) after March 31, 2000, each portion of an Employee's Period of Service counted pursuant to Subsection (a) or (b) of this Section, as the case may be, (whether or not consecutive) shall be aggregated on the basis (A) that each complete year of such Service shall equal one Year of Service, (B)

that each additional complete month of such Service shall equal one-twelfth (1/12) of a Year of Service, (C) that between 15 and 44 additional days of Service shall equal one-twelfth (1/12) of a Year of Service or that 45 or more additional days of Service shall equal one-sixth (1/6) of a Year of Service.

(d) (Counting Years of Service for the Minimum Benefit)

For purposes of computing a Temporary or Casual Employee's Benefit Years of Service to determine the amount of the minimum annual benefit provided in Section 4.1(b)(ii), such Temporary or Casual Employee shall be credited with a partial Benefit Year of Service if during any Plan Year he accrues between one thousand (1,000) and two thousand (2,000) Hours of Service and shall have no Benefit Year of Service credited if he accrues less than one thousand (1,000) Hours of Service during a Plan Year. Notwithstanding the foregoing, for purposes of determining Benefit Years of Service for a Temporary or Casual Employee in a Plan Year in which he was not a Covered Employee for the entire Plan Year, the one thousand (1,000) hour and two thousand (2,000) hour breakpoints shall be pro-rated based upon the Vesting Years of Service earned during that Plan Year.

(e) (Years of Service before Reemployment)

Notwithstanding the foregoing provisions of this Section, if a Participant who has received a lump sum payment pursuant to Section 5.5 is subsequently rehired by a Controlled Group Member before incurring five (5) consecutive 1-Year Breaks in Service, his Eligibility Years of Service, Vesting Years of Service and Benefit Years of Service to which such lump sum payment relates shall be recredited as of his Reemployment Commencement Date, provided such Participant repays to the Trust Fund the total amount of the lump sum payment paid to him from the Plan plus interest, compounded annually at the rate in effect under Code Section 411(c)(2)(C), not later than the earlier of (i) the end of the five (5) year period beginning with his Reemployment Commencement Date or (ii) the close of the first period of five (5) consecutive 1-Year Breaks in Service incurred by him after such lump sum payment is made to him. If a Participant to whom a deemed lump sum payment has been made pursuant to Section 5.5 is subsequently rehired by a Controlled Group Member before incurring five (5) consecutive 1-Year Breaks in Service, his Eligibility Years of Service, Vesting Years of Service and Benefit Years of Service to which such deemed lump sum relates shall be recredited as of his Reemployment Commencement Date. Effective as of January 1, 1999, if a Participant's Eligibility Years of Service and Benefit Years of Service to which a lump sum payment relates are not restored pursuant to this Subsection, such Participant's Eligibility Years of Service and Benefit Years of Service shall be disregarded for purposes of determining his Accrued Benefit under the Plan after his reemployment.

(f) (Eligibility Years of Service for Temporary and Casual Employees)

Notwithstanding any other provision of this Section, for purposes of computing the Years of Service of a Temporary or Casual Employee to determine his eligibility to participate in the Plan (his "Eligibility Years of Service"), such Employee shall be credited with one Eligibility Year of Service when he is credited with at least 1,000 Hours of Service in the 12-month period beginning with his Employment Commencement Date and, if applicable, his Reemployment Commencement Date, either of which 12-month periods shall be the "Initial Eligibility Computation Period." Whether or not such an Employee is entitled to be credited with 1,000 Hours of Service during an Initial Eligibility Computation Period, such Employee shall be credited with one Eligibility Year of Service if he is credited with at least 1,000 Hours of Service during the Plan Year which includes the first anniversary of his Employment Commencement Date or Reemployment Commencement Date (whichever is applicable) or any Plan Year thereafter.

(g) (Vesting Years of Service for Temporary and Casual Employees)

Notwithstanding any other provision of this Section, for purposes of computing the Years of Service of a Temporary or Casual Employee to determine his eligibility for (as distinguished from the amount of) a benefit under the Plan (his "Vesting Years of Service"), such Employee shall be credited with one Vesting Year of Service for each Plan Year in which he is credited with at least 1,000 Hours of Service. Notwithstanding the preceding sentence:

(1) periods of employment of such an Employee with the Controlled Group before he attains age 18 shall not be counted for purposes of computing his Vesting Years of Service; and

(2) in the case of any such Employee who has a 1-Year Break in Service and who does not have a nonforfeitable right to a benefit under the Plan, the Vesting Years of Service before his 1-Year Break in Service shall be disregarded if the number of his consecutive 1-Year Breaks in Service equals or exceeds five (5); and such aggregate number of his Vesting Years of Service before his 1-Year Break in Service shall not include any Years of Vesting Service disregarded under this Paragraph by reason of any prior Break in Service.

ARTICLE III

ELIGIBILITY AND PARTICIPATION

3.1. Conditions of Eligibility

Any person who was a participant in the Plan on December 10, 2003 and who is a Covered Employee on December 11, 2004 shall become a Participant in the Plan on December 11, 2003. Subject to Section 3.4, each other Employee shall become a Participant as of the date on which he meets the following requirements: (a) he is a Covered Employee, and (b) he has attained age twenty-one (21) and is credited with at least one (1) Eligibility Year of Service.

3.2. Duration of Participation

An Employee or former Employee shall remain a Participant so long as (a) he meets the requirements of Section 3.1, or (b) has a vested interest in the Plan. However, a Participant who ceases to meet the requirements of Section 3.1, shall not actively participate in the Plan nor have Benefit Years of Service credited to him until he again becomes an Eligible Employee. If an Eligible Employee ceases to be an Eligible Employee and later again becomes an Eligible Employee, he shall again, subject to the foregoing limitations of this Section, actively participate in the Plan on the day he so again becomes an Eligible Employee.

3.3. Loaned Participants

Notwithstanding any provision of the Plan to the contrary, any Participant who is temporarily loaned to another Controlled Group Member, so that he remains an Employee but is no longer a Covered Employee, shall continue to be considered a Covered Employee hereunder after the date of such loan until the date he ceases to be an Employee of such Controlled Group Member, at which time he will no longer be considered a Covered Employee hereunder. A loaned Employee who returns to work for his Employer shall continue to be considered a Covered Employee hereunder after the date he returns provided he is a Covered Employee on the date of his return.

3.4. No Commencement of Participation After December 31, 2003

Notwithstanding any other provision of the Plan, the provisions of this Section 3.4 shall be controlling.

(a) No Employee hired after December 31, 2003 shall become a Participant of the Plan.

(b) Any Participant who incurs a 1-Year Break in Service and is reemployed after December 31, 2003 shall not become a Participant of the Plan or accrue any additional benefits under the Plan.

(c) Any Employee of a Controlled Group Member, that is not an Employer, who transfers to employment with the Employer after December 31, 2003, shall not become a Participant of the Plan.

(d) Any Employee who is a Participant (or an Employee who is eligible to become a Participant upon completion of the age and service requirements of Section 3.1) on December 31, 2003 will continue to be a Participant (or will become a Participant after completion of the age and service requirements of Section 3.1) on and after January 1, 2004.

ARTICLE IV

BENEFITS

4.1. Normal Retirement Benefit

(a) A Participant who terminates employment with the Controlled Group on or after his Normal Retirement Date shall, subject to the provisions hereof, be eligible for a normal retirement benefit described in Subsections (b) and (c) of this Section, commencing at the time specified in Subsection (d) of this Section. A Participant's right to his normal retirement pension shall be nonforfeitable upon his attainment of his Normal Retirement Date, if he is then an Employee.

(b) (1) Effective as of January 1, 1999, the normal retirement benefit under the Plan for a Non-Exempt Participant who was first hired before January 1, 2000 or an Exempt Participant shall be an annual amount (payable in the form specified in Section 5.2) equal to the greater of:

(A) The Participant's accrued benefit as of December 31, 1992 (determined in accordance with the terms and provisions of the Prior Plan then in effect);

(B) $A \times B$ where

A = Two percent (2%) of the Participant's Average Annual Compensation that is at or below Forty-Five Thousand Dollars (\$45,000), and

B = The Participant's total number of Benefit Years of Service (not in excess of the most recent thirty (30) such Years); or

(C) $(C + D) \times E$ where

C = One and three-fourths percent (1 3/4%) of the Participant's Average Annual Compensation that is at or below Forty-Five Thousand Dollars (\$45,000),

D = One and one-half percent (1 1/2%) of the Participant's Average Annual Compensation that is in excess of Forty-Five Thousand Dollars (\$45,000), and

E = The Participant's total number of Benefit Years of Service (not in excess of the most recent thirty (30) such Years).

(2) Notwithstanding the provisions of Paragraph (i) of this Subsection, the minimum annual normal retirement benefit of a Participant who has completed at least thirty (30) Benefit Years of Service shall be:

(A) If the Participant's Average Annual Compensation is at or below Forty-Five Thousand Dollars (\$45,000), the greater of Sixteen Thousand Two Hundred Dollars (\$16,200) or forty percent (40%) of the Participant's Final Average Annual Compensation; or

(B) If the Participant's Average Annual Compensation is in excess of Forty-Five Thousand Dollars (\$45,000), the greater of Twenty-Seven Thousand Dollars (\$27,000) or forty percent (40%) of the Participant's Final Average Annual Compensation.

The minimum annual normal retirement benefit of a Participant who has completed less than thirty (30) Benefit Years of Service shall be the amount determined in the previous sentence reduced by a fraction, the numerator of which is his Benefit Years of Service at the time of his termination of employment with the Controlled Group and the denominator of which is thirty (30).

(3) Notwithstanding the provisions of Paragraphs (i) and (ii) of this Subsection, and Subsection (c), the normal retirement benefit to which any Capped Participant may become entitled pursuant to the provisions of this Section shall not be less than an amount equal to the sum of (A) plus (B), where:

(A) equals the amount determined under Section 4.1(b)(i) and (ii), taking into account only Benefit Years of Service after December 13, 1993; and

(B) equals the greater of:

(I) the Capped Participant's accrued benefit as of December 31, 1988 (determined in accordance with the terms and provisions of the Prior Plan then in effect); or

(II) the Capped Participant's accrued benefit as of December 31, 1993 (determined in accordance with the terms and provisions of the Prior Plan then in effect);

provided, however, that the total Benefit Years of Service taken into account under this Section 4.1(b)(iii) shall not exceed 30 years and any Benefit Years of Service in excess of 30 years shall be first subtracted from the Benefit Year of Service taken into account under clause (A) of this Section.

(4) Effective as of January 1, 1999, notwithstanding the provisions of Paragraphs (i), (ii) and (iii) of this Subsection, and Subsection (c), the normal retirement benefit to which any Non-Exempt Participant who was first hired before January 1, 2000 (and who was classified as a Non-Exempt Participant on or after January 1, 1999) may become entitled pursuant to the provisions of this Section shall not be less than the amount equal to such Participant's Final Average Annual Compensation, calculated as of the last date that the employee was classified as a Non-Exempt Participant, multiplied by the sum of the percentages earned according to the following schedule:

For Service in the Plan Year at which each of the ages shown is attained (Excluding Service accrued after last date classified as a Non-Exempt Participant)	Percentage
Under 35	4%
35-44	6%
45-54	9%
55-59	13%
60 and Up	18%

For purposes of comparing the lump sum benefit determined pursuant to this Subsection (iv) to the annuitized benefits determined pursuant to Subsections (i), (ii) and (iii), the interest rate used shall be that specified in Section 2.3(c).

(5) Effective as of January 1, 1999, the normal retirement benefit to which any Non-Exempt Participant who was first hired on or after January 1, 2000 may become entitled pursuant to the provisions of this Section shall be equal to such Participant's Final Average Annual Compensation, calculated as of the last date that the employee was classified as a Non-Exempt Participant, multiplied by the sum of the percentages earned according to the following schedule:

For Service in the Plan Year at which each of the ages shown is attained (Excluding Service accrued after last date classified as a Non-Exempt Participant)	Percentage
Under 35	4%
35-44	6%
45-54	9%
55-59	13%
60 and Up	18%

(c) The amount of a Participant's normal retirement benefit provided in Subsection (b) of this Section shall be based on his Benefit Years of Service, Compensation, Average Annual Compensation and Final Average Annual Compensation on the date he terminates employment with the Controlled Group (whether such date is on or after his Normal Retirement Date).

(d) Except as otherwise provided in the Plan, a Participant's normal retirement benefit payable pursuant to Subsection (a) of this Section shall commence as of the first day of the month on or after the later of the date he terminates employment with the Controlled Group or the date designated in his application for his pension, as provided in Section 5.1. Notwithstanding the preceding sentence, a Participant shall be entitled to receive his normal retirement benefit for any month after his Normal Retirement Date and before his termination of employment with the Controlled Group (i) during which he is either credited with less than forty (40) Hours of Service or receives payment for Hours of Service performed on less than eight (8) days, or (ii) during which he is credited with at least forty (40) Hours of Service or receives payment for Hours of Service performed on at least eight (8) days but for which the Plan Administrator has not given him notice in accordance with applicable law that payments of his normal retirement benefit are being withheld pursuant to this Subsection. If a pension becomes payable to an Employee pursuant to Paragraph (ii) of this Subsection, the benefit accruals, if any, required by the Plan with respect to his Service after his Normal Retirement Date shall, in accordance with regulations promulgated by the Secretary of Treasury, be treated as satisfied to the extent of the Actuarial Equivalent of such pension payments.

A Participant's election to commence his normal retirement benefit pursuant to this Subsection shall not be effective unless such election is in writing, the Participant's Spouse, if any, consents in writing to such election (unless the pension is to be paid in the form of the Qualified Joint and Survivor Annuity under Section 5.2(b) or the 100% Joint and Survivor option under Section 5.3(a)(iii)), and such election and consent are filed with the Plan Administrator within the ninety (90) day period ending on the Pension Commencement Date elected by the Participant.

4.2. Early Retirement Benefit

(a) Effective as of January 1, 1999, a Participant who terminates employment with the Controlled Group on or after the date he has attained age fifty-five (55) and completed at least ten (10) Vesting Years of Service, or if the Participant is an Exempt Participant, on or after he has attained age fifty (50) and whose combined age and Vesting Years of Service at his Severance Date equals or is greater than 75 shall, subject to the provisions hereof, be eligible for an early retirement benefit described in Subsections (b) and (c) of this Section, commencing at the time specified in Subsection (d) of this Section, provided such termination of employment occurs before the Participant's Normal Retirement Date.

(b) (1) A Participant's normal retirement benefit under the Plan payable at age 65 shall be determined in accordance with Section 4.1(b) (as in effect at the time of his termination of employment). Effective as of January 1, 1999, if a Participant elects to commence such benefit before his Normal Retirement Date and, if such Participant's normal retirement benefit is determined in accordance with Subsection 4.1(b)(i), 4.1(b)(ii) or 4.1(b)(iii), the Participant's early retirement benefit shall be the annual amount determined in accordance with Section 4.1(b), reduced by the applicable percentage set forth in Subsection (iii) or Subsection (iv) as applicable.

(2) Effective as of January 1, 1999, if a Participant's normal retirement benefit is determined in accordance with Subsection 4.1(b)(iv) or 4.1(b)(v), the Participant's early retirement benefit shall be an annuity which is equivalent to the lump sum amount determined in accordance with Section 4.1(b).

(3) Effective as of January 1, 1999, for purposes of Non-Exempt Participants and Exempt Participants for whom the sum of age plus service does not equal or exceed 75 as of their Severance Date, the applicable percentage used to reduce such Participant's normal retirement benefit to reflect early commencement of retirement benefits shall depend on the age of the Participant on his Pension Commencement Date, as follows:

Age When Benefit Commences	% of Normal Retirement Accrued Benefit
55	55%
56	61%
57	67%
58	73%
59	79%
60	85%
61	88%
62	91%
63	94%
64	97%
65	100%

The percentages provided in this Subsection shall be interpolated on the basis of months if a Participant's early retirement benefit commences at a fractional age. For purposes of this Subsection, employment for fifteen (15) days or more during a month shall constitute a whole month.

(4) Effective as of January 1, 1999, for purposes of an Exempt Participant for whom the sum of age (not less than 50) plus vesting service equals or exceeds 75 as of his Severance Date, the applicable percentage used to reduce such a Participant's normal retirement benefit shall depend on the age and Vesting Years of Service of the Participant on his Pension Commencement Date, as follows:

Age Plus Vesting Service	% of Normal Retirement Accrued Benefit
At least 75, but less than 80	80%
At least 80, but less than 85	85%
At least 85, but less than 90	90%
At least 90	95%

In no event shall the applicable percentage of a Participant's Normal Retirement Accrued Benefit payable pursuant to this Subsection be less than the percentage payable pursuant to Subsection (iii).

(c) The amount of a Participant's early retirement benefit provided in Subsection (b) of this Section shall be based on his Benefit Years of Service, Compensation and Average Annual Compensation on the date he terminates employment with the Controlled Group.

(d) Except as otherwise provided in the Plan, a Participant's early retirement benefit payable pursuant to Subsection (a) of this Section shall commence as of the first day of the month on or after the later of the date he terminates employment with the Controlled Group or the date designated in his application for his pension, as provided in Section 5.1. A Participant's election to commence his early retirement benefit pursuant to this Subsection shall not be effective unless such election is in writing, the Participant's Spouse, if any, consents in writing to such election (unless the pension is to be paid in the form of the Qualified Joint and Survivor Annuity under Section 5.2(b) or the 100% Joint and Survivor option under Section 5.3(a)(iii)), and such election and consent are filed with the Plan Administrator within the ninety (90) day period ending on the Pension Commencement Date elected by the Participant.

4.3. Disability Retirement Benefit

(a) A Participant (i) who terminated employment with the Controlled Group by reason of a bodily injury or disease or mental disorder (as defined in any long-term disability benefit contract of an Employer applicable to him) that entitled him to disability benefits under such contract for at least one (1) complete calendar month preceding his Pension Commencement Date under Subsection (d) of this Section, and (ii) who had at least ten (10) Vesting Years of Service at the time of such termination shall, subject to the provisions hereof, be eligible for a disability retirement benefit described in Subsections (b) and (c) of this Section, commencing at the time specified in Subsection (d) of this Section.

(b) (1) A Participant's disability retirement benefit under the Plan shall be determined in accordance with Section 4.1(b) (as in effect at the time of his termination of employment). Effective as of January 1, 1999, if the Participant's disability retirement benefit is determined in accordance with Subsections 4.1(b)(i), 4.1(b)(ii) or 4.1(b)(iii), the Participant's disability retirement benefit under the Plan shall be the annual amount determined in accordance with Section 4.1 (payable in the form specified in Section 5.2), reduced, if the Participant elects to commence such benefit before his Normal Retirement Date, by the applicable percentage set forth in Section 4.2(b).

(2) Effective as of January 1, 1999, if a Participant's disability retirement benefit is determined in accordance with Subsection 4.1(b)(iv) or Subsection 4.1(b)(v), the Participant's disability retirement benefit under the Plan shall be an annuity which is equivalent to the lump sum amount determined in accordance with Section 4.1 (payable in the form specified in Section 5.2) and adjusted annually by the lesser of an interest rate equal to five percent (5%) or the interest rate set forth in Section 2.3(c).

(c) Effective as of January 1, 1999, if a Participant's disability retirement benefit is determined in accordance with Subsection 4.3(b)(i), the amount of the Participant's disability retirement benefit provided in Subsection (b) of this Section shall be based on his Benefit Years of Service, Compensation and Average Annual Compensation on the date he terminates employment with the Controlled Group. If a Participant's disability retirement benefit is determined in accordance with Subsection 4.3(b)(ii), the amount of the Participant's disability retirement benefit provided in Subsection (b) of this Section shall be an annuity which is equivalent to the lump sum amount determined in accordance with Subsection 4.1(b)(iv) or Subsection 4.1(b)(v), as applicable.

(d) Except as otherwise provided in the Plan, a Participant's disability retirement benefit payable pursuant to Subsection (a) of this Section shall commence as of the first day of the month on or after the later of the date he attains age fifty-five (55) or the date designated in his application for his pension, as provided in Section 5.1. A Participant's election to commence his disability retirement benefit pursuant to this Subsection shall not be effective unless such election is in writing, the Participant's Spouse, if any, consents in writing to such election (unless the pension is to be paid in the form of the Qualified Joint and Survivor Annuity under Section 5.2(b) or the 100% Joint and Survivor option under Section 5.3(a)(iii)), and such election and consent are filed with the Plan Administrator within the ninety (90) day period ending on the Pension Commencement Date elected by the Participant.

4.4. Termination Prior to Retirement

(a) A Participant who terminates employment with the Controlled Group on or after the date he has completed at least five (5) Vesting Years of Service and who is not eligible for benefits under any of the preceding Sections of this Article, shall, subject to the provisions hereof, be eligible for a deferred vested benefit described in Subsections (b) and (c) of this Section, commencing at the time specified in Subsection (d) of this Section.

(b) (1) A Participant's deferred vested benefit under the Plan shall be determined in accordance with Section 4.1(b) (as in effect at the time of his termination of employment). Effective as of January 1, 1999, if the Participant's deferred vested benefit is determined in accordance with Subsection 4.1(b)(i), 4.1(b)(ii) or 4.1(b)(iii), the Participant's deferred vested benefit under the Plan shall be the annual amount determined in accordance with Section 4.1 (payable in the form specified in Section 5.2), reduced by a fraction, the numerator of which is his Benefit Years of Service at the time of his termination of employment and the denominator of which is the Benefit Years of Service he would have had assuming he continued in employment with his Employer until age sixty-five (65). In addition, if such a Participant elects to commence his deferred vested benefit before his Normal Retirement Date (if permitted in accordance with Subsection (d) of this Section), the amount of such benefit shall be further reduced by the applicable percentage determined pursuant to Subsection 4.2(b)(iii) if the Participant is at least age 55 on his Pension Commencement Date with 10 or more Vesting Years of Service at his Severance Date; otherwise such benefit shall be reduced to the Actuarial Equivalent of such benefit at the time it is scheduled to commence.

(2) Effective as of January 1, 1999, if a Participant's deferred vested benefit is determined in accordance with Subsection 4.1(b)(iv) or Subsection 4.1(b)(v), the Participant's deferred

vested benefit under the Plan shall be an annuity which is equivalent to the lump sum amount determined in accordance with Subsections 4.1(b)(iv) and 4.1(b)(v) (payable in the form specified in Section 5.2).

(c) Effective as of January 1, 1999, if a Participant's deferred vested benefit is determined in accordance with Subsection 4.4(b)(i), the amount of the Participant's deferred vested benefit provided in Subsection (b) of this Section shall be based on his Benefit Years of Service, Compensation and Average Annual Compensation on his Severance Date and on the Benefit Years of Service that the Participant would have been credited assuming he had continued in employment with his Employer to age sixty-five (65). If a Participant's deferred vested benefit is determined in accordance with Subsection 4.4(b)(ii), the amount of the Participant's deferred vested benefit provided in Subsection (b) of this Section shall be based on his Benefit Years of Service, Compensation and Final Average Annual Compensation on his Severance Date and shall be an annuity which is equivalent to the lump sum amount determined in accordance with Subsections 4.1(b)(iv) and 4.1(b)(v), as applicable.

(d) Effective as of January 1, 1999, a Participant's deferred vested benefit payable pursuant to Subsection (a) shall commence as soon as administratively feasible following the date the Participant files his application for his pension pursuant to Section 5.1 (subject to the provisions of Subsection 5.3(a)(iv)(C)(2)). If a Participant's deferred vested benefit is determined in accordance with Subsection 4.4(b)(i), such Participant's deferred vested benefit shall be reduced as provided in Subsection 4.4(b)(i). A Participant's election to commence his deferred vested benefit pursuant to this Subsection shall not be effective unless such election is in writing, the Participant's Spouse, if any, consents in writing to such election (unless the pension is to be paid in the form of the Qualified Joint and Survivor Annuity under Section 5.2(b) or the 100% Joint and Survivor option under Section 5.3(a)(iii)), and such election and consent are filed with the Plan Administrator within the ninety (90) day period ending on the Pension Commencement Date elected by the Participant.

4.5. Surviving Spouse Benefit

(a) If a Participant dies either:

(1) Before his termination of employment with the Controlled Group and before his Normal Retirement Date, but after he attained age fifty-five (55) and completed at least ten (10) Vesting Years of Service; or

(2) After his termination of employment with the Controlled Group, if he had attained age fifty-five (55) but had not attained his Normal Retirement Date at the time of such termination, if, at the time of his death, the Participant was eligible for an early retirement benefit pursuant to Section 4.2(a) (but such benefit had not yet commenced) and if, at the time of his death, the Participant had elected not to receive the Qualified Pre-retirement Survivor Annuity,

then the Spouse of such a Participant, if such Spouse survives the Participant, shall, subject to the provisions hereof, be eligible for a surviving spouse benefit described in Subsections (b) and (c) of this Section, commencing on the first day of the second month after the Participant's death and paid for the lesser of the life of the surviving Spouse or sixty (60) consecutive months.

(b) Effective as of January 1, 1999, a Spouse's surviving spouse benefit under the Plan shall be fifty percent (50%) of the annual amount determined in Section 4.1(b) that would have been payable to the deceased Participant if he had retired on the first day of the calendar month after the month in which he died with an immediate single life annuity payable under Section 5.2(a) on such date.

(c) The amount of the Spouse's surviving spouse benefit provided in Subsection (b) of this Section shall be based on the deceased Participant's Benefit Years of Service, Compensation and Average Annual Compensation on the date he dies.

4.6. Qualified Pre-retirement Survivor Annuity

(a) If a Participant dies before his Pension Commencement Date and has a nonforfeitable right to a pension hereunder, then the Spouse of such a Participant, if such Spouse shall survive the Participant, if such Spouse is not entitled to a surviving spouse benefit pursuant to Section 4.5 and if such Spouse has been married

to the Participant throughout the one (1) year period ending on the date of the Participant's death, shall, subject to the provisions hereof, be eligible for a Qualified Pre-retirement Survivor Annuity as provided in this Section.

(b) The amount of the Qualified Pre-retirement Survivor Annuity for the Spouse of a deceased Participant entitled to such benefit shall be the Actuarial Equivalent (as of the date payment of the Qualified Pre-retirement Survivor Annuity commences) of the amount of the pension that the surviving Spouse would have been entitled to receive under the Qualified Joint and Survivor Annuity provided for in Section 5.2(b) if:

(1) In the case of a Participant who dies after his Earliest Retirement Age, such Participant had retired or otherwise terminated employment with the Controlled Group with an immediate Qualified Joint and Survivor Annuity on the date of his death; or

(2) In the case of a Participant who dies on or before his Earliest Retirement Age, such Participant had:

(A) terminated his employment with the Controlled Group on the earlier of his actual termination or the date of his death,

(B) survived to his Earliest Retirement Age,

(C) retired with an immediate Qualified Joint and Survivor Annuity at his Earliest Retirement Age, and

(D) died on the day after his Earliest Retirement Age.

Notwithstanding the preceding provisions of this Subsection, in the case of a Participant who elects the 100% Joint and Survivor option under Section 5.3(a)(iii) and who dies before his Pension Commencement Date, the survivor annuity payable to a Spouse who would be eligible to receive such an annuity pursuant to the provisions of Subsection (a) of this Section shall be determined pursuant to this Subsection as if the Participant had retired (or survived to his Earliest Retirement Age) with a pension payable immediately under the 100% Joint and Survivor option elected by the Participant.

(c) If the Participant dies after his Earliest Retirement Age, then payment of the Qualified Pre-retirement Survivor Annuity may commence on the first day of the month following the month in which the Participant dies. If a Participant dies on or before his Earliest Retirement Age, then payment of the Qualified Pre-retirement Survivor Annuity may commence on the Participant's Earliest Retirement Age. If the Spouse defers commencement of payments under the Qualified Pre-retirement Survivor Annuity to the first day of any month subsequent to the dates described in the preceding sentence, the benefit such Spouse shall receive shall be the Actuarial Equivalent of the benefit such Spouse would have received had there been no deferral, provided that no adjustment shall be made in the benefit payable with respect to any deferral beyond the date on which the Participant would have reached his Normal Retirement Date if he had not died. Notwithstanding any other provision hereof, payment of the Qualified Pre-retirement Survivor Annuity shall commence only if the surviving Spouse is living on the date such payments are to commence. Once such payments commence, they shall continue during the surviving Spouse's lifetime and shall cease with the payment made on the first day of the month in which such Spouse dies.

(d) A Participant may elect to waive the Qualified Pre-retirement Survivor Annuity at any time during the period commencing one year before the date on which he attains age fifty-five (55) and ending on the earlier of his Pension Commencement Date or the date of his death; provided, however, that the election period for a Participant who ceases to be an Employee while he is under the age of fifty-five (55), with respect to benefits accrued before the date he ceases to be an Employee, shall begin on such date. An election to waive the Qualified Pre-retirement Survivor Annuity may be revoked by the Participant at any time during such election period, and once revoked, another election may be made at any time thereafter during the election period. No election to waive the Qualified Pre-retirement Survivor Annuity shall be effective unless the same conditions specified in Section 5.2(b)(i) regarding the consent of a married Participant's Spouse for waiver of the Qualified Joint and Survivor Annuity are met. Any election to waive the Qualified Pre-retirement Survivor Annuity, and any revocation of such election, may be made solely by an instrument (in form acceptable to the Committee) signed by the Participant (with

his Spouse's written consent, if so required) and filed with the Plan Administrator during the election period described in this Subsection.

(e) The Plan Administrator shall provide to each Participant, within the period beginning one year before the date the Participant attains age fifty-five (55) and ending one (1) year after such date or, within the period ending one year after the Participant becomes a Participant, whichever period ends later (and consistent with such regulations as the Secretary of the Treasury may prescribe), a written explanation of the following:

- (1) the terms and conditions of the Qualified Pre-retirement Survivor Annuity,
- (2) the Participant's right to make, and the effect of, the election provided in Subsection (d) of this Section,
- (3) the rights of the Participant's Spouse under this Section, and
- (4) the right to make, and the effect of, a revocation of an election under Subsection (d) of this Section.

If the Participant terminates his employment with the Controlled Group before reaching the age of fifty-five (55), then the foregoing described notice shall be given to the Participant within a reasonable time (not to exceed one year) after such termination.

(f) If a Participant does not elect to waive the Qualified Pre-retirement Survivor Annuity provided in this Section, the pension otherwise payable with respect to him (including any amounts payable to the Participant, his Spouse or his Beneficiary) shall be reduced to reflect the cost attributable to having Qualified Pre-retirement Survivor Annuity coverage for the period beginning with the Plan Year on or after he attains age fifty-five (55) and ending on his Normal Retirement Date as follows:

- (1) at the rate of three tenths of a percent (.3%) for each year of coverage while an Employee (as determined under the Plan and Prior Plan); and
- (2) (A) at the rate of one half of a percent (.5%) for each year of coverage after termination of employment with the Controlled Group between the ages of fifty-five (55) and fifty-nine (59); and
(B) at the rate of three quarters of a percent (.75%) for each year of coverage after termination of employment with the Controlled Group between the ages of sixty (60) and the Participant's Normal Retirement Date.

4.7. No Duplication of Benefits

There shall be no duplication of any pension or other benefit payable under this Plan to any Participant or Beneficiary and of any pension under a similar plan maintained or contributed to by any Controlled Group Member or any predecessor thereof to the same person, the amount of which is based, in whole or in part on the same period of employment of an Employee with or on compensation from any Controlled Group Member or any predecessor thereof, or both, and an appropriate adjustment (as determined by the Committee) shall be made in such pension or other benefit otherwise payable hereunder to prevent any such duplication unless such other pension or other benefit is appropriately adjusted or is clearly intended to supplement the benefits under this Plan. No pension or other benefit shall be paid to any Participant, Beneficiary or other person under more than one Section of the Plan for the same period of time.

4.8. Benefit Adjustment for Military Service

Effective as of December 12, 1994, notwithstanding any provisions of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Code Section 414(u). "Qualified military service" means any service in the uniformed services (as defined in

chapter 43 of title 38 of the United States Code) by any individual if such individual is entitled to reemployment rights under such chapter with respect to such service.

4.9. Provision Pursuant to Internal Revenue Code Section 415(b)

(a) Notwithstanding any other provision of the Plan, the maximum annual benefit payable under the Plan with respect to a Participant at any time within a Plan Year (which shall be the limitation year) when expressed as an annual benefit in the form of a straight life annuity (with no ancillary benefits), shall be equal to the lesser of (i) (A) Ninety Thousand Dollars (\$90,000) for Plan Years beginning before January 1, 2002, or (B) One Hundred and Sixty Thousand Dollars (\$160,000) for Plan Years beginning on and after January 1, 2002, as adjusted, effective January 1 of each year, under Code Section 415(d), or (ii) one hundred percent (100%) of the Participant's average compensation paid or made available to him by the Controlled Group or a Predecessor Employer for the three (3) consecutive calendar years of Service during which he had the greatest aggregate compensation, provided, however:

(A) effective as of January 1, 2000, that if the benefit under the Plan is payable in any other form other than a straight life annuity, the determination as to whether the limitation described in this subsection has been satisfied shall be made, in accordance with the rules determined by the Commissioner of Internal Revenue under Treasury Regulation Section 1.415-3(c), by adjusting such benefit to a straight life annuity beginning at the same age that is the Actuarial Equivalent of such benefit. For purposes of this subparagraph (A), Actuarial Equivalence shall be determined under the following assumptions: (1) in the case of a form of benefit subject to Code Section 417(e)(3), the interest rate shall not be less than the greater of (I) the Applicable Interest Rate set forth in Section 2.3(c), or (II) the interest rate set forth in Section 2.3(b), and the mortality table shall be the Applicable Mortality Table set forth in Section 2.3(c), and (2) in the case of a form of benefit not subject to Code Section 417(e)(3), the interest rate shall not be less than the greater of (I) five (5) percent, or (II) or the interest rate set forth in Section 2.3(b), and the mortality table shall be the Applicable Mortality Table set forth in Section 2.3(c);

(B) effective as of January 1, 2002, that if the benefit under the Plan begins before age 62, for purposes of determining whether the dollar limitation set forth in (a)(i) above has been satisfied, such dollar limitation shall be reduced, in accordance with regulations prescribed by the Secretary of the Treasury, so that such dollar limitation (as so reduced) equals an annual benefit (beginning when such benefit under the Plan begins) that is the Actuarial Equivalent to an annual benefit equal to such dollar limitation beginning at age 62. For purposes of this subparagraph (B), the reduced dollar limitation at an age prior to 62 shall be the lesser of (1) the Actuarial Equivalent (at such age) of the dollar limitation set forth in (a)(i) above, computed using the interest rate and mortality table set forth in Section 2.3(b), or (2) the Actuarial Equivalent (at such age) of the dollar limitation set forth in (a)(i) above, computed using an interest rate of five (5) percent and the Applicable Mortality Table set forth in Section 2.3(c); and

(C) effective as of January 1, 2002, that if the benefit under the Plan begins after age 65, for purposes of determining whether the dollar limitation set forth in (a)(i) above has been satisfied, such dollar limitation shall be increased, in accordance with regulations prescribed by the Secretary of the Treasury, so that such dollar limitation (as so increased) equals an annual benefit (beginning when such benefit under the Plan begins) which is the Actuarial Equivalent to an annual benefit equal to such dollar limitation beginning at age 65. For purposes of this subparagraph (C), the increased dollar limitation at an age after 65 shall be the lesser of (1) the Actuarial Equivalence (at such age) of the dollar limitation set forth in (a)(i) above, computed using the interest rate and mortality table set forth in Section 2.3(b), or (2) the Actuarial Equivalent (at such age) of the dollar limitation set forth in (a)(i) above, computed using an interest rate of five (5) percent and the Applicable Mortality Table set forth in Section 2.3(c). For these purposes, mortality between age 65 and the age at which benefits commence shall be ignored.

(b) Notwithstanding the foregoing provisions of this Section, except as provided in Subsection (c) of this Section, the maximum annual benefit specified in Subsection (a) of this Section shall not apply

to a particular pension if (i) the annual amount of such pension payable under the Plan, together with the aggregate annual amount of any other pensions payable with respect to such Participant under all other defined benefit plans maintained by the Controlled Group, does not exceed Ten Thousand Dollars (\$10,000) for the Plan Year or any prior Plan Year and (ii) the Participant was not at any time a participant in a defined contribution plan maintained by the Controlled Group.

(c) In the case of a Participant who has less than ten (10) years of participation in the Plan (including, if a transfer of assets and liabilities for an Employee from the Prior Plan to this Plan has occurred, years of participation in the Prior Plan), the limitation set forth in Paragraph (i) of Subsection (a) of this Section shall be the limitation determined under such Paragraph (without regard to this Subsection), multiplied by a fraction, the numerator of which is the number of years of participation in the Plan (or parts thereof) credited to the Participant and the denominator of which is ten (10), and in the case of a Participant who has less than ten (10) Vesting Years of Service, the limitations set forth in Paragraph (ii) of Subsection (a) and in Subsection (b) of this Section shall be such limitations (determined without regard to this Subsection) multiplied by a fraction, the numerator of which is the number of Vesting Years of Service (or parts thereof) credited to the Participant and the denominator of which is ten (10). Notwithstanding the foregoing provisions of this Subsection, in no event shall the limitations in Subsections (a) and (b) of this Section be reduced to an amount less than one-tenth (1/10) of such limitations (determined without regard to this Subsection). To the extent provided in regulations prescribed by the Secretary of the Treasury or his delegate, this Subsection shall be applied separately with respect to each change in the benefit structure of the Plan.

(d) Notwithstanding anything in this Section to the contrary, if the annual benefit of a Participant who has terminated employment with the Controlled Group is limited pursuant to the limitations set forth in Paragraph (i) or (ii) of Subsection (a) of this Section, such annual benefit shall be increased in accordance with the cost-of-living adjustments of Code Section 415(d).

(e) Benefit increases resulting from the increase in the limitations of Code Section 415(b) by the Economic Growth and Tax Relief Reconciliation Act of 2001 shall be provided to all employees participating in the Plan who have one hour of service on or after the first day of the first limitation year ending after December 31, 2001.

4.10. Provision Pursuant to Internal Revenue Code Section 415(e)

The provisions of this Section shall be effective prior to January 1, 2000 only.

(a) Notwithstanding any other provision of the Plan, if an individual is a participant in both a defined benefit plan and a defined contribution plan maintained by the Controlled Group, the sum of the defined benefit plan fraction and the defined contribution plan fraction for any Plan Year may not exceed 1.00. If a reduction is necessary to avoid exceeding the limitation set forth in this Section, the affected participant's benefits under the defined benefit plan shall be reduced to the extent necessary to avoid exceeding such limitation. For purposes hereof,

(1) The defined benefit plan fraction for any Plan Year is a fraction, (A) the numerator of which is the projected annual benefit of the participant under the plan (determined as of the close of the Year), and (B) the denominator of which is the lesser of (I) the product of 1.25, multiplied by the dollar limitation in effect under Code Section 415(b)(1)(A) for such Year, or (II) the product of 1.4, multiplied by the amount which may be taken into account under Code Section 415(b)(1)(B) with respect to such participant under the plan for such Year; and

(2) The defined contribution plan fraction for any Plan Year is a fraction, (A) the numerator of which is the sum of the annual additions to the participant's account as of the close of the Year and for all prior Years, and (B) the denominator of which is the sum of the lesser of the following amounts determined for such Year and for each prior year of Service (regardless of whether a plan is in existence during such Year):

(I) the product of 1.25, multiplied by the dollar limitation in effect under Code Section 415(c)(1)(A) for such Year and each such prior year of Service, or

(II) the product of 1.4, multiplied by the amount which may be taken into account under Code Section 415(c)(1)(B) with respect to such participant under such plan for such Year and each prior year of Service.

(b) A participant's projected annual benefit for purposes of Subsection (a) of this Section is equal to the annual benefit to which he would be entitled under the terms of the Plan, assuming he will continue employment until reaching his Normal Retirement Date (or current age, if later), his compensation for the Plan Year under consideration will remain the same until the date he attains such Date, and all other relevant factors used to determine benefits under the Plan for the Plan Year under consideration will remain constant for all future Plan Years.

4.11. Other Internal Revenue Code Section 415 Provisions

(a) For purposes of applying the limitations set forth in Sections 4.9 and 4.10, all qualified defined benefit plans (whether or not terminated) (but, effective January 1, 2002, with respect to the limitation set forth in Section 4.9(a)(ii), excluding any multiemployer plan) ever maintained by one or more members of the Controlled Group shall be treated as one defined benefit plan, and all qualified defined contribution plans (whether or not terminated) ever maintained for one or more members of the Controlled Group shall be treated as one defined contribution plan.

(b) As used in Sections 4.9, 4.10 and this Section, the term "compensation" shall include these items specified in Treasury Regulation Section 1.415-2(d)(2) and shall exclude those items specified in Treasury Regulation Section 1.415-2(d)(3). Notwithstanding the foregoing, for Plan Years beginning on and after January 1, 1998, "compensation" shall include any elective deferral (as defined in Code Section 402(g)(3)) and any amount which is contributed by a Controlled Group Member at the election of the Participant and which is not includible in the gross income of the Participant by reason of Code Section 125, 132(f)(4), or 457. Effective for Plan Years beginning on and after January 1, 1998, for purposes of the definition of compensation under this Section and Sections 2.12 and 13.9, amounts under Code Section 125 include any amounts not available to a Participant in cash in lieu of group health coverage because the participant is unable to certify that he or she has other health coverage. An amount will be treated as an amount under Code Section 125 only if the Employer does not request or collect information regarding the Participant's other health coverage as part of the enrollment process for the health plan.

4.12. Forfeitures

Forfeitures shall not be applied to increase the benefits any Employee would otherwise receive under the Plan. Forfeitures shall be used to reduce contributions by the Employers.

ARTICLE V

FORM AND PAYMENT OF BENEFITS

5.1. Application for Pensions

(a) A Participant eligible to receive a pension under the Plan if he were to terminate his employment with the Controlled Group and who wishes to terminate such employment, a Retired Participant who is eligible for but is not receiving a pension under the Plan, or a surviving Spouse who is eligible for but is not receiving a pension under the Plan, shall obtain an application to commence his pension from the Plan Administrator and shall sign and file such application with the Plan Administrator, furnishing such information as the Committee may reasonably require, including satisfactory proof of his age and that of his Spouse (if any) and any authority in writing that the Committee may request authorizing it to obtain pertinent information, certificates, transcripts and/or other records from any public office. An application for a pension may not be filed more than ninety (90) days before his Pension Commencement Date.

(b) Except as otherwise provided in the Plan, (i) no pension shall be payable under the Plan for a Participant if he dies before his Pension Commencement Date and (ii) a Retired Participant's pension under the Plan shall not begin until he files an application for such pension pursuant to Subsection (a) of this Section, but if such application is filed after his Normal Retirement Date and after his pension otherwise would have begun pursuant to the Plan, then, subject to Paragraph (i) of this Subsection, a lump sum retroactive payment shall be made (without interest) on account of the months for which his pension would otherwise have been paid pursuant to the Plan. If an application for a deferred vested benefit is not filed by a Retired Participant eligible therefor within four (4) years after his Normal Retirement Date, the Committee shall mail (by certified or registered mail) to such Retired Participant at his last known address a reminder that he is eligible for such pension and an application therefor. If such application is not filed with the Committee in accordance with the provisions of the Plan within one hundred eighty (180) days after it is so mailed to such Retired Participant, his deferred vested benefit shall be forfeited; provided, however, that upon the subsequent filing of an application for such pension by such Retired Participant, such pension shall be reinstated retroactive to the commencement date for such pension specified in Section 5.8(a) (in accordance with the provisions of the first sentence of this Subsection) and shall commence no later than sixty (60) days after such application is filed.

5.2. Normal Form of Payment (Including Qualified Joint and Survivor Annuity)

(a) If a Participant has no Spouse at the time of his Pension Commencement Date, his pension payable under Article IV shall be paid monthly to him for his lifetime in an amount equal to one-twelfth (1/12) of the annual retirement benefit determined under Article IV (unless he effectively elects an optional form of benefit pursuant to Section 5.3).

(b) If a Participant has a Spouse at the time of his Pension Commencement Date, the pension payable under Article IV shall be a reduced amount (as determined in this Subsection) payable to such Participant during his lifetime and, after his death, shall be one-half (1/2) of such reduced amount payable to the Participant's surviving Spouse during the surviving Spouse's lifetime (the "Qualified Joint and Survivor Annuity") (unless he effectively elects an optional form of benefit pursuant to Subsection (a) of this Section or Section 5.3). The Qualified Joint and Survivor Annuity shall be paid monthly to the Participant in an amount equal to one-twelfth (1/12) of the reduced amount provided in this Subsection and shall be paid monthly to the Participant's surviving Spouse in an amount equal to one-twelfth (1/12) of half the reduced amount provided in this Subsection after the Participant's death. The reduced pension payable to a Participant and his Spouse pursuant to the Qualified Joint and Survivor Annuity shall be the Actuarial Equivalent of the pension that would, except for this Subsection, be payable to the Participant for his lifetime.

(1) A Participant may elect to waive the Qualified Joint and Survivor Annuity and to have the pension payable to him under Article IV paid in a form provided in Subsection (a) of this Section or Section 5.3 (and may rescind such election) at any time during the ninety (90) day period ending on his Pension Commencement Date. An election to waive the Qualified Joint and Survivor Annuity may be revoked by the Participant at any time during such ninety (90) day period, and once revoked, another election may be made at any time thereafter during the election period. No such election to waive the

Qualified Joint and Survivor Annuity shall be effective unless the Participant's Spouse consents in writing to such election and the election designates the alternative form of benefit in which the pension will be paid and, if applicable, any Beneficiary, other than the Spouse, which designation(s) may not be changed without the consent of the Participant's Spouse. The consent of the Participant's Spouse must acknowledge the effect of such election and be witnessed by a notary public. Any such consent shall not be required if the Participant elects the 100% Joint and Survivor option pursuant to Section 5.3(a)(iii), or if it is established to the satisfaction of the Committee that such consent cannot be obtained because there is no Spouse, because the Spouse cannot be located, or because of such other circumstances as the Secretary of the Treasury may prescribe by regulations. Any consent of a Spouse (or establishment that such consent cannot be obtained) under the provisions of this Paragraph shall be effective only with respect to such Spouse. Any election to waive the Qualified Joint and Survivor Annuity, and any revocation of such election, may be made solely by an instrument (in form acceptable to the Committee) signed by the Participant and filed with the Committee during the election period described in this Paragraph. If a Participant effectively waives the Qualified Joint and Survivor Annuity, the pension payable to such Participant shall be based on the amount of pension that would be payable to him pursuant to Subsection (a) of this Section, assuming that he had no Spouse.

(2) Effective as of January 1, 2000, the Plan Administrator shall provide each Participant, not more than ninety (90) days, nor less than thirty (30) days, before his Pension Commencement Date, a written explanation of:

- (A) the terms and conditions of the Qualified Joint and Survivor Annuity;
- (B) the Participant's right to make, and the effect of, an election provided in Paragraph (i) of this Subsection;
- (C) the rights of a Participant's Spouse under this Section;
- (D) the right to make, and the effect of, a revocation of an election under Paragraph (i) of this Subsection; and
- (E) a general description of the eligibility features and relative values of the optional forms of benefit described in Subsection (a) of this Section and Section 5.3.

Notwithstanding the foregoing, such explanation may be provided no less than eight (8) days before the Participant's Pension Commencement Date if the Participant (and the Participant's Spouse, unless the benefit is paid in the form of a Qualified Joint and Survivor Annuity) consent to a waiver of the 30-day notice requirement.

(c) The amounts payable to a Participant pursuant to this Section shall begin as of the first day of the month after such Participant shall have become entitled thereto pursuant to the provisions of the Plan, shall continue to be paid as of the first day of each month thereafter during his lifetime, and shall cease with the payment made as of the first day of the month in which such Participant dies. The amounts payable to a Spouse pursuant to Subsection (b) of this Section shall begin as of the first day of the month after the month in which the Participant dies, provided the Spouse is living on such day, shall continue to be paid as of the first day of each month thereafter during the surviving Spouse's lifetime, and shall cease with the payment made as of the first day of the month in which such Spouse dies.

(d) Notwithstanding the foregoing provisions of this Section, (i) in the event a Participant receiving a Qualified Joint and Survivor Annuity dies before he and his Spouse have been married for a period of at least one (1) year ending on the Participant's death, no benefit shall be payable to such Spouse under Subsection (b) of this Section, and the difference between the reduced pension theretofore in fact paid to the Participant and the pension that would have been paid to him if he had no Spouse at the time his pension commenced (determined by the Actuary) shall be paid in a lump sum to his Death Beneficiary, and (ii) if the Participant's Spouse dies (or their marriage is dissolved by absolute divorce, annulment or any other event) on or after the Participant's Pension Commencement Date and while the Participant is living but before the Participant and his Spouse have been married for a period of at least one (1) year ending on the Participant's death or other event that terminates the marriage, no

benefit shall be payable to such Spouse under Subsection (b) of this Section, the pension payable to the Participant thereafter shall be increased to the amount that would have been payable to him if he had no Spouse at the time his pension commenced, and an appropriate additional payment shall be made to the Participant to reflect the difference between the reduced pension theretofore in fact paid to such Participant and the pension that would have been paid to him if he had no Spouse at the time his pension commenced (determined by the Actuary). If the Participant's Spouse dies on or after the Participant's Pension Commencement Date and while the Participant is living, the Qualified Joint and Survivor Annuity elected shall continue in force and the Participant's reduced pension shall not be increased thereby.

(e) If the Spouse of a Participant dies before the Participant's Pension Commencement Date, any deemed election by the Participant of the Qualified Joint and Survivor Annuity shall be null and void.

5.3. Optional Forms of Benefits

(a) Instead of the form of pension to which a Participant is or may become entitled pursuant to Section 5.2, a Participant who is eligible to receive a pension pursuant to Article IV may elect (subject to the provisions of this Section and to such procedural rules as may be adopted by the Committee) any one of the optional forms of benefits specified in Section 5.2 or the following paragraphs. Any such optional form of benefit shall be the Actuarial Equivalent of the pension otherwise payable for the Participant.

(1) Option 1 (Five-Year Certain): A Participant may elect to receive a reduced pension payable to him during his lifetime with the provision that, in the event of his death before he receives sixty (60) monthly payments, monthly pension payments will continue (at the same reduced rate) to his Death Beneficiary until the number of monthly payments made to his Death Beneficiary when added to the number of monthly pension payments made to the Participant, equals sixty (60); provided, however, that in the event there is no Death Beneficiary, any remaining payments shall be paid to the Participant's estate.

(2) Option 2 (Ten-Year Certain): A Participant may elect to receive a reduced pension payable to him during his lifetime with the provision that, in the event of his death before he receives one hundred twenty (120) monthly payments, monthly pension payments will continue (at the same reduced rate) to his Death Beneficiary until the number of monthly payments made to his Death Beneficiary, when added to the number of monthly pension payments made for the Participant, equals one hundred twenty (120); provided, however that in the event there is no Death Beneficiary, any remaining payments shall be paid to the Participant's estate.

(3) Option 3 (100% Joint and Survivor): A married Participant may elect to receive a reduced pension payable to him during his lifetime and, after his death, to have the same reduced amount payable to his surviving Spouse during the surviving Spouse's lifetime. Notwithstanding the foregoing, (A) in the event a Participant receiving payments pursuant to this Paragraph dies before he and his Spouse have been married for a period of at least one (1) year ending on the Participant's death, no benefit shall be payable to such Spouse under this Paragraph, and the difference between the reduced pension theretofore in fact paid to the Participant and the pension that would have been paid to him if he had no Spouse at the time his pension commenced (determined by the Actuary) shall be paid in a lump sum to his Death Beneficiary, and (B) if the Participant's Spouse dies (or their marriage is dissolved by absolute divorce, annulment or any other event) on or after the Participant's Pension Commencement Date and while the Participant is living but before the Participant and his Spouse have been married for a period of at least one (1) year ending on the Participant's death or other event that terminates the marriage, no benefit shall be payable to such Spouse under this Paragraph, the pension payable to the Participant thereafter shall be increased to the amount that would have been payable to him if he had no Spouse at the time his pension commenced, and an appropriate additional payment shall be made to the Participant to reflect the difference between the reduced pension theretofore in fact paid to such Participant and the pension that would have been paid to him if he had no Spouse at the time his pension commenced (determined by the Actuary). If the Participant's Spouse dies on or after the Participant's Pension Commencement Date and while the Participant is living, the option elected pursuant to this Paragraph shall continue in force and the Participant's reduced pension shall not be increased thereby.

(4) Option 4 (Lump Sum Option): (A) Effective as of January 1, 1999, a Participant may elect to receive a single lump sum cash payment of his benefit in accordance with Subsection (C) below. The actuarial assumptions used to determine such lump sum cash payment of a Participant's benefit shall be those specified in Section 2.3(c).

(B) For purposes of calculating the lump sum cash payment payable to an Exempt Participant who has attained age 50 as of his Severance Date and whose age plus Vesting Years of Service as of his Severance Date is equal to or greater than 75, the applicable percentage used to reduce such Participant's normal retirement benefit payable at age 65 shall depend on the age of the Participant at the time the lump sum payment is to be made, as follows:

Age at Which Lump Sum Cash Payment is Paid -----	% of Normal Retirement Accrued Benefit -----
65	100%
64	96%
63	92%
62	88%
61	84%
60	80%
59	75%
58	70%
57	65%
56	60%
55	55%
54	50%
53	45%
52	40%
51	35%
50	30%

The percentages provided in this Subsection shall be interpolated on the basis of months if a Participant's lump sum cash payment is calculated as of a fractional age. For purposes of this Subsection, fifteen days or more of a month shall constitute a whole month.

In no event shall the applicable percentage of a Participant's normal retirement benefit payable pursuant to this Subsection be less than the percentage payable using the actuarial assumptions specified in Section 2.3(c).

(C) (I) A Participant who terminates employment (1) on or after his Normal Retirement Date, (2) on or after attaining age 55 with at least 10 Vesting Years of Service, or (3) if such Participant is an Exempt Participant, on or after attaining age 50 if age plus Vesting Years of Service is equal to or greater than 75, must elect to receive a lump sum cash payment within the ninety (90) day period ending on his Pension Commencement Date.

(II) A Participant who is eligible for a deferred vested benefit pursuant to Section 4.4 must elect to receive a lump sum cash payment within ninety (90) days following receipt of the letter advising him of his entitlement to a deferred vested pension benefit and the amounts payable under the applicable options; otherwise, such Participant shall not again be eligible to commence receipt of his deferred vested pension benefit in the form of a lump sum cash payment until age 55 (if Vesting Years of Service were 10 or more years) or age 65 (if Vesting Years of Service were less than 10 years).

(III) A Participant who fails to elect a lump sum cash payment during the election period specified in Subsections (iv)(C)(I) and (iv)(C)(II) shall receive his benefit in the normal annuity form of payment set forth in Section 5.2 or in an optional form of payment set forth in Subsection 5.3(a)(i), 5.3(a)(ii) or 5.3(a)(iii).

(D) This lump sum option provision shall also apply to surviving spouses who qualify for either a Surviving Spouse Benefit pursuant to Section 4.5 or a Qualified Pre-retirement Survivor Annuity pursuant to Section 4.6 if the Employee was an active Participant in the Plan on or after January 1, 1999. Furthermore, this lump sum provision shall also apply to an Alternate Payee entitled to a pension benefit from the Plan pursuant to a qualified domestic relations order if the Employee whose benefit is impacted by the qualified domestic relations order was an active Participant in the Plan on or after January 1, 1999.

(b) A Retired Participant who is receiving benefits under Paragraph (i) or (ii) of Subsection (a) of this Section may change his Death Beneficiary after his Pension Commencement Date and, except as provided in Section 5.2(b)(i), may make such change without the consent of his Death Beneficiary.

(c) If the Spouse of a Participant dies before the Participant's Pension Commencement Date, any election by the Participant under Paragraph (iii) of Subsection (a) of this Section shall be null and void.

5.4. Optional Forms-General

(a) An election of an option under Section 5.3 may be made (and may be rescinded) and the Participant's Death Beneficiary may be designated (and such designations may be changed), solely by an instrument (in form acceptable to the Committee) signed by the Participant and filed with the Plan Administrator while he is living and during the election period described in Section 5.2(b)(i). No election, rescission, designation or change under the provisions of this Section shall be effective with respect to a married Participant unless the same conditions specified in Section 5.2(b)(i) regarding the consent of a Participant's Spouse for the waiver of the Qualified Joint and Survivor Annuity are met.

(b) Except as otherwise provided in the Plan, any pension under the Plan shall be paid monthly as of the first of each month for which a pension is payable, but no pension shall be payable for a Participant, Death Beneficiary or Spouse unless he is living on the date his pension is to begin.

(c) The rules of the Administrative Committee with respect to optional forms of benefits may be changed by the Committee from time to time, but they shall be uniform in their application to all Participants who are similarly situated.

5.5. Immediate Distributions

Effective as of January 1, 1998, notwithstanding any other provision of the Plan to the contrary, if the lump-sum Actuarial Equivalent of a pension (determined as of the date of payment) payable to a Participant who is eligible to retire solely pursuant to Section 4.4 does not exceed Five Thousand Dollars (\$5,000), such lump-sum Actuarial Equivalent shall be paid to the Retired Participant (or, if applicable, his Spouse) as soon as administratively feasible following the Retired Participant's Severance Date, without regard to any requirement for consent of the Retired Participant or his Spouse and whether or not an application for such pension has been filed pursuant to Section 5.1. If the lump-sum Actuarial Equivalent of the pension payable to a Retired Participant is zero, such pension shall be deemed to have been distributed pursuant to this Section. No interest shall be due on any pension payment by reason of the fact that it is not paid on or before the date it is payable, unless the pension payment is determined under Section 4.1(b)(iv) or Section 4.1(b)(v) and is made more than six (6) months after the date it is payable. A pension payment that is determined under Section 4.1(b)(iv) and Section 4.1(b)(v) and that is made more than six months after the date it is payable shall be adjusted annually by the lesser of an interest rate equal to five percent (5%) or the interest rate set forth in Section 2.3(c). For purposes of this Section, the term "pension" shall include any surviving spouse pension payable under Section 4.5 or 4.6.

5.6. Payment of Pensions

(a) No pension shall be payable for any Participant for any month on the first day of which he is an Employee, unless (i) during such month he completes fewer than forty (40) Hours of Service or receives payment for Hours of Service performed on less than eight (8) days after reemployment by the Controlled Group following his termination of employment with the Controlled Group after his Normal Retirement Date, or (ii) during such month he completes at least forty (40) Hours of Service or receives payment for Hours of Service performed on

at least eight (8) days after reemployment by the Controlled Group following his termination of employment with the Controlled Group after his Normal Retirement Date and the Plan Administrator has not given him notice in accordance with applicable law that pension payments to him are being withheld pursuant to this Section. If a pension becomes payable to an Employee pursuant to Paragraph (ii) of this Subsection during a Plan Year, the benefit accruals, if any, required by the Plan for such Plan Year with respect to such Employee shall, in accordance with regulations promulgated by the Secretary of the Treasury, be treated as satisfied to the extent of the Actuarial Equivalent of such pension payments.

(b) All distributions under the Plan shall be made in the form of cash payments made directly to the Participant or Death Beneficiary.

(c) Notwithstanding Subsection (b) of this Section, to the extent that a distribution pursuant to Section 5.5 is an Eligible Rollover Distribution, the Participant, Death Beneficiary (provided such Beneficiary is a Spouse) or, if applicable, alternate payee (as defined in Code Section 414(p)) who will receive such Eligible Rollover Distribution may elect a direct rollover of that Distribution into an "eligible retirement plan" (as defined in (f) below). A direct rollover is a payment made by the Plan to an eligible retirement plan specified by the Participant, Spouse or alternate payee pursuant to Code Section 401(a)(31) and the regulations thereunder.

(d) The Plan Administrator shall provide a Participant, Spouse or alternate payee who will receive an Eligible Rollover Distribution with a written notice describing his rights under this Section, such other information required to be provided under Code Section 402(f), and, if applicable, the right to defer receipt of such Distribution no less than thirty (30) nor more than ninety (90) days before the date scheduled for payment of such Distribution; provided, however, if the Distribution is made pursuant to Section 5.5, a Participant, Spouse or alternate payee may elect to waive such thirty (30) day requirement if (i) he is clearly informed by the Plan Administrator of his right to a period of at least thirty (30) days after receiving the written notice to consider a particular form of benefit and (ii) after receiving the written notice, he affirmatively elects the distribution. Nothing contained in this Subsection shall be construed to accelerate the timing of a distribution or withdrawal otherwise provided in the Plan.

(e) The Administrative Committee shall adopt, and may amend from time to time, rules of uniform application governing payments pursuant to this Section.

(f) For periods prior to January 1, 2002, the term "eligible retirement plan" has the meaning assigned to such term under Code Section 401(a)(31)(E). Effective January 1, 2002, the term "eligible retirement plan" means any of the following plans that accepts a Participant's Eligible Rollover Distribution: (a) an individual retirement account described in Code Section 408(a); (b) an individual retirement annuity described in Code Section 408(b); (c) an annuity plan described in Code Section 403(a); (d) a qualified trust described in Code Section 401(a); (e) an annuity contract described in Code Section 403(b); and (f) an eligible plan under Code Section 457(b) which is maintained by a State, political subdivision of a State, or any agency or instrumentality of a State or political subdivision of a State and which agrees to separately account for amounts transferred into such plan from this Plan. However, in the case of an Eligible Rollover Distribution made before January 1, 2002 to a surviving spouse, an Eligible Retirement Plan is an individual retirement account described in Code Section 408(a) or an individual retirement annuity described in Code Section 408(b).

5.7. Reemployment of Retired Participants

(a) If a Retired Participant is reemployed by a Controlled Group Member, (i) pension payments to him, if any, shall cease (A) if the termination of his employment with the Controlled Group that made him eligible to receive a pension under the Plan (hereinafter in this Section referred to as his "original termination of employment") occurred before his Normal Retirement Date, until his subsequent termination of employment with the Controlled Group or (B) if his original termination of employment occurred on or after his Normal Retirement Date, for each month in which he completes at least forty (40) Hours of Service or receives payment for Hours of Service performed on at least eight (8) days (provided he has been given the notice described in Section 4.1(d)(ii)), (ii) he shall be recredited with the Eligibility Years of Service, Benefit Years of Service and Vesting Years of Service he had at the time of his original termination of employment and (except as provided in Paragraph (iii) of this Subsection and Section 4.1(d)) he shall be treated for purposes of the Plan as if he had not previously terminated employment with the Controlled Group, and (iii) upon his subsequent termination of employment with the

Controlled Group and his filing of a proper application pursuant to Section 5.1, or upon becoming entitled to receive a pension as provided in Section 4.1(d) in the case of a Retired Participant referred to in Subparagraph (B) of Paragraph (i) of this Subsection, he shall be entitled to a pension based on his total Benefit Years of Service and Vesting Years of Service and on the provisions of the Plan as then in effect if he then meets the other requirements for a pension under the Plan; provided, however, that the pension payable upon his subsequent termination with respect to his Period of Service prior to his original termination of employment shall not be less than it would have been if he had not been so reemployed; and provided further if the pension payable to him upon his original termination of employment commenced before such reemployment, there shall be deducted from the amount of his new monthly pension (and that of his Beneficiary in the event of his death) during the period it is paid to him (and his Beneficiary) an amount which is the Actuarial Equivalent of the pension payments previously paid to or for the Participant.

(b) If pension payments are not suspended pursuant to this Section for such an Employee, the benefit accruals required by the Plan with respect to his Service after his Normal Retirement Date shall be treated as satisfied to the extent of the Actuarial Equivalent of such pension payments; provided, however, that this Subsection shall not apply to a reemployed Participant whose original termination of employment occurred on or after his Normal Retirement Date if payments are not suspended because such Participant fails to complete at least forty (40) Hours of Service or receive payment for Hours of Service performed on at least eight (8) days.

5.8. Latest Time for Distribution

(a) The payment of benefits under the Plan to a Participant shall begin as provided in the preceding Sections of this Article, but (subject to the consent requirements of Section 5.1) in no event later than the sixtieth (60th) day after the close of the Plan Year in which the latest of the following events occurs:

- (1) the date the Participant attains his Normal Retirement Date;
- (2) the tenth (10th) anniversary of the year in which the Participant commenced participation in the Plan or the Prior Plan; or
- (3) the date of the Participant's termination of employment with the Controlled Group.

(b) Notwithstanding any other provision of the Plan, to the extent required under Code Section 401(a)(9):

(1) Effective as of March 31, 2000, any Participant who (A) is a 5% owner (as defined in Code Section 416) or (B) attains age 70 1/2 prior to March 31, 2000, or (C) has terminated employment with the Controlled Group and who has not commenced to receive distribution of his entire interest under the Plan as of April 1 of the calendar year following the calendar year in which he attains age 70 1/2, will commence to receive distribution of such entire interest under the Plan as of such date, based on the amount of such Participant's entire interest under the Plan as of such date. The entire interest under the Plan of any other Participant must commence to be distributed no later than the April 1 of the year following the year in which he terminates employment with the Controlled Group.

(2) If distribution of a Participant's interest under the Plan has begun and such Participant dies before his entire interest has been distributed to him, the remaining portion of such interest shall be distributed to his Death Beneficiary at least as rapidly as under the method of distribution being used as of the date of his death.

(3) If a Participant dies before the distribution of his interest under the Plan has begun, the entire interest of the Participant shall be distributed to his Death Beneficiary by December 31 of the year in which occurs the fifth (5th) anniversary of such Participant's death; provided, however, that such five (5) year rule shall not be applicable to any portion of the Participant's interest under the Plan that is payable to any individual designated by the Participant as his Beneficiary if (A) such portion will be distributed beginning not later than one (1) year after the date of the Participant's death (in accordance with regulations prescribed by the Secretary of the Treasury) over the life of such Beneficiary (or over a period

not extending beyond the life expectancy of such Beneficiary), or (B) such Beneficiary is the Participant's surviving Spouse and such distributions to such surviving Spouse begin not later than the December 31 of the calendar year in which the Participant would have attained age seventy and one-half (70 1/2).

(4) The entire interest of a Participant described in this Subsection shall be distributed in the manner described in Articles IV and V hereof, treating the date described in Paragraph (i) of this Subsection as the Participant's Pension Commencement Date. Without limiting the generality of the foregoing, a Participant required to commence receiving his pension pursuant to Paragraph (i) of this Subsection shall be permitted to elect to receive such pension in any optional form of benefit available under Article IV, provided that any applicable spousal consent requirements are satisfied with respect to such election.

(5) If a Participant accrues any additional benefits under the Plan after the date described in Paragraph (i) of this Subsection, such additional benefits shall commence to be distributed, in the same form as the pension then currently being paid to such Participant, beginning with the first monthly payment made in the calendar year following the calendar year in which such additional benefits accrue. Notwithstanding the foregoing, such additional benefit accruals shall be offset (in whole or in part), in accordance with the regulations promulgated by the Secretary of the Treasury, by any benefit payments then being made to the Participant hereunder.

(6) The entire interest under the Plan of a Participant who attains age 70 1/2 after March 31, 2000, who terminates employment with the Controlled Group after attaining age 70 1/2 and whose payment of such entire interest under the Plan is delayed until such termination of employment shall be actuarially increased to take into account the period after age 70 1/2 in which the Participant was not receiving benefits under the Plan.

(c) Distributions under the Plan shall be made in accordance with the provisions of Code Section 401(a)(9) and Treasury Regulations issued thereunder, including Treasury Regulation Section 1.401(a)(9)-2, which provisions are hereby incorporated into the Plan by reference, provided that such provisions shall override the other distribution provisions of the Plan only to the extent that such other Plan provisions provide for distribution that is less rapid than required under such provisions of the Code and regulations. Nothing contained in this Section shall be construed as providing any optional form of payment that is not available under the other distribution provisions of the Plan.

5.9. Provision Pursuant to Internal Revenue Code Section 401(a)(15)

In the case of a Participant or Beneficiary who is receiving benefits under the Plan, or in the case of a Participant who is separated from service and who has nonforfeitable rights to benefits, such benefits shall not be decreased by reason of any increase in the benefit levels payable under Title II of the Social Security Act or any increase in the wage base under such Title II, if such increase takes place after the earlier of the date of first receipt of such benefits or the date of such separation, as the case may be.

ARTICLE VI

EMPLOYER CONTRIBUTIONS

6.1. No Contributions by Employees

All contributions to the Trust shall be made by the Employers. No contributions may be made by any Employee.

6.2. Contributions to the Trust Fund

Each Employer shall contribute and pay into the Trust Fund in cash or, to the extent permitted by applicable law, in property of any kind, to be held and administered in trust pursuant to the terms of the Plan, such amounts as the Company shall determine on advice of the Actuary but in no event less than the minimum amount required by the minimum funding standards set forth in Code Section 412, all as determined by the Actuary, and at such times as may be required by applicable law. The value of any property so contributed shall be its fair market value at the time it is so contributed. Each such contribution shall be made on the condition that the contribution is deductible under Code Section 404(a)(1) (or any successor thereto).

6.3. Return of Contributions to Employers

(a) Except as specifically provided in this Section or in the other Sections of the Plan, the Trust Fund shall never inure to the benefit of the Employers and shall be held for the exclusive purposes of providing benefits to Employees, Participants and their Beneficiaries and defraying reasonable expenses of administering the Plan.

(b) If a contribution to the Trust Fund is made by an Employer by a mistake of fact, the excess of the amount contributed over the amount that would have been contributed had there not occurred a mistake of fact shall be returned to such Employer within one (1) year after the payment of such contribution. If a contribution to the Trust Fund is made by an Employer that is not fully deductible under Code Section 404 (or any successor thereto), such contribution, to the extent the deduction therefor is disallowed, shall be returned to the Employer within one (1) year after the disallowance of the deduction. Earnings attributable to contributions returned to an Employer pursuant to this Subsection may not be returned, but losses attributable thereto shall reduce the amount to be returned.

6.4. Funding Policy

The Committee, as a Named Fiduciary, shall (a) determine, establish and carry out a funding policy and method consistent with the objectives of the Plan and the requirements of applicable law, and (b) furnish from time to time to the person responsible for the investment of assets held in the Trust information such Committee may have relative to the Plan's probable short-term and long-term financial needs, including any probable need for short-term liquidity, and such Committee's opinion (if any) with respect thereto.

6.5. No Duty to Enforce Payment

Neither the Trustee nor the Committee nor any other person shall be under any duty to inquire into the correctness of the amount contributed and paid over to the Trustee hereunder, nor shall the Trustee or the Committee or any other person be under any duty to enforce the payment of the contributions to be made hereunder by any Employer.

ARTICLE VII

ADMINISTRATION OF THE PLAN AND FIDUCIARY RESPONSIBILITIES

7.1. Responsibility for Administration

(a) Except to the extent that particular responsibilities are otherwise assigned or delegated to other Fiduciaries under the Plan, the Committee shall be responsible for the administration of the Plan. Each other Fiduciary shall have only such powers, duties, responsibilities and authorities as are specifically conferred upon him pursuant to provisions of the Plan. Any person may serve in more than one fiduciary capacity with respect to the Plan or Trust Fund, if pursuant to the Plan, he is assigned or delegated any multiple fiduciary capacities.

(b) In establishing the discretion, authority and responsibility of the Committee, it is the intent of the Company to grant the Committee the broadest possible powers to interpret and administer the Plan so that judicial review of the Committee's decisions is limited to the extent allowed by law and maximum deference is given to all the Committee's decisions under the Plan.

7.2. Named Fiduciaries

For the purposes of the Plan, the Named Fiduciaries shall be the Committee and the Trustee (and Roadway LLC for periods prior to January 1, 2003). The Company may, by written instrument, designate any other person or persons as a Named Fiduciary or Named Fiduciaries to perform functions specified in such instrument (or in a delegation pursuant to Section 7.3) that relate to the administration of the Plan, provided such designee accepts such designation. Such a designation may be terminated at any time by notice from the Company to the designee or by notice from the designee to the Company.

7.3. Delegation of Fiduciary Responsibilities

(a) The Committee may delegate to any person or persons any one or more of its powers, functions, duties and/or responsibilities with respect to the Plan or the Trust Fund.

(b) Any delegation pursuant to Subsection (a) of this Section 7.3 shall be signed on behalf of the Committee and delivered to and accepted in writing by the delegatee, (ii) shall contain such provisions and conditions relating to such delegation as the Committee deems appropriate, (iii) shall specify the powers, functions, duties and/or responsibilities therein delegated, (iv) may be amended from time to time by written agreement signed on behalf of the Committee and by the delegatee and (v) may be revoked (in whole or in part) at any time by written notice from one party to the other. A fully executed copy of any instrument relating to any delegation (or revocation of any delegation) under the Plan shall be filed with each of the Named Fiduciaries.

7.4. Immunities

Except as otherwise provided in Section 7.5 or by applicable law, (a) no Fiduciary shall have the duty to discharge any duty, function or responsibility that is specifically assigned exclusively to another Fiduciary or Fiduciaries by the terms of the Plan or is delegated exclusively to another Fiduciary or Fiduciaries pursuant to procedures for such delegation provided for in the Plan; (b) no Fiduciary shall be liable for any action taken or not taken with respect to the Plan or Trust Fund except for his own negligence or willful misconduct; (c) no Fiduciary shall be personally liable upon any contract or other instrument made or executed by him or on his behalf in the administration of the Plan or Trust Fund; (d) no Fiduciary shall be liable for the neglect, omission or wrongdoing of another Fiduciary; and (e) any Fiduciary may rely and shall be fully protected in acting upon the advice of counsel, who may be counsel for any Controlled Group Member, upon the records of a Controlled Group Member, upon the opinion, certificate, valuation, report, recommendation or determination of the certified public accountants appointed to audit a Controlled Group Member's financial statements, or upon any certificate, statement or other representation made by an Employee, a Participant, a Beneficiary or the Trustee concerning any fact required to be determined under any of the provisions of the Plan.

7.5. Limitation on Exculpatory Provisions

Notwithstanding any other provision of the Plan, no provision of the Plan shall be construed to relieve (or have the effect of relieving) any Fiduciary from any responsibility or liability for any obligation, responsibility or duty imposed on such Fiduciary by Part 4 of Title 1 of ERISA.

7.6. Administrative Committee-Organization

The Company shall appoint the Committee to perform the duties hereinafter set forth. The Committee shall consist of three (3) or more individuals who have accepted appointment thereto. The members of the Committee shall serve at the discretion of the Company and may resign by delivering written resignation to the Company. Vacancies in the Committee arising for any reason shall be filled by the Company, provided that any vacancy unfilled for thirty (30) days may be filled by a majority vote of the remaining members of the Committee.

7.7. Compensation

The members of the Committee shall serve without compensation, but all reasonable expenses of the Committee shall be paid from the Trust Fund unless the Company makes such payments directly.

7.8. Qualification

Members of the Committee shall not be disqualified from acting because of any interest, benefit or advantage, inasmuch as it is recognized that the members may be Employees of the Employer and Participants in the Plan; provided, however, that no member of the Committee shall have any right to vote upon or decide any matter relating solely to his own rights under the Plan.

7.9. Interpretation of the Plan and Findings of Facts

Effective as of January 1, 2000, the Committee shall have the sole and absolute discretion to interpret the provisions of the Plan (including, without limitation, by supplying omissions from, correcting deficiencies in, or resolving inconsistencies or ambiguities in, the language of the Plan), to make factual findings with respect to any issue arising under the Plan, to determine the rights and status under the Plan of Participants and other persons, to decide disputes arising under the Plan and to make any determinations and findings (including factual findings) with respect to the benefits payable thereunder and the persons entitled thereto as may be required for the purposes of the Plan. In furtherance thereof, but without limiting the foregoing, the Committee is hereby granted the following specific authorities, which it shall discharge in its sole and absolute discretion in accordance with the terms of the Plan (as interpreted, to the extent necessary, by the Committee):

- (a) to resolve all questions (including factual questions) arising under the provisions of the Plan as to any individual's entitlement to become a Participant;
- (b) to determine the amount of benefits, if any, payable with respect to any person under the Plan (including to the extent necessary, making factual findings with respect thereto); and
- (c) to conduct the claims procedures specified in Article VIII.

All decisions of the Committee as to the facts of any case, and the application thereof to any case, as to the interpretation of any provision of the Plan or its application to any case, and as to any other interpretative matter or other determination or question under the Plan shall be final and binding on all parties affected thereby, subject to the provisions of Article VIII.

7.10. Operation of the Committee

- (a) (1) The Committee shall act only by a majority vote of its members present at a meeting at which a quorum is present or by the unanimous written consent of all of its members without a meeting. A quorum for any meeting of the Committee shall be a majority of its members in office at that time. No member shall act by proxy unless by proxy given in writing to another such committee member.

(2) The Committee may appoint a Chairman and a Secretary from among its members. It shall authorize one (1) or more of its members to execute any document on its behalf, in which event the Committee shall notify the Trustee in writing of such action and the names of its members so designated. The Trustee thereafter shall accept and rely upon any document executed by such members as representing action by the Committee until the Committee shall file with the Trustee a written revocation of such designation.

(3) Consistent with the foregoing, the Committee may adopt such by-laws and regulations as it deems desirable for the conduct of its affairs and it may appoint such accountants, counsel, specialists and other persons as it deems necessary or desirable in connection with its duties and responsibilities under the Plan.

(b) The Committee shall keep a record of all of its proceedings and acts and all such books of account, records and other data as may be necessary for administration of the Plan as provided herein. The Committee shall notify the Trustee and the Board of Directors of any action taken by the Committee and, when necessary or required, any other interested person.

7.11. Correction of Errors

Notwithstanding anything herein to the contrary, the Plan Administrator and/or the Committee may take such actions or permit such actions to be taken as are necessary and reasonably calculated to correct an administrative error made by an Employer, the Plan Administrator, the Committee or any other Fiduciary.

ARTICLE VIII

CLAIMS PROCEDURES

8.1. Claims

(a) Any Participant or Beneficiary (a "Claimant") who believes that he is entitled to receive a benefit under the Plan that he has not received may file a written claim with the Committee (on the form furnished by the Committee) specifying the basis for his claim and the facts upon which he relies in making such claim. Such claim must be signed by the Claimant or his authorized representative and shall be deemed filed when delivered to any member of the Committee. The Claimant may have representation by a duly authorized representative at any time.

(b) If such claim is wholly or partially denied, within a reasonable period of time (but not more than ninety (90) days) after such claim is filed (plus an additional period of up to ninety (90) days if the Committee determines that special circumstances require an extension of time for processing the claim and if notice of the extension indicating the special circumstances requiring the extension of time and the date by which the Committee expects to render its decision is given to the Claimant within the first ninety (90) day period), the Committee shall cause written notice to be provided to the Claimant of the total or partial denial of such claim. Such notice shall be written in a manner calculated to be understood by the Claimant and shall advise the Claimant of:

(1) The specific reason(s) for the denial of the claim;

(2) Specific reference(s) to pertinent Plan provisions on which the denial of the claim was based;

(3) A description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary; and

(4) An explanation of the review procedures specified in Section 8.2 and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under ERISA Section 502 in the event of an adverse determination on review.

8.2. Review of Claims

(a) Within sixty (60) days after the Claimant receives written denial of his claim, the Claimant may appeal such denial by filing with the Committee a written request for a review of such claim (on the form provided by the Committee). In connection with such review, the Claimant shall be entitled to (i) submit written comments, documents, records and other information relating to his claim, (ii) receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the Claimant's claim, and (iii) a review by the Committee that takes into account all comments, documents, records and other information submitted by the Claimant relating to his claim, without regard to whether such information was submitted or considered in the initial benefit determination. If the Claimant does not file such a request with the Committee within such sixty (60) day period, the Claimant shall be conclusively presumed to have accepted as final and binding the initial decision of the Committee on his claim.

(b) If such an appeal is so filed within such sixty (60) days, the Committee shall (i) conduct a full and fair review of such claim and (ii) provide to the Claimant a written decision on the matter based on the facts and pertinent provisions of the Plan within a reasonable period of time (but not more than sixty (60) days) after the receipt of the request for review unless the Committee determines that special circumstances require an extension of time, in which case such decision shall be rendered not later than one hundred twenty (120) days after receipt of such request. If an extension of time for review is required, written notice of the extension indicating the special circumstances requiring the extension of time and the date by which the Committee expects to render its decision shall be furnished to the Claimant within the initial sixty (60) day period. In the event an extension is granted due to the Claimant's failure to submit information necessary to decide a claim, the period for making the benefit

determination shall be tolled from the date on which the notice of extension is sent to the Claimant until the date on which the Claimant responds to the request for additional information.

(c) Such decision, if it is adverse to the Claimant, shall be written in a manner calculated to be understood by the Claimant, and such written decision shall (i) state the specific reason(s) for the decision, (ii) make specific reference(s) to pertinent provisions of the Plan on which the decision is based, (iii) contain a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the Claimant's claim for benefits; and (iv) contain a statement of the Claimant's right to bring an action under ERISA Section 502(a).

(d) During such full review, the Claimant or his duly authorized representative shall be given an opportunity to review documents that are pertinent to the Claimant's claim and to submit issues and comments in writing.

8.3. Delegation of Committee's Duties

To the extent that the Committee delegates its duties under Section 8.1 or 8.2 to any person or persons pursuant to Section 7.3, such person or persons shall have the same powers to interpret the Plan and make factual findings with respect thereto as are granted to the Committee under Section 7.9.

ARTICLE IX

AMENDMENT AND TERMINATION

9.1. Right to Amend or Terminate

The Company has reserved, and does hereby reserve, the right at any time, without the consent of any Employer or of the Participants, Beneficiaries or any other person, through action of the Board of Directors, (a) to terminate the Plan, in whole or in part or as to any or all of the Employers or as to any designated group of Employees, Participants and their Beneficiaries, or (b) to amend the Plan, in whole or in part. No such termination or amendment shall decrease the amount of Employer contributions to be made by an Employer on account of any period preceding such termination. The Plan may be amended only by the Company. No amendment shall increase the duties or liabilities of the Trustee without the Trustee's written consent or violate Section 411(d)(6) of the Code.

9.2. Procedure for Termination or Amendment

Any termination or amendment of the Plan pursuant to Section 9.1 shall be expressed in an instrument executed by the Company and shall become effective as of the date designated in such instrument or, if no date is so designated, on the date of its execution.

9.3. Distribution Upon Termination

If the Plan shall be terminated by the Company as to all Employers, no contributions shall thereafter be required to be made to the Trust Fund, except as otherwise required by applicable law, and the assets remaining in the Trust Fund (available to provide benefits) shall be allocated in accordance with applicable law for the purposes of paying benefits provided for in the Plan. After all liabilities of the Plan to Participants and their Beneficiaries have been satisfied, any residual assets remaining in the Plan shall be distributed to the Employers participating in the Plan at the time of termination, in such proportions as may be agreed upon by the Employers, in accordance with applicable law.

9.4. Amendment Changing Vesting Schedule

(a) If any Plan amendment changes any vesting schedule under the Plan, each Participant having not less than three (3) Vesting Years of Service shall be permitted to elect, during the election period described in Subsection (b) of this Section, to have his nonforfeitable percentage computed under the Plan without regard to such amendment.

(b) Such election period shall begin on the date the Plan amendment is adopted and shall end no earlier than the latest of the following dates: (i) the date that is sixty (60) days after the day the Plan amendment is adopted, (ii) the date that is sixty (60) days after the day the Plan amendment becomes effective or (iii) the date that is sixty (60) days after the day the Participant is issued written notice of the Plan amendment by the Committee.

(c) For purposes of Subsection (a) of this Section, a Participant shall be considered to have completed three (3) Vesting Years of Service if such Participant has completed three (3) Vesting Years of Service, whether or not consecutive, without regard to the exceptions of Code Section 411(a)(4), prior to the expiration of the election period described in Subsection (b) of this Section.

(d) Notwithstanding the foregoing, the election provided in Subsection (a) of this Section will not be provided to any Participant whose nonforfeitable percentage under the Plan, as amended, cannot be less than such percentage determined without regard to such amendment.

9.5. Nonforfeitable Amounts

Notwithstanding any other provision of the Plan, upon the termination or partial termination of the Plan or upon complete discontinuance of contributions under the Plan, the rights of all Participants to benefits accrued to the date of such termination or partial termination or discontinuance, to the extent then funded, shall be nonforfeitable to the extent they do not exceed any limitation on such benefits in Article X.

9.6. Prohibition on Decreasing Accrued Benefits

No amendment to the Plan (other than an amendment described in Code Section 412(c)(8)) shall have the effect of decreasing the Accrued Benefit of any Participant. For purposes of the preceding sentence, a Plan amendment that has the effect of (a) eliminating or reducing an early retirement benefit or a retirement-type subsidy (as defined in regulations of the Secretary of the Treasury) or (b) eliminating an optional form of benefit (except as permitted by any such regulations) with respect to benefits attributable to service before the amendment, shall be treated as decreasing Accrued Benefits; provided, however, that in the case of a retirement-type subsidy this sentence shall apply only with respect to a Participant who satisfies (either before or after the amendment) the preamendment conditions for the subsidy.

ARTICLE X

LIMITATION ON BENEFITS OF CERTAIN PARTICIPANTS

10.1. Restriction of Benefits on Plan Termination

Notwithstanding any other provision of this Plan to the contrary, in the event of a termination of the Plan, the benefit of any Highly Compensated Employee (and former Highly Compensated Employee) shall be limited to a benefit that is nondiscriminatory under Code Section 401(a)(4).

10.2. Restriction on Plan Distribution

(a) Notwithstanding any other provision of the Plan, the annual payments provided by the Plan with respect to any Participant who is a Highly Compensated Employee or former Highly Compensated Employee and who is one of the twenty-five (25) highest paid Employees of the Controlled Group (a "Restricted Participant") shall be restricted to an amount equal in each year to the payments that would be made on behalf of the Restricted Participant under a single life annuity that is the Actuarial Equivalent of the sum of (i) the Restricted Participant's Accrued Benefit and (ii) the Restricted Participant's other benefits under the Plan.

(b) The limitations described in Subsection (a) of this Section shall not apply if (i) after payment to a Restricted Participant of all of his benefits under the Plan, the value of Plan assets equals or exceeds one hundred ten percent (110%) of the value of current liabilities, (ii) prior to payment to a Restricted Participant of all of his benefits under the Plan, the value of the Restricted Participant's benefits is less than one percent (1%) of the value of the Plan's current liabilities or (iii) the value of all benefits payable to the Restricted Participant under the Plan does not exceed Five Thousand Dollars (\$5,000).

10.3. Miscellaneous Provisions

(a) For purposes of this Article, the term "former Highly Compensated Employee" shall mean a former Employee described in Code Section 414(q)(9); the term "current liabilities" shall mean those liabilities described in Code Section 412(l)(7); and the term "benefit" shall mean the Accrued Benefit of a Restricted Participant, loans in excess of the amount specified in Code Section 72(p)(2)(A), any periodic income, any withdrawal values payable to a living Employee, and any death benefits not provided for by insurance on the Employee's life.

(b) The provisions of this Article are meant to comply with the requirements of Treasury Regulation Section 1.401(a)(4)-5(b) and shall be interpreted accordingly.

ARTICLE XI

MISCELLANEOUS

11.1. Employment Not Affected

Nothing contained in this Plan shall constitute or be construed as a contract of employment between any Employer and any Employee or Participant and all Employees shall remain subject to discipline, discharge and layoff to the same extent as if the Plan had never gone into effect. An Employer by adopting the Plan, making contributions to the Trust Fund or taking any other action with respect to the Plan does not obligate itself to continue the employment of any Participant or Employee for any period or, except as expressly provided in the Plan, to make any payments into the Trust Fund.

11.2. Inalienability

No right or interest of any kind of a Participant or Beneficiary in the Trust Fund may be assigned, alienated, transferred, pledged or anticipated or subject to encumbrance, garnishment, attachment, execution or levy of any kind, voluntary or involuntary, or any other legal or equitable process and any attempt so to assign, alienate, transfer, pledge, anticipate, encumber, garnish, attach or levy shall be void. Notwithstanding the foregoing, this Section shall not preclude the Trustee from complying with a qualified domestic relations order (as defined under Code Section 414(p)). The Committee shall develop procedures to determine whether a domestic relations order is qualified under Code Section 414(p). Effective for judgments, orders, decrees or settlements issued on or after August 5, 1997, notwithstanding any provision of the Plan to the contrary, the Plan shall honor a judgment, order, decree or settlement providing for the offset of all or a part of a Participant's benefit under the Plan, to the extent permitted under Code Section 401(a)(13)(C); provided that the requirements of Code Section 401(a)(13)(C)(iii) relating to the protection of the Participant's Spouse (if any) are satisfied.

11.3. Incapacity to Receive Payment

In the event that the Committee finds that any Participant or Beneficiary entitled to receive benefits hereunder is (at the time such benefits are payable) unable to care for his affairs because of a physical, mental, or legal incompetence, the Committee may, in its sole discretion, cause any payment due him, for which prior claim has not been made by a duly qualified guardian or other legal representative, to be paid to such one or more persons as may be chosen by the Committee from among the following: the institution maintaining or responsible for the maintenance of such Participant or Beneficiary, his Spouse, his children, or other relatives by blood or marriage. Any payment made pursuant to this Section shall be a complete discharge of all liability under the Plan with respect to such payment.

11.4. Unclaimed Benefits

Subject to the provisions of Article VIII, when the Committee is unable to locate a person entitled to payment of a benefit hereunder, the Committee, upon request of the Trustee or at its own instance, shall mail by registered or certified mail to such distributee (at his last known address) a written demand for his current address, or for satisfactory evidence of his continued life, or both. If such distributee shall fail to furnish such information to the Committee within five (5) years from the date of such demand, then such benefit shall be forfeited; provided, however, that such benefit shall be reinstated and payment of the benefits that had previously been forfeited (retroactive to the latest date upon which a payment of benefits under the Plan could have commenced under the provisions of Section 5.8(a)) shall be made to the party entitled to such benefits no later than sixty (60) days after a proper claim for such benefits has been made by such person.

11.5. Dissolution, Merger or Consolidation of the Company

In the event of a dissolution, merger or consolidation of the Company, provision may be made by the successor person for the continuance of this Plan. In such event, such successor person shall be substituted as the Company under the Plan upon the execution of an instrument authorizing such substitution, executed on behalf of the Company and such successor. A copy of such instrument, accompanied by a duly certified copy of a

resolution of the Board of Directors authorizing such substitution, shall be delivered to the Trustee and shall constitute authority to the Trustee to recognize such substituted person in place of the Company hereunder.

11.6. Action by the Company

Wherever the Company is authorized to act under the Plan, such action shall be taken, unless otherwise provided in the Plan, by written instrument executed by an officer of the Company. The Trustee may rely on any instrument so executed as being validly authorized and as properly evidencing the action of the Company.

11.7. Limitation to Rights Created Under the Plan

Except as otherwise provided by controlling law, neither the Company, any Employer, the Trustee, the Committee, nor a Participant shall have any legal or equitable right or claim against the other unless the same is specifically provided for the execution hereof, the contributions hereunder by the Company or an Employer, and the participation in the Plan by the Participants.

11.8. Recourse Against Officers, Directors or Stockholders

Except as otherwise provided by controlling law, no recourse under any provision of this Plan shall be had against an agent, Employee, officer, director or stockholder of a Controlled Group Member, past, present or future; and all such agents, Employees, officers, directors and stockholders are hereby released from all liability hereunder, as a condition of and a part of the consideration for the execution hereof, the contributions hereunder by the Company or an Employer, and the participation in the Plan by the Participants.

11.9. Interpretation

(a) The Plan shall be governed, construed and administered according to the laws of the State of Ohio, except to the extent preempted by applicable federal law.

(b) Headings have been inserted in this Plan for purposes of convenience only and shall not be taken as limiting or extending the meaning of any provision.

11.10. Severability

If any provision of this Plan or the application thereof to any circumstance or person is invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions of the Plan or the application of such provision to other circumstances or persons, and the Plan and the application of such provisions to other circumstances or persons shall not be affected thereby.

11.11. Counterparts

This Plan may be executed in any number of counterparts, each of which shall be deemed an original, and the counterparts shall constitute one and the same instrument, which shall be sufficiently evidenced by any one thereof.

11.12. Plan Merger or Transfer of Assets

There shall not be any merger or consolidation of the Plan with, or the transfer of assets or liabilities of the Plan to any other plan (other than as permitted in Section 5.6(c)), unless each Participant of the Plan would (if the Plan then terminated) receive a benefit immediately after the merger, consolidation or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation or transfer (if the Plan had then terminated). The Company reserves the right to merge or consolidate this Plan with, and to transfer the assets of the Plan to, any other Plan, without the consent of any other Employer.

11.13. Indemnification

In addition to any rights of indemnification under the Certificate of Incorporation or Code of Regulations of the Company, under any provisions of law, or under any other agreement that may be given to the

Committee, the Board of Directors or any other person to whom any power, authority or responsibility of the Company is delegated pursuant to this Plan (other than the Trustee), the Company shall satisfy any liability actually and reasonably incurred by such person, including expenses, reasonable attorneys' fees, judgments, fines and amounts paid in settlement. This right to indemnification shall apply in connection with any threatened, pending or completed action, suit or proceeding that is related to the exercise or failure to exercise by such person any of the powers, authorities, responsibilities or discretion provided under the Plan or reasonably believed by such person to be provided hereunder and any action taken by such person in connection therewith, but only if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Participants or, with respect to any criminal actions or proceedings, if he had no reasonable cause to believe his conduct was unlawful. The termination of any suit, action or proceeding by judgment, order, settlement, conviction or a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that such person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interest of the Participants or, with respect to any criminal action or proceedings, that he had no reasonable cause to believe that his conduct was unlawful.

11.14. Service of Process/Necessary Parties

(a) The Committee shall serve as the agent upon whom legal process may be served under ERISA.

(b) In any action or other judicial proceeding affecting the Trust, the Trustee and the Company shall be included as necessary parties.

11.15. EGTRRA

Effective January 1, 2002, the amendments to Sections 2.12, 2.20, 4.9, 4.11, 5.6(f) and 13.9 hereof which are effective January 1, 2002 (the "EGTRRA Amendments") (i) are intended to reflect the model amendments set forth in IRS Notice 2001-57 (or good faith modifications thereof) to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"), (ii) are intended as good faith compliance with the requirements of EGTRRA and are to be construed in accordance with EGTRRA and the guidance issued thereunder, and (iii) shall supersede the other provisions of the Plan to the extent such other Plan provisions are inconsistent with the EGTRRA Amendments.

ARTICLE XII

ADOPTION OF PLAN BY CONTROLLED GROUP MEMBERS

12.1. Adoption Procedure

Any Controlled Group Member may become an Employer under the Plan provided that (a) the Board of Directors approves the adoption of the Plan by the Controlled Group Member and designates the Controlled Group Member as an Employer; (b) the Controlled Group Member executes an Instrument of Adoption adopting the Plan, together with all amendments then in effect, upon appropriate resolutions of the board of directors of the Controlled Group Member; and (c) the Instrument of Adoption provides that the Controlled Group Member agrees to be bound by any other terms and conditions that may be required by the Board of Directors, provided that such terms and conditions are not inconsistent with the purposes of the Plan.

12.2. Effect of Adoption by a Controlled Group Member

A Controlled Group Member that adopts the Plan pursuant to an Instrument of Adoption will be deemed to be an Employer for all purposes hereunder. The Board of Directors may provide, in its discretion and by appropriate resolutions, that the Employees of such Controlled Group Member will receive credit for their employment with the Controlled Group Member prior to the date it became a Controlled Group Member for purposes of determining the eligibility of such Employees to participate in the Plan, the vested and nonforfeitable interest of such Employees in their benefits under the Plan and/or the amount of their benefits under the Plan, provided that such credit will be applied in a uniform and nondiscriminatory manner with respect to all such Employees.

12.3. Withdrawal of an Employer

Any Employer that adopts the Plan may elect separately to withdraw from the Plan and such withdrawal shall constitute a termination of the Plan as to such Employer. Any such withdrawal and termination shall be expressed in an instrument executed by the terminating Employer and filed with the Company, and shall (except as may otherwise be required by applicable law) become effective when so filed unless some other effective date is designated in such instrument and approved by the Company.

ARTICLE XIII

TOP-HEAVY PLAN PROVISIONS

13.1. Definitions

For purposes of this Article, the following terms when used with initial capital letters, shall have the following respective meanings:

- (a) Aggregation Group: Permissive Aggregation Group or Required Aggregation Group, as the context shall require.
- (b) Annual Retirement Benefit: A benefit payable annually in the form of a single life annuity (with no ancillary benefits) beginning at a Participant's Normal Retirement Date.
- (c) Compensation: Compensation as defined in Section 4.11(b) (subject to the limitations described in Section 2.12(b)).
- (d) Defined Benefit Plan: A qualified plan as defined in Code Section 414(j).
- (e) Defined Contribution Plan: A qualified plan as defined in Code Section 414(i).
- (f) Determination Date: For any Plan Year, the last day of the immediately preceding Plan Year.
- (g) Extra Top-Heavy Group: Effective prior to January 1, 2000, an Aggregation Group if, as of a Determination Date, the aggregate present value of accrued benefits for Key Employees in all plans in the Aggregation Group (whether Defined Benefit Plans or Defined Contribution Plans) is more than ninety percent (90%) of the aggregate present value of all accrued benefits for all employees in such plans.
- (h) Extra Top-Heavy Plan: See Section 13.3.
- (i) Former Key Employee: A Non-Key Employee with respect to a Plan Year who was a Key Employee in a prior Plan Year. Such term shall also include his Beneficiary in the event of his death.
- (j) Key Employee: Any Employee or former Employee who is or was a Participant and who, at any time during the current Plan Year or any of the preceding four (4) Plan Years, is (i) an officer of an Employer (limited to no more than fifty (50) Employees or, if lesser, the greater of three (3) Employees or ten percent (10%) of the Employees) with annual Compensation greater than fifty percent (50%) of the dollar amount in effect under Code Section 415(b)(1)(A) for such Plan Year, (ii) one of the ten (10) Employees owning (or considered owning within the meaning of Code Section 318) the largest interests in an Employer and having annual Compensation exceeding the applicable dollar amount referred to in Code Section 415(b)(1)(A), (iii) a five percent (5%) owner (as such term is defined in Code Section 416(i)(1)(B)(i)), or (iv) a one percent (1%) owner (as such term is defined in Code Section 416(i)(1)(B)(ii)) with annual Compensation of more than One Hundred Fifty Thousand Dollars (\$150,000). For purposes of Paragraph (ii) of this Subsection, if two Employees have the same interest in an Employer, the Employee having greater annual Compensation shall be treated as having a larger interest. The term "Key Employee" shall also include such Employee's Beneficiary in the event of his death. For purposes of this Subsection, "Compensation" has the meaning given such term by Code Section 414(q)(4).
- (k) Non-Key Employee: Any Employee or former Employee who is or was a Participant and who is not a Key-Employee. Such term shall also include his Beneficiary in the event of his death.
- (l) Permissive Aggregation Group: A group of qualified plans of an Employer consisting of the plans in the Required Aggregation Group, plus one (1) or more plans designated from time to time by the Committee that are not part of the Required Aggregation Group but that satisfy the requirements of Code Sections 401(a)(4) and 410 when considered with the Required Aggregation Group.

(m) Required Aggregation Group: The group of qualified plans of an Employer consisting of each plan in which a Key Employee participates, plus each other plan that enables a plan in which a Key Employee participates to meet the requirements of Code Sections 401(a)(4) and 410.

(n) Top-Heavy Accrued Benefit: A Participant's (including a Participant who has received a total distribution from this Plan) or a Beneficiary's accrued benefit under the Plan as of the valuation date coinciding with or immediately preceding the Determination Date, provided, however, that such accrued benefit shall include the aggregate distributions made to such Participant or Beneficiary during the five (5) consecutive Plan Years ending with the Plan Year that includes the Determination Date (including distributions under a terminated plan which if it had not been terminated would have been included in a Required Aggregation Group), and provided further that with respect to any Plan Year beginning after December 31, 1984, if an Employee or former Employee has not performed services for any Employer maintaining the Plan at any time during the five (5) year period ending on the Determination Date, any accrued benefit for such Employee or former Employee (and/or the accrued benefit of his Beneficiary) shall not be taken into account. Effective for Plan Years beginning after December 31, 1986 the accrued benefit of any Participant (other than a Key Employee) shall be determined (i) under the method which is used for accrual purposes for all plans of the Controlled Group, or (ii) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under Code Section 411(b)(1)(C).

(o) Top-Heavy Group: An Aggregation Group if, as of a Determination Date, the aggregate present value of accrued benefits for Key Employees in all plans in the Aggregation Group (whether Defined Benefit Plans or Defined Contribution Plans) is more than sixty percent (60%) of the aggregate present value of accrued benefits for all employees in such plans.

(p) Top-Heavy Plan: See Section 13.2.

13.2. Determination of Top-Heavy Status

(a) Except as provided by Subsection (b) of this Section, the Plan shall be a Top-Heavy Plan if, as of a Determination Date:

(1) the aggregate present value of Top-Heavy Accrued Benefits for Key Employees is more than sixty percent (60%) of the aggregate present value of Top-Heavy Accrued Benefits for all Employees, excluding for this purpose the aggregate present value of Top-Heavy Accrued Benefits of Former Key Employees; or

(2) the Plan is included in a Required Aggregation Group that is a Top-Heavy Group.

(b) If the Plan is included in a Required Aggregation Group that is not a Top-Heavy Group, the Plan shall not be a Top-Heavy Plan notwithstanding the fact that the Plan would otherwise be a Top-Heavy Plan under Subsection (a) of this Section.

13.3. Determination of Extra Top-Heavy Status Effective prior to January 1, 2000,

(a) Except as provided by Subsection (b) of this Section, the Plan shall be an Extra Top-Heavy Plan if, as of the Determination Date:

(1) the aggregate present value of Top-Heavy Accrued Benefits for Key Employees is more than ninety percent (90%) of the aggregate present value of Top-Heavy Accrued Benefits of all Employees, excluding for this purpose the aggregate Top-Heavy Accrued Benefits of Former Key Employees; or

(2) if the Plan is included in a Required Aggregation Group that is an Extra Top-Heavy Group.

(b) If the Plan is included in a Required Aggregation Group that is not an Extra Top-Heavy Group, the Plan shall not be an Extra Top-Heavy Plan notwithstanding the fact that the Plan would otherwise be an Extra Top-Heavy Plan under Subsection (a) of this Section.

13.4. Top-Heavy Plan Requirements

Notwithstanding any other provisions of the Plan to the contrary, if the Plan is a Top-Heavy Plan for any Plan Year beginning on or after January 1, 1984, the Plan shall then satisfy the following requirements for such Plan Year:

Section 13.5. (a) The minimum vesting requirements as set forth in

Section 13.6. (b) The minimum benefit requirements as set forth in

(c) Effective prior to January 1, 2000, the adjustment to maximum benefits and allocations as set forth in Section 13.7.

13.5. Minimum Vesting Requirement

If the Plan is a Top-Heavy Plan for any Plan Year beginning on or after January 1, 1984, each Employee who has completed at least two (2) Vesting Years of Service and who has been credited with an Hour of Service after the Plan becomes a Top-Heavy Plan shall have a nonforfeitable right to a percentage of his accrued benefit derived from Employer contributions determined under the following schedule:

Years of Service	The nonforfeitable percentage is
2	20%
3	40
4	60
5	80
6 or more	100

The vesting schedule described in the immediately preceding sentence shall cease to be applicable when the Plan ceases to be a Top-Heavy Plan, provided that the Employer contributions that become nonforfeitable pursuant thereto before the Plan ceases to be a Top-Heavy Plan shall remain nonforfeitable and the change in the vesting schedule resulting from the inapplicability of the vesting schedule described in the immediately preceding sentence shall be subject to the provisions of Section 9.4.

13.6. Minimum Benefit Requirement

(a) Except as otherwise provided in Section 13.7 and 13.8, if the Plan is a Top-Heavy Plan for any Plan Year beginning on or after January 1, 1984, the accrued benefit derived from Employer contributions of each Participant who is a Non-Key Employee, when expressed as an Annual Retirement Benefit, shall be not less than the lesser of:

(1) two percent (2%) of the Participant's average Compensation for years in the testing period (as hereinafter defined) times his Vesting Years of Service; or

(2) twenty percent (20%) of the Participant's average Compensation for years in the testing period (as hereinafter defined).

(b) For purposes of this Section, Vesting Years of Service completed in a Plan Year beginning before January 1, 1984 and Vesting Years of Service during which a Plan Year ended for which the Plan was not a Top-Heavy Plan shall not be taken into account. For purposes of this Section, the testing period shall be the period of consecutive years (not exceeding five (5)) during which the Participant had the greatest aggregate Compensation, provided that the following years shall not be included:

(1) years that are not included in Vesting Years of Service under this Section;

(2) years that end in a Plan Year beginning before January 1, 1984; and

(3) years that begin after the close of the last year in which the Plan was a Top-Heavy Plan or an Extra Top-Heavy Plan.

13.7. Adjustment to Maximum Benefits and Allocations

Effective prior to January 1, 2000, if the Plan is a Top-Heavy Plan for any Plan Year beginning on or after January 1, 1984, and if the Employer maintains a Defined Contribution Plan that could or does provide benefits to Participants in this Plan:

(a) If the Plan is not an Extra Top-Heavy Plan (but is a Top-Heavy Plan), then "three percent (3%)" shall be substituted for "two percent (2%)" in Subsection (1) of Section 13.6 and "twenty percent (20%)" in Subsection (2) of Section 13.6 shall be increased by one percentage point for each year for which such Plan was taken into account under this Subsection.

(b) If the Plan is an Extra Top-Heavy Plan, then calculations under Subsections (a) and (b) of Section 4.10 shall be made by substituting "1.0" for "1.25" for each place such "1.25" figure appears, and calculations under Code Section 415(e)(6)(B)(i)(I) shall be made by substituting "\$41,500" for "\$51,875" for each place such "\$51,875" amount appears.

13.8. Coordination With Other Plans

(a) In applying this Article, an Employer and all Controlled Group Members shall be treated as a single employer, and the qualified plans maintained by such single employer shall be taken into account.

(b) In the event that another Defined Contribution Plan or Defined Benefit Plan maintained by the Controlled Group provides contributions or benefits on behalf of Participants in this Plan, such other plan(s) shall be taken into account in determining whether this Plan satisfies Section 13.4; and the minimum benefit required for a Non-Key Employee in this Plan under Section 13.4(c) will be reduced or eliminated in accordance with the requirements of Code Section 416 and the regulations thereunder, if the Employer maintains another qualified plan under which minimum contribution or benefit is made or accrued in whole or in part in respect of such other plan(s).

(c) Principles similar to those specifically applicable to this Plan under this Article, and in general as provided for in Code Section 416 and the regulations thereunder, shall be applied to the other plan(s) required to be taken into account under this Article in determining whether this Plan and such other plan(s) meet the requirements of such Code Section 416 and the regulations thereunder.

13.9. Certain Changes Effective January 1, 2002

(a) This Section 13.9 shall apply for purposes of determining whether the Plan is a top-heavy plan under Code Section 416(g) for Plan Years beginning on and after January 1, 2002, and whether the Plan satisfies the minimum benefits requirements of Code Section 416(c) for such Plan Years. This Section modifies the foregoing provisions Article XIII.

(b) The term "Key Employee" means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the Determination Date was an officer of an Employer having annual compensation greater than \$130,000 (as adjusted under Code Section 416(i)(1) for Plan Years beginning on and after January 1, 2003), a 5% owner of an Employer, or a 1% owner of an Employer having annual compensation of more than \$150,000. For this purpose, "annual compensation" means compensation within the meaning of Code Section 415(c)(3). The determination of who is a Key Employee shall be made in accordance with Code Section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder.

(c) This Section 13.9(c) shall apply for purposes of determining the present values of accrued benefits and the amounts of account balances of Employees as of the Determination Date.

(1) The present values of accrued benefits and the amounts of account balances of an Employee as of the Determination Date shall be increased by the distributions made with respect to the Employee under the Plan and any plan aggregated with the Plan under Code Section 416(g)(2) during the one-year period ending on the Determination Date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under Code Section 416(g)(2)(A)(i). In the case of a distribution made for a reason other than separation from service, death, or disability, this provision shall be applied by substituting "five-year period" for "one-year period."

(2) The accrued benefits and accounts of any individual who has not performed services for an Employer during the one-year period ending on the Determination Date shall not be taken into account.

(d) For purposes of satisfying the minimum benefit requirements of Code Section 416(c)(1) and the Plan, in determining years of service with an Employer, any service with an Employer shall be disregarded to the extent that such service occurs during a Plan Year in which the plan benefits (within the meaning of Code Section 410(b)) no Key Employee or Former Key Employee.

ARTICLE XIV

TRANSFERS OF EMPLOYMENT STATUS

The provisions of this Article XIV are effective as of January 1, 1999 unless expressly provided otherwise herein.

14.1. Transfer from Non-Exempt Status to Exempt Status

For purposes of a Non-Exempt Participant who transfers to exempt status and thereby becomes an Exempt Participant, such Exempt Participant's normal retirement benefit shall be calculated in accordance with Subsections 4.1(b)(i), 4.1(b)(ii) and 4.1(b)(iii) taking into account such Exempt Participant's total number of Years of Benefit Service earned while an Exempt Participant and a Non-Exempt Participant. Notwithstanding the previous sentence of this Section 14.1, such Exempt Participant's normal retirement benefit shall not be less than the benefit calculated in accordance with Subsection 4.1(b)(iv) or Subsection 4.1(b)(v) as of the date of transfer from non-exempt status to exempt status. For purposes of this Section 14.1, the normal retirement benefit calculated pursuant to Subsection 4.1(b)(iv) or Subsection 4.1(b)(v) shall be adjusted annually by the lesser of an interest rate equal to five percent (5%) or the interest rate set forth in Section 2.3(c).

14.2. Transfer from Exempt Status to Non-Exempt Status

(a) For purposes of an Exempt Participant who transfers to non-exempt status and thereby becomes a Non-Exempt Participant, such Non-Exempt Participant's early retirement benefit shall be calculated in accordance with Section 4.2(b)(iv) if at the time of transfer from exempt status to non-exempt status, such Non-Exempt Participant had attained age 50 and the sum of such Non-Exempt Participant's age plus Vesting Years of Service was equal to or greater than 75 at the time of transfer to non-exempt status.

(b) For purposes of an Exempt Participant who transfers to non-exempt status and thereby becomes a Non-Exempt Participant, such Non-Exempt Participant's early retirement benefit shall be calculated in accordance with Section 4.2(b)(iii) if at the time of transfer from exempt status to non-exempt status, such Non-Exempt Participant had not attained age 50 or the sum of such Non-Exempt Participant's age plus Vesting Years of Service was less than 75 at the time of transfer to non-exempt status.

14.3. Re-hire of Non-Exempt Participants on or after January 1, 2000

For purposes of a Participant who was first hired prior to January 1, 2000, who is rehired on or after January 1, 2000 as a Non-Exempt Participant (or who becomes a Non-Exempt Participant following his re-hire), and whose Benefit Years of Service shall include a Period of Service at least a portion of which was accrued prior to January 1, 2000, such Participant's normal retirement benefit for all service shall be calculated pursuant to Subsection 4.1(b)(iv). Any other Participant rehired on or after January 1, 2000 as a Non-Exempt Participant (or who becomes a Non-Exempt Participant following his re-hire), whether first hired either before January 1, 2000 or on or after January 1, 2000, shall have his normal retirement benefit for all service calculated pursuant to Subsection 4.1(b)(v).

14.4. Transfer from Non-Exempt Status to Union Status

(a) For purposes of a Non-Exempt Participant who was hired prior to January 1, 2000 and who transfers from non-exempt status to union status, such Non-Exempt Participant's normal retirement benefit shall be the greatest of the benefits calculated pursuant to Subsections 4.1(b)(i), 4.1(b)(ii), 4.1(b)(iii) or 4.1(b)(iv) as of the date of such Non-Exempt Participant's transfer from non-exempt status to union status. For purposes of this Section 14.4(a), the normal retirement benefit calculated pursuant to Subsection 4.1(b)(iv) shall be adjusted annually by the lesser of an interest rate equal to 5% or the interest rate set forth in Section 2.3(c).

(b) For purposes of a Non-Exempt Participant who was hired on or after January 1, 2000 and who transfers from non-exempt status to union status, such Non-Exempt Participant's normal retirement benefit shall be calculated pursuant to Subsection 4.1(b)(v) as of the date of such Non-Exempt Participant's transfer from non-exempt status to union status. For purposes of this Subsection 14.4(b), the normal retirement benefit calculated

pursuant to Subsection 4.1(b)(v) shall be adjusted annually by the lesser of an interest rate equal to 5% or the interest rate set forth in Section 2.3(c).

14.5. Transfer from Exempt Status to Union Status

(a) For purposes of an Exempt Participant who transfers from exempt status to union status, such Exempt Participant's normal retirement benefit shall be the greatest of the benefits calculated pursuant to the terms of Sections 4.1(b)(i), 4.1(b)(ii) or 4.1(b)(iii) as of the date of such Exempt Participant's transfer from exempt status to union status.

(b) For purposes of an Exempt Participant who transfers from exempt status to union status, such Exempt Participant's early retirement benefit shall be calculated in accordance with Section 4.2(b)(iv) if at the time of transfer from exempt status to union status, such Exempt Participant has attained age 50 and if such Exempt Participant's age plus total Vesting Years of Service taking into account service during such Exempt Participant's exempt status and union status equals or is greater than 75.

(c) For purpose of an Exempt Participant who transfers from exempt status to union status, such Exempt Participant's early retirement benefit shall be calculated in accordance with Section 4.2(b)(iii) if at the time of transfer from exempt status to union status, such Exempt Participant had not attained age 50.

14.6. Transfer from Union Status to Non-Union Status

For purposes of a Participant who transfers from union status to non-union status, such Participant's normal retirement benefit shall be the greater of:

(a) The benefit determined under the terms of this Plan based on age, Years of Benefit Service, Average Annual Compensation and Final Average Annual Compensation for the Participant's period of service after the Participant transferred from union status to non-union status; or

(b) (1) The benefit determined under the terms of this Plan based on age, Years of Benefit Service, Average Annual Compensation and Final Average Annual Compensation for the Participant's total service during such Participant's union status and non-union status; reduced by

(2) The benefit (payable at age 65) determined under the terms of any defined benefit pension plan to which the Participant's Employer contributed pursuant to a collective bargaining agreement covering such Participant.

EXHIBIT A

Employers Pursuant to Section 2.22

As of December 11, 2003

Roadway LLC

Roadway Reverse Logistics, Inc. (previously known as REXSIS)

Roadway Express, Inc.

EXHIBIT 23.1

Consent of Independent Auditors

We consent to the incorporation by reference in the registration statements (No. 333-109896 and 333-113021) on Form S-3, (No. 333-108081) on Form S-4, and (Nos. 33-47946, 333-02977, 333-16697, 333-59255, 333-49618, 333-49620, 333-88268 and 333-111499) on Form S-8 of Yellow Roadway Corporation of our reports dated February 20, 2004, with respect to the consolidated balance sheets of Yellow Roadway Corporation as of December 31, 2003 and 2002, and the related consolidated statements of operations, cash flows, shareholders' equity and comprehensive income for each of the years in the three-year period ended December 31, 2003, and the related financial statement schedule, which reports appear in the December 31, 2003, Annual Report on Form 10-K of Yellow Roadway Corporation.

Our report dated February 20, 2004 contains an explanatory paragraph that states that effective January 1, 2002, the Company ceased amortization of goodwill and changed its method of determining impairment of goodwill as required by Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets.

/s/ KPMG LLP

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Kansas City, Missouri
March 15, 2004

EXHIBIT 23.2

Consent of Independent Auditors

We consent to the incorporation by reference of our report dated January 22, 2004 with respect to the consolidated financial statements of Roadway Corporation incorporated by reference as Exhibit 99.1 and the incorporation by reference of our reports dated January 22, 2004 with respect to the consolidated financial statements of Roadway Express, Inc. and Roadway Next Day Corporation included as Exhibit 99.3 and Exhibit 99.5 in Yellow Roadway Corporation's Annual Report on Form 10-K filed with the Securities and Exchange Commission in the following Registration Statements on Form S-8 (Nos. 33-47946, 333-02977, 333-16697, 333-59255, 333-49618, 333-49620, 333-88268 and 333-111499), the Registration Statements on Form S-3 (No. 333-109896 and 333-113021) and the Registration Statement on Form S-4 (No. 333-108081) of Yellow Roadway Corporation.

/s/ Ernst & Young LLP

Akron, Ohio
March 11, 2004

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
EXCHANGE ACT RULES 13A-14 AND 15D-14,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William D. Zollars, certify that:

- (1) I have reviewed this annual report on Form 10-K of Yellow Roadway Corporation;
- (2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
 - a. All significant deficiencies in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 15, 2004

/s/ William D. Zollars

William D. Zollars
Chairman of the Board, President and
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
EXCHANGE ACT RULES 13A-14 AND 15D-14,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Donald G. Barger, certify that:

- (1) I have reviewed this annual report on Form 10-K of Yellow Roadway Corporation;
- (2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
 - a. All significant deficiencies in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 15, 2004

/s/ Donald G. Barger, Jr.

Donald G. Barger, Jr.
Senior Vice President and
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Yellow Roadway Corporation on Form 10-K for the year ended December 31, 2003, as filed with the Securities and Exchange Commission of the date hereof (the "Report"), I, William D. Zollars, Chief Executive Officer of Yellow Roadway Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Yellow Roadway Corporation.

Date: March 15, 2004

/s/ William D. Zollars

William D. Zollars
Chairman of the Board of
Directors, President & Chief
Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Yellow Roadway Corporation on Form 10-K for the period ended December 31, 2003, as filed with the Securities and Exchange Commission of the date hereof (the "Report"), I, Donald G. Barger, Jr., Chief Financial Officer of Yellow Roadway Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Yellow Roadway Corporation.

Date: March 15, 2004

/s/ Donald G. Barger, Jr.

Donald G. Barger, Jr.
Senior Vice President
& Chief Financial Officer

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Roadway LLC and Subsidiaries
A wholly owned subsidiary of Yellow Roadway Corporation

The period December 12, 2003 to December 31, 2003;
with Report of Independent Auditors

Report of Independent Auditors

To the Board of Directors of Yellow Roadway Corporation:

We have audited the accompanying consolidated balance sheet of Roadway LLC and Subsidiaries as of December 31, 2003, and the related consolidated statements of operations, cash flows, parent company investment, and comprehensive income for the period December 12, 2003 through December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Roadway LLC and Subsidiaries as of December 31, 2003, and the results of their operations and their cash flows for the period December 12 through December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

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Kansas City, Missouri
February 20, 2004

CONSOLIDATED BALANCE SHEET
Roadway LLC and Subsidiaries
A wholly owned subsidiary of Yellow Roadway Corporation
As of December 31, 2003

(in thousands)

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 49,879
Accounts receivable, less allowance of \$5,205	343,231
Fuel and operating supplies	5,340
Deferred income taxes, net	16,113
Prepaid expenses	12,935

Total current assets	427,498

PROPERTY AND EQUIPMENT	
Land	254,707
Structures	378,087
Revenue equipment	114,517
Technology equipment and software	22,223
Other	55,213

	824,747
Less - accumulated depreciation	(3,285)

Net property and equipment	821,462
Goodwill	596,845
Intangibles	460,372
Other assets	32,314

Total assets	\$ 2,338,491
	=====
LIABILITIES AND PARENT COMPANY INVESTMENT	
CURRENT LIABILITIES	
Checks outstanding in excess of bank balances	\$ 37,215
Accounts payable	81,486
Advances payable to parent	56,067
Wages, vacations and employees' benefits	186,400
Claims and insurance accruals	53,460
Other current and accrued liabilities	35,193

Total current liabilities	449,821

OTHER LIABILITIES	
Long-term debt	248,895
Deferred income taxes, net	213,689
Claims and other liabilities	334,321
Commitments and contingencies	
PARENT COMPANY INVESTMENT	
Capital surplus	1,097,221
Retained earnings	(4,558)
Accumulated other comprehensive loss	(898)

Total parent company investment	1,091,765

Total liabilities and parent company investment	\$ 2,338,491
	=====

The notes to consolidated financial statements are an integral part of these statements.

STATEMENT OF CONSOLIDATED OPERATIONS
Roadway LLC and Subsidiaries
A wholly owned subsidiary of Yellow Roadway Corporation
For the period December 12 to December 31, 2003

(in thousands)

OPERATING REVENUE	\$ 141,018
OPERATING EXPENSES:	
Salaries, wages and employees' benefits	93,842
Operating expenses and supplies	22,300
Operating taxes and licenses	4,363
Claims and insurance	3,748
Depreciation and amortization	4,200
Purchased transportation	18,867
Gains on property disposals, net	(6)
Total operating expenses	----- 147,314
Operating loss	----- (6,296) -----
NONOPERATING (INCOME) EXPENSES:	
Interest expense	684
Interest income	(35)
Other	257
Nonoperating expenses, net	----- 906 -----
LOSS BEFORE INCOME TAXES	(7,202)
INCOME TAX BENEFIT	(2,644)
NET LOSS	----- \$ (4,558) =====

The notes to consolidated financial statements are an integral part of these statements.

STATEMENT OF CONSOLIDATED CASH FLOWS
Roadway LLC and Subsidiaries
A wholly owned subsidiary of Yellow Roadway Corporation
For the period December 12 to December 31, 2003

(in thousands)

OPERATING ACTIVITIES:	
Net loss	\$ (4,558)
Noncash items included in net loss:	
Depreciation and amortization	4,200
Gain on property disposals, net	(6)
Changes in assets and liabilities, net:	
Accounts receivable	20,568
Accounts payable	(5,191)
Other working capital items	(18,465)
Claims and other	295
Other	317

Net cash used in operating activities	(2,840)

INVESTING ACTIVITIES:	
Acquisition of property and equipment	(2,948)
Proceeds from disposal of property and equipment	1,203

Net cash used in investing activities	(1,745)

FINANCING ACTIVITIES:	
Advances from parent, net	(51,843)

Net cash used in financing activities	(51,843)

NET DECREASE IN CASH AND CASH EQUIVALENTS	(56,428)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	106,307

CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 49,879

SUPPLEMENTAL CASH FLOW INFORMATION:	
Income taxes received, net	\$ (28)
Interest paid	-
	=====

The notes to consolidated financial statements are an integral part of these statements.

STATEMENT OF PARENT COMPANY INVESTMENT
Roadway LLC and Subsidiaries
A wholly owned subsidiary of Yellow Roadway Corporation
For the period December 12 to December 31, 2003

(in thousands)

Balance at December 12, 2003 (purchase price)	\$ 1,097,221
Net loss	(4,558)
Changes in foreign currency translation adjustment	(898)

Balance at December 31, 2003	\$ 1,091,765 =====

The notes to consolidated financial statements are an integral part of these statements.

STATEMENT OF COMPREHENSIVE INCOME
Roadway LLC and Subsidiaries
A wholly owned subsidiary of Yellow Roadway Corporation
For the period December 12 to December 31, 2003

(in thousands)

Net loss	\$ (4,558)
Changes in foreign currency translation adjustment	(898)

Comprehensive loss	\$ (5,456) =====

The notes to consolidated financial statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Roadway LLC and Subsidiaries

DESCRIPTION OF BUSINESS

Roadway LLC (also referred to as "Roadway," "the Company," "we" or "our") is a holding company with two primary operating entities, Roadway Express, Inc. and Roadway Next Day Corporation. The operating subsidiaries are described as follows:

- - Roadway Express, Inc. ("Roadway Express") is a leading transportation services provider that offers a full range of regional, national and international services for the movement of industrial, commercial and retail goods, primarily through decentralized management and customer facing organizations. Approximately 30 percent of Roadway Express shipments are completed in two days or less. Roadway Express owns 100 percent of Reimer Express Lines Ltd. ("Reimer") located in Canada that specializes in shipments into, across and out of Canada.
- - Roadway Next Day Corporation is a holding company focused on business opportunities in the regional and next-day delivery lanes. Roadway Next Day Corporation owns 100 percent of New Penn Motor Express, Inc. ("New Penn"), which provides superior quality regional, next-day ground services through a network of facilities located in the Northeastern United States, Quebec, Canada and Puerto Rico.

On December 11, 2003, Yellow Corporation completed the acquisition of Roadway Corporation. The combined company was renamed Yellow Roadway Corporation. Roadway Corporation was merged with and into Roadway LLC, a newly formed limited liability company and a wholly owned subsidiary of Yellow Roadway. Consideration for the acquisition included \$494 million in cash and 18.0 million shares of Yellow Roadway common stock.

In accordance with Statement of Financial Accounting Standards No. 141, Business Combinations ("Statement No. 141"), the acquisition was accounted for under purchase accounting. As a result, our Statements of Consolidated Operations and Statements of Consolidated Cash Flows include our results from the date of acquisition through December 31, 2003. Our Consolidated Balance Sheet as of December 31, 2003 includes our tangible and intangible assets and liabilities after valuing them at their fair values. In addition, Roadway LLC adopted the significant accounting policies of Yellow Roadway Corporation and utilized independent third party appraisers to revalue significant assets and liabilities to fair market value, therefore these financial statements are not comparable to prior periods of Roadway Corporation.

PRINCIPLES OF CONSOLIDATION AND SUMMARY OF ACCOUNTING POLICIES

The accompanying consolidated financial statements include the accounts of Roadway LLC and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Management makes estimates and assumptions that affect the amounts reported in the financial statements and notes. Actual results could differ from those estimates.

Accounting policies refer to specific accounting principles and the methods of applying those principles to fairly present our financial position and results of operations in accordance with generally accepted accounting principles. The policies discussed below include those that management has determined to be the most appropriate in preparing our financial statements and are not discussed in a separate note.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposits and highly liquid investments purchased with maturities of three months or less.

CONCENTRATION OF CREDIT RISKS

We sell services and extend credit based on an evaluation of the customer's financial condition, without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. We monitor our exposure for credit losses and maintain allowances for anticipated losses.

REVENUE RECOGNITION

For shipments in transit, Roadway records revenue based on the percentage of service completed as of the period end and accrues delivery costs as incurred. In addition, Roadway recognizes revenue on a gross basis since the Company is the primary obligor even when the Company uses other transportation service providers who act on their behalf, because the Company is responsible to the customer for complete and proper shipment, including the risk of physical loss or damage of the goods and cargo claims issues. In addition, Roadway retains all credit risk. Management believes these policies most accurately reflect revenue as earned.

FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings approximates their fair value due to the short-term nature of these instruments.

CLAIMS AND INSURANCE ACCRUALS

Claims and insurance accruals, both current and long-term, reflect the estimated cost of claims for workers' compensation, cargo loss and damage, and property damage and liability that insurance does not cover. We include these costs in claims and insurance expense except for workers' compensation, which it includes in salaries, wages, and employees' benefits.

We base reserves for workers' compensation and property damage and liability claims primarily upon actuarial analyses prepared by independent actuaries. These reserves are discounted to present value using a risk-free rate at the date of occurrence. The risk-free rate is the U.S. Treasury rate for maturities that match the expected payout of such claims. The process of determining reserve requirements utilizes historical trends and involves an evaluation of accident frequency and severity, claims management, changes in health care costs, and certain future administrative costs. The effect of future inflation for costs is implicitly considered in the actuarial analyses. Adjustments to previously established reserves are included in operating results. At December 31, 2003, estimated future payments related to these claims aggregated \$189.7 million. The present value of these estimated future payments was \$170.2 million at December 31, 2003.

PROPERTY AND EQUIPMENT

Roadway carries property and equipment at cost less accumulated depreciation. The values assigned to property and equipment at the date of the acquisition were principally determined by independent, third party appraisers. We compute depreciation using the straight-line method based on the following service lives:

	Years

Structures	0 - 40
Revenue equipment	5 - 14
Technology equipment and software	3 - 5
Other	3 - 10
	=====

We charge maintenance and repairs to expense as incurred, and capitalize replacements and improvements when these costs extend the useful life of the asset.

Our investment in technology equipment and software consists primarily of advanced customer service and freight management equipment and related software. We capitalize certain costs associated with developing or obtaining internal-use software. Capitalizable costs include external direct costs of materials and services utilized in developing or obtaining the software, payroll, and payroll-related costs for employees directly associated with the project. For the period ended December 31, 2003, the amount capitalized was immaterial to the Company's financial statements.

For the period December 12 through December 31, 2003, depreciation expense was \$3.6 million.

IMPAIRMENT OF LONG-LIVED ASSETS

If facts and circumstances indicate that the carrying value of identifiable amortizable intangibles and property, plant and equipment may be impaired, we would perform an evaluation of recoverability in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. If an evaluation were required, we would compare the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down is required.

RELATED PARTY TRANSACTIONS

At December 31, 2003, we had net short-term advances payable of \$56.1 million due to our parent, Yellow Roadway Corporation.

ACQUISITION

In accordance with Statement No. 141, Yellow Roadway allocates the purchase price of its acquisitions to the tangible and intangible assets and liabilities of the acquired entity based on their fair values. Yellow Roadway records the excess purchase price over the fair values as goodwill. The fair value assigned to intangible assets acquired is based on valuations prepared by independent third party appraisal firms using estimates and assumptions provided by management. In accordance with SFAS No. 142, Goodwill and Other Intangible Assets ("Statement No. 142"), goodwill and intangible assets with indefinite useful lives are not amortized but are reviewed at least annually for impairment. An impairment loss would be recognized to the extent that the carrying amount exceeds the assets' fair value. Intangible assets with estimatable useful lives are amortized on a straight-line basis over their respective useful lives.

ROADWAY CORPORATION

On December 11, 2003, Yellow Corporation completed the acquisition of Roadway Corporation and all of its outstanding stock in approximately a half cash, half stock transaction. As part of the transaction, Yellow Corporation changed its name to Yellow Roadway Corporation. In addition, Roadway Corporation became Roadway LLC ("Roadway") and a wholly owned subsidiary of Yellow Roadway. Principal operating subsidiaries of Roadway include Roadway Express and New Penn. Roadway Express is a leading transporter of industrial, commercial and retail goods in the two- to five-day regional and long-haul markets. New Penn is a next-day, ground, less-than-truckload, carrier of general commodities. The acquisition now provides Yellow Roadway with the increased scale, strong financial base and market reach that are necessary to increase shareholder value and enhance customer service. It also has the potential to accelerate the Yellow Roadway strategy of offering a broader range of services for business-to-business transportation decision makers.

Consideration for the acquisition included \$494 million in cash and 18.0 million shares of Yellow Roadway common stock, based on an exchange ratio of 1.752 and an average price per share of \$31.51, for a total purchase price of \$1.1 billion. The purchase price also included approximately \$19 million for investment banking, legal and accounting fees that Yellow Roadway incurred to consummate the acquisition, resulting in total cash consideration of \$513 million. In addition, by virtue of the merger, Roadway LLC assumed \$225.0 million of principal senior notes with a fair value of \$248.9 million. The cash portion of the purchase price was funded primarily through a term loan of \$175 million under a new credit facility, a private placement of \$250 million of 5.0 percent contingent convertible senior notes due 2023 and a private placement of \$150 million of 3.375 percent contingent convertible senior notes due 2023. The 18.0 million common shares

Yellow Roadway issued were valued based on the simple average of the daily opening and closing trade prices for the period December 9 through December 15, 2003, which represents two days prior and after the date the price was fixed under the terms of the merger agreement.

Prior to the acquisition, Roadway had agreements in place with key management personnel that would require Roadway to pay specific amounts to those individuals upon a change in control of the entity. On December 11, 2003, in conjunction with the closing of the transaction, Roadway paid \$15.9 million to the individuals covered by the agreement that would not be joining the new Yellow Roadway organization. This amount was expensed in the pre-acquisition financial statements of Roadway Corporation. The remaining amount covered under the agreement of \$10.6 million was placed in a trust account for possible payment to the three individuals that remain Roadway employees. If any of these individuals are terminated within two years and the applicable conditions of their respective agreements are met, they would receive the agreed to payments, and Roadway LLC would recognize an expense for those payments at the time of the triggering event. If termination does not occur within two years, the funds will be released from restriction and reclassified from a long-term asset to cash on our Consolidated Balance Sheet.

Based on an independent valuation prepared using estimates and assumptions provided by management, Yellow Roadway allocated the total purchase price of approximately \$1.1 billion as follows:

(in thousands)

Cash and cash equivalents	\$ 106,307
Accounts receivable	373,695
Other current assets	36,202
Property, plant and equipment	823,443
Other long-term assets	32,436
Intangible assets	461,300
Goodwill	597,070
Accounts payable	(127,148)
Other current liabilities	(406,382)
Long-term debt	(249,165)
Deferred income taxes, net	(214,542)
Other long-term liabilities	(335,995)

Total purchase price	\$ 1,097,221
=====	

As the Roadway acquisition occurred in December 2003, the allocation of the purchase price included in the December 31, 2003 Consolidated Balance Sheet is preliminary and subject to refinement. Although Yellow Roadway does not expect any subsequent changes to have a material impact on its results of operations or amounts allocated to goodwill, such changes could result in material adjustments to the preliminary purchase allocation. The most significant pending items include the following: finalization of independent asset valuation for the Roadway tangible and intangible assets including associated remaining lives; completion of all direct costs associated with the acquisition; updating Roadway personnel information used to calculate the pension benefit obligation; determination of the fair value of tax-related contingencies; calculation of an estimate for certain contractual obligations; and numerous other refinements. Yellow Roadway expects substantially all of the above refinements will be completed by the end of second quarter 2004.

Intangible Assets

Of the \$461.3 million allocated to intangible assets, \$333.5 million was assigned to the Roadway and New Penn trade names which are not subject to amortization. Of the remaining value, \$111.8 million and \$16.0 million were assigned to customer relationships and software related assets, respectively. Yellow Roadway assigned the customer relationships and software assets a weighted average life of 16.5 years and 3 years, respectively.

Goodwill

In considering the acquisition of Roadway, Yellow Corporation based its proposed purchase price on the increased value that the combined Yellow Roadway organization could provide to its investors, customers and employees. This value can be attributed to the increased scale and ability to compete in a highly competitive domestic and global transportation marketplace, the reputation and recognition of the distinct brands, and the service capabilities and technologies of both companies. Yellow Roadway recorded \$597.1 million in goodwill as part of the acquisition, allocating \$474.8 million to Roadway Express and \$122.3 million to New Penn. Of the total goodwill recorded, the amount that may be deductible for tax purposes is not material to the results of operations of Yellow Roadway.

GOODWILL AND INTANGIBLES

Goodwill is recognized for the excess of the purchase price over the fair value of tangible and identifiable intangible net assets of businesses acquired. In accordance with Statement No. 142, we do not amortize goodwill and review goodwill at least annually for impairment based on a fair value approach.

The following table shows the amount of goodwill attributable to each segment with goodwill balances and changes therein:

(in thousands)	December 12, 2003	Foreign Equity Translation Adjustment	December 31, 2003
Roadway Express	\$ 474,738	\$ (225)	\$ 474,513
New Penn	122,332	-	122,332
Goodwill	<u>\$ 597,070</u>	<u>\$ (225)</u>	<u>\$ 596,845</u>

The components of amortizable intangible assets at December 31, 2003 are as follows:

(in thousands)	Weighted Average Life (years)	Gross Carrying Amount	Accumulated Amortization
Customer related	16.5	\$ 111,800	\$ 356
Technology based	3	16,000	273
Intangible assets		<u>\$ 127,800</u>	<u>\$ 629</u>

Total marketing related intangible assets with indefinite lives were \$333.2 million at December 31, 2003. These intangible assets are not subject to amortization. The gross carrying amount of intangibles at December 31, 2003 included approximately \$371.1 million of Roadway Express assets and \$89.3 million of New Penn assets.

Amortization expense for intangible assets, as reflected in our net loss, was \$0.6 million for the period December 12 through December 31, 2003. Estimated amortization expense for the next five years is as follows:

(in thousands)	2004	2005	2006	2007	2008
Estimated amortization expense	<u>\$ 12,101</u>	<u>\$ 12,101</u>	<u>\$ 11,827</u>	<u>\$ 6,767</u>	<u>\$ 6,767</u>

EMPLOYEE BENEFITS

PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Qualified and Nonqualified Defined Benefit Pension Plans

With the exception of New Penn and Reimer, Roadway and its operating subsidiaries sponsor qualified and nonqualified defined benefit pension plans for most employees not covered by collective bargaining agreements (approximately 6,000 employees). Qualified and nonqualified pension benefits are based on years of service and the employees' covered earnings. Employees covered by collective bargaining agreements participate in various multi-employer pension plans to which Roadway contributes, as discussed later in this section. New Penn does not offer defined benefit pension plans and instead offers retirement benefits through a contributory profit sharing plan. Additionally, beginning January 1, 2004, all new nonunion employees will participate in a new defined contribution retirement plan. The existing Roadway defined benefit pension plan will be closed to new participants.

Our funding policy is to target contributions at the minimum required tax-deductible contribution for the year while taking into consideration each plan's funded status, any variable Pension Benefit Guarantee Corporation premiums and the outlooks for required funding. Our actuarial valuation measurement date for our principal pension plans and post retirement benefits plan is December 31.

Other Postretirement Benefit Plan

Roadway LLC sponsors a postretirement healthcare benefit plan that covers non-union employees of Roadway hired before February 1, 1997. Health care benefits under this plan end when the participant attains age 65.

Definitions

We have defined the following terms to provide a better understanding of our pension and other postretirement benefits:

Projected benefit obligation: The projected benefit obligation is the present value of future benefits to employees attributed to service as of the measurement date, including assumed salary increases.

Plan assets: Represents the assets currently invested in the plans. Assets used in calculating the funded status are measured at the current market value at December 31.

Funded status: The funded status represents the difference between the projected benefit obligation and the market value of the assets.

Net amount recognized: The net amount recognized represents the amount accrued by Roadway for pension costs.

Unfunded accumulated benefit obligation: The accumulated benefit obligation is the present value of future benefits attributed to service as of the measurement date, assuming no future salary growth. The unfunded accumulated benefit obligation represents the difference between the accumulated benefit obligation and the fair market value of the assets.

Accumulated postretirement benefit obligation: The accumulated postretirement benefit obligation is the present value of other postretirement benefits to employees attributed to service as of the measurement date.

Funded Status

The following table sets forth the plans' funded status for the period December 12 through December 31, 2003:

(in thousands)	Pension Benefits	Other Postretirement Benefits
CHANGE IN BENEFIT OBLIGATION:		
Benefit obligation at December 12, 2003	\$ 457,181	\$ 52,934
Service cost	1,192	109
Interest cost	1,461	169
Benefits paid	(5,119)	(136)
	-----	-----
Benefit obligation at year end	\$ 454,715	\$ 53,076
	=====	=====
CHANGE IN PLAN ASSETS:		
Fair value of plan assets at December 12, 2003	\$ 280,601	\$ -
Actual return on plan assets	7,574	-
Employer contributions	-	134
Benefits paid	(5,119)	(134)
	-----	-----
Fair value of plan assets at year end	\$ 283,056	\$ -
	=====	=====
FUNDED STATUS:		
Funded status	\$(171,659)	\$ (53,076)
Unrecognized net actuarial (gain)/loss	(6,309)	(2)
	-----	-----
Net amount recognized	\$(177,968)	\$ (53,078)
	=====	=====

Benefit Plan Obligations

Amounts recognized for the benefit plan liabilities in the Consolidated Balance Sheet at December 31, 2003 are as follows:

(in thousands)	Pension Benefits	Other Postretirement Benefits
(Accrued) benefit costs	\$ (177,968)	\$(53,078)
	-----	-----
Net amount recognized	\$ (177,968)	\$(53,078)
	=====	=====

Weighted average actuarial assumptions used to determine benefit obligations at December 31, 2003:

(in thousands)	Pension Benefits	Other Postretirement Benefits
Discount rate	6.25%	6.25%
Rate of increase in compensation levels	3.25%	-

Information for pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2003:

(in thousands)	
Projected benefit obligation	\$ 454,715
Accumulated benefit obligation	378,485
Fair value of plan assets	283,056

Plan assets by category

Plan assets as a percentage of total plan assets at December 31, 2003 are as follows:

Asset Category

Equity securities	70%
Debt securities	30%

Total	100%
	===

Our investment policies are based on target asset allocations. We review our pension portfolio periodically and rebalance when significant differences occur from target. Target asset allocations are as follows:

Small-cap U.S. equities	12.5%
Mid-cap U.S. equities	12.5%
Large-cap U.S. equities	25.0%
International equities	15.0%
Fixed-income securities	35.0%

Total	100.0%
	=====

Contributions

We expect to contribute approximately \$20 million to our pension plans in 2004.

Pension and Other Postretirement Costs

The components of our net periodic pension cost and other postretirement costs from the date of acquisition through December 31, 2003, were as follows:

(in thousands)	Pension Costs	Other Postretirement Costs
Service cost	\$ 1,192	\$ 109
Interest cost	1,461	169
Expected return on plan assets	(1,266)	-
	-----	-----
Net periodic pension cost	\$ 1,387	\$ 278
	=====	=====
Weighted average assumptions for the period ended December 31:		
Discount rate	6.75%	6.25%
Rate of increase in compensation levels	3.25%	-
Expected rate of return on assets	8.50%	-
	=====	=====

We developed the expected long-term rate of return on assets assumption by considering the historical returns and the future expectations for returns of each asset class, as well as the target asset allocation of the pension portfolio. We believe our 2003 expected rate of return of 8.5 percent accurately represents our investment portfolio that has performed to this level over time. We have increased the rate of return to 8.75 percent as a result of the acquisition by Yellow Corporation and the combined asset portfolio of both entities in determining the 2004 pension expense.

Other Postretirement Benefit Plans

Assumed health care cost trend rates at December 31, 2003 are as follows:

Health care cost trend used in the current period	11.5%
Health care cost trend rate assumed for next year	10.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%
Year that the rate reaches the ultimate trend rate	2010
	====

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The policy of Roadway LLC regarding the management of health care costs passes the increase beyond a fixed threshold to the plan participants. As a result, a one percentage point increase in the assumed health care cost trend rate would have no effect on the accumulated postretirement benefit obligation or the service and the interest cost components. A one-percentage-point decrease in assumed health care cost trend rates would have the following effects:

(in thousands)

Effect on total of service and interest cost	\$ 618
Effect on postretirement benefit obligation	5,938
	=====

MULTI-EMPLOYER PLANS

Roadway Express and New Penn contribute to multi-employer health, welfare and pension plans for employees covered by collective bargaining agreements (approximately 75 percent of total employees). The largest of these plans, the Central States Southeast and Southwest Areas Pension Plan (the "Central States Plan") provides retirement benefits to approximately 54 percent of our total employees. The amounts of these contributions are determined by contract and established in the agreements. The health and welfare plans provide health care and disability benefits to active employees and retirees. The pension plans provide defined benefits to retired participants. We recognize as net pension cost the required contribution for the period and recognize as a liability any contributions due and unpaid. Roadway contributed and charged to expense the following amounts to these plans for the period from the date of acquisition through December 31, 2003:

(in thousands)

Health and welfare	\$ 8,851
Pension	10,478

Total	\$19,329
	=====

Under current legislation regarding multi-employer pension plans, a termination, withdrawal or partial withdrawal from any multi-employer plan in an under-funded status would render us liable for a proportionate share of such multi-employer plans' unfunded vested liabilities. This potential unfunded pension liability also applies to our unionized competitors who contribute to multi-employer plans. Based on the limited information available from plan administrators, which we cannot independently validate, we believe that our portion of the contingent liability in the case of a full withdrawal or termination would be material to our financial position and results of operations. Roadway Express and New Penn have no current intention of taking any action that would subject us to obligations under the legislation.

Roadway Express and New Penn each have collective bargaining agreements with their unions that stipulate the amount of contributions each company must make to union-sponsored, multi-employer pension plans. The Internal Revenue Code and related regulations establish minimum funding requirements for these plans. If any of these plans, including (without limitation) the Central States Plan, fail to meet these requirements and the trustees of these plans are unable to obtain waivers of the requirements from the Internal Revenue Service ("IRS") or reduce pension benefits to a level where the requirements are met, the IRS could impose an excise tax on all employers participating in these plans and require contributions in excess of our contractually agreed upon rates to correct the funding deficiency. If an

excise tax were imposed on the participating employers and additional contributions required, it could have a material adverse impact on the financial results of Roadway.

401(k) SAVINGS PLANS

Roadway and its operating subsidiaries each sponsor defined contribution plans, primarily for employees not covered by collective bargaining agreements. The plans principally consist of contributory 401(k) savings plans and noncontributory profit sharing plans. The 401(k) savings plans offered by Roadway Express provide a fixed matching percentage of 100 percent of the first four and a half percent of an eligible employee's contributions. We provide the entire matching component of the Roadway plans with Yellow Roadway common stock. Contributions for the period December 12 through December 31, 2003, were not material to our operations.

Our employees covered under collective bargaining agreements can also participate in a contributory 401(k) plan. We do not make employer contributions to the plan on their behalf.

DEBT AND FINANCING

Roadway has \$225.0 million face value of 8.25 percent senior notes due in full on December 1, 2008 ("senior notes due 2008"), with interest payments due semi-annually on June 1 and December 1. The senior notes due 2008 were revalued as part of purchase accounting and assigned a fair value of \$249.2 million on December 11, 2003. The premium over the face value of the senior notes due 2008 will be amortized as a reduction to interest expense over the remaining life of the notes. The unamortized premium at December 31, 2003 was \$23.9 million for a total amount of \$248.9 million. The senior notes due 2008 are secured by assets of certain Roadway LLC subsidiaries. In addition, certain Roadway LLC subsidiaries have pledged their stock to secure these notes. The carrying value of the debt approximates the fair value at December 31, 2003.

At December 31, 2003, Reimer had a \$10.0 million secured revolving line of credit available with no outstanding borrowings. In the first quarter of 2004, we closed the facility.

INCOME TAXES

Deferred income taxes are determined based upon the difference between the book and the tax basis of our assets and liabilities. Deferred taxes are recorded at the enacted tax rates expected to be in effect when these differences reverse. The deferred tax liabilities (assets) were not materially different at December 12, 2003 compared to the deferred tax liabilities (assets) comprised of the following at December 31, 2003:

(in thousands)

Depreciation	\$ 177,923
Employee benefits	28,653
Intangibles	181,072
Other	308

Gross tax liabilities	\$ 387,956

Claims and insurance	\$ (65,324)
Employee benefits	(113,191)
Other	(16,993)
Valuation allowance	5,128

Gross tax assets	\$(190,380)

Net tax liability	\$ 197,576
	=====

At December 31, 2003, the Company has approximately \$5.9 million of foreign net operating loss carry forwards, which have expiration dates ranging from 2009 to 2013. For financial reporting purposes, a valuation allowance of \$2.0 million has been recognized to offset the deferred tax asset relating to certain foreign net operating loss carry forwards. In addition, the Company recorded approximately \$7.9

million of deferred income tax assets for investment in certain joint ventures. For financial reporting purposes, a valuation allowance of \$3.1 million has been recognized to offset the deferred tax assets relating to investment in such joint ventures.

We have a tax sharing agreement with our parent that requires us to share in our parent's consolidated tax burden based on our respective share of taxable income or losses relative to our parent's other subsidiaries. In addition, we retain any respective tax credits related to our operations.

A reconciliation between income taxes at the federal statutory rate and the consolidated effective tax rate from our net loss for the period December 12 through December 31, 2003 is as follows:

Federal statutory rate	35.0%
State income taxes, net	4.3
Nondeductible business expenses	(2.0)
Foreign tax credit and rate differential	(1.2)
Other, net	0.6

Effective tax rate	36.7%
	====

The income tax benefit for the period December 12 through December 31, 2003 consisted of the following:

(in thousands)

Current:	
U.S federal	\$(1,608)
State	(444)
Foreign	16

Current income tax benefit	\$(2,036)

Deferred:	
U.S federal	\$ (362)
State	(34)
Foreign	(212)

Deferred income tax benefit	\$ (608)

Income tax benefit	\$(2,644)

Based on the loss before income taxes:	
Domestic	\$(6,372)
Foreign	(830)

Loss before income taxes	\$(7,202)
	=====

COMMITMENTS, CONTINGENCIES, AND UNCERTAINTIES

Roadway incurs rental expenses under noncancelable lease agreements for certain buildings and operating equipment. Rental expense is charged to operating expense and supplies on the Statement of Consolidated Operations. Actual rental expense, as reflected in our net loss, was \$2.9 million for the period December 12 through December 31, 2003.

We utilize certain terminals and equipment under operating leases. At December 31, 2003, we were committed under noncancelable lease agreements requiring minimum annual rentals payable as follows:

(in thousands)	2004	2005	2006	2007	2008	Thereafter

Minimum annual rentals	\$40,833	\$ 28,278	\$18,743	\$13,585	\$ 9,075	\$ 10,931

We expect in the ordinary course of business that leases will be renewed or replaced as they expire. Projected 2004 net capital expenditures are expected to be \$95 to \$105 million, of which \$12 million was committed at December 31, 2003.

We are involved in litigation or proceedings that arise in ordinary business activities. We insure against these risks to the extent deemed prudent by our management, but no assurance can be given that the nature and amount of such insurance will be sufficient to fully indemnify us against liabilities arising out of pending and future legal proceedings. Many of these insurance policies contain self-insured retentions in amounts we deem prudent. Based on our current assessment of information available as of the date of these financial statements, we believe that our financial statements include adequate provisions for estimated costs and losses that may be incurred with regard to the litigation and proceedings to which we are a party.

Tax Matters

Roadway Express is responsible for certain federal tax obligations under a tax sharing agreement with its former parent corporation. The former parent of Roadway Express, Caliber System, Inc. (which subsequently was acquired by FedEx Corporation, a wholly owned subsidiary of FedEx Corporation), is involved in tax litigation with the IRS for tax years 1994 and 1995, years prior to Caliber System, Inc.'s spin-off of Roadway. The IRS has proposed substantial adjustments for these tax years for multi-employer pension plan deductions. FedEx Corporation filed a petition challenging the IRS's position, and this matter is presently in litigation. We are unable to predict the ultimate outcome of this matter; however, the former parent of Roadway Express intends to vigorously contest these proposed adjustments.

Under tax sharing agreements entered into by Roadway Express and its former parent at the time of the spin-off, Roadway LLC, a wholly owned Subsidiary of Yellow Roadway Corporation and successor in interest to Roadway Corporation, is obligated to reimburse its former parent for any additional taxes and interest that related to Roadway Express business prior to the spin-off. The amount and timing of any payments is dependent on the ultimate resolutions of the former parent's disputes with the IRS and the determination of the nature and extent of the obligations under the tax sharing agreement. On January 16, 2003, Roadway Express made a \$14 million payment to its former parent under the tax sharing agreement for taxes and interest related to certain of the proposed adjustments for tax years 1994 and 1995.

We estimate the maximum remaining payments that may be due to the former parent of Roadway Express to be approximately \$19 million in additional taxes and \$5 million in related interest, net of tax benefit. We have established specific reserves with respect to these proposed adjustments. There can be no assurance, however, that the amount or timing of any liability of Roadway LLC to the former parent of Roadway Express will not have a material adverse effect on the financial position of Roadway LLC.

In addition, Roadway LLC, as successor in interest to Roadway Corporation, has a similar tax issue in each of its subsequent income tax returns and the IRS has made additional claims for taxes for tax years 1996 through 2000. The outcome of these proposed adjustments is dependent upon the outcome of the existing tax litigation. We estimate that the potential taxes and interest, net of tax effect, for all years subsequent to 1995 are approximately \$10 million and \$3 million, respectively.

Environmental Matters

Remediation costs are accrued based on estimates of known environmental remediation exposure using currently available facts, existing environmental permits and technology and presently enacted laws and regulations. Our estimates of costs are developed based on internal evaluations and, when necessary, recommendations from external environmental consultants. These accruals are recorded when it is probable that we will be obligated to pay amounts for environmental site evaluation, remediation or related costs, and the amounts can be reasonably estimated. If the obligation can only be estimated within a range, we accrue the minimum amount in the range. These accruals are recorded even if significant uncertainties exist over the ultimate cost of the remediation. Where we have been identified as a potentially responsible party in a United States federal "Superfund" site, we accrue our share of the estimated remediation costs of the site based on the ratio of the estimated volume of waste contributed to the site by us to the total volume of waste at the site.

BUSINESS SEGMENTS

Roadway reports financial and descriptive information about its reportable operating segments on a basis consistent with that used internally for evaluating segment performance and allocating resources to segments. We manage the segments separately because each requires different operating, marketing and technology strategies. We evaluate performance primarily on adjusted operating income and return on capital.

Roadway has two reportable segments, which are strategic business units that offer complementary transportation services to their customers. Roadway Express is a unionized carrier that provides comprehensive regional, national and international transportation services. New Penn is also a unionized carrier that focuses on business opportunities in the regional and next-day markets.

The accounting policies of the segments are the same as those described in the Summary of Accounting Policies note. We charge management fees and other corporate services to our segments based on the direct benefits received or as a percentage of revenue. Corporate identifiable assets primarily refer to cash, cash equivalents and an investment in joint venture.

Revenue from foreign sources totaled \$5.7 million for the period December 12 through December 31, 2003, and is largely derived from Canada and Mexico.

The following table summarizes our operations by business segment from December 12 through December 31, 2003 and identifiable assets as of December 31, 2003:

(in thousands)	Roadway Express	New Penn	Corporate / Eliminations	Consolidated
External revenue	\$ 131,248	\$ 9,770	\$ -	\$ 141,018
Operating loss	(6,075)	(221)	-	(6,296)
Identifiable assets	2,002,421	340,713	(4,643)	2,338,491
Capital expenditures, net	1,216	534	(5)	1,745
Depreciation and amortization	3,455	745	-	4,200

CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

GUARANTEES OF THE SENIOR NOTES DUE 2008

Roadway LLC, the primary obligor of the senior notes due 2008, and its following 100 percent owned subsidiaries issued guarantees in favor of the holders of the notes: Roadway Next Day Corporation, New Penn Motor Express, Inc., Roadway Express, Inc., Roadway Reverse Logistics, Inc. and Roadway Express International, Inc. In addition, per virtue of the merger agreement, Yellow Roadway Corporation issued a guarantee in favor of the holders of the notes. Each of the guarantees is full and unconditional and joint and several.

The summarized consolidating financial statements are presented in lieu of separate financial statements and other related disclosures of the subsidiary guarantors and issuer because management does not believe that such separate financial statements and related disclosures would be material to investors. There are currently no significant restrictions on the ability of Roadway LLC or any guarantor to obtain funds from its subsidiaries by dividend or loan.

The following represents summarized condensed consolidating financial information of Roadway LLC and its subsidiaries as of December 31, 2003 with respect to the financial position, and for the period from the date of acquisition through December 31, 2003 for results of operations and cash flow. The primary obligor column presents the financial information of Roadway LLC. The Guarantor Subsidiaries column presents the financial information of all guarantor subsidiaries of the senior notes due 2008 with the exception of Yellow Roadway, the holding company. The Non-Guarantor Subsidiaries column presents the financial information of all non-guarantor subsidiaries, including Roadway Funding, Inc., the special-purpose entity that managed our ABS agreement, and those subsidiaries that are governed by foreign laws.

Condensed Consolidating Balance Sheets

December 31, 2003 (in thousands)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	\$ -	\$ 43,530	\$ 6,349	\$ -	\$ 49,879
Intercompany advances receivable	38,042	56,003	103,582	(197,627)	-
Accounts receivable, net	-	325,783	17,448	-	343,231
Prepaid expenses and other	240	34,149	(1)	-	34,388
Total current assets	38,282	459,465	127,378	(197,627)	427,498
Property and equipment	-	811,672	13,075	-	824,747
Less - accumulated depreciation	-	(3,149)	(136)	-	(3,285)
Net property and equipment	-	808,523	12,939	-	821,462
Investment in subsidiary	592,413	29,115	-	(621,528)	-
Intercompany note receivable	650,000	-	-	(650,000)	-
Goodwill and other assets	20,778	1,034,203	34,550	-	1,089,531
Total assets	\$ 1,301,473	\$ 2,331,306	\$ 174,867	\$(1,469,155)	\$ 2,338,491
Accounts payable	\$ 1,372	\$ 110,159	\$ 7,170	\$ -	\$ 118,701
Advances payable to parent	-	127,273	126,421	(197,627)	56,067
Wages, vacations and employees' benefits	1,000	182,218	3,182	-	186,400
Other current and accrued liabilities	(31,463)	117,918	2,198	-	88,653
Total current liabilities	(29,091)	537,568	138,971	(197,627)	449,821
Intercompany debt	-	650,000	-	(650,000)	-
Long-term debt, less current portion	248,895	-	-	-	248,895
Deferred income taxes, net	(11,590)	218,498	6,781	-	213,689
Claims and other liabilities	1,494	332,827	-	-	334,321
Parent company investment	1,091,765	592,413	29,115	(621,528)	1,091,765
Total liabilities and parent company investment	\$ 1,301,473	\$ 2,331,306	\$ 174,867	\$(1,469,155)	\$ 2,338,491

Condensed Consolidating Statements of Operations

For the period December 12 to December 31, 2003 (in thousands)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	\$ -	\$ 135,325	\$ 5,715	\$ (22)	\$ 141,018
Operating expenses:					
Salaries, wages and employees' benefits	120	91,323	2,399	-	93,842
Operating expenses and supplies	(75)	21,154	1,243	(22)	22,300
Operating taxes and licenses	(45)	4,289	119	-	4,363
Claims and insurance	-	3,648	100	-	3,748
Depreciation and amortization	-	3,974	226	-	4,200
Purchased transportation	-	16,501	2,366	-	18,867
Gains on property disposals, net	-	(6)	-	-	(6)
Total operating expenses	-	140,883	6,453	(22)	147,314
Operating income (loss)	-	(5,558)	(738)	-	(6,296)
Nonoperating (income) expenses:					
Interest expense	688	2,870	27	(2,901)	684
Other, net	(2,897)	172	46	2,901	222
Nonoperating (income) expenses, net	(2,209)	3,042	73	-	906
Income (loss) before income taxes	2,209	(8,600)	(811)	-	(7,202)
Income tax provision (benefit)	776	(3,231)	(189)	-	(2,644)
Subsidiary earnings	(5,991)	(622)	-	6,613	-
Net income (loss)	\$ (4,558)	\$ (5,991)	\$ (622)	\$ 6,613	\$ (4,558)

Condensed Consolidating Statements of Cash Flows

For the period December 12 to December 31, 2003 (in thousands)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash from (used in) operating activities	\$ (23,817)	\$ 22,315	\$ (1,338)	\$ -	\$ (2,840)
Investing activities:					
Acquisition of property and equipment	-	(2,948)	-	-	(2,948)
Proceeds from disposal of property and equipment	-	1,038	165	-	1,203
Net cash from (used in) investing activities	-	(1,910)	165	-	(1,745)
Financing Activities:					
Advances from parent, net	-	(51,843)	-	-	(51,843)
Net cash provided by (used in) financing activities	-	(51,843)	-	-	(51,843)
Net increase (decrease) in cash and cash equivalents	(23,817)	(31,438)	(1,173)	-	(56,428)
Cash and cash equivalents, beginning of period	23,817	74,968	7,522	-	106,307
Cash and cash equivalents, end of year	\$ -	\$ 43,530	\$ 6,349	\$ -	\$ 49,879

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Roadway Express, Inc. and Subsidiaries

The Period January 1, 2003 to December 11, 2003 and the
Years ended December 31, 2002 and 2001
With Report of Independent Auditors

Report of Independent Auditors

To the Board of Directors and Shareholder of Roadway Express, Inc. and
Subsidiaries

We have audited the accompanying consolidated balance sheets of Roadway Express, Inc. and subsidiaries as of December 11, 2003 and December 31, 2002, and the related statements of consolidated operations, parent company investment, and cash flows for the period January 1, 2003 to December 11, 2003 and each of the two years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Roadway Express, Inc. and subsidiaries at December 11, 2003 and December 31, 2002, and the consolidated results of their operations and their cash flows for the period January 1, 2003 to December 11, 2003, and each of the two years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Akron, Ohio
January 22, 2004

Roadway Express, Inc. and Subsidiaries
Consolidated Balance Sheets

	DECEMBER 11, 2003	DECEMBER 31 2002
	-----	-----
	(IN THOUSANDS)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 60,276	\$ 82,016
Accounts receivable, (including retained interest in securitized receivables in 2002), net	326,845	212,834
Prepaid expenses and supplies	16,922	13,936
Deferred income taxes	16,322	17,726
	-----	-----
Total current assets	420,365	326,512
Carrier operating property, at cost	1,383,218	1,414,794
Less allowance for depreciation	975,550	996,224
	-----	-----
Net carrier operating property	407,668	418,570
Goodwill, net	17,599	14,816
Deferred income taxes	37,320	36,525
Other assets	8,440	7,141
	-----	-----
Total assets	\$ 891,392	\$ 803,564
	=====	=====
LIABILITIES AND PARENT COMPANY INVESTMENT		
Current liabilities:		
Accounts payable	\$ 317,142	\$ 190,457
Salaries and wages	130,084	141,242
Freight and casualty claims payable	54,570	45,606
	-----	-----
Total current liabilities	501,796	377,305
Long-term liabilities:		
Casualty claims and other	53,011	55,953
Long-term debt	500,000	-
Accrued pension and postretirement health care	147,745	133,072
	-----	-----
Total long-term liabilities	700,756	189,025
	-----	-----
Parent company investment	(311,160)	237,234
	-----	-----
Total liabilities and parent company investment	\$ 891,392	\$ 803,564
	=====	=====

See accompanying notes.

Roadway Express, Inc. and Subsidiaries
Statements of Consolidated Operations

	JANUARY 1 TO DECEMBER 11, 2003	YEAR ENDED DECEMBER 31 2002	DECEMBER 31 2001
	-----	-----	-----
		(IN THOUSANDS)	
Revenue	\$ 2,845,457	\$ 2,797,582	\$ 2,764,766
Operating expenses:			
Salaries, wages and benefits	1,801,170	1,783,872	1,768,744
Operating supplies and expenses	494,459	462,838	475,313
Purchased transportation	312,340	287,614	271,847
Operating taxes and licenses	70,786	70,451	70,955
Insurance and claims	57,032	59,286	46,804
Depreciation and amortization	59,993	66,510	69,178
Net (gain) loss on sale of carrier operating property	(2,533)	(654)	460
Compensation and other expense related to the Yellow transaction	50,392	-	-
	-----	-----	-----
Total operating expenses	2,843,639	2,729,917	2,703,301
	-----	-----	-----
Operating income	1,818	67,665	61,465
Other expense:			
Interest expense	(634)	(942)	(732)
Other, net	(1,652)	(2,957)	(3,267)
	-----	-----	-----
	(2,286)	(3,899)	(3,999)
	-----	-----	-----
(Loss) income before income taxes	(468)	63,766	57,466
Provision for income taxes	17,275	26,927	24,231
	-----	-----	-----
Net (loss) income	\$ (17,743)	\$ 36,839	\$ 33,235
	=====	=====	=====

See accompanying notes.

Roadway Express, Inc. and Subsidiaries
 Statements of Consolidated Parent Company Investment

	PARENT COMPANY INVESTMENT ----- (IN THOUSANDS)
Balance at January 1, 2001	\$ 339,871
Net income	33,235
Foreign currency translation adjustments	(2,424)
Derivative fair value adjustments	(592)

Total comprehensive income	30,219
Dividends declared	(1,937)
Net transfers to Parent	(167,235)

Balance at December 31, 2001	200,918
Net income	36,839
Foreign currency translation adjustments	(615)
Derivative fair value adjustments	266

Total comprehensive income	36,490
Non-cash transfers to parent	17,326
Cash transfers to Parent	(17,500)

Balance at December 31, 2002	237,234
Net loss	(17,743)
Foreign currency translation adjustments	7,047
Derivative fair value adjustments	262

Total comprehensive loss	(10,434)
Non-cash transfers to parent	(492,210)
Cash transfers to Parent	(45,750)

Balance at December 11, 2003	\$ (311,160) =====

See accompanying notes.

Roadway Express, Inc. and Subsidiaries
Statements of Consolidated Cash Flows

	JANUARY 1 TO DECEMBER 11, 2003	YEAR ENDED 2002	DECEMBER 31 2001
	-----	-----	-----
		(IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) income	\$ (17,743)	\$ 36,839	\$ 33,235
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	59,993	66,510	70,543
Loss (gain) on sale of carrier operating property	(2,533)	(654)	460
Changes in assets and liabilities:			
Accounts receivable	(114,011)	(28,406)	30,668
Other assets	7,760	(16,628)	4,058
Payables and accrued items	123,750	49,426	(28,328)
Long-term liabilities	11,730	6,343	5,193
	-----	-----	-----
Net cash provided by operating activities	68,946	113,430	115,829
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of carrier operating property	(54,916)	(66,132)	(69,116)
Proceeds from sale of carrier operating property	9,622	6,358	3,553
	-----	-----	-----
Net cash (used) in investing activities	(45,294)	(59,774)	(65,563)
CASH FLOWS FROM FINANCING ACTIVITIES			
Sale of accounts receivable	-	-	100,000
Dividends paid	-	-	(1,937)
Long-term borrowings	500,000	-	-
Transfer to Parent	(545,750)	(17,500)	(167,235)
	-----	-----	-----
Net cash (used) in financing activities	(45,750)	(17,500)	(69,172)
Effect of exchange rate changes on cash	358	(227)	54
	-----	-----	-----
Net (decrease) increase in cash and cash equivalents	(21,740)	35,929	(18,852)
Cash and cash equivalents at beginning of year	82,016	46,087	64,939
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 60,276	\$ 82,016	\$ 46,087
	=====	=====	=====

See accompanying notes.

Roadway Express, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 11, 2003

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Roadway Express, Inc. and subsidiaries (the Company) provides long haul, less-than-truckload (LTL) freight services in North America and offers services to more than 100 countries worldwide in a single business segment. Approximately 75% of the Company's employees are represented by various labor unions, primarily the International Brotherhood of Teamsters (IBT). The current agreement with the IBT expires on March 31, 2008.

Effective May 30, 2001, holders of common stock of Roadway Express, Inc. became holders of an identical number of shares of common stock of Roadway Corporation, and Roadway Express, Inc. became a wholly owned direct subsidiary of Roadway Corporation (the Reorganization). The Reorganization was effected by a merger pursuant to Section 251(g) of the Delaware General Corporation law, which provides for the formation of a holding company structure without a vote of the shareholders of the Company. The assets and liabilities of Roadway Corporation (the Parent or Roadway) and its subsidiaries were the same on a consolidated basis after the merger as the assets and liabilities of Roadway Express, Inc. immediately before the merger.

The accompanying consolidated financial statements are presented as if the Company had existed as an entity separate from the Parent during all periods presented and include the assets, liabilities, revenues and expenses that are directly related to the Company's operations.

On July 8, 2003, Roadway Corporation announced that a definitive agreement had been signed under which Yellow Corporation would acquire Roadway Corporation. On December 11, 2003, the transaction was completed for approximately \$1.1 billion, based on a fixed exchange ratio of 1.752 Yellow shares per Roadway share, in a half-cash, half-stock transaction.

PARENT COMPANY INVESTMENT AND ALLOCATIONS

Parent company investment represents the Parent's equity investment in Roadway Express Inc. and subsidiaries. The Company receives support for its operations from the Parent as deemed necessary. All transfers and allocations to and from the Parent have been reported in the parent company investment account.

2. ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts and operations of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

CASH EQUIVALENTS

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

DEPRECIATION

Depreciation of carrier operating property is computed by the straight-line method based on the useful lives of the assets. The useful life of structures ranges from 15 to 33 years, and equipment from 3 to 10 years. Major maintenance expenditures that extend the useful life of carrier operating equipment are capitalized and depreciated over 2 to 5 years.

FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings approximate their fair value due to the short-term nature of these instruments.

The Company recognizes all derivative financial instruments as either assets or liabilities at fair value in the balance sheet. The Company's use of derivative financial instruments is limited principally to interest rate swaps on certain trailer leases as part of its overall risk management policy. The interest rate swaps have been designated as cash flow hedges under Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities. Under the provisions of SFAS No. 133, changes in the fair value of interest rate swaps are recognized in other comprehensive income in the statement of shareholders' equity until such time as the hedged items are recognized in net income. The fair value of these financial instruments is a liability of \$64,000 net of tax at December 11, 2003.

2. ACCOUNTING POLICIES (CONTINUED)

RECEIVABLES SALES

Prior to December 11, 2003, the Company sold receivables in securitization transactions, and retained an equity interest in the receivables pool, servicing rights, and a cash reserve account. These constituted the retained interests in the securitized receivables. The estimated fair value was based on the present value of the expected cash flows, which approximated face value adjusted for allowances for anticipated losses. The Company terminated the agreement on December 11, 2003 (see Note 8).

CONCENTRATION OF CREDIT RISKS

The Company sells services and extends credit based on an evaluation of the customer's financial condition, without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses.

GOODWILL

Goodwill represents costs in excess of net assets of acquired businesses, which prior to January 1, 2002, was amortized using the straight-line method primarily over a period of 20 years.

In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires the purchase method for all business combinations initiated after June 30, 2001. SFAS No. 141 also clarifies the criteria for recognition of intangible assets separately from goodwill. Under SFAS No. 142, separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. SFAS No. 142 also eliminates the amortization of goodwill and indefinite-lived intangible assets for assets acquired after June 30, 2001, and all other goodwill on January 1, 2002.

As of December 11, 2003, the Company had net unamortized goodwill of \$17,599,000 related to its Canadian subsidiaries. Goodwill amortization was zero in 2003 and 2002, and \$967,000 in 2001. The Company completed the required annual goodwill impairment test under SFAS No. 142 for all reporting units effective June 21, 2003 which did not indicate any impairment.

2. ACCOUNTING POLICIES (CONTINUED)

CASUALTY CLAIMS PAYABLE

Casualty claims payable represent management's estimates of claims for property damage and public liability and workers' compensation. The Company manages casualty claims with assistance of a third party administrator (TPA) along with oversight by a major risk management provider. The Company is self-insured for these claims with retention generally limited to \$3,000,000. The liability balances are closely monitored by the Company and its TPAs using actual adjuster evaluations of each claim and a statistical benchmarking database for analysis of reserve accuracy. Expenses resulting from workers' compensation claims are included in salaries, wages, and benefits in the accompanying statements of consolidated income.

REVENUE RECOGNITION

Roadway recognizes revenue on the date that freight is delivered to the consignee at which time all services have been rendered. In addition, all related expenses are recognized as incurred. Roadway recognizes revenue on a gross basis since the Company is the primary obligor in the arrangement, even if the Company uses other transportation service providers who act on their behalf, because the Company is responsible to the customer for complete and proper shipment, including the risk of physical loss or damage of the goods and cargo claims issues. In addition, Roadway retains all credit risk.

FOREIGN CURRENCY TRANSLATION

Income statement items are translated at average currency exchange rates. Transaction gains and losses are included in determining net income. All balance sheet accounts of foreign operations are translated at the current exchange rate as of the end of the period. The resulting translation adjustment is recorded as a component of parent company investment.

2. ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES IN THE FINANCIAL STATEMENTS

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the period, the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

IMPAIRMENT OF LONG-LIVED ASSETS

In the event that facts and circumstances indicate that the carrying value of intangibles and long-lived assets or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation were required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if further impairment testing is required.

INCOME TAXES

The Company is included in a consolidated income tax filing group with Roadway for federal income tax purposes. The federal and state income tax provision and related obligation and deferred taxes included in the statements of consolidated income and consolidated balance sheets of the Company is calculated on a separate return basis as if the Company were a separate tax payer. The Company and its subsidiaries file tax returns and pay taxes due on a stand-alone basis in state and foreign jurisdictions where such filings are required.

Roadway Express, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

3. CARRIER OPERATING PROPERTY

Carrier operating properties consist of the following:

	DEC. 11, 2003	DEC. 31, 2002
	-----	-----
	(IN THOUSANDS)	
Land	\$ 96,739	\$ 92,734
Structures	426,676	420,245
Revenue equipment	600,744	654,320
Other operating property	259,059	247,495
	-----	-----
Carrier operating property, at cost	1,383,218	1,414,794
Less allowance for depreciation	975,550	996,224
	-----	-----
Net carrier operating property	\$ 407,668	\$ 418,570
	=====	=====

4. ACCOUNTS PAYABLE

Items classified as accounts payables consist of the following:

	DEC. 11, 2003	DEC. 31, 2002
	-----	-----
	(IN THOUSANDS)	
Trade and other payables	\$ 191,601	\$ 68,543
Drafts outstanding	41,378	18,456
Income taxes payable	19,285	45,962
Taxes, other than income	28,738	28,942
Multi-employer health, welfare, and pension plans	36,140	28,554
	-----	-----
Payables	\$ 317,142	\$ 190,457
	=====	=====

Roadway Express, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

5. INCOME TAXES

The provision (benefit) for income taxes consists of the following:

	JANUARY 1 TO DECEMBER 11	YEARS ENDED DECEMBER 31	
	2003	2002	2001
	(IN THOUSANDS)		
Current taxes:			
Federal	\$ 12,664	\$ 27,290	\$ 21,438
State	1,709	4,420	3,495
Foreign	4,666	4,776	(766)
	-----	-----	-----
	19,039	36,486	24,167
Deferred taxes:			
Federal	(1,526)	(8,504)	(1,221)
State	(322)	(990)	(79)
Foreign	84	(65)	1,364
	-----	-----	-----
	(1,764)	(9,559)	64
	-----	-----	-----
Provision for income taxes	\$ 17,275	\$ 26,927	\$ 24,231
	=====	=====	=====

In addition to the 2003 provision for income taxes of \$17,275,000, income tax benefits of \$6,002,000 were allocated directly to parent company investment related to the restricted stock awards from the Company's parent. Income tax payments amounted to \$21,678,000 for the period January 1 to December 11, 2003, \$5,443,000 in 2002, and \$24,039,000 in 2001.

Income (loss) before income taxes consists of the following:

	JANUARY 1 TO DECEMBER 11	YEARS ENDED DECEMBER 31	
	2003	2002	2001
	(IN THOUSANDS)		
Domestic	\$ (13,314)	\$ 52,008	\$ 55,034
Foreign	12,846	11,758	2,432
	-----	-----	-----
	\$ (468)	\$ 63,766	\$ 57,466
	=====	=====	=====

Roadway Express, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

5. INCOME TAXES (CONTINUED)

Significant components of the Company's deferred taxes are as follows:

	DEC. 11, 2003	DEC. 31, 2002
	-----	-----
	(IN THOUSANDS)	
Deferred tax assets:		
Freight and casualty claims	\$ 36,456	\$ 36,618
Retirement benefit liabilities	51,966	51,897
Accrued employee benefits	24,495	32,055
Other	8,274	10,058
Valuation allowance	(1,930)	(2,229)
	-----	-----
Total deferred tax assets	119,261	128,399
Deferred tax liabilities:		
Depreciation	37,057	40,729
Multi-employer pension plans	28,654	33,420
Other	(92)	-
	-----	-----
Total deferred tax liabilities	65,619	74,149
	-----	-----
Net deferred tax assets	\$ 53,642	\$ 54,250
	=====	=====

At December 11, 2003, the Company had approximately \$5,563,000 of foreign operating loss carryforwards, which have expiration dates ranging from 2009 to 2011. For financial reporting purposes, a valuation allowance of \$1,930,000 has been recognized to offset the deferred tax asset relating to certain foreign operating loss carry forwards.

Roadway Express, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

5. INCOME TAXES (CONTINUED)

The income tax resulting from the effective tax rate differs from the income tax calculated using the federal statutory rate as set forth in the following reconciliation:

	JANUARY 1 TO DECEMBER 11	YEARS ENDED DEC. 31	
	----- 2003 -----	----- 2002 -----	----- 2001 -----
Federal statutory tax	\$ (164)	\$ 22,318	\$ 20,113
State income taxes, net of federal tax benefit	902	2,229	2,220
Non-deductible operating costs	2,191	2,030	1,745
Excise taxes	2,997	-	-
Yellow transaction costs	4,269	-	-
Section 280G Limitations	5,123	-	-
Impact of foreign operations	(7)	325	193
Other, net	1,964	25	(40)
	-----	-----	-----
Effective tax	\$ 17,275	\$ 26,927	\$ 24,231
	=====	=====	=====

6. EMPLOYEE BENEFIT PLANS

MULTI-EMPLOYER PLANS

The Company charged to operations \$163,148,000 in 2003, \$161,696,000 in 2002, and \$164,358,000 in 2001 for contributions to multi-employer pension plans for employees subject to labor contracts. The Company also charged to operations \$186,704,000 in 2003, \$167,032,000 in 2002, and \$162,917,000 in 2001 for contributions to multi-employer plans that provide health and welfare benefits to employees and certain retirees who are or were subject to labor contracts. These amounts were determined in accordance with provisions of industry labor contracts. Under provisions of the Multi-employer Pension Plan Act of 1980, total or partial withdrawal from a plan would result in an obligation to fund a portion of the plan's unfunded vested liability. Management has no intention of changing operations so as to subject the Company to any material obligation.

Roadway Express, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

6. EMPLOYEE BENEFIT PLANS (CONTINUED)

RETIREMENT PLANS

The following tables set forth the change in benefit obligation, change in plan assets, funded status and amounts recognized in the consolidated balance sheets of the defined benefit pension and postretirement health care benefit plans as of December 11, 2003 and December 31, 2002:

	PENSION BENEFITS		HEALTH CARE BENEFITS	
	2003	2002	2003	2002
	(IN THOUSANDS)			
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	\$ 384,546	\$ 328,915	\$ 49,160	\$ 41,721
Service cost	17,581	17,467	1,752	1,741
Interest cost	23,572	24,056	2,983	3,156
Actuarial losses	56,995	32,262	1,351	5,024
Benefits paid	(27,405)	(18,154)	(2,312)	(2,482)
	-----	-----	-----	-----
Benefit obligation at end of year	455,289	384,546	52,934	49,160
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	241,324	308,229	-	-
Actual return on plan assets	53,990	(48,751)	-	-
Benefits paid	(14,713)	(18,154)	-	-
	-----	-----	-----	-----
Fair value of plan assets at end of year	280,601	241,324	-	-
FUNDED STATUS				
Plan assets less than projected benefit obligation	174,688	143,222	52,934	49,160
Unamortized:				
Net actuarial (loss) gain	(45,384)	(26,917)	(15,042)	(10,281)
Net asset at transition	7,053	8,372	-	-
Prior service (cost) benefit	(41,926)	(43,739)	15,422	13,255
	-----	-----	-----	-----
Accrued benefit cost	\$ 94,431	\$ 80,938	\$ 53,314	\$ 52,134
	=====	=====	=====	=====

Plan assets are primarily invested in listed stocks, bonds, and cash equivalents.

Roadway Express, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

6. EMPLOYEE BENEFIT PLANS (CONTINUED)

The following table summarizes the assumptions used and the related benefit cost information:

	PENSION BENEFITS			HEALTH CARE BENEFITS		
	2003	2002	2001	2003	2002	2001
(IN THOUSANDS)						
WEIGHTED-AVERAGE ASSUMPTIONS						
Discount rate	6.25%	6.75%	7.50%	6.25%	6.75%	7.50%
Future compensation	3.25%	3.25%	3.25%	-	-	-
Expected long-term return on plan assets	8.50%	9.50%	9.50%	-	-	-
COMPONENTS OF NET PERIODIC BENEFIT COST						
Service cost	\$ 17,582	\$ 17,467	\$ 17,492	\$ 1,752	\$ 1,741	\$ 1,665
Interest cost	23,572	24,056	22,558	2,983	3,156	2,881
Expected return on plan assets	(18,968)	(28,574)	(33,841)	-	-	-
Amortization of:						
Prior service cost (benefit)	5,191	5,249	5,230	(1,779)	(1,477)	(305)
Net asset gain at transition	(1,319)	(1,395)	(1,396)	-	-	-
Unrecognized gain	128	(3,940)	(8,893)	537	184	(177)
Net periodic benefit cost (income)	\$ 26,186	\$ 12,863	\$ 1,150	\$ 3,493	\$ 3,604	\$ 4,064
	=====	=====	=====	=====	=====	=====

For measurement purposes, the Company assumed a weighted-average annual rate of increase in the per capita cost of health care benefits (health care cost trend rate) of 10.5% for 2004 declining gradually to 5.0% in 2010 and thereafter.

6. EMPLOYEE BENEFIT PLANS (CONTINUED)

A decrease in the assumed health care cost trend rate has a significant effect on the amounts reported. For example, a one percentage point decrease in the assumed health care cost trend rate would decrease the accumulated postretirement benefit obligation by \$5,938,000 and the service and interest cost components by \$618,000 as of December 11, 2003. A one percentage point increase in the assumed health care cost trend rate would have no effect on the accumulated postretirement benefit obligation or the service and interest cost components. The Company's policy regarding the management of health care costs passes increases beyond a fixed threshold to the plan participants.

The Company charged to operations \$10,725,000 in 2003, \$10,250,000 in 2002 and \$10,788,000 in 2001 relating to its defined contribution 401(k) plan. This plan covers employees not subject to labor contracts. Annual contributions are related to the level of voluntary employee participation.

7. LEASES

The Company leases certain terminals and revenue equipment under noncancellable operating leases requiring minimum future rentals aggregating \$103,149,000 payable as follows: 2004 -- \$37,411,000; 2005 -- \$24,949,000; 2006 -- \$15,544,000; 2007 -- \$10,540,000; 2008 -- \$6,787,000; and thereafter \$7,918,000. Rental expense for operating leases was \$51,444,000, \$50,718,000, and \$45,445,000 in 2003, 2002, and 2001, respectively.

The Company has an interest rate swap agreement with a major commercial bank to fix the interest rate of its trailer leases from previous variable interest rates principally based on LIBOR. The value of the leases upon which the payments are based was not changed. The agreement, which expires in 2004, fixes the Company's interest costs at 5.62% on leases with a notional amount of \$5,912,000.

The fair value of the Company's interest rate swap at December 31, 2003 is a liability of approximately \$64,000, net of income taxes, and has been determined using proprietary financial models developed by the lending institutions which are counterparties to the swap arrangements. As a result of declining interest rates throughout 2003, the Company recognized incremental interest expense of approximately \$425,000, which is included in interest expense in the accompanying financial statements. The ineffective portions of the Company's interest rate swap agreements was not material.

Roadway Express, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

8. SALE OF ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	DECEMBER 11	DECEMBER 31
	2003	2002
	(IN THOUSANDS)	
Accounts receivable	\$ 332,041	\$ 3,259
Retained interest in securitized accounts receivable	-	217,617
Allowance for doubtful accounts	(5,196)	(8,042)
	\$ 326,845	\$ 212,834

On November 21, 2001, the Company entered into an accounts receivable securitization agreement, which matures in 2004, to finance up to \$200,000,000 (total commitment) of its domestic accounts receivable. Under this arrangement, undivided interests in the Company's domestic accounts receivable are sold through a special purpose entity (SPE), a wholly owned subsidiary of the Company, without recourse, to a financial conduit. The proceeds constituted a portion of the funds used by the Parent for acquisition purposes, and are reported under the caption Transfer to Parent in the financing section of the statements of consolidated cash flow.

The accounts receivable are sold at a discount from the face amount to pay investor yield (LIBOR) on the undivided interests sold to the conduit, for utilization fees (0.25% of the undivided interest sold), and for program fees (0.50% of the total commitment). The discount from the face amount for accounts receivable sold in 2003 and 2002 aggregated \$5,156,000 and \$6,384,000, respectively and was directly offset by a gain on allowance for accounts receivable discounts upon the consolidation of the SPE. The financing expense recognized in conjunction with the sale of accounts receivable was \$2,372,000 in 2003 and \$3,088,000 in 2002.

The arrangement provides that the Company's new accounts receivable are immediately sold to the SPE. The Company, through its SPE, retains the risk of credit loss on the receivables and, accordingly, the full amount of the allowance for doubtful accounts has been retained on the Consolidated Balance Sheet. The conduit has collection rights to recover payments from the receivables in the designated pool and the Company retains collection and administrative responsibilities for the undivided interests in the pool.

This agreement was terminated on December 11, 2003 immediately prior to Yellow's acquisition of the company. Yellow satisfied our liability to the financial conduit, and we have recorded the resultant obligation to Yellow as a current liability.

8. SALE OF ACCOUNTS RECEIVABLE (CONTINUED)

The following transactions occurred between Roadway Express and the SPE: in the years 2003 and 2002, respectively: proceeds from the accounts receivable sales, \$2,727,878,000 and \$2,650,810,000, servicing fees received, \$1,863,000 and \$1,529,000, payments received on investment in accounts receivable, \$2,720,975,000 and \$2,589,576,000.

9. FINANCING ARRANGEMENTS

The Company's Canadian subsidiary has \$10,000,000 available for borrowing under a secured revolving line of credit and bankers' acceptances. Borrowings are payable upon demand and bear interest at either the bank's prime lending rate, U.S. dollar base rate in Canada, or LIBOR plus 1.50% for periods up to 180 days. At December 11, 2003, no amounts were outstanding on this facility.

At December 31, 2002, the Parent had in place a senior revolving credit facility with a sublimit for letters of credit that expires November 30, 2006. The credit facility was terminated effective December 11, 2003 upon consummation of the Yellow transaction. The original amount of the senior revolving credit facility was \$150,000,000 with a \$100,000,000 sublimit for letters of credit, which was amended on August 6, 2002. The result of the amendment increased the senior revolving credit facility to \$215,000,000 and increased the sublimit for letters of credit to \$165,000,000. As of December 31, 2002, there were no amounts outstanding under the revolving credit facility, but availability had been reduced by \$112,162,000 as a result of the issuance of letters of credit, primarily related to casualty claims.

In addition, the Parent also paid in full the five-year senior term loan prior to the acquisition by Yellow. The Parent also issued \$225,000,000 of 8.25% senior notes due December 1, 2008.

10. CONTINGENCIES

The Company has received notices from the Environmental Protection Agency (EPA) that it has been identified as a potentially responsible party (PRP) under the Comprehensive Environmental Response Compensation and Liability Act (Superfund) at certain hazardous waste sites. Such designations are made regardless of the Company's limited involvement at each site. The claims for remediation have been asserted against numerous other entities which are believed to be financially solvent and are expected to fulfill their proportionate share. The Company accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Based on its investigations, the Company believes that its obligation with regard to these sites is not significant, although there can be no assurances in this regard.

The Company's former parent, Caliber System, Inc., formerly known as Roadway Services, Inc (which was subsequently acquired by FDX Corporation, a wholly owned subsidiary of FedEx Corporation), is currently under examination by the Internal Revenue Service for tax years 1994 and 1995 (years prior to the spin-off of the Company). The IRS has proposed substantial adjustments for these tax years for multi-employer pension plan deductions. The IRS is challenging the timing, not the validity of these deductions. The Company is unable to predict the ultimate outcome of this matter; however, its former parent intends to vigorously contest these proposed adjustments.

Under a tax sharing agreement entered into by the Company and its former parent at the time of the spin-off, the Company is obligated to reimburse the former parent for any additional taxes and interest that relate to the Company's business prior to the spin-off. The amount and timing of such payments is dependent on the ultimate resolution of the former parent's disputes with the IRS and the determination of the nature and extent of the obligations under the tax sharing agreement. On January 16, 2003, the Company made a \$14,000,000 payment to its former parent under the tax sharing agreement for taxes and interest related to certain of the proposed adjustments for tax years 1994 and 1995.

We estimate the range of the remaining payments that may be due to the former parent to be approximately \$0 to \$16,000,000 in additional taxes and \$0 to \$11,000,000 in related interest, net of tax benefit. The Company has established certain reserves with respect to these proposed adjustments. There can be no assurance, however, that the amount or timing of any liability of the Company to the former parent will not have a material adverse effect on the Company's results of operations and financial position.

Various other legal proceedings arising from the normal conduct of business are pending but, in the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the financial condition or operations of the Company.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Roadway Express, Inc. and Subsidiaries
A wholly owned subsidiary of Roadway LLC

The period December 12, 2003 to December 31, 2003;
with Report of Independent Auditors

Report of Independent Auditors

To the Board of Directors of Yellow Roadway Corporation:

We have audited the accompanying consolidated balance sheet of Roadway Express, Inc. and Subsidiaries as of December 31, 2003, and the related consolidated statements of operations, cash flows, parent company investment, and comprehensive income for the period December 12, 2003 through December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Roadway Express, Inc. and Subsidiaries as of December 31, 2003, and the results of their operations and their cash flows for the period December 12 through December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP
- - - - -

Kansas City, Missouri
February 20, 2004

CONSOLIDATED BALANCE SHEET
Roadway Express, Inc. and Subsidiaries
A wholly owned subsidiary of Roadway LLC
As of December 31, 2003

(in thousands)

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 24,552
Accounts receivable, less allowance of \$4,793	349,016
Fuel and operating supplies	3,785
Deferred income taxes, net	12,199
Prepaid expenses	11,333

Total current assets	400,885

PROPERTY AND EQUIPMENT	
Land	239,344
Structures	344,330
Revenue equipment	97,273
Technology equipment and software	20,572
Other	48,745

	750,264
Less - accumulated depreciation	(2,763)

Net property and equipment	747,501

Goodwill	474,513
Intangibles	371,081
Other assets	8,441

Total assets	\$ 2,002,421

LIABILITIES AND PARENT COMPANY INVESTMENT	
CURRENT LIABILITIES	
Checks outstanding in excess of bank balances	\$ 30,992
Accounts payable	77,433
Advances payable to parent and affiliates	115,202
Wages, vacations and employees' benefits	173,298
Claims and insurance accruals	49,090
Other current and accrued liabilities	61,476

Total current liabilities	507,491

OTHER LIABILITIES	
Note payable to affiliate	500,000
Deferred income taxes, net	186,280
Claims and other liabilities	318,958
Commitments and contingencies	
PARENT COMPANY INVESTMENT	
Capital surplus	496,044
Retained earnings	(5,454)
Accumulated other comprehensive loss	(898)

Total parent company investment	489,692

Total liabilities and parent company investment	\$ 2,002,421
	=====

The notes to consolidated financial statements are an integral part of these statements.

STATEMENT OF CONSOLIDATED OPERATIONS
Roadway Express, Inc. and Subsidiaries
A wholly owned subsidiary of Roadway LLC
For the period December 12 to December 31, 2003

(in thousands)

OPERATING REVENUE	\$ 131,249

OPERATING EXPENSES:	
Salaries, wages and employees' benefits	86,192
Operating expenses and supplies	21,315
Operating taxes and licenses	4,068
Claims and insurance	3,573
Depreciation and amortization	3,454
Purchased transportation	18,730
Gains on property disposals, net	(8)

Total operating expenses	137,324

Operating loss	(6,075)

NONOPERATING (INCOME) EXPENSES:	
Related party interest expense	2,188
Interest income	(16)
Other	187

Nonoperating expenses, net	2,359

LOSS BEFORE INCOME TAXES	(8,434)
INCOME TAX BENEFIT	(2,980)

NET LOSS	\$ (5,454)
=====	

The notes to consolidated financial statements are an integral part of these statements.

STATEMENT OF CONSOLIDATED CASH FLOWS
Roadway Express, Inc. and Subsidiaries
A wholly owned subsidiary of Roadway LLC
For the period December 12 to December 31, 2003

(in thousands)

OPERATING ACTIVITIES:	
Net loss	\$ (5,454)
Noncash items included in net loss:	
Depreciation and amortization	3,454
Gain on property disposals, net	(8)
Changes in assets and liabilities, net:	
Accounts receivable	19,467
Accounts payable	(11,371)
Other working capital items	(14,939)
Claims and other	(1,910)
Other	(804)

Net cash used in operating activities	(11,565)

INVESTING ACTIVITIES:	
Acquisition of property and equipment	(2,399)
Proceeds from disposal of property and equipment	1,183

Net cash used in investing activities	(1,216)

FINANCING ACTIVITIES:	
Advances payable to parent, net	(22,943)

Net cash used in financing activities	(22,943)

NET DECREASE IN CASH AND CASH EQUIVALENTS	(35,724)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	60,276

CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 24,552

SUPPLEMENTAL CASH FLOW INFORMATION:	
Income taxes received, net	\$ (28)
Interest paid	-
	=====

The notes to consolidated financial statements are an integral part of these statements.

STATEMENT OF PARENT COMPANY INVESTMENT
 Roadway Express, Inc. and Subsidiaries
 A wholly owned subsidiary of Roadway LLC
 For the period December 12 to December 31, 2003

(in thousands)

Balance at December 12, 2003 (allocated purchase price)	\$ 496,044
Net loss	(5,454)
Change in foreign currency translation adjustment	(898)

Balance at December 31, 2003	\$ 489,692
	=====

The notes to consolidated financial statements are an integral part of these statements.

STATEMENT OF COMPREHENSIVE INCOME
 Roadway Express, Inc. and Subsidiaries
 A wholly owned subsidiary of Roadway LLC
 For the period December 12 to December 31, 2003

(in thousands)

Net loss	\$ (5,454)
Changes in foreign currency translation adjustment	(898)

Comprehensive loss	\$ (6,352)
	=====

The notes to consolidated financial statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Roadway Express, Inc. and Subsidiaries
A wholly owned subsidiary of Roadway LLC

DESCRIPTION OF BUSINESS

Roadway Express, Inc. and subsidiaries (also referred to as "Roadway Express" "the Company," "we" or "our"), a wholly owned subsidiary of Roadway LLC, which is wholly owned by Yellow Roadway Corporation ("Yellow Roadway"), is a leading transportation services provider that offers a full range of regional, national and international services for the movement of industrial, commercial and retail goods, primarily through decentralized management and customer facing organizations. Approximately 30 percent of Roadway Express shipments are completed in two days or less. Roadway Express owns 100 percent of Reimer Express Lines Ltd. located in Canada that specializes in shipments into, across and out of Canada. Roadway Express has no reportable operating segments as management evaluates operating performance and allocates resources based on Roadway Express consolidated results.

On December 11, 2003, Yellow Corporation completed the acquisition of Roadway Corporation. The combined company was renamed Yellow Roadway Corporation. Roadway Corporation was merged with and into Roadway LLC, a newly formed limited liability company and a wholly owned subsidiary of Yellow Roadway. Consideration for the acquisition included \$494 million in cash and 18.0 million shares of Yellow Roadway common stock. Roadway LLC principal subsidiaries include Roadway Express and Roadway Next Day Corporation.

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations ("Statement No. 141"), the acquisition was accounted for under purchase accounting. As a result, our Statements of Consolidated Operations and Statements of Consolidated Cash Flows include our results from the date of acquisition through December 31, 2003. Our Consolidated Balance Sheet as of December 31, 2003 includes our tangible and intangible assets and liabilities after valuing them at their fair values. In addition, Roadway Express adopted the significant accounting policies of Yellow Roadway Corporation and utilized independent third party appraisers to revalue significant assets and liabilities to fair market value, therefore these financial statements are not comparable to prior periods.

PRINCIPLES OF CONSOLIDATION AND SUMMARY OF ACCOUNTING POLICIES

The accompanying consolidated financial statements include the accounts of Roadway Express, Inc. and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Management makes estimates and assumptions that affect the amounts reported in the financial statements and notes. Actual results could differ from those estimates.

Accounting policies refer to specific accounting principles and the methods of applying those principles to fairly present our financial position and results of operations in accordance with generally accepted accounting principles. The policies discussed below include those that management has determined to be the most appropriate in preparing our financial statements and are not discussed in a separate note.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposits and highly liquid investments purchased with maturities of three months or less.

CONCENTRATION OF CREDIT RISKS

We sell services and extend credit based on an evaluation of the customer's financial condition, without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. We monitor our exposure for credit losses and maintain allowances for anticipated losses.

REVENUE RECOGNITION

For shipments in transit, Roadway Express records revenue based on the percentage of service completed as of the period end and accrues delivery costs as incurred. In addition, Roadway Express recognizes revenue on a gross basis since the Company is the primary obligor even when the Company uses other transportation service providers who act on their behalf, because the Company is responsible to the customer for complete and proper shipment, including the risk of physical loss or damage of the goods and cargo claims issues. In addition, Roadway Express retains all credit risk. Management believes these policies most accurately reflect revenue as earned.

FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings approximates their fair value due to the short-term nature of these instruments.

CLAIMS AND INSURANCE ACCRUALS

Claims and insurance accruals, both current and long-term, reflect the estimated cost of claims for workers' compensation, cargo loss and damage, property damage and liability that insurance does not cover. We include these costs in claims and insurance expense except for workers' compensation, which is included in salaries, wages, and employees' benefits.

We base reserves for workers' compensation and property damage and liability claims primarily upon actuarial analyses prepared by independent actuaries. These reserves are discounted to present value using a risk-free rate at the date of occurrence. The risk-free rate is the United States (U.S.) Treasury rate for maturities that match the expected payout of such claims. The process of determining reserve requirements utilizes historical trends and involves an evaluation of accident frequency and severity, claims management, changes in health care costs, and certain future administrative costs. The effect of future inflation for costs is implicitly considered in the actuarial analyses. Adjustments to previously established reserves are included in operating results. At December 31, 2003, estimated future payments related to these claims aggregated \$175.5 million. The present value of these estimated future payments was \$157.6 million at December 31, 2003.

PROPERTY AND EQUIPMENT

Roadway Express carries property and equipment at cost less accumulated depreciation. The values assigned to property and equipment at the date of the acquisition were principally determined by independent, third party appraisers. We compute depreciation using the straight-line method based on the following service lives:

	Years -----
Structures	10 - 40
Revenue equipment	5 - 14
Technology equipment and software	3 - 5
Other	3 - 10
	=====

We charge maintenance and repairs to expense as incurred, and capitalize replacements and improvements when these costs extend the useful life of the asset.

Our investment in technology equipment and software consists primarily of advanced customer service and freight management equipment and related software. We capitalize certain costs associated with developing or obtaining internal-use software. Capitalizable costs include external direct costs of materials and services utilized in developing or obtaining the software, payroll, and payroll-related costs for employees directly associated with the project. For the period ended December 31, 2003, the amount capitalized was immaterial to our financial statements.

For the period December 12 through December 31, 2003, depreciation expense was \$3.0 million.

IMPAIRMENT OF LONG-LIVED ASSETS

If facts and circumstances indicate that the carrying value of identifiable amortizable intangibles and property, plant and equipment may be impaired, we would perform an evaluation of recoverability in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. If an evaluation were required, we would compare the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down is required.

ACQUISITION

In accordance with Statement No. 141, Yellow Roadway allocates the purchase price of its acquisitions to the tangible and intangible assets and liabilities of the acquired entity based on their fair values. Yellow Roadway records the excess purchase price over the fair values as goodwill. The fair value assigned to intangible assets acquired is based on valuations prepared by independent third party appraisal firms using estimates and assumptions provided by management. In accordance with SFAS No. 142, Goodwill and Other Intangible Assets ("Statement No. 142"), goodwill and intangible assets with indefinite useful lives are not amortized but are reviewed at least annually for impairment. An impairment loss would be recognized to the extent that the carrying amount exceeds the assets' fair value. Intangible assets with estimatable useful lives are amortized on a straight-line basis over their respective useful lives.

ROADWAY CORPORATION

On December 11, 2003, Yellow Corporation completed the acquisition of Roadway Corporation and all of its outstanding stock in approximately a half cash, half stock transaction. As part of the transaction, Yellow Corporation changed its name to Yellow Roadway Corporation. In addition, Roadway Corporation became Roadway LLC ("Roadway") and a wholly owned subsidiary of Yellow Roadway. Principal operating subsidiaries of Roadway include Roadway Express and New Penn. Roadway Express is a leading transporter of industrial, commercial and retail goods in the two- to five-day regional and long-haul markets. New Penn is a next-day, ground, less-than-truckload, carrier of general commodities. The acquisition now provides Yellow Roadway with the increased scale, strong financial base

and market reach that are necessary to increase shareholder value and enhance customer service. It also has the potential to accelerate the Yellow Roadway strategy of offering a broader range of services for business-to-business transportation decision makers.

Consideration for the acquisition included \$494 million in cash and 18.0 million shares of Yellow Roadway common stock, based on an exchange ratio of 1.752 and an average price per share of \$31.51, for a total purchase price of \$1.1 billion. The purchase price also included approximately \$19 million for investment banking, legal and accounting fees that Yellow Roadway incurred to consummate the acquisition, resulting in total cash consideration of \$513 million. In addition, by virtue of the merger, Roadway LLC assumed \$225.0 million of principal senior notes with a fair value of \$248.9 million. The cash portion of the purchase price was funded primarily through a term loan of \$175 million under a new credit facility, a private placement of \$250 million of 5.0 percent contingent convertible senior notes due 2023 and a private placement of \$150 million of 3.375 percent contingent convertible senior notes due 2023. The 18.0 million common shares Yellow Roadway issued were valued based on the simple average of the daily opening and closing trade prices for the period December 9 through December 15, 2003, which represents two days prior and after the date the price was fixed under the terms of the merger agreement.

Prior to the acquisition, Roadway had agreements in place with key management personnel that would require Roadway to pay specific amounts to those individuals upon a change in control of the entity. On December 11, 2003, in conjunction with the closing of the transaction, Roadway paid \$15.9 million to the individuals covered by the agreement that would not be joining the new Yellow Roadway organization. This amount was expensed in the pre-acquisition financial statements of Roadway Corporation. The remaining amount covered under the agreement of \$10.6 million was placed in a trust account for possible payment to the three individuals that remain Roadway employees. If any of these individuals are terminated within two years and the applicable conditions of their respective agreements are met, they would receive the agreed to payments, and Roadway LLC would recognize an expense for those payments at the time of the triggering event. If termination does not occur within two years, the funds will be released from restriction and reclassified from a long-term asset to cash on the Roadway LLC Consolidated Balance Sheet.

Based on an independent valuation prepared using estimates and assumptions provided by management, Yellow Roadway allocated approximately \$496.0 million of the total purchase price of approximately \$1.1 billion to Roadway Express as follows:

(in thousands)

Cash and cash equivalents	\$ 60,276
Accounts receivable	343,485
Other current assets	29,181
Property, plant and equipment	749,477
Other long-term assets	8,440
Intangible assets	371,800
Goodwill	474,738
Accounts payable and other current liabilities	(533,347)
Note payable to affiliate	(500,000)
Deferred income taxes, net	(187,137)
Other long-term liabilities	(320,869)

Total purchase price	\$ 496,044
	=====

As the Roadway acquisition occurred in December 2003, the allocation of the purchase price included in the December 31, 2003 Consolidated Balance Sheet is preliminary and subject to refinement. Although Yellow Roadway does not expect any subsequent changes to have a material impact on its results of operations or amounts allocated to goodwill, such changes could result in material adjustments to the preliminary purchase allocation. The most significant pending items include the following: finalization of independent asset valuation for the Roadway tangible and intangible assets including associated remaining lives; completion of all direct costs associated with the

acquisition; updating Roadway personnel information used to calculate the pension benefit obligation; determination of the fair value of tax-related contingencies; calculation of an estimate for certain contractual obligations; and numerous other refinements. Yellow Roadway expects substantially all of the above refinements will be completed by the end of second quarter 2004.

Intangible Assets

Of the \$371.8 million allocated to intangibles assets, \$307.9 million was assigned to the Roadway trade name and is not subject to amortization. Of the remaining value, \$48.9 million and \$15.0 million were assigned to customer relationships and software related assets, respectively. Yellow Roadway assigned the customer relationships and software assets a weighted average life of 19 years and 3 years, respectively.

Goodwill

In considering the acquisition of Roadway, Yellow Corporation based its proposed purchase price on the increased value that the combined Yellow Roadway organization could provide to its investors, customers and employees. This value can be attributed to its increased scale and ability to compete in a highly competitive domestic and global transportation marketplace, the reputation and recognition of the distinct brands, and the service capabilities and technologies of both companies. Yellow Roadway recorded \$597.1 million in goodwill as part of the acquisition, allocating \$474.8 million to Roadway Express and \$122.3 million to New Penn. Of the total goodwill recorded, the amount that may be deductible for tax purposes is not material to the results of operations of Yellow Roadway.

GOODWILL AND INTANGIBLES

Goodwill is recognized for the excess of the purchase price over the fair value of tangible and identifiable intangible net assets of businesses acquired. In accordance with Statement No. 142, we do not amortize goodwill and review goodwill at least annually for impairment based on a fair value approach.

The following table shows the amount of goodwill and changes therein:

(in thousands)	December 12, 2002	Foreign Equity Translation Adjustment	December 31, 2003
Goodwill	\$ 474,738 =====	\$ (225) =====	\$ 474,513 =====

The components of amortizable intangible assets at December 31, 2003, are as follows:

(in thousands)	Weighted Average Life (years)	Gross Carrying Amount	Accumulated Amortization
Customer related	19	\$ 48,900	\$ 164
Technology based	3	15,000	256
Intangible assets		\$ 63,900 =====	\$ 420 =====

Total marketing related intangible assets with indefinite lives were \$307.6 million for the period ended December 31, 2003.

Amortization expense for intangible assets, as reflected in our net loss, was \$420 thousand for the period December 12 through December 31, 2003. Estimated amortization expense for the next five years is as follows:

(in thousands)	2004	2005	2006	2007	2008
Estimated amortization expense	\$ 7,574 =====	\$ 7,574 =====	\$ 7,318 =====	\$ 2,574 =====	\$ 2,574 =====

EMPLOYEE BENEFITS

PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Qualified and Nonqualified Defined Benefit Pension Plans

Roadway Express sponsors qualified and nonqualified defined benefit pension plans for most employees not covered by collective bargaining agreements (approximately 6,000 employees). Qualified and nonqualified pension benefits are based on years of service and the employees' covered earnings. Employees covered by collective bargaining agreements participate in various multi-employer pension plans to which Roadway Express contributes, as discussed later in this section. Additionally, beginning January 1, 2004, all new nonunion employees will participate in a new defined contribution retirement plan. The existing Roadway Express defined benefit pension plan will be closed to new participants.

Our funding policy is to target contributions at the minimum required tax-deductible contribution for the year while taking into consideration each plan's funded status, any variable Pension Benefit Guarantee Corporation premiums and the outlooks for required funding. Our actuarial valuation measurement date for our principal pension plans and post retirement benefits plan is December 31.

Other Postretirement Benefit Plan

Roadway Express sponsors a postretirement healthcare benefit plan that covers non-union employees of Roadway Express hired before February 1, 1997. Health care benefits under this plan end when the participant attains age 65.

Definitions

We have defined the following terms to provide a better understanding of our pension and other postretirement benefits:

Projected benefit obligation: The projected benefit obligation is the present value of future benefits to employees attributed to service as of the measurement date, including assumed salary increases.

Plan assets: Represents the assets currently invested in the plans. Assets used in calculating the funded status are measured at the current market value at December 31.

Funded status: The funded status represents the difference between the projected benefit obligation and the market value of the assets.

Net amount recognized: The net amount recognized represents the amount accrued by Roadway Express for pension costs.

Unfunded accumulated benefit obligation: The accumulated benefit obligation is the present value of future benefits attributed to service as of the measurement date, assuming no future salary growth. The unfunded accumulated benefit obligation represents the difference between the accumulated benefit obligation and the fair market value of the assets.

Accumulated postretirement benefit obligation: The accumulated postretirement benefit obligation is the present value of other postretirement benefits to employees attributed to service as of the measurement date.

Funded Status

The following table sets forth the plans' funded status for the period December 12 through December 31, 2003:

(in thousands)	Pension Benefits	Other Postretirement Benefits
CHANGE IN BENEFIT OBLIGATION:		
Benefit obligation at December 12, 2003	\$ 455,289	\$ 52,934
Service cost	1,190	109
Interest cost	1,454	169
Benefits paid	(5,119)	(136)
	-----	-----
Benefit obligation at December 31, 2003	\$ 452,814	\$ 53,076
	=====	=====
CHANGE IN PLAN ASSETS:		
Fair value of plan assets at December 12, 2003	\$ 280,601	\$ -
Actual return on plan assets	7,574	-
Employer contributions	-	134
Benefits paid	(5,119)	(134)
	-----	-----
Fair value of plan assets at December 31, 2003	\$ 283,056	\$ -
	=====	=====
FUNDED STATUS:		
Funded status	\$ (169,757)	\$ (53,076)
Unrecognized net actuarial gain	(6,309)	(2)
	-----	-----
Net amount recognized	\$ (176,066)	\$ (53,078)
	=====	=====

Benefit Plan Obligations

Amounts recognized for the benefit plan liabilities in the Consolidated Balance Sheet at December 31, 2003 are as follows:

(in thousands)	Pension Benefits	Other Postretirement Benefits
(Accrued) benefit costs	\$ (176,066)	\$(53,078)
	-----	-----
Net amount recognized	\$ (176,066)	\$(53,078)
	=====	=====

Weighted average actuarial assumptions used to determine benefit obligations at December 31, 2003:

(in thousands)	Pension Benefits	Other Postretirement Benefits
Discount rate	6.25%	6.25%
Rate of increase in compensation levels	3.25%	-
	====	====

Information for pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2003:

(in thousands)	
Projected benefit obligation	\$ 452,814
Accumulated benefit obligation	376,584
Fair value of plan assets	283,056
	=====

Plan assets by category

Plan assets as a percentage of total plan assets at December 31, 2003 are as follows:

Asset Category

Equity securities	70%
Debt securities	30%

Total	100%
	===

Our investment policies are based on target asset allocations. We review our pension portfolio periodically and rebalance when significant differences occur from target. Target asset allocations are as follows:

Small-cap U.S. equities	12.5%
Mid-cap U.S. equities	12.5%
Large-cap U.S. equities	25.0%
International equities	15.0%
Fixed-income securities	35.0%

Total	100.0%
	=====

Contributions

We expect to contribute approximately \$20 million to our pension plans in 2004.

Pension and Other Postretirement Costs

The components of our net periodic pension and other postretirement costs from the date of acquisition through December 31, 2003 were as follows:

(in thousands)	Pension Costs	Other Postretirement Costs
Service cost	\$ 1,190	\$ 109
Interest cost	1,454	169
Expected return on plan assets	(1,266)	-
	-----	-----
Net periodic pension cost	\$ 1,378	\$ 278
	=====	=====
Weighted average assumptions for the period ended December 31:		
Discount rate	6.75%	6.25%
Rate of increase in compensation levels	3.25%	-
Expected rate of return on assets	8.50%	-
	=====	=====

We developed the expected long-term rate of return on assets assumption by considering the historical returns and the future expectations for returns of each asset class, as well as the target asset allocation of the pension portfolio. We believe our 2003 expected rate of return of 8.5 percent accurately represents our investment portfolio that has performed to this level over time. In accordance with our policy on establishing the long-term rate of return, we have increased the rate of return to 8.75 percent as a result of the acquisition by Yellow Corporation and the combined portfolio of both entities in determining the 2004 pension expense.

Other Postretirement Benefit Plans

Assumed health care cost trend rates at December 31, 2003 are as follows:

Health care cost trend used in the current period	11.5%
Health care cost trend rate assumed for next year	10.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%
Year that the rate reaches the ultimate trend rate	2010
	=====

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The policy of Roadway Express regarding the management of health care costs passes the increase beyond a fixed threshold to the plan participants. As a result, a one percentage point increase in the assumed health care cost trend rate would have no effect on the accumulated postretirement benefit obligation or the service and the interest cost components. A one-percentage-point decrease in assumed health care cost trend rates would have the following effects:

(in thousands)

Effect on total of service and interest cost	\$ 618
Effect on postretirement benefit obligation	5,938
	=====

MULTI-EMPLOYER PLANS

Roadway Express contributes to multi-employer health, welfare and pension plans for employees covered by collective bargaining agreements (approximately 75 percent of total employees). The largest of these plans, the Central States Southeast and Southwest Areas Pension Plan (the "Central States Plan") provides retirement benefits to approximately 54 percent of our total employees. The amounts of these contributions are determined by contract and established in the agreements. The health and welfare plans provide health care and disability benefits to active employees and retirees. The pension plans provide defined benefits to retired participants. We recognize as net pension cost the required contribution for the period and recognize as a liability any contributions due and unpaid. Roadway Express contributed and charged to expense the following amounts to these plans from the date of acquisition through December 31, 2003:

(in thousands)

Health and welfare	\$ 8,124
Pension	9,757

Total	\$ 17,881
	=====

Under current legislation regarding multi-employer pension plans, a termination, withdrawal or partial withdrawal from any multi-employer plan in an under-funded status would render us liable for a proportionate share of such multi-employer plans' unfunded vested liabilities. This potential unfunded pension liability also applies to our unionized competitors who contribute to multi-employer plans. Based on the limited information available from plan administrators, which we cannot independently validate, we believe that our portion of the contingent liability in the case of a full withdrawal or termination would be material to our financial position and results of operations. Roadway Express has no current intention of taking any action that would subject it to obligations under the legislation.

Roadway Express has collective bargaining agreements with its unions that stipulate the amount of contributions it must make to union-sponsored, multi-employer pension plans. The Internal Revenue Code and related regulations establish minimum funding requirements for these plans. If any of these plans, including (without limitation) the Central States Plan, fail to meet these requirements and the trustees of

these plans are unable to obtain waivers of the requirements from the Internal Revenue Service ("IRS") or reduce pension benefits to a level where the requirements are met, the IRS could impose an excise tax on all employers participating in these plans and require contributions in excess of our contractually agreed upon rates to correct the funding deficiency. If an excise tax were imposed on the participating employers and additional contributions required, it could have a material adverse impact on the financial results of Roadway Express.

401(k) SAVINGS PLANS

Roadway Express sponsors defined contribution plans, primarily for employees not covered by collective bargaining agreements. The plans principally consist of a contributory 401(k) savings plan and a noncontributory profit sharing plan. The 401(k) savings plan provides a fixed matching percentage of 100 percent of the first four and a half percent of an eligible employee's contributions. We provide the entire matching component of the Roadway Express plans with Yellow Roadway common stock. Contributions for the period December 12 through December 31, 2003 were not material to our operations.

Our employees covered under collective bargaining agreements can also participate in a contributory 401(k) plan. We do not make employer contributions to the plan on their behalf.

DEBT AND FINANCING

On December 10, 2003, Roadway Express executed a \$500 million ten-year Promissory Note to Roadway Corporation (subsequently renamed Roadway LLC), accruing interest at the rate of 8.25 percent. Interest is due and payable quarterly, and the principal is due at maturity. All amounts were outstanding at December 11, 2003 and December 31, 2003. The fair value of this debt approximates its carrying value at December 31, 2003.

At December 31, 2003, Reimer had a \$10.0 million secured revolving line of credit available with no outstanding borrowings. In the first quarter of 2004, we closed the facility.

INCOME TAXES

Deferred income taxes are determined based upon the difference between the book and the tax basis of our assets and liabilities. Deferred taxes are recorded at the enacted tax rates expected to be in effect when these differences reverse. The deferred tax liabilities (assets) were not materially different at December 12, 2003 compared to the deferred tax liabilities (assets) comprised of the following at December 31, 2003:

(in thousands)

Depreciation	\$ 170,159
Employee benefits	28,654
Intangibles	144,436
Other	(89)

Gross tax liabilities	\$ 343,160

Claims and insurance	\$ (60,427)
Employee benefits	(109,053)
Other	(1,631)
Valuation allowance	2,032

Gross tax assets	\$(169,079)

Net tax liability	\$ 174,081
	=====

At December 31, 2003, the Company has approximately \$5.9 million of foreign net operating loss carry forwards, which have expiration dates ranging from 2009 to 2013. For financial reporting purposes, a valuation allowance of \$2.0 million has been recognized to offset the deferred tax assets relating to all foreign net operating loss carry forwards.

We have a tax sharing agreement with Yellow Roadway Corporation that requires us to share in its consolidated tax burden based on our respective share of taxable income or losses relative to Yellow Roadway Corporation's other subsidiaries. In addition, we retain any respective tax credits related to our operations.

A reconciliation between income taxes at the federal statutory rate and the consolidated effective tax rate from our net loss for the period December 12 through December 31, 2003 is as follows:

Federal statutory rate	35.0%
State income taxes, net	3.0
Nondeductible business expenses	(1.6)
Foreign tax credit and rate differential	(1.0)
Other, net	(0.1)

Effective tax rate	35.3%
	=====

The income tax benefit for the period December 12 through December 31, 2003 consisted of the following:

(in thousands)

Current:	
U.S federal	\$ (1,856)
State	(338)
Foreign	16

Current income tax benefit	\$ (2,178)

Deferred:	
U.S federal	\$ (537)
State	(53)
Foreign	(212)

Deferred income tax benefit	\$ (802)

Income tax benefit	\$ (2,980)

Based on the loss before income taxes:	
Domestic	\$ (7,604)
Foreign	(830)

Loss from operations before income taxes	\$ (8,434)
	=====

COMMITMENTS, CONTINGENCIES, AND UNCERTAINTIES

Roadway Express incurs rental expenses under noncancelable lease agreements for certain buildings and operating equipment. Rental expense is charged to operating expense and supplies on the Statement of Consolidated Operations. Actual rental expense, as reflected in our net loss, was \$2.9 million for the period December 12 through December 31, 2003.

We utilize certain terminals and equipment under operating leases. At December 31, 2003, we were committed under noncancelable lease agreements requiring minimum annual rentals payable as follows:

(in thousands)	2004	2005	2006	2007	2008	Thereafter
Minimum annual rentals	\$40,394	\$ 27,931	\$18,527	\$13,523	\$ 9,023	\$ 10,865

We expect in the ordinary course of business that leases will be renewed or replaced as they expire. Projected 2004 net capital expenditures are expected to be \$80 to \$85 million, of which \$12 million was committed at December 31, 2003.

Roadway Express is involved in litigation or proceedings that arise in ordinary business activities. We insure against these risks to the extent deemed prudent by our management, but no assurance can be given that the nature and amount of such insurance will be sufficient to fully indemnify us against liabilities arising out of pending and future legal proceedings. Many of these insurance policies contain self-insured retentions in amounts we deem prudent. Based on our current assessment of information available as of the date of these financial statements, we believe that our financial statements include adequate provisions for estimated costs and losses that may be incurred with regard to the litigation and proceedings to which we are a party.

Tax Matters

Roadway Express is responsible for certain federal tax obligations under a tax sharing agreement with its former parent corporation. The former parent of Roadway Express, Caliber System, Inc. (which subsequently was acquired by FedEx Corporation, a wholly owned subsidiary of FedEx Corporation), is involved in tax litigation with the IRS for tax years 1994 and 1995, years prior to Caliber System, Inc.'s spin-off of Roadway. The IRS has proposed substantial adjustments for these tax years for multi-employer pension plan deductions. FedEx Corporation filed a petition challenging the IRS's position, and this matter is presently in litigation. We are unable to predict the ultimate outcome of this matter; however, the former parent of Roadway Express intends to vigorously contest these proposed adjustments.

Under tax sharing agreements entered into by Roadway Express and its former parent at the time of the spin-off, Roadway LLC, a wholly owned subsidiary of Yellow Roadway Corporation and successor in interest to Roadway Corporation, is obligated to reimburse its former parent for any additional taxes and interest that related to Roadway Express business prior to the spin-off. The amount and timing of any payments is dependent on the ultimate resolutions of the former parent's disputes with the IRS and the determination of the nature and extent of the obligations under the tax sharing agreement. On January 16, 2003, Roadway Express made a \$14 million payment to its former parent under the tax sharing agreement for taxes and interest related to certain of the proposed adjustments for tax years 1994 and 1995.

We estimate the maximum remaining payments that may be due to the former parent of Roadway Express to be approximately \$19 million in additional taxes and \$5 million in related interest, net of tax benefit. We have established specific reserves with respect to these proposed adjustments. There can be no assurance, however, that the amount or timing of any liability of Roadway LLC to the former parent of Roadway Express will not have a material adverse effect on the financial position of Roadway Express.

In addition, Roadway LLC, as successor in interest to Roadway Corporation, has a similar tax issue in each of its subsequent income tax returns and the IRS has made additional claims for taxes for tax years 1996 through 2000. The outcome of these proposed adjustments is dependent upon the outcome of the existing tax litigation. We estimate that the potential taxes and interest, net of tax effect, for all years subsequent to 1995 are approximately \$10 million and \$3 million, respectively.

Environmental Matters

Remediation costs are accrued based on estimates of known environmental remediation exposure using currently available facts, existing environmental permits and technology and presently enacted laws and regulations. Our estimates of costs are developed based on internal evaluations and, when necessary, recommendations from external environmental consultants. These accruals are recorded when it is probable that we will be obligated to pay amounts for environmental site evaluation, remediation or related costs, and the amounts can be reasonably estimated. If the obligation can only be estimated within a range, we accrue the minimum amount in the range. These accruals are recorded even if significant uncertainties exist over the ultimate cost of the remediation. Where we have been identified as a potentially responsible party in a U.S. federal "Superfund" site, we accrue our share of the estimated remediation costs of the site based on the ratio of the estimated volume of waste contributed to the site by us to the total volume of waste at the site.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Roadway Next Day Corporation

The period January 1 to December 11, 2003; Year ended December 31, 2002;
One-Month Period ended December 31, 2001 (Successor Periods) and Eleven-Month
Period ended November 30, 2001 (Predecessor Periods) with Reports of Independent
Auditors

Report of Independent Auditors

To the Board of Directors and Shareholder
Roadway Next Day Corporation

We have audited the accompanying consolidated balance sheets of Roadway Next Day Corporation formerly Arnold Industries, Inc. as of December 11, 2003, December 31, 2002, and the related statements of consolidated operations, shareholders' equity, parent company investment and cash flows for the period January 1, 2003 to December 11, 2003, the year ended December 31, 2002, the one-month period ended December 31, 2001, and the eleven-month period ended November 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Roadway Next Day Corporation as of December 11, 2003, and December 31, 2002, and the consolidated results of its operations and its cash flows for the period January 1, 2003 to December 11, 2003, the year ended December 31, 2002, the one-month period ended December 31, 2001 and the eleven-month period ended November 30, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Akron, Ohio
January 22, 2004

Roadway Next Day Corporation

Consolidated Balance Sheets

	DECEMBER 11, 2003	DECEMBER 31, 2002
	----- (IN THOUSANDS) -----	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 22,211	\$ 12,988
Marketable securities	4	4
Accounts receivable, net	19,681	24,785
Prepaid expenses and supplies	2,917	2,530
Assets of discontinued operations	-	87,431
Deferred income taxes	3,796	4,088
	-----	-----
Total current assets	48,609	131,826
Carrier operating property, at cost	102,846	100,854
Less allowance for depreciation	19,889	10,240
	-----	-----
Net carrier operating property	82,957	90,614
Goodwill, net	269,093	269,093
Other long-term assets	6,466	22,511
	-----	-----
Total assets	\$ 407,125	\$ 514,044
	=====	=====
LIABILITIES, AND PARENT COMPANY INVESTMENT		
Current liabilities:		
Accounts payable	\$ 12,961	\$ 14,209
Income taxes payable	6,822	-
Salaries and wages	8,489	8,522
Freight and casualty claims payable	3,392	4,209
Liabilities of discontinued operations	-	32,407
Current portion of long-term debt	-	33,703
	-----	-----
Total current liabilities	31,664	93,050
Long-term liabilities:		
Casualty claims and other	9,331	6,539
Deferred income taxes	6,894	10,666
Accrued pension benefits	2,026	1,917
Long-term debt	150,000	273,513
	-----	-----
Total long-term liabilities	168,251	292,635
Parent company investment	207,210	128,359
	-----	-----
Total liabilities, and parent company investment	\$ 407,125	\$ 514,044
	=====	=====

See accompanying notes.

Roadway Next Day Corporation
Statements of Consolidated Operations

	SUCCESSOR COMPANY			PREDECESSOR COMPANY
	JANUARY 1 TO DECEMBER 11, 2003	YEAR ENDED DECEMBER 31, 2002	ONE MONTH ENDED DECEMBER 31, 2001	ELEVEN MONTHS ENDED NOVEMBER 30, 2001
	(IN THOUSANDS)			
Revenue	\$ 206,708	\$ 213,194	\$ 14,124	\$ 410,942
Operating expenses:				
Salaries, wages and benefits	139,143	142,899	9,860	202,939
Operating supplies and expenses	26,609	24,361	1,602	68,929
Purchased transportation	2,095	1,997	117	48,421
Operating taxes and licenses	5,889	6,139	405	9,886
Insurance and claims	2,855	4,334	224	10,219
Provision for depreciation	9,789	9,277	1,007	30,489
Loss (gain) on sale of property	(39)	4	(26)	(195)
Compensation and other expense related to the Yellow acquisition	3,341	-	-	-
Total operating expenses	189,682	189,011	13,189	370,688
Operating income from continuing operations	17,026	24,183	935	40,254
Other income (expense)				
Interest expense	-	(22,325)	(2,018)	(216)
Other, net	(5,298)	(3,390)	120	(6,806)
	(5,298)	(25,715)	(1,898)	(7,022)
Income (loss) from continuing operations before income taxes	11,728	(1,532)	(963)	33,232
Provision (benefit) for income taxes	4,961	(593)	(524)	10,861
Income (loss) from continuing operations	6,767	(939)	(439)	22,371
(Loss) income from discontinued operations	(155)	3,782	174	-
Net income (loss)	\$ 6,612	\$ 2,843	\$ (265)	\$ 22,371

See accompanying notes.

Roadway Next Day Corporation
 Statements of Consolidated Shareholders' Equity
 and Parent Company Investment

	TOTAL	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK
			(IN THOUSANDS)		
PREDECESSOR COMPANY					
Balance -- January 1, 2001	\$ 276,158	\$ 29,942	\$ 2,017	\$ 284,862	\$ (40,663)
Net income	22,371	-		22,371	-
Distribution of treasury stock due to exercise of stock options	-	-	1,667	-	(1,667)
Cash dividends paid	(10,902)	-	-	(10,902)	-
Sales of treasury stock	2,084	-	-	-	2,084
	-----	-----	-----	-----	-----
Balance -- November 30, 2001	\$ 289,711	\$ 29,942	\$ 3,684	\$ 296,331	\$ (40,246)
	=====	=====	=====	=====	=====
SUCCESSOR COMPANY					
Acquisition of Arnold Industries Inc. by Roadway Corporation	\$ 453,831				
Push down of Roadway Corporation long-term debt	(325,000)				
Push down of Roadway Corporation long-term debt related costs	10,826				
Net loss	(265)				
Transfer to parent	(12,526)				

Parent company investment December 31, 2001	\$ 126,866				
YEAR ENDED DECEMBER 31, 2002					
Net income	2,843				
Cash transfer to parent -- continuing operations	(49,086)				
Cash transfer to parent -- discontinued operations	(18,000)				
Additional parent company investment	65,736				

Parent company investment December 31, 2002	\$ 128,359				
JANUARY 1 TO DECEMBER 11, 2003					
Net income	6,612				
Cash transfer to parent -- continuing operations	(13,200)				
Non-cash transfer to parent	(150,000)				
Sale of ATS	(55,162)				
Additional parent company investment	290,601				

Parent company investment December 11, 2003	\$ 207,210				
	=====				

See accompanying notes.

Roadway Next Day Corporation
Statements of Consolidated Cash Flows

	SUCCESSOR COMPANY			PREDECESSOR COMPANY
	JANUARY 1 TO DECEMBER 11, 2003	YEAR ENDED DECEMBER 31, 2002	ONE MONTH ENDED DECEMBER 31, 2001	ELEVEN MONTHS ENDED NOVEMBER 30, 2001
	(IN THOUSANDS)			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	\$ 6,612	\$ 2,843	\$ (265)	\$ 22,371
Less: (loss) income from discontinued operations	(155)	3,782	174	-
Income (loss) from continuing operations	6,767	(939)	(439)	22,371
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Depreciation and amortization	16,184	11,431	1,007	30,489
Loss (gain) on sale of carrier operating property	(39)	5	(26)	(195)
Changes in assets and liabilities:				
Accounts receivable	(933)	(2,069)	11,098	(5,569)
Other assets	2,313	8,399	(1,771)	1,100
Accounts payable and accrued items	1,216	28,140	(9,253)	6,012
Long-term liabilities	(953)	5,400	(65)	(2,180)
Net cash provided by operating activities	24,555	50,367	551	52,028
CASH FLOWS FROM INVESTING ACTIVITIES				
Sales (purchases) of marketable securities, net	-	7,854	1,410	(3,146)
Business acquisition, net of cash acquired	-	-	-	-
Purchases of carrier operating property	(3,135)	(7,294)	(1,455)	(27,593)
Sales of carrier operating property	1,041	407	-	-
Net cash provided by (used in) investing activities	(2,094)	967	(45)	(30,739)
CASH FLOWS FROM FINANCING ACTIVITIES				
Long-term debt proceeds (repayments)	-	-	-	(2,184)
Dividends paid	-	-	-	(10,902)
Treasury stock activity, net	-	-	-	2,084
Transfer to parent	(13,200)	(49,086)	(12,526)	-
Net cash used in financing activities	(13,200)	(49,086)	(12,526)	(11,002)
Increase (decrease) in cash and cash equivalents from continuing operations	9,261	2,248	(12,020)	10,287
(Decrease) increase in cash and cash equivalents from discontinued operations	(38)	(10,872)	2,286	-
Cash and cash equivalents at beginning of period	12,988	21,612	31,346	31,213
Cash and cash equivalents at end of period	\$ 22,211	\$ 12,988	\$ 21,612	\$ 41,500

See accompanying notes.

Roadway Next Day Corporation

Notes to Consolidated Financial Statements

December 11, 2003

1. BASIS OF PRESENTATION

On November 30, 2001, Roadway Corporation (Roadway) acquired Arnold Industries, Inc. (Arnold), subsequently named Roadway Next Day Corporation (the Company), for cash consideration of \$559,839,000, including direct acquisition costs. Included in the acquired assets of Arnold was \$50,763,000 in cash, which was used to partially finance the acquisition. Also on November 30, 2001, concurrent with the acquisition of Arnold, the Company sold Arnold's logistics business (ARLO) to members of the ARLO management team for \$105,010,000 in cash. The net acquisition consideration of \$427,160,000, which included \$23,094,000 in income taxes paid by the Company primarily as a result of the sale of ARLO, was financed with borrowings under a new credit facility, proceeds from an accounts receivable securitization, the issuance of \$225,000,000 in senior notes, and available cash.

The Company operates in the motor carrier industry, principally in the eastern United States, and provides next-day LTL and TL services. The Company's trucking activities are conducted by its subsidiaries, New Penn Motor Express, Inc. (New Penn) and Arnold Transportation Services, Inc. (ATS). New Penn is a leading regional next-day ground LTL carrier operating primarily in New England and the Middle Atlantic States. ATS operates as an inter-regional irregular route and dedicated TL carrier, conducting operations east of the Mississippi and in the southwestern United States.

The acquisition of the Company was accounted for as a purchase business combination and, accordingly, the assets acquired and liabilities assumed were recorded at their estimated fair values on the acquisition date. The excess of the purchase price paid over the fair value of the net assets acquired, totaling approximately \$269,093,000, was recorded as goodwill.

Roadway Next Day Corporation

Notes to Consolidated Financial Statements (continued)

1. BASIS OF PRESENTATION (CONTINUED)

The financial statements for the periods subsequent to November 30, 2001 have been presented on the Company's new basis of accounting ("Successor Company" or "Successor Periods"), while the results of operations for the eleven-month period ended November 30, 2001 reflects the historical results of the predecessor company ("Predecessor Company" or "Predecessor Periods").

In accordance with Rule 3-16 of Regulation S-X, we are presenting these consolidated financial statements of Roadway Next Day Corporation. We are not presenting the separate financial statements of New Penn Motor Express because:

- Roadway Next Day is a non-operating holding company;
- The separate financial statements of New Penn Motor Express are substantially identical to those of Roadway Next Day Consolidated;
- The separate financial statements of the parent Roadway Next Day are not material to an investor, and;
- The Company would provide separate financial statements of New Penn Motor Express should Roadway Next Day commence its own operations or acquire additional subsidiaries.

Roadway Next Day Corporation

Notes to Consolidated Financial Statements (continued)

1. BASIS OF PRESENTATION (CONTINUED)

On December 26, 2002, Roadway and the Company entered into an agreement to sell ATS to a management group led by the unit's president and a private equity firm, for \$55,430,000. The ATS business segment did not fit Roadway's strategic focus of being a LTL carrier. The transaction was completed on January 23, 2003, and resulted in a gain of \$150,000 net of tax.

The Company has reported the operations of ATS as a discontinued operation in the accompanying financial statements and, unless otherwise stated, the notes to the financial statements for all successor periods presented exclude the amounts related to this discontinued operation.

As a result of the sale of ATS, the Company now operates in one business segment, New Penn, which provides next-day ground LTL freight services, primarily in New England and the Middle Atlantic States.

The following table presents revenue and income from the discontinued operation for the period January 1, 2003 to January 23, 2003, and the year ended December 31, 2002:

	JANUARY 1 TO JANUARY 23, 2003	YEAR ENDED DECEMBER 31, 2002
	-----	-----
	(IN THOUSANDS)	
Revenue	\$ 9,267	\$ 171,133
Pre-tax income from discontinued operations	\$ (263)	\$ 6,251
Income tax expense	(108)	2,469
	-----	-----
Income from discontinued operations	\$ (155)	\$ 3,782
	=====	=====

Roadway Next Day Corporation

Notes to Consolidated Financial Statements (continued)

1. BASIS OF PRESENTATION (CONTINUED)

Assets and liabilities of the discontinued operation were as follows:

	JANUARY 23, 2003	DECEMBER 31, 2002
	-----	-----
	(IN THOUSANDS)	
Assets:		
Current assets	\$ 23,811	\$ 22,025
Net carrier operating property	63,494	64,065
Other assets	1,339	1,341
	-----	-----
Total assets	\$ 88,644	\$ 87,431
	=====	=====
Liabilities:		
Current liabilities	\$ 9,811	\$ 8,104
Long-term liabilities	24,304	24,303
	-----	-----
Total liabilities	\$ 34,115	\$ 32,407
	=====	=====

On July 8, 2003, Roadway Corporation announced that a definitive agreement had been signed under which Yellow Corporation would acquire Roadway Corporation. On December 11, 2003, the transaction was completed for approximately \$1.1 billion, based on a fixed exchange ratio of 1.752 Yellow shares per Roadway share, in a half-cash, half-stock transaction.

2. ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the amounts and operations of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Roadway Next Day Corporation

Notes to Consolidated Financial Statements (continued)

2. ACCOUNTING POLICIES (CONTINUED)

CASH EQUIVALENTS

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

PROPERTY AND EQUIPMENT

Depreciation of carrier operating property is computed by the straight-line method based on the useful lives of the assets. The useful life of structures ranges from 15-31 years and equipment from 3-10 years.

FINANCIAL INSTRUMENTS

The carrying value of the Company's financial instruments, consisting primarily of cash equivalents, marketable securities, accounts receivable, accounts payable, investments in limited partnerships, and long-term borrowings, approximates the fair value of these instruments at December 11, 2003 and December 31, 2002.

Effective January 1, 2001, the Company adopted the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. The Company does not use derivative financial instruments; therefore, the adoption of this Statement had no effect on its financial position or results of operations.

CONCENTRATIONS OF CREDIT RISK

The Company sells services and extends credit based on an evaluation of the customer's financial condition, without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses.

2. ACCOUNTING POLICIES (CONTINUED)

MARKETABLE SECURITIES

At December 11, 2003 and December 31, 2002, the Company's marketable securities consist principally of U.S. Government securities, municipal bonds, and equity securities, and have been classified as "available for sale" in accordance with the provisions of SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. Realized gains and losses on the sale of securities are recognized using the specific identification method and are included in other income in the statements of consolidated income. Interest and dividends are included in investment income.

The fair value of the Company's marketable equity securities traded on a national securities exchange is determined by the last reported sales price on the last business day of the year. U.S. Government securities are valued based on quoted market prices using yields currently available on comparable securities of issuers with similar credit ratings.

GOODWILL

Goodwill represents costs in excess of net assets of acquired businesses, which for the predecessor periods, was amortized using the straight-line method primarily over a period of 40 years.

In July 2001, the FASB issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires the purchase method for all business combinations initiated after June 30, 2001. SFAS No. 141 also clarifies the criteria for recognition of intangible assets separately from goodwill. Under SFAS No. 142, separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. SFAS No. 142 also eliminates the amortization of goodwill and indefinite-lived intangible assets for assets acquired after June 30, 2001, and all other goodwill on January 1, 2002.

As of December 31, 2002, the Company had net unamortized goodwill of \$269,093,000 recorded in connection with the acquisition by Roadway on November 30, 2001. Amortization of previously existing goodwill resulting from the Company's earlier acquisitions was ended effective January 1, 2002. Goodwill amortization was \$0 in 2003, \$0 in 2002, and \$221,000 in the 2001 predecessor period. The Company's goodwill amortization was not deductible for tax purposes in the predecessor periods.

Notes to Consolidated Financial Statements (continued)

2. ACCOUNTING POLICIES (CONTINUED)

The Company completed the required transitional goodwill impairment test under SFAS No. 142 effective June 15, 2003 which did not indicate any impairment. As a result of finalizing the purchase price allocation during the fourth quarter of 2002, goodwill reflected in the ATS segment preliminary purchase price allocation was reallocated to the New Penn segment. Accordingly, all goodwill resulting from the acquisition by Roadway has been recorded in the New Penn business segment at December 11, 2003. The Company updated its goodwill impairment test at December 31, 2002 due to the reallocation of goodwill previously recorded in the ATS business segment. The performance of the updated impairment test did not indicate any impairment of goodwill.

CASUALTY CLAIMS PAYABLE

Casualty claims payable accruals represent management's estimates of claims for property damage and public liability and workers' compensation. The Company manages casualty claims with assistance of a third party administrator (TPA), along with oversight by a major risk management provider. The Company is self-insured for these claims with retention generally limited to \$3,000,000. The Company and its TPA closely monitor the liability balances by using actual adjuster evaluations of each claim. Expenses resulting from workers' compensation claims are included in salaries, wages, and benefits in the accompanying statements of consolidated income.

REVENUE RECOGNITION

For the Predecessor periods, revenues are allocated between reporting periods based on relative transit time in each reporting period with related operating expenses recognized as incurred. In the Successor periods, revenues are recognized as earned on the date of freight delivery to the consignee. Related operating expenses are recognized as incurred.

STOCK-BASED COMPENSATION

In the Predecessor periods, the Company accounted for stock-based compensation in accordance with Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees. The Company does not have any stock-based compensation plans in the Successor periods.

2. ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES IN THE FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the period, the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

IMPAIRMENT OF LONG-LIVED ASSETS

In the event that facts and circumstances indicate that the carrying value of intangibles and long-lived assets or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation were required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down is required. No impairment charge was required for any period presented.

INVESTMENTS IN LIMITED PARTNERSHIPS

The Company's investments in low-income housing limited partnerships reflect their cash investment plus the present value of required future contributions net of amortization of any excess of cost over the estimated residual value.

INCOME TAXES

The Company is included in a consolidated tax-filing group with Roadway for federal income tax purposes. The Successor Period federal and state income tax provision and related obligation is calculated on a separate return basis as if the Company was a separate taxpayer. The Company files tax returns and pays taxes due on a stand-alone basis for state income tax purposes in jurisdictions where such filings are required.

Notes to Consolidated Financial Statements (continued)

2. ACCOUNTING POLICIES (CONTINUED)

In accordance with SFAS No. 109, Accounting for Income Taxes, deferred income taxes are accounted for by the liability method, wherein deferred tax assets or liabilities are calculated on the differences between the bases of assets and liabilities for financial statement purposes versus tax purposes (temporary differences) using enacted tax rates in effect for the year in which the differences are expected to reverse. Tax expense in the consolidated statements of income is equal to the sum of taxes currently payable plus an amount necessary to adjust deferred tax assets and liabilities to an amount equal to period-end temporary differences at prevailing tax rates.

RECLASSIFICATIONS

Certain amounts in the 2002 financial statements have been reclassified to conform to the 2003 financial statement presentation.

3. MARKETABLE SECURITIES

At December 31, 2003 and 2002, the Company's available-for-sale securities consist primarily of municipal bonds and fixed income equity securities. Due to the nature of the instruments, their carrying values and fair market values are equal and no unrealized gains and losses exist at the balance sheet dates. The net realized gains and losses on sales of marketable securities recorded were not significant for all periods presented.

Roadway Next Day Corporation

Notes to Consolidated Financial Statements (continued)

4. CARRIER OPERATING PROPERTY

Carrier operating properties consist of the following:

	DECEMBER 11, 2003	DECEMBER 31, 2002
	-----	-----
	(in thousands)	
Land	\$ 14,258	\$ 16,830
Structures	35,723	33,465
Revenue equipment	33,039	33,147
Other operating property	14,487	11,529
Construction in progress	5,339	5,883
	-----	-----
Carrier operating property, at cost	102,846	100,854
Less allowance for depreciation	19,889	10,240
	-----	-----
Net carrier operating property	\$ 82,957	\$ 90,614
	=====	=====

5. FINANCING ARRANGEMENTS

Long-term obligations consist of the following:

	DECEMBER 11, 2003	DECEMBER 31, 2002
	-----	-----
	(in thousands)	
Payable to Roadway Corporation	\$ 150,000	\$ 307,216
Less current portion	-	(33,703)
	-----	-----
Long-term payable to Roadway Corporation	\$ 150,000	\$ 273,513
	=====	=====

Amounts payable to Roadway represents a long-term note payable to Roadway Corporation at December 11, 2003, and long-term debt pushed down to the Company in connection with the acquisition of Arnold at December 31, 2002. On December 10, 2003, Roadway Next Day executed a \$150 million ten-year 8.25% Promissory Note to Roadway Corporation. Interest is due and payable quarterly, and the principal is due at maturity.

5. FINANCING ARRANGEMENTS (CONTINUED)

At December 31, 2002, Roadway Corporation had in place a senior revolving credit facility with a sublimit for letters of credit that expired November 30, 2006. The credit facility was terminated effective December 11, 2003 upon consummation of the Yellow transaction. The original amount of the senior revolving credit facility was \$150,000,000 with a \$100,000,000 sublimit for letters of credit, which was amended on August 6, 2002. The result of the amendment increased the senior revolving credit facility to \$215,000,000 and increased the sublimit for letters of credit to \$165,000,000. Pricing under the revolving credit facility was at a fluctuating rate based on the alternate base rate as determined by Credit Suisse First Boston (CSFB) or LIBOR, plus an additional margin of 0.50% and 1.50%, respectively. In addition, there is a commitment fee of 0.40% on undrawn amounts. As of December 31, 2002, there were no amounts outstanding under the revolving credit facility, but availability had been reduced by \$112,162,000 as a result of the issuance of letters of credit, primarily related to casualty claims.

The credit facility also included a \$175,000,000 senior term loan, which was drawn in full to partially fund the acquisition of Arnold. After-tax proceeds of \$75,000,000 from the sale of ARL0 were used to pay down borrowings on this facility in 2001. Pricing under the term loan is at a fluctuating rate based on the alternate base rate as determined by CSFB or LIBOR, plus an additional margin of 0.50% and 1.50%, respectively. Prior to the acquisition by Yellow, Roadway Corporation paid the Senior term loan in full.

Also in connection with the acquisition of Arnold on November 30, 2001, Roadway Corporation issued \$225,000,000 of 8.25% senior notes due December 1, 2008. Interest is due semi-annually on June 1st and December 1st.

Roadway's financial liquidity and consolidated results of operations, including the ability to make required payments with respect to its indebtedness and other obligations, are dependent on the financial condition and results of operations of its subsidiaries. There are no restrictions on the ability of the Company to transfer funds to Roadway.

The financing arrangements include covenants that require Roadway to comply with certain financial ratios, including leverage and fixed-charge coverage ratios, and maintenance of a minimum level of tangible net worth.

Interest paid under these arrangements amounted to \$19,327,000 in 2003 and \$22,325,000 in 2002.

Roadway Next Day Corporation

Notes to Consolidated Financial Statements (continued)

6. INCOME TAXES

Consolidated income tax (benefit) expense consists of the following:

	JANUARY 1 TO DECEMBER 11, 2003	SUCCESSOR COMPANY		PREDECESSOR COMPANY
		YEAR ENDED DECEMBER 31, 2002	ONE MONTH ENDED DECEMBER 31, 2001	ELEVEN MONTHS ENDED NOVEMBER 30, 2001
(IN THOUSANDS)				
Currently payable:				
Federal	\$ 6,767	\$ 1,141	\$ (620)	\$ 10,666
State	1,674	79	(136)	2,467
	8,441	1,220	(756)	13,133
Deferred:				
Federal	(3,131)	(1,636)	209	(1,967)
State	(349)	(177)	23	(305)
	(3,480)	(1,813)	232	(2,272)
Total income tax (benefit) expense	\$ 4,961	\$ (593)	\$ (524)	\$ 10,861

The income tax resulting from the effective tax rate differs from the income tax calculated using the federal statutory rates as set forth in the following reconciliation:

	JANUARY 1 TO DECEMBER 11, 2003	SUCCESSOR COMPANY		PREDECESSOR COMPANY
		YEAR ENDED DECEMBER 31, 2002	ONE MONTH ENDED DECEMBER 31, 2001	ELEVEN MONTHS ENDED NOVEMBER 30, 2001
Statutory federal income tax	\$ 4,105	\$ (536)	\$ (337)	\$ 12,518
State income taxes, net of federal income tax benefit	861	(64)	(73)	1,506
Non-deductible operating costs	146	146	(5)	(22)
Excise taxes	154			
Acquisition costs	321			
Section 280G limitations	263			
Other, net	(889)	(139)	(109)	(3,141)
Effective tax	\$ 4,961	\$ (593)	\$ (524)	\$ 10,861

Income tax payments amounted to \$1,354,000 in 2003 and \$1,788,000 in 2002.

Roadway Next Day Corporation

Notes to Consolidated Financial Statements (continued)

6. INCOME TAXES (CONTINUED)

Significant components of the Company's deferred taxes at December 11, 2003 and December 31, 2002 respectively, are as follows:

	DECEMBER 11, 2003	DECEMBER 31 2002
	-----	-----
	(IN THOUSANDS)	
Deferred tax assets:		
Freight and casualty claims	\$ 3,735	\$ 4,316
Accrued employee benefits	3,194	3,342
Other	1,774	311
	-----	-----
Total deferred tax assets	8,703	7,969
Deferred tax liabilities:		
Depreciation	11,360	12,300
Other	441	2,247
	-----	-----
Total deferred tax liabilities	11,801	14,547
	-----	-----
Net deferred tax liabilities	\$ 3,098	\$ 6,578
	=====	=====

7. LEASES

The Company leases certain property under noncancellable operating leases requiring minimum future rentals aggregating approximately \$1,182,000 payable as follows: 2004 -- \$439,000; 2005 -- \$347,000; 2006 -- \$216,000; 2007 -- \$62,000; 2008 and thereafter \$118,000. Rental expense for operating leases was \$327,000 in 2003 and \$283,000 in 2002.

Notes to Consolidated Financial Statements (continued)

8. EMPLOYEE BENEFIT PLANS

The Company charged to operations \$12,201,000, \$12,311,000, \$972,000, and \$11,070,000, during the period January 1, 2003 to December 11, 2003, the year ended December 31, 2002, the one-month ended December 31, 2001, and the eleven-months ended November 30, 2001, respectively, for contributions to multi-employer pension plans for employees subject to labor contracts. The Company also charged to operations \$12,275,000, \$11,923,000, \$858,000, and \$10,214,000 during the same periods for contributions to multi-employer plans that provide health and welfare benefits to employees and certain retirees who are or were subject to labor contracts. These amounts were determined in accordance with provisions of industry labor contracts. Under provisions of the Multi-employer Pension Plan Act of 1980, total or partial withdrawal from a plan would result in an obligation to fund a portion of the plan's unfunded vested liability.

Management has no intention of changing operations so as to subject the Company to any material obligation.

The Company also has a trustee profit sharing plan and two 401(k) plans for employees meeting certain eligibility requirements. The Company contributed approximately \$448,000, \$1,608,000, \$140,000, and \$1,575,000 to the profit sharing plan during the period January 1, 2003 to December 11, 2003, the year ended December 31, 2002, the one-month ended December 31, 2001, and the eleven-months ended November 30, 2001, respectively, and \$0, \$0, \$0, and \$448,000 to the 401(k) plan during the same periods.

The Company also provides an unfunded, supplemental defined benefit pension plan for certain key officers and employees. The actuarially determined benefit obligation recorded by the Company was \$2,026,000 and \$1,917,000 at December 11, 2003 and December 31, 2002, respectively. Net periodic benefit expense during the period January 1, 2003 to December 11, 2003, the year ended December 31, 2002, the one-month period ended December 31, 2001, and the eleven-month period ended November 30, 2001 amounted to \$148,000, \$165,000, \$14,000, and \$154,000, respectively. Total benefits paid to plan participants in 2003, 2002, and 2001 were \$103,000, \$70,000, and \$70,000, respectively. The discount rates utilized in 2003, 2002, and 2001 were 6.25%, 6.75%, and 7.0%, respectively.

Roadway Next Day Corporation

Notes to Consolidated Financial Statements (continued)

9. SEGMENT INFORMATION

The Company currently provides freight services in one business segment, New Penn. The New Penn segment provides next day service in the Northeast region of the United States. A second segment, ATS, provided irregular route and dedicated truckload services throughout the eastern, midwestern, and southwestern regions of the United States. On December 26, 2002, Roadway and the Company entered into an agreement to sell ATS. The sale was completed on January 23, 2003. The Company has reported the operations of ATS as a discontinued operation for all successor periods presented. A third segment, ARLO, specialized in integrated distribution services, order fulfillment, and contract packaging services primarily in Pennsylvania and Texas. On November 30, 2001, concurrent with the acquisition of Arnold, the Company sold Arnold's logistics business (ARLO) to members of the ARLO management team.

The reportable segments are identified based on differences in products, services, and management structure. The accounting policies of each business segment are consistent with those described in Note 2, Accounting Policies. The measurement basis of segment profit or loss is operating income. Business segment assets consist primarily of customer receivables, net carrier operating property and goodwill. No single customer represented 10% or more of the Company's sales during any period presented.

Roadway Next Day Corporation

Notes to Consolidated Financial Statements (continued)

9. SEGMENT INFORMATION (CONTINUED)

The following table presents information about reported segments for the period ended December 11, 2003, the year ended December 31, 2002, the one-month period ended December 31, 2001, and the eleven-month period ended November 30, 2001:

	NEW PENN	ATS	ARLO	TOTAL
	-----	-----	-----	-----
	(IN THOUSANDS)			
2003 SUCCESSOR PERIOD:				
Operating revenues	\$ 206,708	\$	\$	\$ 206,708
Operating income	17,026			17,026
Total assets	406,190			406,190
Depreciation and amortization	9,107			9,107
Purchase of property and equipment	3,392			3,392
2002 SUCCESSOR PERIOD:				
Operating revenues	\$ 213,194	\$	\$	\$ 213,194
Operating income	24,183			24,183
Total assets	408,021			408,021
Depreciation and amortization	10,969			10,969
Purchase of property and equipment	6,853			6,853
2001 SUCCESSOR PERIOD:				
Operating revenues	\$ 14,124	\$ -	\$ -	\$ 14,124
Operating income	936	-	-	936
Total assets	399,189	-	-	399,189
Depreciation and amortization	967	-	-	967
Purchase of property and equipment	819	-	-	819
2001 PREDECESSOR PERIOD:				
Operating revenues	\$ 199,683	\$ 158,676	\$ 52,583	\$ 410,942
Operating income	29,797	3,864	6,256	39,917
Total assets	174,852	131,558	59,682	366,092
Depreciation and amortization	10,971	14,991	3,988	29,950
Purchase of property and equipment	16,588	4,155	6,263	27,006

Roadway Next Day Corporation

Notes to Consolidated Financial Statements (continued)

9. SEGMENT INFORMATION (CONTINUED)

A reconciliation of total segment operating income to consolidated net income before taxes for the period January 1, 2003 to December 11, 2003, the year ended December 31, 2002, the one-month period ended December 31, 2001, and the eleven-month period ended November 30, 2001, and for total segment assets to consolidated assets at December 11, 2003 and December 31, 2002 are as follows:

	SUCCESSOR COMPANY			Predecessor Company
	JANUARY 1 TO DECEMBER 11, 2003	YEAR ENDED DECEMBER 31, 2002	One Month Ended December 31, 2001	Eleven Months Ended November 30, 2001
(IN THOUSANDS)				
Total segment operating income	\$ 17,026	\$ 24,183	\$ 936	\$ 39,917
Unallocated corporate operating income (loss)	-	-	(1)	337
Interest (expense)	-	(22,325)	(2,018)	(216)
Other (expense) income, net	(5,298)	(3,390)	120	(6,806)
Consolidated (loss) income from continuing operations before income taxes	\$ 11,728	\$ (1,532)	\$ (963)	\$ 33,232
Total segment assets	\$ 406,190	\$ 408,021	\$ 399,189	\$ 366,092
Assets of discontinued operation	-	87,431	134,936	-
Unallocated corporate assets	4,422	25,010	32,338	29,813
Elimination of intercompany balances	(3,487)	(6,418)	(366)	(22,597)
Consolidated assets	\$ 407,125	\$ 514,044	\$ 566,097	\$ 373,308

Roadway Next Day Corporation

Notes to Consolidated Financial Statements (continued)

10. COMMITMENTS AND CONTINGENCIES

Various legal proceedings arising from the normal conduct of business are pending but, in the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

11. RELATED PARTY TRANSACTIONS

Accounting and legal fees totaling approximately \$1,070,000 in the eleven months ended November 30, 2001 were paid or accrued to firms in which certain directors had financial interests in Arnold prior to the acquisition.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Roadway Next Day Corporation and Subsidiary
A wholly owned subsidiary of Roadway LLC

The period December 12, 2003 to December 31, 2003;
with Report of Independent Auditors

Report of Independent Auditors

To the Board of Directors of Yellow Roadway Corporation:

We have audited the accompanying consolidated balance sheet of Roadway Next Day Corporation and Subsidiary as of December 31, 2003, and the related consolidated statements of operations, cash flows, parent company investment, and comprehensive income for the period December 12, 2003 through December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Roadway Next Day Corporation and Subsidiary as of December 31, 2003, and the results of their operations and their cash flows for the period December 12 through December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Kansas City, Missouri
February 20, 2004

CONSOLIDATED BALANCE SHEET
Roadway Next Day Corporation and Subsidiary
A wholly owned subsidiary of Roadway LLC
As of December 31, 2003

(in thousands)

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 25,328
Accounts receivable, less allowance of \$412	19,877
Fuel and operating supplies	1,555
Deferred income taxes, net	3,674
Prepaid expenses	1,601

Total current assets	52,035

PROPERTY AND EQUIPMENT	
Land	15,363
Structures	33,757
Revenue equipment	17,243
Technology equipment and software	1,653
Other	6,466

	74,482
Less - accumulated depreciation	(521)

Net property and equipment	73,961

Goodwill	122,332
Intangibles	89,291
Other assets	3,094

Total assets	\$ 340,713
	=====
LIABILITIES AND PARENT COMPANY INVESTMENT	
CURRENT LIABILITIES	
Checks outstanding in excess of bank balances	\$ 6,223
Accounts payable	2,682
Advances payable to parent	4,568
Wages, vacations and employees' benefits	12,102
Claims and insurance accruals	4,370
Other current and accrued liabilities	5,180

Total current liabilities	35,125

OTHER LIABILITIES	
Note payable to affiliate	150,000
Deferred income taxes, net	38,999
Claims and other liabilities	13,868
Commitments and contingencies	
PARENT COMPANY INVESTMENT	
Capital surplus	103,259
Retained earnings	(538)

Total parent company investment	102,721

Total liabilities and parent company investment	\$ 340,713
	=====

The notes to consolidated financial statements are an integral part of these statements.

STATEMENT OF CONSOLIDATED OPERATIONS
Roadway Next Day Corporation and Subsidiary
A wholly owned subsidiary of Roadway LLC
For the period December 12 to December 31, 2003

(in thousands)

OPERATING REVENUE	\$ 9,770

OPERATING EXPENSES:	
Salaries, wages and employees' benefits	7,529
Operating expenses and supplies	1,061
Operating taxes and licenses	341
Claims and insurance	176
Depreciation and amortization	745
Purchased transportation	136
Losses on property disposals, net	3

Total operating expenses	9,991

Operating loss	(221)

NONOPERATING EXPENSES:	
Related party interest expense	687
Other	70

Nonoperating expenses, net	757

LOSS BEFORE INCOME TAXES	(978)
INCOME TAX BENEFIT	(440)

NET LOSS	\$ (538)
	=====

The notes to consolidated financial statements are an integral part of these statements.

STATEMENT OF CONSOLIDATED CASH FLOWS
Roadway Next Day Corporation and Subsidiary
A wholly owned subsidiary of Roadway LLC
For the period December 12 to December 31, 2003

(in thousands)

OPERATING ACTIVITIES:

Net loss	\$ (538)
Noncash items included in net loss:	
Depreciation and amortization	745
Losses on property disposals, net	3
Changes in assets and liabilities, net:	
Accounts receivable	1,076
Accounts payable	2,929
Other working capital items	(2,986)
Claims and other	262
Other	155

Net cash from operating activities	1,646

INVESTING ACTIVITIES:

Acquisition of property and equipment	(554)
Proceeds from disposal of property and equipment	20

Net cash used in investing activities	(534)

FINANCING ACTIVITIES:

Advances payable to parent, net	-

Net cash provided by financing activities	-

NET INCREASE IN CASH AND CASH EQUIVALENTS	1,112
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CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	24,216

CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 25,328

SUPPLEMENTAL CASH FLOW INFORMATION:

Income taxes received, net	\$ -
Interest paid	-
	=====

The notes to consolidated financial statements are an integral part of these statements.

STATEMENT OF PARENT COMPANY INVESTMENT
Roadway Next Day Corporation and Subsidiary
A wholly owned subsidiary of Roadway LLC
For the period December 12 to December 31, 2003

(in thousands)

Balance at December 12, 2003 (allocated purchase price)	\$ 103,259
Net loss	(538)

Balance at December 31, 2003	\$ 102,721
	=====

The notes to consolidated financial statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Roadway Next Day Corporation and Subsidiary

A wholly owned subsidiary of Roadway LLC

DESCRIPTION OF BUSINESS

Roadway Next Day Corporation (also referred to as "Roadway Next Day," "the Company," "we" or "our") is a non-operating holding company focused on business opportunities in regional and next-day lanes. Roadway Next Day Corporation owns 100 percent of New Penn Motor Express, Inc. ("New Penn"), which provides superior quality regional, next-day ground services through a network of facilities located in the Northeastern United States, Quebec, Canada and Puerto Rico.

In accordance with Rule 3-16 of Regulation S-X and due to Roadway Next Day and New Penn pledging their stock for debt purposes, we are presenting these consolidated financial statements of Roadway Next Day Corporation. We are not presenting the separate financial statements of New Penn because:

- The separate financial statements of New Penn are substantially identical to those of Roadway Next Day Consolidated;
- The separate financial statements of the parent Roadway Next Day, when excluding New Penn, are not material to an investor, and;
- The Company would provide separate financial statements of New Penn should Roadway Next Day commence its own operations or acquire additional subsidiaries.

On December 11, 2003, Yellow Corporation completed the acquisition of Roadway Corporation. The combined company was renamed Yellow Roadway Corporation. Roadway Corporation was merged with and into Roadway LLC, a newly formed limited liability company and a wholly owned subsidiary of Yellow Roadway. Consideration for the acquisition included \$494 million in cash and 18.0 million shares of Yellow Roadway common stock. Roadway LLC principal subsidiaries include Roadway Express and Roadway Next Day Corporation.

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations ("Statement No. 141"), the acquisition was accounted for under purchase accounting. As a result, our Statements of Consolidated Operations and Statements of Consolidated Cash Flows include our results from the date of acquisition through December 31, 2003. Our Consolidated Balance Sheet as of December 31, 2003 includes our tangible and intangible assets and liabilities after valuing them at their fair values. In addition Roadway Next Day adopted the significant accounting policies of Yellow Roadway Corporation and utilized are not comparable third party appraisers to revalue significant assets and liabilities to fair market value, therefore these financial statements are not comparable to prior periods.

PRINCIPLES OF CONSOLIDATION AND SUMMARY OF ACCOUNTING POLICIES

The accompanying consolidated financial statements include the accounts of Roadway Next Day Corporation and its wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation. Management makes estimates and assumptions that affect the amounts reported in the financial statements and notes. Actual results could differ from those estimates.

Accounting policies refer to specific accounting principles and the methods of applying those principles to fairly present our financial position and results of operations in accordance with generally accepted accounting principles. The policies discussed below include those that management has determined to be the most appropriate in preparing our financial statements and are not discussed in a separate note.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposits and highly liquid investments purchased with maturities of three months or less.

CONCENTRATION OF CREDIT RISKS

We sell services and extend credit based on an evaluation of the customer's financial condition, without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. We monitor our exposure for credit losses and maintain allowances for anticipated losses.

REVENUE RECOGNITION

For shipments in transit, Roadway Next Day records revenue based on the percentage of service completed as of the period end and accrues delivery costs as incurred. In addition, Roadway Next Day recognizes revenue on a gross basis since the Company is the primary obligor even when the Company uses other transportation service providers who act on their behalf, because the Company is responsible to the customer for complete and proper shipment, including the risk of physical loss or damage of the goods and cargo claims issues. In addition, Roadway Next Day retains all credit risk. Management believes this policy most accurately reflects revenue as earned.

FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings approximates their fair value due to the short-term nature of these instruments.

CLAIMS AND INSURANCE ACCRUALS

Claims and insurance accruals, both current and long-term, reflect the estimated cost of claims for workers' compensation, cargo loss and damage, and property damage and liability that insurance does not cover. We include these costs in claims and insurance expense except for workers' compensation, which is included in salaries, wages, and employees' benefits.

We base reserves for workers' compensation and property damage and liability claims primarily upon actuarial analyses prepared by independent actuaries. These reserves are discounted to present value using a risk-free rate at the date of occurrence. The risk-free rate is the U.S. Treasury rate for maturities that match the expected payout of such claims. The process of determining reserve requirements utilizes historical trends and involves an evaluation of accident frequency and severity, claims management, changes in health care costs, and certain future administrative costs. The effect of future inflation for costs is implicitly considered in the actuarial analyses. Adjustments to previously established reserves are included in operating results. At December 31, 2003, estimated future payments related to these claims aggregated \$14.2 million. The present value of these estimated future payments was \$12.6 million at December 31, 2003.

PROPERTY AND EQUIPMENT

Roadway Next Day carries property and equipment at cost less accumulated depreciation. The values assigned to property and equipment at the date of acquisition were principally determined by independent, third party appraisal. We compute depreciation using the straight-line method based on the following service lives:

	Years

Structures	10 - 40
Revenue equipment	5 - 14
Technology equipment and software	3 - 5
Other	3 - 10
	=====

We charge maintenance and repairs to expense as incurred, and capitalize replacements and improvements when these costs extend the useful life of the asset.

Our investment in technology equipment and software consists primarily of advanced customer service and freight management equipment and related software. We capitalize certain costs associated with developing or obtaining internal-use software. Capitalizable costs include external direct costs of materials and services utilized in developing or obtaining the software, payroll, and payroll-related costs for employees directly associated with the project. For the period ended December 31, 2003, the amounts capitalized were immaterial to the Company's financial statements.

For the period December 12 through December 31, 2003, depreciation expense was \$0.5 million.

IMPAIRMENT OF LONG-LIVED ASSETS

If facts and circumstances indicate that the carrying value of identifiable amortizable intangibles and property, plant and equipment may be impaired, we would perform an evaluation of recoverability in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. If an evaluation were required, we would compare the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down is required.

ACQUISITION

In accordance with Statement No. 141, Yellow Roadway allocates the purchase price of its acquisitions to the tangible and intangible assets and liabilities of the acquired entity based on their fair values. Yellow Roadway records the excess purchase price over the fair values as goodwill. The fair value assigned to intangible assets acquired is based on valuations prepared by independent third party appraisal firms using estimates and assumptions provided by management. In accordance with SFAS No. 142, Goodwill and Other Intangible Assets ("Statement No. 142"), goodwill and intangible assets with indefinite useful lives are not amortized but are reviewed at least annually for impairment. An impairment loss would be recognized to the extent that the carrying amount exceeds the assets' fair value. Intangible assets with estimatable useful lives are amortized on a straight-line basis over their respective useful lives.

ROADWAY CORPORATION

On December 11, 2003, Yellow Corporation completed the acquisition of Roadway Corporation and all of its outstanding stock in approximately a half cash, half stock transaction. As part of the transaction, Yellow Corporation changed its name to Yellow Roadway Corporation. In addition, Roadway Corporation became Roadway LLC ("Roadway") and a wholly owned subsidiary of Yellow Roadway.

Principal operating subsidiaries of Roadway include Roadway Express and New Penn. Roadway Express is a leading transporter of industrial, commercial and retail goods in the two- to five-day regional and long-haul markets. New Penn is a next-day, ground, less-than-truckload, carrier of general commodities. The acquisition now provides Yellow Roadway with the increased scale, strong financial base and market reach that are necessary to increase shareholder value and enhance customer service. It also has the potential to accelerate the Yellow Roadway strategy of offering a broader range of services for business-to-business transportation decision makers.

Consideration for the acquisition included \$494 million in cash and 18.0 million shares of Yellow Roadway common stock, based on an exchange ratio of 1.752 and an average price per share of \$31.51, for a total purchase price of \$1.1 billion. The purchase price also included approximately \$19 million for investment banking, legal and accounting fees that Yellow Roadway incurred to consummate the acquisition, resulting in total cash consideration of \$513 million. In addition, by virtue of the merger, Roadway LLC assumed \$225.0 million of principal senior notes with a fair value of \$248.9 million. The cash portion of the purchase price was funded primarily through a term loan of \$175 million under a new credit facility, a private placement of \$250 million of 5.0 percent contingent convertible senior notes due 2023 and a private placement of \$150 million of 3.375 percent contingent convertible senior notes due 2023. The 18.0 million common shares Yellow Roadway issued were valued based on the simple average of the daily opening and closing trade prices for the period December 9 through December 15, 2003, which represents two days prior and after the date the price was fixed under the terms of the merger agreement.

Prior to the acquisition, Roadway had agreements in place with key management personnel that would require Roadway to pay specific amounts to those individuals upon a change in control of the entity. On December 11, 2003, in conjunction with the closing of the transaction, Roadway paid \$15.9 million to the individuals covered by the agreement that would not be joining the new Yellow Roadway organization. This amount was expensed in the pre-acquisition financial statements of Roadway Corporation. The remaining amount covered under the agreement of \$10.6 million was placed in a trust account for possible payment to the three individuals that remain Roadway employees. If any of these individuals are terminated within two years and the applicable conditions of their respective agreements are met, they would receive the agreed to payments, and Roadway LLC would recognize an expense for those payments at the time of the triggering event. If termination does not occur within two years, the funds will be released from restriction and reclassified from a long-term asset to cash on the Roadway LLC Consolidated Balance Sheet.

Based on an independent valuation prepared using estimates and assumptions provided by management, Yellow Roadway allocated approximately \$103.3 million of the total purchase price of approximately \$1.1 billion to Roadway Next Day as follows:

(in thousands)

Cash and cash equivalents	\$ 24,216
Accounts receivable	20,218
Other current assets	6,780
Property, plant and equipment	73,966
Other long-term assets	3,244
Intangible assets	89,500
Goodwill	122,332
Accounts payable	(34,368)
Note payable to affiliate	(150,000)
Deferred income taxes, net	(38,994)
Other long-term liabilities	(13,635)

Total purchase price	\$ 103,259
	=====

As the Roadway acquisition occurred in December 2003, the allocation of the purchase price included in the December 31, 2003 Consolidated Balance Sheet is preliminary and subject to refinement. Although Yellow Roadway does not expect any subsequent changes to have a material impact on its results of operations or amounts allocated to goodwill, such changes could result in material adjustments to

the preliminary purchase allocation. The most significant pending items include the following: finalization of independent asset valuation for the Roadway tangible and intangible assets including associated remaining lives; completion of all direct costs associated with the acquisition; updating Roadway personnel information used to calculate the pension benefit obligation; determination of the fair value of tax-related contingencies; calculation of an estimate for certain contractual obligations; and numerous other refinements. Yellow Roadway expects substantially all of the above refinements will be completed by the end of second quarter 2004.

Intangible Assets

Of the \$89.5 million allocated to intangible assets, \$25.6 million was assigned to the New Penn trade name which is not subject to amortization. Of the remaining value, \$62.9 million and \$1.0 million were assigned to customer relationships and software related assets, respectively. Roadway assigned the customer relationships and software assets a weighted average life of 15 years and 3 years, respectively.

Goodwill

In considering the acquisition of Roadway, Yellow Corporation based its proposed purchase price on the increased value that the combined Yellow Roadway organization could provide to its investors, customers and employees. This value can be attributed to the increased scale and ability to compete in a highly competitive domestic and global transportation marketplace, the reputation and recognition of the distinct brands, and the service capabilities and technologies of both companies. Roadway Next Day recorded \$122.3 million in goodwill as part of the acquisition. Of the goodwill recorded, the amount that may be deductible for tax purposes is not material to the results of operations of Roadway Next Day.

GOODWILL AND INTANGIBLES

Goodwill is recognized for the excess of the purchase price over the fair value of tangible and identifiable intangible net assets of businesses acquired. In accordance with Statement No. 142, we do not amortize goodwill and review goodwill at least annually for impairment based on a fair value approach. The entire \$122.3 million of goodwill has been allocated to our only operating subsidiary, New Penn.

The components of amortizable intangible assets are as follows:

(in thousands)	Weighted Average Life (years)	December 31, 2003	
		Gross Carrying Amount	Accumulated Amortization
Customer related	15	\$ 62,900	\$ 192
Technology based	3	1,000	17
Intangible assets	--	\$ 63,900	\$ 209

Total marketing related intangible assets with indefinite lives were \$25.6 million for the period ended December 31, 2003. These intangible assets are not subject to amortization.

Amortization Expense for intangible assets, as reflected in our net loss, was \$0.2 million for the period December 12 through December 31, 2003. Estimated amortization expense for the next five years is as follows:

(in thousands)	2004	2005	2006	2007	2008
Estimated amortization expense	\$ 4,526	\$ 4,526	\$ 4,510	\$ 4,193	\$ 4,193

EMPLOYEE BENEFITS

PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Qualified Defined Benefit Pension Plans

Roadway Next Day sponsors a qualified defined benefit pension plan for certain employees not covered by collective bargaining agreements (approximately 60 employees). Pension benefits are specified by the Board of Directors. This plan has no assets. Benefits are paid from corporate funds.

Employees covered by collective bargaining agreements participate in various multi-employer pension plans to which Roadway Next Day contributes, as discussed later in this section.

Definitions

We have defined the following terms to provide a better understanding of our pension and other postretirement benefits:

Projected benefit obligation: The projected benefit obligation is the present value of future benefits to employees attributed to service as of the measurement date, including assumed salary increases.

Funded status: The funded status represents the difference between the projected benefit obligation and the market value of the assets.

Net amount recognized: The net amount recognized represents the amount accrued by Roadway Next Day for pension costs.

Unfunded accumulated benefit obligation: The accumulated benefit obligation is the present value of future benefits attributed to service as of the measurement date, assuming no future salary growth. The unfunded accumulated benefit obligation represents the difference between the accumulated benefit obligation and the fair market value of the assets.

Accumulated postretirement benefit obligation: The accumulated postretirement benefit obligation is the present value of other postretirement benefits to employees attributed to service as of the measurement date.

Funded Status

The following table sets forth the plan's funded status for the period December 12 through December 31, 2003:

(in thousands)
- - - - -

CHANGE IN BENEFIT OBLIGATION:	
Benefit obligation at December 12, 2003	\$ 1,893
Service cost	2
Interest cost	6

Benefit obligation at year end	\$ 1,901
	=====
FUNDED STATUS:	
Funded status	\$ (1,901)

Net amount recognized	\$ (1,901)
	=====

Benefit Plan Obligations

Amounts recognized for the benefit plan liabilities in the Consolidated Balance Sheet at December 31, 2003 were \$1.9 million. A discount rate of 6.25% was used to determine benefit obligations at December 31, 2003.

Information for pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2003:

(in thousands)

Projected benefit obligation	\$ 1,901
Accumulated benefit obligation	1,901
	=====

Contributions

We expect to pay approximately \$0.1 million of benefits in 2004.

Pension Costs

The components of our net periodic pension cost from the date of acquisition to December 31, 2003, were as follows:

(in thousands)

Service cost	\$ 2
Interest cost	6

Net periodic pension cost	\$ 8
	=====
Weighted average assumptions for the period ended December 31:	
Discount rate	6.75%
Expected rate of return on assets	6.75%
	=====

MULTI-EMPLOYER PLANS

Roadway Next Day contributes to multi-employer health, welfare and pension plans for employees covered by collective bargaining agreements (approximately 73 percent of total employees). The amounts of these contributions are determined by contract and established in the agreements. The health and welfare plans provide health care and disability benefits to active employees and retirees. The pension plans provide defined benefits to retired participants. We recognize as net pension cost the required contribution for the period and recognize as a liability any contributions due and unpaid. We contributed and charged to expense the following amounts to these plans for the period from date of acquisition through December 31, 2003:

(in thousands)

Health and welfare	\$ 727
Pension	721

Total	\$ 1,448
	=====

Under current legislation regarding multi-employer pension plans, a termination, withdrawal or partial withdrawal from any multi-employer plan in an under-funded status would render us liable for a proportionate share of such multi-employer plans' unfunded vested liabilities. This potential unfunded pension liability also applies to our unionized competitors who contribute to multi-employer plans. Based on the limited information available from plan administrators, which we cannot independently validate, we believe that our portion of the contingent liability in the case of a full withdrawal or termination would be material to our financial position and results of operations. Roadway Next Day has no current intention of taking any action that would subject us to obligations under the legislation.

Roadway Next Day has collective bargaining agreements with their unions that stipulate the amount of contributions we must make to union-sponsored, multi-employer pension plans. The Internal Revenue Code and related regulations establish minimum funding requirements for

these plans. If any of these plans fail to meet these requirements and the trustees of these plans are unable to obtain waivers of the requirements from the Internal Revenue Service ("IRS") or reduce pension benefits to a level where the requirements are met, the IRS could impose an excise tax on all employers participating in these plans and require contributions in excess of our contractually agreed upon rates to correct the funding deficiency. If an excise tax were imposed on the participating employers and additional contributions required it could have a material adverse impact on the financial results of Roadway Next Day.

401(k) SAVINGS PLAN

Roadway Next Day sponsors a voluntary 401(k) savings plan for employees not covered by collective bargaining agreements. Our employees covered under collective bargaining agreements can also participate in a voluntary 401(k) plan. We do not make employer contributions to either of the 401(k) plans on their behalf.

PROFIT SHARING PLAN

Roadway Next Day sponsors a contributory profit sharing plan for employees not covered by collective bargaining agreements. There were no contributions for the profit sharing plan for the period December 12 through December 31, 2003.

RELATED PARTY TRANSACTIONS

On December 10, 2003, Roadway Next Day executed a \$150 million ten-year Promissory Note to Roadway LLC, accruing interest at the rate of 8.25 percent. Interest is due and payable quarterly, and the principal is due at maturity.

INCOME TAXES

Deferred income taxes are determined based upon the difference between the book and the tax basis of our assets and liabilities. Deferred taxes are recorded at the enacted tax rates expected to be in effect when these differences reverse. The deferred tax liabilities (assets) were not materially different at December 12, 2003 compared to the deferred tax liabilities (assets) comprised of the following at December 31, 2003:

(in thousands)

- - - - -	
Depreciation	\$ 7,766
Intangibles	36,635
Other	398

Gross tax liabilities	\$ 44,799

Claims and insurance	\$ (4,897)
Employee benefits	(3,019)
Other	(1,558)

Gross tax assets	\$ (9,474)

Net tax liability	\$ 35,325
	=====

A valuation allowance for deferred tax assets was not required at December 31, 2003.

We have a tax sharing agreement with Yellow Roadway Corporation that requires us to share in its consolidated tax burden based on our respective share of taxable income or losses relative to Yellow Roadway Corporation's other subsidiaries. In addition, we retain any respective tax credits related to our operations.

A reconciliation between income taxes at the federal statutory rate and the consolidated effective tax rate from our net loss follows:

	2003

Federal statutory rate	35.0%
State income taxes, net	5.8
Nondeductible business expenses	(1.1)
Other, net	5.3

Effective tax rate	45.0%
	=====

The income tax benefit consisted of the following:

(in thousands)	2003
- - - - -	-----
Current:	
U.S federal	\$ (527)
State	(106)

Current income tax benefit	\$ (633)

Deferred:	
U.S federal	\$ 174
State	19

Deferred income tax benefit	\$ 193

Income tax benefit	\$ (440)
	=====

COMMITMENTS, CONTINGENCIES, AND UNCERTAINTIES

Roadway Next Day incurs rental expenses under noncancelable lease agreements for certain buildings and operating equipment. Rental expense is charged to operating expense and supplies on the Statement of Consolidated Operations. Actual rental expense, as reflected in our net loss, was \$17 thousand for the period December 12 through December 31, 2003.

We utilize certain terminals and equipment under operating leases. At December 31, 2003, we were committed under noncancelable lease agreements requiring minimum annual rentals payable as follows:

(in thousands)	2004	2005	2006	2007	2008	Thereafter
- - - - -	-----	-----	-----	-----	-----	-----
Minimum annual rentals	\$ 439	\$ 347	\$ 216	\$ 62	\$ 52	\$ 66
	=====	=====	=====	=====	=====	=====

We expect in the ordinary course of business that leases will be renewed or replaced as they expire. Projected 2004 net capital expenditures are expected to be \$15 to \$20 million, of which zero was committed at December 31, 2003.

Roadway Next Day is involved in litigation or proceedings that arise in ordinary business activities. We insure against these risks to the extent deemed prudent by our management, but no assurance can be given that the nature and amount of such insurance will be sufficient to fully indemnify us against liabilities arising out of pending and future legal proceedings. Many of these insurance policies contain self-insured retentions in amounts we deem prudent. Based on our current assessment of information available as of the date of these financial statements, we believe that our financial statements include adequate provisions for estimated costs and losses that may be incurred with regard to the litigation and proceedings to which we are a party.