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

FORM 10-Q

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

For the quarterly period ended June 30, 2004

OR

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

For the transition period from _____ to _____

Commission file number 0-12255

YELLOW ROADWAY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

66211
(Zip Code)

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

No Changes
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Class	Outstanding at July 31, 2004
Common Stock, \$1 Par Value Per Share	48,109,159 shares

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS
Yellow Roadway Corporation and Subsidiaries
(Amounts in thousands except per share data)
(Unaudited)

	<u>June 30, 2004</u>	<u>December 31, 2003</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 33,567	\$ 75,166
Accounts receivable, net	794,278	699,142
Prepaid expenses and other	121,605	110,128
	<hr/>	<hr/>
Total current assets	949,450	884,436
	<hr/>	<hr/>
Property and Equipment:		
Cost	2,638,092	2,538,614
Less – accumulated depreciation	1,192,490	1,135,346
	<hr/>	<hr/>
Net property and equipment	1,445,602	1,403,268
	<hr/>	<hr/>
Goodwill	622,152	617,313
Intangibles, net	472,381	467,114
Other assets	83,037	91,098
	<hr/>	<hr/>
Total assets	\$3,572,622	\$3,463,229
	<hr/>	<hr/>
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	\$ 270,673	\$ 260,175
Wages, vacations and employees' benefits	436,563	351,287
Other current and accrued liabilities	213,530	178,478
Asset backed securitization ("ABS") borrowings	57,000	71,500
Current maturities of long-term debt	750	1,757
	<hr/>	<hr/>
Total current liabilities	978,516	863,197
	<hr/>	<hr/>
Other Liabilities:		
Long-term debt, less current portion	734,624	836,082
Deferred income taxes, net	298,711	298,256
Accrued pension and postretirement	270,902	256,187
Claims and other liabilities	215,152	207,422
	<hr/>	<hr/>
Total other liabilities	1,519,389	1,597,947
	<hr/>	<hr/>
Shareholders' Equity:		
Common stock, \$1 par value per share	50,455	50,146
Capital surplus	663,447	653,739
Retained earnings	431,229	366,157
Accumulated other comprehensive loss	(24,542)	(23,167)
Unamortized restricted stock awards	(4,862)	(567)
Treasury stock, at cost (2,217 and 2,359 shares)	(41,010)	(44,223)
	<hr/>	<hr/>
Total shareholders' equity	1,074,717	1,002,085
	<hr/>	<hr/>
Total liabilities and shareholders' equity	\$3,572,622	\$3,463,229
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The accompanying notes are an integral part of these statements.

STATEMENTS OF CONSOLIDATED OPERATIONS
Yellow Roadway Corporation and Subsidiaries
For the Three and Six Months Ended June 30
(Amounts in thousands except per share data)
(Unaudited)

	Three Months		Six Months	
	2004	2003	2004	2003
Operating Revenue	\$ 1,674,131	\$ 713,453	\$ 3,226,266	\$ 1,394,546
Operating Expenses:				
Salaries, wages and employees' benefits	1,031,120	458,036	2,024,670	896,784
Operating expenses and supplies	249,128	103,908	487,485	213,851
Operating taxes and licenses	43,187	19,492	83,752	39,259
Claims and insurance	36,282	10,730	66,295	23,454
Depreciation and amortization	42,982	20,818	83,588	41,086
Purchased transportation	183,384	68,106	350,648	135,979
(Gains) losses on property disposals, net	(193)	30	269	41
Total operating expenses	1,585,890	681,120	3,096,707	1,350,454
Operating Income	88,241	32,333	129,559	44,092
Nonoperating (Income) Expenses:				
Interest expense	11,497	2,625	23,407	5,271
Other	462	(343)	342	(436)
Nonoperating expenses, net	11,959	2,282	23,749	4,835
Income Before Income Taxes	76,282	30,051	105,810	39,257
Income tax provision	29,365	11,691	40,737	15,271
Net Income	\$ 46,917	\$ 18,360	\$ 65,073	\$ 23,986
Average Common Shares Outstanding – Basic	47,958	29,586	47,885	29,585
Average Common Shares Outstanding – Diluted	48,436	29,834	48,348	29,826
Basic Earnings Per Share	\$ 0.98	\$ 0.62	\$ 1.36	\$ 0.81
Diluted Earnings Per Share	\$ 0.97	\$ 0.62	\$ 1.35	\$ 0.80

The accompanying notes are an integral part of these statements.

STATEMENTS OF CONSOLIDATED CASH FLOWS
Yellow Roadway Corporation and Subsidiaries
For the Six Months Ended June 30
(Amounts in thousands)
(Unaudited)

	2004	2003
Operating Activities:		
Net income	\$ 65,073	\$ 23,986
Noncash items included in net income:		
Depreciation and amortization	83,588	41,086
Losses on property disposals, net	269	41
Deferred income tax provision, net	(3,602)	—
Changes in assets and liabilities, net:		
Accounts receivable	(85,659)	(6,447)
Accounts payable	(32,347)	(43,706)
Other working capital items	124,498	55,861
Claims and other	18,465	(2,653)
Other, net	10,404	1,603
Net cash from operating activities	180,689	69,771
Investing Activities:		
Acquisition of property and equipment	(107,043)	(48,038)
Proceeds from disposal of property and equipment	3,728	1,204
Acquisition of companies	(7,881)	—
Net cash used in investing activities	(111,196)	(46,834)
Financing Activities:		
ABS borrowings, net	(14,500)	—
Repayment of long-term debt	(100,036)	(43)
Treasury stock purchases	—	(2,921)
Proceeds from exercise of stock options	3,444	1,124
Net cash used in financing activities	(111,092)	(1,840)
Net Increase (Decrease) In Cash and Cash Equivalents	(41,599)	21,097
Cash and Cash Equivalents, Beginning of Period	75,166	28,714
Cash and Cash Equivalents, End of Period	\$ 33,567	\$ 49,811
Supplemental Cash Flow Information:		
Income taxes paid, net	\$ 15,784	\$ 4,170
Interest paid	38,893	4,491

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Yellow Roadway Corporation and Subsidiaries
(Unaudited)

1. **Description of Business**

Yellow Roadway Corporation (also referred to as “Yellow Roadway,” “we” or “our”), 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 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. 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 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, we successfully closed the acquisition of Roadway Corporation (“Roadway”). Roadway became Roadway LLC (“Roadway Group”) and a subsidiary of Yellow Roadway. Consideration for the acquisition included \$494 million in cash and 18.0 million shares of Yellow Roadway common stock for a total purchase price of approximately \$1.1 billion. The Roadway Group has two operating segments, Roadway Express and New Penn.

2. **Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of Yellow Roadway Corporation and its wholly owned subsidiaries. We have prepared the consolidated financial statements, without audit by independent public accountants, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). In management’s opinion, all normal recurring adjustments necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods included herein have been made. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from these statements pursuant to SEC rules and regulations. Accordingly, the accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2003.

3. **Stock-Based Compensation**

Yellow Roadway has various stock-based employee compensation plans, which are described more fully in our Annual Report on Form 10-K for the year ended December 31, 2003. Yellow Roadway accounts for stock options issued under those plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. 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.

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We estimated the fair value per option for each option granted in the periods presented using the Black-Scholes option pricing model with the following weighted average assumptions for the three and six months ended June 30:

	Three Months		Six Months	
	2004	2003	2004	2003
Actual options granted	0	40,700	28,000	54,700
Dividend yield	n/a	–%	–%	–%
Expected volatility	n/a	46.8%	45.2%	46.9%
Risk-free interest rate	n/a	2.2%	2.6%	2.1%
Expected option life (years)	n/a	3.0	3.6	3.0
Fair value per option	n/a	\$ 8.91	\$ 12.61	\$ 8.90

The following table illustrates the effect on net income and earnings per share if Yellow Roadway had applied the fair value recognition provisions of Statement of Financial Accounting Standards (“SFAS”) No. 123, Accounting for Stock-Based Compensation, for the three and six months ended June 30:

(in millions except per share data)	Three Months		Six Months	
	2004	2003	2004	2003
Net income, as reported	\$ 46.9	\$ 18.4	\$ 65.1	\$ 24.0
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	0.4	0.6	0.9	1.1
Pro forma net income	\$ 46.5	\$ 17.8	\$ 64.2	\$ 22.9
Basic earnings per share:				
Net income – as reported	\$ 0.98	\$ 0.62	\$ 1.36	\$ 0.81
Net income – pro forma	0.97	0.60	1.34	0.77
Diluted earnings per share:				
Net income – as reported	0.97	0.62	1.35	0.80
Net income – pro forma	0.96	0.60	1.33	0.76

During the six months ended June 30, 2004, we issued 113,585 performance share units to certain executive officers under the long-term incentive plan implemented in 2002. According to the plan provisions, the performance share units provide the holders the right to receive one share of common stock upon vesting of one performance share unit. 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. Additionally, on February 27, 2004, we issued 27,647 shares of restricted stock from the 2002 stock option plan at \$31.59 per share. These shares will vest ratably over three years. The related compensation expense for the performance share units and restricted stock is included in the consolidated statements of operations ratably over the service period, defined as the performance period and vesting period combined. The performance share units and restricted stock are not reflected in the fair value or pro forma results above.

4. 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, we closed the acquisition of Roadway. Consideration for the acquisition included \$494 million in cash and 18.0 million shares of Yellow Roadway common stock for a total purchase price of approximately \$1.1 billion. We initially allocated \$597.0 million of the purchase price to goodwill and \$461.3 million to intangible assets. Refer to our goodwill and intangibles note for further details.

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In connection with the acquisition, we incurred \$13.4 million of restructuring costs as a result of severance (administrative, sales and operations personnel) and relocation of workforce and contract terminations. We have recognized such costs as a liability assumed as of the acquisition date, resulting in additional goodwill. These restructuring costs consisted of \$12.2 million of employee termination (including wages, health benefits and outplacement services) and relocation costs for approximately 800 employees and \$1.2 million for contract terminations. All of these restructuring items will have been effectuated within one year of the acquisition in accordance with purchase accounting requirements. During the six months ended June 30, 2004, we paid \$2.0 million of restructuring costs resulting in a \$11.4 million accrued liability at June 30, 2004.

In accordance with Statement No. 141, we accounted for the acquisition under purchase accounting. As a result, our Statements of Consolidated Operations and Statements of Consolidated Cash Flows include results of Roadway Express and New Penn from the date of acquisition. Our results for the three and six months ended June 30, 2003 do not reflect the operations of the Roadway Group.

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 on January 1, 2003. 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 date 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 three and six months ended June 30, 2003:

(in millions except per share data)	Three Months	Six Months
Operating revenue	\$ 1,456.1	\$ 2,897.4
Operating income	46.9	81.3
Income from continuing operations	21.8	34.5
Net income	21.5	34.4
Diluted earnings per share:		
Income from continuing operations	0.46	0.72
Net income	0.45	0.72

GPS Logistics

In February 2004, MIQ LLC (formerly known as Yellow GPS), a subsidiary of Meridian IQ, exercised and closed its option to purchase GPS Logistics (EU) Ltd. MIQ LLC made a payment of \$7.6 million, which is subject to upward and downward adjustments based on the financial performance of GPS Logistics (EU) Ltd. The initial payment and acquisition expenses of \$0.3 million were allocated as follows: \$3.3 million to goodwill, \$3.2 million to amortizable intangible assets, and \$1.4 million to miscellaneous assets and liabilities. The results of GPS Logistics (EU) Ltd. have been included in our financial statements since the date of acquisition. The pro forma effect of this acquisition is not material to our results of operations. MIQ LLC also has an option to acquire the Asian business of GPS Logistics Group Ltd. (not previously acquired) at a price that varies with the performance of that business. If MIQ LLC does not exercise the Asian option, it will be required to pay a deferred option price to the shareholders of GPS Logistics Group Ltd.

5. Goodwill and Intangibles

The following table shows the amount of goodwill attributable to our operating segments with goodwill balances and changes therein:

(in millions)	December 31, 2003	Acquisitions	Purchase Accounting Reclasses / Other	June 30, 2004
Roadway Express	\$ 474.5	\$ —	\$ 68.7	\$ 543.2
New Penn	122.3	—	(67.0)	55.3
Meridian IQ	20.5	3.3	(0.1)	23.7
Goodwill	\$ 617.3	\$ 3.3	\$ 1.6	\$ 622.2

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As the Roadway acquisition occurred in December 2003, the allocation of the purchase price included in the December 31, 2003 Consolidated Balance Sheets was preliminary and subject to refinement. During the six months ended June 30, 2004, an independent asset valuation was received and certain reallocations were made related to tangible and intangible assets. In addition, the fair value of certain post-employment benefit obligations was determined by an actuary. The purchase price allocation has been modified to reflect the results of these analyses. These changes did not have a material impact on our consolidated results of operations.

As of June 30, 2004, refinements to the purchase price allocation are substantially complete. We do expect additional changes during the third quarter of 2004 with respect to the determination of the fair value of certain tax-related contingencies and certain other minor refinements. We do not expect these subsequent changes will have a material impact on our consolidated results of operations.

The components of amortizable intangible assets are as follows:

(in millions)	Weighted Average Life (years)	June 30, 2004		December 31, 2003	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer related	17	\$ 118.2	\$ 5.1	\$ 117.4	\$ 1.3
Marketing related	6	0.9	0.3	0.7	0.2
Technology based	3	17.5	3.3	17.1	0.6
Intangible assets		\$ 136.6	\$ 8.7	\$ 135.2	\$ 2.1

Total marketing related intangible assets with indefinite lives were \$344.5 million at June 30, 2004 and \$334.1 million at December 31, 2003. These intangible assets are not subject to amortization. The change between periods related to a reclassification arising from modifications to the purchase price allocation, as discussed above, and foreign currency translation adjustments.

6. Employee Benefits

Components of Net Periodic Pension Cost

In December 2003, the Financial Accounting Standards Board revised SFAS No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits ("Statement No. 132R"). Statement No. 132R requires the disclosure of the components of the net periodic pension cost recognized during interim periods. The following table sets forth the components of our pension costs for the three and six months ended June 30:

(in millions)	Three Months		Six Months	
	2004	2003 ^(a)	2004	2003 ^(a)
Service cost	\$ 9.7	\$ 4.0	\$ 19.9	\$ 8.0
Interest cost	14.2	6.6	28.7	13.2
Expected return on plan assets	(13.2)	(6.7)	(26.5)	(13.4)
Amortization of net transition asset	—	(0.3)	—	(0.6)
Amortization of prior service cost	0.3	0.4	0.6	0.8
Amortization of net loss	1.2	0.5	3.0	1.0
Net periodic pension cost	\$ 12.2	\$ 4.5	\$ 25.7	\$ 9.0

(a) Data for the three and six months ended June 30, 2003 does not include Roadway Group.

For the three and six months ended June 30, 2004, our other postretirement costs were \$0.6 million and \$1.9 million, respectively. Prior to the acquisition of Roadway, we did not provide postretirement benefits; therefore, there are no such amounts for the three and six months ended June 30, 2003.

Employer Contributions

On July 1, 2004, we contributed \$22.3 million to our company-sponsored pension plans. We expect to make additional contributions to these plans of \$20.7 million prior to December 31, 2004.

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7. 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 transportation management services, domestic and international freight forwarding and multi-modal brokerage services.

The accounting policies of the segments are the same as those described in the Summary of Accounting Policies note in our Annual Report on Form 10-K for the year ended December 31, 2003. We charge management fees and other corporate services to our segments based on the direct benefits received or as a percentage of revenue. Corporate losses represent operating expenses of the holding company, including salaries, wages and benefits, along with incentive compensation and professional services, that have not been allocated to the operating segments. Corporate identifiable assets primarily refer to cash, cash equivalents and deferred debt issuance costs. Intersegment revenue relates to transportation services provided by Yellow Transportation to Meridian IQ and Roadway Express as well as charges to Yellow Transportation for use of various Meridian IQ service names.

The following table summarizes our operations by business segment:

(in millions)	Yellow Transportation	Roadway Express	New Penn	Meridian IQ	Corporate/ Eliminations	Consolidated
As of June 30, 2004						
Identifiable assets	\$ 1,005.2	\$ 2,140.6	\$ 248.9	\$ 114.1	\$ 63.8	\$ 3,572.6
As of December 31, 2003						
Identifiable assets	986.5	2,002.4	340.7	79.9	53.7	3,463.2
Three months ended June 30, 2004						
External revenue	791.8	767.9	64.3	50.1	—	1,674.1
Intersegment revenue	0.8	0.3	—	0.5	(1.6)	—
Operating income (loss)	45.7	36.4	9.2	0.6	(3.7)	88.2
Adjustments to operating income ^(a)	—	(0.2)	—	—	—	(0.2)
Adjusted operating income (loss)	45.7	36.2	9.2	0.6	(3.7)	88.0
Three months ended June 30, 2003^(b)						
External revenue	690.8	—	—	22.7	—	713.5
Intersegment revenue	0.6	—	—	0.5	(1.1)	—
Operating income (loss)	36.4	—	—	0.1	(4.2)	32.3
Adjustments to operating income ^(a)	—	—	—	—	—	—
Adjusted operating income (loss)	36.4	—	—	0.1	(4.2)	32.3
Six months ended June 30, 2004						
External revenue	1,525.7	1,485.0	120.4	95.2	—	3,226.3
Intersegment revenue	1.4	0.3	—	1.1	(2.8)	—
Operating income (loss)	72.1	51.4	15.0	1.2	(10.1)	129.6
Adjustments to operating income ^(a)	0.5	(0.1)	(0.1)	(0.1)	—	0.2
Adjusted operating income (loss)	72.6	51.3	14.9	1.1	(10.1)	129.8
Six months ended June 30, 2003^(b)						
External revenue	1,350.4	—	—	44.1	—	1,394.5
Intersegment revenue	1.2	—	—	1.2	(2.4)	—
Operating income (loss)	55.9	—	—	(0.8)	(11.0)	44.1
Adjustments to operating income ^(a)	—	—	—	—	—	—
Adjusted operating income (loss)	55.9	—	—	(0.8)	(11.0)	44.1

(a) Management excludes these items when evaluating operating income and segment performance to better evaluate the results of our core operations. In the periods presented, adjustments consisted of losses (gains) on property disposals.

(b) As of June 30, 2003, Roadway Express and New Penn had not been acquired; therefore segment information is not reported for the three and six months ended June 30, 2003.

8. **Comprehensive Income**

Our comprehensive income for the periods presented includes net income and foreign currency translation adjustments. The three and six months ended June 30, 2003 also included changes in the fair value of an interest rate swap. Comprehensive income for the three and six months ended June 30 follows:

(in millions)	Three Months		Six Months	
	2004	2003	2004	2003
Net income	\$46.9	\$18.4	\$65.1	\$24.0
Changes in foreign currency translation adjustments	1.4	0.7	1.4	1.3
Changes in the fair value of an interest rate swap	—	0.4	—	0.7
Comprehensive income	\$48.3	\$19.5	\$66.5	\$26.0

9. **Rental Expenses**

Yellow Roadway incurs rental expenses under non-cancelable lease agreements for certain buildings and operating equipment. Rental expense is charged to “operating expenses and supplies” on the Statements of Consolidated Operations. The following table represents the actual rental expense, as reflected in operating income, incurred for the three and six months ended June 30:

(in millions)	Three Months		Six Months	
	2004	2003	2004	2003
Rental expense	\$24.4	\$9.6	\$47.9	\$19.2

10. **Multi-Employer Pension Plans**

Yellow Transportation, Roadway Express and New Penn contribute to approximately 90 separate 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.

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 the 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. Under recent legislation, qualified multi-employer plans are permitted to exclude certain recent investment losses from the minimum funding formula through 2005. The Central States Plan, in particular, has informed us that its recent investment performance has adversely affected its funding levels and that the fund is seeking corrective measures to address its funding. During the benefit period of the recent legislation, the Central States Plan is expected to meet the minimum funding requirements. If any of these plans, including the Central States Plan, fails to meet minimum funding requirements and the trustees of such a plan are unable to obtain a waiver of the requirements or certain changes in how the applicable plan calculates its funding level 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 contributions in excess of our contractually agreed upon rates could be required 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.

11. Guarantees of the Contingent Convertible Senior Notes

In August 2003, Yellow Roadway issued 5.0 percent contingent convertible senior notes due 2023. In November 2003, we issued 3.375 percent contingent convertible senior notes due 2023 (the August and November issuances, collectively, may also be known as the “contingent convertible senior notes”). 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, Inc., Yellow Technologies, Inc., Meridian IQ, Inc., MIQ LLC (formerly 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 or any guarantor to obtain funds from its subsidiaries by dividend or loan.

The following represents summarized condensed consolidating financial information as of June 30, 2004 and December 31, 2003 with respect to the financial position, for the three and six months ended June 30, 2004 and 2003 for results of operations and for the six months ended June 30, 2004 and 2003 for the statements of cash flows of Yellow Roadway and its subsidiaries. The Parent column presents the financial information of Yellow Roadway, 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 those subsidiaries governed by foreign laws, Yellow Roadway Receivables Funding Corporation, Yellow Receivables Corporation and Roadway Funding, Inc., the special-purpose entities that are or were associated with our asset backed securitization (“ABS”) agreements.

Condensed Consolidating Balance Sheets

June 30, 2004 (in millions)	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	\$ 9	\$ 4	\$ 21	\$ —	\$ 34
Intercompany advances receivable	—	106	44	(150)	—
Accounts receivable, net	3	31	760	—	794
Prepaid expenses and other	4	110	7	—	121
Total current assets	16	251	832	(150)	949
Property and equipment at cost	—	2,525	113	—	2,638
Less – accumulated depreciation	—	1,181	11	—	1,192
Net property and equipment	—	1,344	102	—	1,446
Investment in subsidiaries	1,178	85	—	(1,263)	—
Receivable from affiliate	137	(71)	11	(77)	—
Goodwill, intangibles and other assets	235	772	171	—	1,178
Total assets	\$ 1,566	\$ 2,381	\$ 1,116	\$ (1,490)	\$ 3,573
Intercompany advances payable	\$ 57	\$ (649)	\$ 673	\$ (81)	\$ —
Accounts payable	3	248	20	—	271
Wages, vacations and employees’ benefits	9	408	20	—	437
Other current and accrued liabilities	12	182	19	—	213
ABS borrowings	—	—	57	—	57
Current maturities of long-term debt	1	—	—	—	1
Total current liabilities	82	189	789	(81)	979
Payable to affiliate	(25)	20	155	(150)	—
Long-term debt, less current portion	474	260	1	—	735
Deferred income taxes, net	(12)	271	40	—	299
Claims and other liabilities	20	452	13	—	485
Shareholders’ equity	1,027	1,189	118	(1,259)	1,075
Total liabilities and shareholders’ equity	\$ 1,566	\$ 2,381	\$ 1,116	\$ (1,490)	\$ 3,573

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December 31, 2003 (in millions)	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	\$ 19	\$ 20	\$ 36	\$ —	\$ 75
Intercompany advances receivable	180	4	—	(184)	—
Accounts receivable, net	3	351	345	—	699
Prepaid expenses and other	5	97	8	—	110
Total current assets	207	472	389	(184)	884
Property and equipment at cost	—	2,443	96	—	2,539
Less – accumulated depreciation	—	1,130	6	—	1,136
Net property and equipment	—	1,313	90	—	1,403
Investment in subsidiaries	1,374	131	—	(1,505)	—
Receivable from affiliate	—	150	—	(150)	—
Goodwill, intangibles and other assets	39	884	253	—	1,176
Total assets	\$ 1,620	\$ 2,950	\$ 732	\$ (1,839)	\$ 3,463
Intercompany advances payable	\$ —	\$ —	\$ 184	\$ (184)	\$ —
Accounts payable	12	231	17	—	260
Wages, vacations and employees' benefits	6	330	15	—	351
Other current and accrued liabilities	(7)	173	12	—	178
ABS borrowings	—	—	72	—	72
Current maturities of long-term debt	2	—	—	—	2
Total current liabilities	13	734	300	(184)	863
Payable to affiliate	—	—	150	(150)	—
Long-term debt, less current portion	573	263	—	—	836
Deferred income taxes, net	(12)	263	47	—	298
Claims and other liabilities	14	437	13	—	464
Shareholders' equity	1,032	1,253	222	(1,505)	1,002
Total liabilities and shareholders' equity	\$ 1,620	\$ 2,950	\$ 732	\$ (1,839)	\$ 3,463

Condensed Consolidating Statements of Operations

For the three months ended June 30, 2004 (in millions)	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	\$ 12	\$ 1,555	\$ 120	\$ (13)	\$ 1,674
Operating expenses:					
Salaries, wages and employees' benefits	8	965	58	—	1,031
Operating expenses and supplies	6	214	40	(11)	249
Operating taxes and licenses	—	40	3	—	43
Claims and insurance	1	34	1	—	36
Depreciation and amortization	—	39	4	—	43
Purchased transportation	—	162	24	(2)	184
Total operating expenses	15	1,454	130	(13)	1,586
Operating income (loss)	(3)	101	(10)	—	88
Nonoperating (income) expenses:					
Interest expense	8	27	10	(34)	11
Other	(29)	27	(56)	58	—
Nonoperating (income) expenses, net	(21)	54	(46)	24	11
Income (loss) before income taxes	18	47	36	(24)	77
Income tax provision (benefit)	(2)	19	13	—	30
Subsidiary earnings	54	37	—	(91)	—
Net income (loss)	\$ 74	\$ 65	\$ 23	\$ (115)	\$ 47

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For the three months ended June 30, 2003
(in millions)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	\$ 3	\$ 707	\$ 7	\$ (3)	\$ 714
Operating expenses:					
Salaries, wages and employees' benefits	3	453	2	—	458
Operating expenses and supplies	4	96	7	(3)	104
Operating taxes and licenses	—	19	—	—	19
Claims and insurance	—	11	—	—	11
Depreciation and amortization	—	21	—	—	21
Purchased transportation	—	66	2	—	68
Total operating expenses	7	666	11	(3)	681
Operating income (loss)	(4)	41	(4)	—	33
Nonoperating (income) expenses:					
Interest expense	2	—	2	(2)	2
Other	(1)	13	(15)	3	—
Nonoperating (income) expenses, net	1	13	(13)	1	2
Income (loss) before income taxes	(5)	28	9	(1)	31
Income tax provision (benefit)	(2)	12	3	—	13
Subsidiary earnings	10	—	—	(10)	—
Net income (loss)	\$ (7)	\$ 16	\$ 6	\$ (11)	\$ 18

For the six months ended June 30, 2004
(in millions)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	\$ 23	\$ 3,004	\$ 225	\$ (26)	\$ 3,226
Operating expenses:					
Salaries, wages and employees' benefits	19	1,895	111	—	2,025
Operating expenses and supplies	11	439	60	(23)	487
Operating taxes and licenses	—	79	5	—	84
Claims and insurance	2	62	2	—	66
Depreciation and amortization	—	76	8	—	84
Purchased transportation	—	310	43	(2)	351
Total operating expenses	32	2,861	229	(25)	3,097
Operating income (loss)	(9)	143	(4)	(1)	129
Nonoperating (income) expenses:					
Interest expense	16	35	11	(39)	23
Other	(60)	38	(67)	89	—
Nonoperating (income) expenses, net	(44)	73	(56)	50	23
Income (loss) before income taxes	35	70	52	(51)	106
Income tax provision (benefit)	(5)	28	18	—	41
Subsidiary earnings	76	34	—	(110)	—
Net income (loss)	\$ 116	\$ 76	\$ 34	\$ (161)	\$ 65

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For the six months ended June 30, 2003
(in millions)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	\$ 7	\$ 1,382	\$ 13	\$ (7)	\$ 1,395
Operating expenses:					
Salaries, wages and employees' benefits	6	887	4	—	897
Operating expenses and supplies	11	196	14	(7)	214
Operating taxes and licenses	—	39	—	—	39
Claims and insurance	—	23	—	—	23
Depreciation and amortization	—	41	—	—	41
Purchased transportation	—	131	5	—	136
Total operating expenses	17	1,317	23	(7)	1,350
Operating income (loss)	(10)	65	(10)	—	45
Nonoperating (income) expenses:					
Interest expense	4	2	3	(4)	5
Other	(2)	27	(29)	4	—
Nonoperating (income) expenses, net	2	29	(26)	—	5
Income (loss) before income taxes	(12)	36	16	—	40
Income tax provision (benefit)	(4)	14	6	—	16
Subsidiary earnings	32	10	—	(42)	—
Net income (loss)	\$ 24	\$ 32	\$ 10	\$ (42)	\$ 24

Condensed Consolidating Statements of Cash Flows

For the six months ended June 30, 2004
(in millions)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash from (used in) operating activities	\$ (52)	\$ 548	\$ (286)	\$ (29)	\$ 181
Investing activities:					
Acquisition of property and equipment	—	(107)	—	—	(107)
Proceeds from disposal of property and equipment	—	4	—	—	4
Acquisition of companies	—	(8)	—	—	(8)
Net cash used in investing activities	—	(111)	—	—	(111)
Financing activities:					
ABS borrowings, net	—	(15)	—	—	(15)
Repayment of long-term debt	—	(43)	(57)	—	(100)
Proceeds from exercise of stock options	—	3	—	—	3
Intercompany advances / repayments	42	(398)	328	29	1
Net cash provided by (used in) financing activities	42	(453)	271	29	(111)
Net decrease in cash and cash equivalents	(10)	(16)	(15)	—	(41)
Cash and cash equivalents, beginning of period	19	20	36	—	75
Cash and cash equivalents, end of period	\$ 9	\$ 4	\$ 21	\$ —	\$ 34

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For the six months ended June 30, 2003
(in millions)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash from (used in) operating activities	\$ (2)	\$ 57	\$ (35)	\$ —	\$ 20
Investing activities:					
Acquisition of property and equipment	—	(26)	—	—	(26)
Proceeds from disposal of property and equipment	—	1	—	—	1
Net cash used in investing activities	—	(25)	—	—	(25)
Financing activities:					
Repayment of long-term debt	—	—	—	—	—
Intercompany advances / repayments	(5)	(31)	36	—	—
Net cash provided by (used in) financing activities	(5)	(31)	36	—	—
Net increase (decrease) in cash and cash equivalents	(7)	1	1	—	(5)
Cash and cash equivalents, beginning of period	22	2	4	—	28
Cash and cash equivalents, end of period	\$ 15	\$ 3	\$ 5	\$ —	\$ 23

12. Guarantees of the Senior Notes Due 2008

In connection with the senior notes due 2008 that Yellow Roadway assumed by virtue of its merger with Roadway, and in addition to the primary obligor, Roadway LLC, Yellow Roadway 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 or any guarantor subsidiary to obtain funds from its subsidiaries by dividend or loan.

The following represents summarized condensed consolidating financial information of Yellow Roadway and its subsidiaries as of June 30, 2004 and December 31, 2003 with respect to the financial position, for the three and six months ended June 30, 2004, for results of operations and for the six months ended June 30, 2004 for statements of cash flows. 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 including Yellow Roadway, the holding company. The Non-Guarantor Subsidiaries column presents the financial information of all non-guarantor subsidiaries, including those subsidiaries that are governed by foreign laws and Yellow Roadway Receivables Funding Corporation, Yellow Receivables Corporation and Roadway Funding, Inc., the special-purpose entities that are or were associated with our ABS agreements.

Condensed Consolidating Balance Sheets

June 30, 2004 (in millions)	Primary Obligor	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	\$ —	\$ 21	\$ 13	\$ —	\$ 34
Intercompany advances receivable	71	144	(92)	(123)	—
Accounts receivable, net	—	10	784	—	794
Prepaid expenses and other	—	78	43	—	121
Total current assets	71	253	748	(123)	949
Property and equipment at cost	—	858	1,780	—	2,638
Less – accumulated depreciation	—	36	1,156	—	1,192
Net property and equipment	—	822	624	—	1,446
Investment in subsidiaries	612	1,225	8	(1,845)	—
Receivable from affiliate	650	—	—	(650)	—
Goodwill, intangibles and other assets	20	1,072	86	—	1,178
Total assets	\$ 1,353	\$ 3,372	\$ 1,466	\$ (2,618)	\$ 3,573
Intercompany advances payable	\$ 8	\$ (413)	\$ 528	\$ (123)	\$ —
Accounts payable	—	130	141	—	271
Wages, vacations and employees' benefits	2	243	192	—	437
Other current and accrued liabilities	(16)	119	110	—	213
ABS borrowings	—	—	57	—	57
Current maturities of long-term debt	—	1	—	—	1
Total current liabilities	(6)	80	1,028	(123)	979
Payable to affiliate	—	(30)	30	—	—
Long-term debt, less current portion	246	1,124	15	(650)	735
Deferred income taxes, net	(12)	208	103	—	299
Claims and other liabilities	1	349	135	—	485
Shareholders' equity	1,124	1,641	155	(1,845)	1,075
Total liabilities and shareholders' equity	\$ 1,353	\$ 3,372	\$ 1,466	\$ (2,618)	\$ 3,573

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December 31, 2003 (in millions)	Primary Obligor	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	\$ —	\$ 62	\$ 13	\$ —	\$ 75
Intercompany advances receivable	38	109	104	(251)	—
Accounts receivable, net	—	329	370	—	699
Prepaid expenses and other	—	39	71	—	110
Total current assets	38	539	558	(251)	884
Property and equipment at cost	—	812	1,727	—	2,539
Less – accumulated depreciation	—	3	1,133	—	1,136
Net property and equipment	—	809	594	—	1,403
Investment in subsidiaries	593	1,402	8	(2,003)	—
Receivable from affiliate	650	—	—	(650)	—
Goodwill, intangibles and other assets	21	1,073	82	—	1,176
Total assets	\$ 1,302	\$ 3,823	\$ 1,242	\$ (2,904)	\$ 3,463
Intercompany advances payable	\$ —	\$ —	\$ 251	\$ (251)	\$ —
Accounts payable	1	123	136	—	260
Wages, vacations and employees' benefits	1	188	162	—	351
Other current and accrued liabilities	(31)	110	99	—	178
ABS borrowings	—	—	72	—	72
Current maturities of long-term debt	—	2	—	—	2
Total current liabilities	(29)	423	720	(251)	863
Payable to affiliate	—	650	—	(650)	—
Long-term debt, less current portion	249	573	14	—	836
Deferred income taxes, net	(11)	205	104	—	298
Claims and other liabilities	1	347	116	—	464
Shareholders' equity	1,092	1,625	288	(2,003)	1,002
Total liabilities and shareholders' equity	\$ 1,302	\$ 3,823	\$ 1,242	\$ (2,904)	\$ 3,463
Condensed Consolidating Statements of Operations					
For the three months ended June 30, 2004 (in millions)	Primary Obligor	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	\$ —	\$ 782	\$ 879	\$ 13	\$ 1,674
Operating expenses:					
Salaries, wages and employees' benefits	—	509	522	—	1,031
Operating expenses and supplies	—	102	135	12	249
Operating taxes and licenses	—	22	21	—	43
Claims and insurance	—	16	20	—	36
Depreciation and amortization	—	20	23	—	43
Purchased transportation	—	74	109	1	184
Total operating expenses	—	743	830	13	1,586
Operating income (loss)	—	39	49	—	88
Nonoperating (income) expenses:					
Interest expense	4	10	6	(9)	11
Other	(14)	16	(12)	10	—
Nonoperating (income) expenses, net	(10)	26	(6)	1	11
Income (loss) before income taxes	10	13	55	(1)	77
Income tax provision	3	7	20	—	30
Subsidiary earnings	41	35	—	(76)	—
Net income (loss)	\$ 48	\$ 41	\$ 35	\$ (77)	\$ 47

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For the six months ended June 30, 2004 (in millions)	Primary Obligor	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	\$ —	\$ 1,533	\$ 1,693	\$ —	\$ 3,226
Operating expenses:					
Salaries, wages and employees' benefits	—	1,000	1,025	—	2,025
Operating expenses and supplies	—	229	258	—	487
Operating taxes and licenses	—	40	44	—	84
Claims and insurance	—	31	35	—	66
Depreciation and amortization	—	38	46	—	84
Purchased transportation	—	144	207	—	351
Total operating expenses	—	1,482	1,615	—	3,097
Operating income (loss)	—	51	78	—	129
Nonoperating (income) expenses:					
Interest expense	7	31	12	(27)	23
Other	(27)	10	(10)	27	—
Nonoperating (income) expenses, net	(20)	41	2	—	23
Income (loss) before income taxes	20	10	76	—	106
Income tax provision	7	6	28	—	41
Subsidiary earnings	52	48	—	(100)	—
Net income (loss)	\$ 65	\$ 52	\$ 48	\$ (100)	\$ 65

Condensed Consolidating Statements of Cash Flows

For the six months ended June 30, 2004 (in millions)	Primary Obligor	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash from (used in) operating activities	\$ 25	\$ 319	\$ (162)	\$ (1)	\$ 181
Investing activities:					
Acquisition of property and equipment	—	—	(107)	—	(107)
Proceeds from disposal of property and equipment	—	—	4	—	4
Acquisition of companies	—	—	(8)	—	(8)
Net cash used in investing activities	—	—	(111)	—	(111)
Financing activities:					
ABS borrowings, net	—	—	(15)	—	(15)
Repayment of long-term debt	—	(3)	(97)	—	(100)
Proceeds from exercise of stock options	—	—	3	—	3
Intercompany advances / repayments	(25)	(357)	382	1	1
Net cash provided by (used in) financing activities	(25)	(360)	273	1	(111)
Net decrease in cash and cash equivalents	—	(41)	—	—	(41)
Cash and cash equivalents, beginning of period	—	62	13	—	75
Cash and cash equivalents, end of period	\$ —	\$ 21	\$ 13	\$ —	\$ 34

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Consolidated Financial Statements and the Notes to Consolidated Financial Statements of Yellow Roadway Corporation (also referred to as "Yellow Roadway," "we" or "our"). MD&A and certain statements in the Notes to Consolidated Financial Statements include 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," "could," "may," "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, 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, a downturn in general or regional economic activity and labor relations, including (without limitation) the impact of work rules, our obligations arising out of our participation in multi-employer health, welfare and pension plans, wage requirements, employee satisfaction, work stoppages, strikes or other disruptions.

On December 11, 2003, we successfully closed the acquisition of Roadway Corporation ("Roadway"). Roadway became Roadway LLC ("Roadway Group") and a subsidiary of Yellow Roadway. Consideration for the acquisition included \$494 million in cash and 18.0 million shares of Yellow Roadway common stock for a total purchase price of approximately \$1.1 billion. The Roadway Group has two operating segments, Roadway Express, Inc. ("Roadway Express") and New Penn Motor Express, Inc. ("New Penn").

In accordance with 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 Express and New Penn from the date of acquisition. Our second quarter 2003 results and our results for the six months ended June 30, 2003 do not reflect the operations of the Roadway Group; however, our Notes to Consolidated Financial Statements do include limited pro forma information that presents the combined results of operations of Yellow Roadway as if the Roadway acquisition had occurred at the beginning of the period presented. Management has provided the pro forma information to facilitate comparison of results among periods. 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 date presented and should not be taken as representative of the future consolidated results of operations of Yellow Roadway.

Results of Operations

Our Results of Operations section focuses on the highlights and significant items that impacted our operating results during the second quarter as well as the year to date. 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

As one of our largest operating units, Yellow Transportation represented approximately 47 percent and 97 percent of our consolidated revenue in the second quarter of 2004 and 2003, respectively, and in the six months ended June 30, 2004 and 2003, respectively. On a pro forma basis, assuming the acquisition of Roadway had occurred on January 1, 2003, Yellow Transportation revenue would have represented approximately 47 percent of our consolidated revenue in the second quarter of 2003 and in the six months ended June 30, 2003. The table below provides summary financial information for Yellow Transportation for the three and six months ended June 30:

(in millions)	Three months			Six months		
	2004	2003	Percent Change	2004	2003	Percent Change
Operating revenue	\$ 792.6	\$ 691.4	14.6%	\$ 1,527.1	\$ 1,351.6	13.0%
Operating income	45.7	36.4	25.7%	72.1	55.9	29.1%
Adjustments to operating income ^(a)	—	—	n/m	0.5	—	n/m ^(b)
Adjusted operating income	45.7	36.4	25.7%	72.6	55.9	29.9%
Operating ratio	94.2%	94.7%	0.5pp	95.3%	95.9%	0.6pp ^(c)
Adjusted operating ratio	94.2%	94.7%	0.5pp	95.2%	95.9%	0.7pp

(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.

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Three months ended June 30, 2004 compared to three months ended June 30, 2003

Yellow Transportation reported record second quarter revenue in 2004 of \$792.6 million, representing an increase of \$101.2 million or 14.6 percent from the second quarter of 2003. The revenue increase resulted from a combination of continued improvement in economic conditions, continued emphasis on premium services and meeting customer expectations. The two primary components of less-than-truckload (“LTL”) revenue are tonnage, comprised of the number of shipments and the weight per shipment, and price, usually evaluated on a per hundred weight basis. In the second quarter of 2004, Yellow Transportation LTL tonnage increased by 9.3 percent per day, and LTL revenue per hundred weight, excluding the fuel surcharge, improved by 2.5 percent from the second quarter of 2003. 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. Because we receive the fuel surcharge from customers 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 deliver significant revenue growth. Premium services at Yellow Transportation include, among others, Exact Express[®], an expedited and time-definite ground service with a 100 percent satisfaction guarantee; and Definite Delivery[®], a guaranteed on-time service with constant shipment monitoring and notification. In the second quarter of 2004, total Exact Express revenue increased by nearly 60 percent and Definite Delivery revenue was consistent with the second quarter of 2003. Yellow Transportation also offers Standard Ground[™] Regional Advantage, a high-speed service for shipments moving between 500 and 1,500 miles. Standard Ground Regional Advantage revenue represented approximately 24 percent of total Yellow Transportation revenue in the second quarter of 2004 and increased nearly 11 percent from the second quarter of 2003. This service provides higher utilization of assets by use of more direct loading and bypassing intermediate handling at distribution centers.

Yellow Transportation operating income improved by \$9.3 million in the second quarter of 2004 compared to the second quarter of 2003. Operating income increased due to higher revenue and our continued ability to effectively balance volume and price. Increased wage and benefit rates, primarily contractual, and increased property damage and claims liability reserves, including \$3.5 million specifically accrued during the second quarter of 2004 for a large accident, partially offset the operating income improvement. In addition, the second quarter of 2003 included a \$3.7 million reduction in claims and insurance expense for an insurance recovery related to two former employees falsifying claims over several years. Operating expenses as a percentage of revenue decreased in the second quarter of 2004 by 0.5 percentage points compared to the second quarter of 2003, resulting in an operating ratio of 94.2 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 divided by the change in revenue. The incremental margin at Yellow Transportation from the second quarter of 2003 to the second quarter of 2004 was approximately 9 percent. This incremental margin did not meet our 15 to 20 percent long-term goal primarily due to the reduction in claims and insurance expense in the second quarter of 2003, as discussed above, and increased property damage and claims liability reserves, higher performance incentive accruals and increased corporate-allocated management fees in the second quarter of 2004. Absent the effect of the 2004 increased reserves and the 2003 insurance recovery, our incremental margin was 16 percent. In any given quarter, our incremental margin may be above or below our targeted level of 15 to 20 percent. However, over the longer-term, our expectation is to average a 15 to 20 percent incremental margin.

Adjustments to operating income represent charges that management excludes when evaluating segment performance to better understand the results of our core operations. 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. For the three months ended June 30, 2004 and 2003, adjustments to operating income were insignificant to our results of operations.

Six months ended June 30, 2004 compared to six months ended June 30, 2003

Yellow Transportation revenue increased \$175.5 million or 13 percent in the six months ended June 30, 2004 versus the year ago period. In the six months ended June 30, 2004, Yellow Transportation LTL tonnage increased 8.8 percent compared to the year ago period primarily due to improved economic conditions and increased penetration in premium services. In addition, LTL revenue per hundred weight, excluding the fuel surcharge, increased during the six months ended June 30, 2004 by 2.6 percent compared to the six months ended June 30, 2003.

Operating income for Yellow Transportation increased \$16.2 million or 29.1 percent in the six months ended June 30, 2004 as compared to the six months ended June 30, 2003. As discussed above, the increase in operating income is related to the increased revenue and our continued success in negotiating appropriate prices for the related business volumes. Our operating income was adversely impacted by an increase in our property damage and claims liability expense, in large part due to one specific accident, which increased over 50 percent. We also experienced wage and benefit increases that further offset the increase in operating income.

Roadway Express Results

Three months ended June 30, 2004 compared to three months ended June 30, 2003

As one of our recently acquired subsidiaries, Roadway Express results were not included in our second quarter 2003 results of operations, which make 2004 results more challenging to evaluate against prior periods. In the second quarter of 2003, Roadway Express results reflected different accounting policies, and the effect of asset and liability valuations prior to adjusting them to their fair value, as required by purchase accounting. In addition, the entity reported results based on a twelve-week period instead of a calendar quarter resulting in five fewer business days than the second quarter of 2004. For these reasons, management evaluates the segment's results primarily based on a combination of sequential growth month over month, attainment of plan performance and comparison to adjusted second quarter 2003 results.

Roadway Express reported revenue of \$768.2 million in the second quarter of 2004 compared to adjusted revenue of \$742.4 million in the second quarter of 2003, an increase of 3.5 percent. Prior year second quarter revenue was adjusted to reflect the current revenue recognition policy and the conversion to a calendar quarter. Roadway Express represented approximately 46 percent of our consolidated revenue in the second quarter of 2004. On a pro forma basis, assuming the acquisition of Roadway had occurred on January 1, 2003, Roadway Express revenue would have represented approximately 51 percent of our consolidated revenue in the second quarter of 2003. The revenue increase resulted from a 2.7 percent improvement in LTL revenue per hundred weight, excluding the fuel surcharge, partially offset by a 2.0 percent decline in LTL tonnage per day compared to the second quarter of 2003. Although LTL business volumes are lower, Roadway Express is experiencing an improved trend in LTL tonnage per day when comparing second quarter 2004 versus first quarter 2004.

Roadway Express reported operating income of \$36.4 million in the second quarter of 2004, which included approximately \$0.2 million of gains on property disposals. Operating income results exceeded management's expectations for the second quarter of 2004, as the segment lowered operating costs in response to the lower volumes. Reduced salaries, wages and employees' benefits contributed significantly to the favorable operating results. Efficiency improvements more than offset the increased contractual wage and benefit rates. In addition, operating expenses and supplies decreased from earlier projections despite significant fluctuations in fuel costs throughout the quarter. In the second quarter of 2004, Roadway Express recognized \$2.2 million of amortization related to intangible assets identified in the purchase price allocation. Roadway Express reported a second quarter 2004 operating ratio of 95.3 percent compared to 98.3 percent for the second quarter of 2003 when stated on a comparable basis.

Six months ended June 30, 2004 compared to six months ended June 30, 2003

Roadway Express reported revenue of \$1,485.3 million for the six months ended June 30, 2004 as compared to \$1,452.6 million, as adjusted, for the six months ended June 30, 2003, an increase of \$32.7 million or 2.3 percent. The prior period revenue was adjusted to reflect the current revenue recognition policy and the conversion into a six-month period versus a twenty-four week period. The increased revenue is attributed to favorable pricing changes partially offset by a 3.0 percent decline in LTL tonnage per day. Roadway Express represented approximately 46 percent of our consolidated revenue for the six months ended June 30, 2004.

Roadway Express reported operating income of \$51.4 million for the six months ended June 30, 2004 as compared to \$33.1 million, as adjusted, for the six months ended June 30, 2003. The current period operating income significantly benefited from various cost savings initiatives. These initiatives, primarily centered on reduced salaries, wages and employees' benefits, more than compensated for increased contractual wage and benefit rates and higher fuel costs. During the six months ended June 30, 2004, Roadway Express recognized \$3.9 million of amortization of intangible assets. There was no such amount in the comparable prior year period.

New Penn Results

Three months ended June 30, 2004 compared to three months ended June 30, 2003

Similar to Roadway Express, New Penn results for the second quarter of 2004 include purchase accounting valuations and reflect different accounting policies than the second quarter of 2003. In addition, the entity reported prior year results based on a twelve-week period instead of a calendar quarter resulting in five fewer business days than the second quarter of 2004.

New Penn reported revenue of \$64.3 million in the second quarter of 2004 compared to adjusted revenue of \$54.7 million in the second quarter of 2003. Prior year second quarter revenue was adjusted to reflect the conversion to a calendar quarter. Due to the focus on next-day services, New Penn did not record a significant revenue recognition adjustment in the second quarter of 2004 or the second quarter of 2003. Please refer to Management's Discussion and Analysis in our Annual Report on Form 10-K for a detailed discussion of our revenue recognition policies.

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New Penn represented approximately 4 percent of our consolidated revenue in the second quarter of 2004. On a pro forma basis, assuming the acquisition of Roadway had occurred on January 1, 2003, New Penn revenue would have represented approximately 4 percent of our consolidated revenue in the second quarter of 2003. The 17.6 percent revenue improvement from the second quarter of 2003 to the second quarter of 2004 resulted primarily from a 15.0 percent increase in LTL tonnage per day, and a 0.8 percent increase in revenue per hundred weight, excluding the fuel surcharge. New Penn effectively gained profitable new customers upon the closure of a competitor, USF Red Star, on May 24, 2004. Strong sales initiatives, coupled with one month of the USF Red Star business, and continued improvement in the economy in the second quarter of 2004 contributed to the tonnage growth.

Operating income at New Penn was \$9.2 million in the second quarter of 2004, including approximately \$42 thousand of gains on property disposals. Operating income results exceeded management's expectations for the second quarter of 2004 and significantly increased from the entity's reported results in the second quarter of 2003. In the second quarter of 2004, New Penn recognized \$0.8 million of amortization related to intangible assets identified in the purchase price allocation. Increased revenue combined with good cost management significantly contributed to an operating ratio improvement of 5.1 percentage points from the prior year period resulting in a second quarter 2004 operating ratio of 85.7 percent.

Six months ended June 30, 2004 compared to six months ended June 30, 2003

New Penn reported revenue of \$120.4 million and operating income of \$15.0 million for the six months ended June 30, 2004. The revenue growth at New Penn is directly attributed to the increase in LTL tonnage per day in addition to one month benefit of new customers gained from the closure of USF Red Star in the Northeast. The improved economy also contributed to the strong revenue results at New Penn. The segment's operating income also benefited from the strong revenue improvements as well as continued emphasis on cost containment and profitable growth strategies. During the six months ended June 30, 2004, New Penn recognized \$1.9 million of amortization of intangible assets. There was no such amount in the comparable prior year period.

Meridian IQ Results

Meridian IQ is our non-asset-based segment that plans and coordinates the movement of goods throughout the world. Meridian IQ represented approximately 3 percent of our consolidated revenue in the second quarter of 2004 and 2003 and approximately 3 percent in the six months ended June 30, 2004 and 2003. On a pro forma basis, assuming the acquisition of Roadway had occurred on January 1, 2003, Meridian IQ revenue would have represented approximately 2 percent of our consolidated revenue in the second quarter of 2003 and approximately 2 percent in the six months ended June 30, 2003. The table below provides summary financial information for Meridian IQ for the three and six months ended June 30:

(in millions)	Three months			Six months		
	2004	2003	Percent Change	2004	2003	Percent Change
Operating revenue	\$50.6	\$23.2	118.4%	\$96.3	\$45.3	112.8%
Operating income	0.6	0.1	n/m	1.2	(0.8)	n/m

Three months ended June 30, 2004 compared to three months ended June 30, 2003

In the second quarter of 2004, Meridian IQ revenue increased by \$27.4 million or 118.4 percent from the second quarter of 2003. The significant increase in revenue resulted from a combination of strong organic growth within Meridian IQ existing services and recent acquisitions. Operating income also increased from \$0.1 million in the second quarter of 2003 to \$0.6 million in the second quarter of 2004. Increased revenue partially offset by higher marketing costs produced the improved operating results.

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Six months ended June 30, 2004 compared to six months ended June 30, 2003

For the six months ended June 30, 2004, Meridian IQ revenue increased by \$51.0 million or 112.8 percent from the six months ended June 30, 2003. Meridian IQ had an operating loss of \$0.8 million for the six months ended June 30, 2003 compared to an operating profit of \$1.2 million for the six months ended June 30, 2004. Organic growth within Meridian IQ and the positive results from recent acquisitions contributed to the overall improved operating results for the six months ended June 30, 2004 compared to the six months ended June 30, 2003.

Consolidated Results

Our consolidated results for the three and six months ended June 30, 2004 include the results of each of the operating segments previously discussed, including Roadway Express and New Penn. The reported results for the three and six months ended June 30, 2003 include the former Yellow Corporation entities only, consisting of Yellow Transportation and Meridian IQ. Pro forma information provided presents the combined results of operations of Yellow Roadway as if the Roadway acquisition had occurred at the beginning of the period presented. The following discussion focuses on items that management evaluates on a consolidated basis, as segment results have been discussed previously.

Three months ended June 30, 2004 compared to three months ended June 30, 2003

The table below provides summary consolidated financial information for the three months ended June 30:

(in millions)	2004	2003 Pro Forma	2003 Reported	Percent Change	
				2004 vs. 2003 Pro Forma	2004 vs. 2003 Reported
Operating revenue	\$ 1,674.1	\$ 1,456.1	\$ 713.5	15.0%	134.7%
Operating income	88.2	46.9	32.3	88.1%	173.9%
Nonoperating expenses, net	12.0	10.8	2.3	11.1%	421.7%
Income from continuing operations	46.9	21.8	18.4	115.1%	155.5%
Income from discontinued operations	—	(0.3)	—	n/m	n/m
Net income	\$ 46.9	\$ 21.5	\$ 18.4	118.1%	155.5%

Operating revenue in the second quarter of 2004 increased by \$218.0 million compared to pro forma revenue in the second quarter of 2003. Each of our operating segments contributed to the revenue growth, which resulted from a combination of improving economic conditions, increased premium services and non-asset-based acquisitions. Operating revenue increased by \$960.6 million from second quarter 2003 reported revenue to the second quarter of 2004, primarily due to the acquisition of Roadway Express and New Penn in addition to the improved results at Yellow Transportation and Meridian IQ.

Consolidated operating income improved by \$41.3 million from pro forma second quarter 2003 operating income to the second quarter 2004. The improved results primarily related to increased revenue and effective cost management at each of our operating segments. Reported second quarter 2003 operating income increased by \$55.9 million compared to the second quarter of 2004, mostly due to the acquisition of Roadway Express and New Penn, and increased revenue at Yellow Transportation and Meridian IQ. Corporate expenses in the second quarter of 2004 decreased by \$0.5 million from the second quarter of 2003 as higher performance incentive accruals, based on our improved operating results, were more than offset by corporate-allocated management fees.

Nonoperating expenses in the second quarter of 2004 increased by \$1.2 million from the pro forma nonoperating expenses in the second quarter of 2003 as a result of lower interest income partially offset by lower interest expense. The lower interest expense resulted from lower average debt balances in the second quarter of 2004 compared to those included in the pro forma results. Reported second quarter 2003 interest expense increased by \$9.7 million in the second quarter of 2004 due to the additional debt we either assumed or issued to consummate the Roadway acquisition, including the assumption of \$225.0 million of principal senior notes issued by Roadway.

Our effective tax rate for the second quarter of 2004 was 38.5 percent compared to 38.9 percent in the second quarter of 2003. As we record our tax provision based on our full year forecasted results, we expect this rate to approximate 38.5 percent for the remainder of the year. Variations in the rate could result from our income allocation among subsidiaries and their relative state tax rates, in addition to tax planning strategies that may be implemented throughout the year.

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Six months ended June 30, 2004 compared to six months ended June 30, 2003

The table below provides summary consolidated financial information for the six months ended June 30:

(in millions)	Percent Change				
	2004	2003 Pro Forma	2003 Reported	2004 vs. 2003 Pro Forma	2004 vs. 2003 Reported
Operating revenue	\$ 3,226.3	\$ 2,897.4	\$ 1,394.5	11.4%	134.7%
Operating income	129.6	81.3	44.1	59.4%	173.9%
Nonoperating expenses, net	23.7	23.6	4.8	0.4%	421.7%
Income from continuing operations	65.1	34.5	24.0	88.7%	155.5%
Income from discontinued operations	—	(0.1)	—	n/m	n/m
Net income	\$ 65.1	\$ 34.4	\$ 24.0	89.2%	155.5%

Consolidated operating revenue for the six months ended June 30, 2004 increased by \$328.9 million compared to pro forma revenue in the six months ended June 30, 2003. Each of our operating segments, especially Yellow Transportation, contributed to revenue growth, which resulted from both improved economic conditions and increased premium services. Consolidated operating revenue increased by \$1.8 billion from the reported revenue for the six months ended June 30, 2003 to the current comparable period primarily due to the acquisition of the Roadway Group in addition to the improved results at Yellow Transportation as previously discussed.

Consolidated operating income for the six months ended June 30, 2004 increased by \$48.3 million compared to pro forma operating income for the six months ended June 30, 2003. The improved results are primarily attributable to increased consolidated revenue and the successful integration of cost reduction programs within the Roadway Group and Yellow Transportation. Consolidated operating income as reported for the six months ended June 30, 2003 increased by \$85.5 million when compared to the comparable current year period due to the acquisition of the Roadway Group, as well as the previously mentioned successes within Yellow Transportation. Corporate expenses for the six months ended June 30, 2004 decreased \$0.9 million versus the six months ended June 30, 2003 primarily due to increased incentive accruals related to our improved operating results and increased professional services costs which were more than offset by the higher corporate-allocated management fees and the absence of costs associated with sponsoring a trade conference that generally occurs every other year.

During the six months ended June 30, 2004, we were able to capture approximately \$12.0 million of cost synergies through the cost reduction programs mentioned above. We expect further cost synergies to be realized during the balance of the year.

Consolidated nonoperating expenses for the six months ended June 30, 2004 were comparable to the pro forma amounts for the six months ended June 30, 2003 and greater than the nonoperating expenses for the six months ended June 30, 2003 by \$18.9 million due to the additional debt we either assumed or issued to consummate the Roadway acquisition.

Our effective tax rate for the six months ended June 30, 2004 was 38.5 percent compared to 38.9 percent for the six months ended June 30, 2003. As discussed above, we expect this rate to approximate 38.5 percent for the remainder of the year.

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. To provide short-term and longer-term liquidity, we maintain capacity under a \$525 million secured credit agreement and a \$300 million asset backed securitization ("ABS") agreement involving Yellow Transportation and Roadway Express accounts receivable. We believe these facilities provide adequate capacity to fund our current working capital and capital expenditure requirements. 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.

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Secured Credit Agreement

Our secured credit agreement consists of three parts: a term loan, a letters of credit facility and a revolver loan. As of June 30, 2004, we had \$75 million outstanding on the term loan. As we repay the term loan, our total capacity under the secured credit agreement decreases since we cannot borrow the funds again in the future. The entire \$175 million of the term loan was borrowed in December 2003 to pay a portion of the Roadway acquisition. We reduced the outstanding amount of the term loan in the first quarter of 2004 by \$25 million through streamlining our cash processes and working capital management. In the second quarter of 2004 we further reduced the amount of the term loan by \$75 million through cash from operations and borrowings under our more economic ABS facility. 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 primarily 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. The revolver loan initially provided capacity of \$250 million. In conjunction with the modifications to our ABS facility in May 2004 as discussed below, the capacity of the revolver loan was reduced to \$200 million.

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 June 30, 2004, 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. Presently we are considering opportunities to replace our secured financing agreement with an unsecured credit facility containing more attractive rates and covenants. If we replace our secured financing agreement, the related deferred debt costs presently being amortized would be written off as a non-cash charge. At June 30, 2004, these costs totaled approximately \$18.9 million. The following table provides details of the outstanding components and available unused capacity under the current bank credit agreement at each period end:

<u>(in millions)</u>	<u>June 30, 2004</u>	<u>December 31, 2003</u>
Total capacity	\$ 525.0	\$ 675.0
Term loan	(75.0)	(175.0)
Letters of credit facility outstanding	(250.0)	(250.0)
Letters of credit under revolver loan outstanding	(28.8)	(24.4)
Available unused capacity	<u>\$ 171.2</u>	<u>\$ 225.6</u>

On September 30, 2002, we completed the 100 percent distribution ("the spin-off") of all of the shares of SCS Transportation, Inc. ("SCST") to our shareholders. As part of the spin-off, 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. Our outstanding letters of credit at June 30, 2004 included \$3.4 million for workers' compensation, property damage and liability claims against SCST. We also provided a guarantee regarding certain lease obligations of SCST at the spin-off date. The remaining lease obligations are \$5.0 million at June 30, 2004.

Asset Backed Securitization Facility

Our ABS facility provides us with additional liquidity and lower borrowing costs through access to the asset backed commercial paper market. By using the ABS facility, we obtain a variable rate based on the A1/P1 commercial paper rate plus a fixed increment for utilization and administration fees.

On May 21, 2004, we replaced our existing ABS facility with a new ABS facility. The new ABS facility involves receivables of Yellow Transportation and Roadway Express and has an increased limit of \$300 million, up from the previous limit of \$200 million. Under the terms of the agreement, Yellow Transportation and Roadway Express provide servicing of the receivables and retain the associated collection risks. The termination date of the ABS facility is May 20, 2005. Accordingly, the outstanding borrowings of \$57 million as of June 30, 2004 have been classified as a current liability in the accompanying consolidated balance sheets.

The new ABS facility is operated by Yellow Roadway Receivables Funding Corporation ("YRRFC"), a special purpose entity and wholly owned subsidiary of Yellow Roadway. Management will continue to evaluate the financial position of Yellow Transportation and Roadway Express including the transferred receivables and related borrowings. As a result, the Yellow Roadway consolidated financial statements and segment reporting will not be impacted by this change. However, as the receivables will be legally owned by YRRFC, separate subsidiary financial statements filed with the Securities and Exchange Commission due to the issuance of public debt will not reflect the transferred receivables and related borrowings.

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The following table provides details of the available unused capacity under the asset backed securitization funding at each period end:

<u>(in millions)</u>	<u>June 30, 2004</u>	<u>December 31, 2003</u>
Total capacity	\$ 300.0	\$ 200.0
Amount outstanding	(57.0)	(71.5)
Available unused capacity	<u>\$ 243.0</u>	<u>\$ 128.5</u>

Cash Flow Measurements

We use free cash flow as a measurement to manage working capital and capital expenditures. Free cash flow indicates cash available after normal capital expenditures have been funded. Free cash flow may be used to fund additional capital expenditures, to reduce outstanding debt (including current maturities), to invest in our growth strategies or other prudent uses of cash. 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 six months ended June 30:

<u>(in millions)</u>	<u>2004</u>	<u>2003</u>
Net cash from operating activities	\$ 180.7	\$ 69.8
Net property and equipment acquisitions	(103.3)	(46.8)
Proceeds from exercise of stock options	3.4	1.1
Free cash flow	<u>\$ 80.8</u>	<u>\$ 24.1</u>

The \$56.7 million increase in free cash flow from the second quarter of 2003 to the second quarter of 2004 resulted from increased operating cash flow of \$110.9 million partially offset by increased net property and equipment acquisitions of \$56.5 million. Operating cash flows increased from the second quarter of 2003 to the second quarter of 2004 primarily due to improved operating results of \$41.1 million and other working capital fluctuations of \$68.6 million, offset by an increase in the change in accounts receivable of \$79.2 million due to increased revenue. Other working capital fluctuations mostly related to timing differences in employee wage and benefit accruals, increased performance incentive accruals, and accrued interest and taxes. In addition, approximately \$32 million of the fluctuation related to employee wage and benefit accruals, accrued income taxes and miscellaneous prepaids for Roadway Express and New Penn, as these entities were not included in our reported results for the second quarter of 2003.

Other items considered in evaluating free cash flow include net property and equipment acquisitions and proceeds from the exercise of stock options. In the first six months of 2004, net property and equipment acquisitions increased by \$56.5 million compared to the first six months of 2003, due to a combination of increased investments in revenue equipment at Yellow Transportation and the impact of capital expenditures for Roadway Express and New Penn. Our proceeds received from the exercise of stock options increased by \$2.3 million in the first six months of 2004 compared to the first six months of 2003 primarily due to the increase in the exercise of stock options, primarily attributable to the increase in our average common stock price during 2004.

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Contractual Obligations and Other Commercial Commitments

The following tables provide aggregated information regarding our contractual obligations and commercial commitments as of June 30, 2004.

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	\$ 57.0	\$ —	\$ —	\$ —	\$ 57.0
Long-term debt	0.8	7.4	299.8	406.0	714.0
Off balance sheet obligations:					
Operating leases	66.4	78.8	26.5	11.2	182.9 ^(a)
Capital expenditures	51.6	—	—	—	51.6
Total contractual obligations	\$ 175.8	\$ 86.2	\$ 326.3	\$ 417.2	\$ 1,005.5

(a) The net present value of operating leases, using a discount rate of 10 percent, was \$155.3 million at June 30, 2004.

On April 30, 2004, we notified Bandag, Inc. that we plan to terminate the tire lease agreement between Roadway Express and Bandag effective August 1, 2004. The agreement contains a provision for us to buy the remaining tire inventory. At June 30, 2004, we have recorded a liability of \$33.5 million classified as accounts payable in the consolidated balance sheets with the related asset included in property and equipment. We believe termination of this agreement supports both our near and long-term economic objectives and is consistent with our business policies. We do not expect the lease termination to have a material impact on our results of operations.

In June 2004, we deposited with the Internal Revenue Service (“IRS”) \$41.4 million (\$32.3 million net of tax benefit) to stop the accrual of additional interest related to a preliminary tax settlement. The IRS challenged the timing of a deduction by Roadway Express related to prior years’ contributions to certain union pension plans. Additional state tax and interest payments of approximately \$9.0 million (\$7.4 million net of tax benefit) resulting from the federal adjustments are expected to be made during the second half of 2004. We had specifically established reserves related to these payments in purchase accounting and do not expect this matter to have a material impact on our results of operations.

On July 1, 2004, we contributed \$22.3 million to our company-sponsored pension plans in accordance with our funding requirements. We expect to make additional contributions to these plans during the remainder of 2004 of \$20.7 million.

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	\$ —	\$ —	\$ 171.2	\$ —	\$ 171.2
Letters of credit	278.8	—	—	—	278.8 ^(a)
Lease guarantees for SCST	1.7	2.4	0.9	—	5.0
Surety bonds	53.0	8.1	1.3	—	62.4 ^(b)
Total commercial commitments	\$ 333.5	\$ 10.5	\$ 173.4	\$ —	\$ 517.4

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

(b) Includes \$1.8 million of surety bonds for SCST related to workers’ compensation, property damage and liability claims.

Outlook

At its July 2004 meeting, the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) reached a tentative conclusion on EITF Issue No. 04-8, “The Effect of Contingently Convertible Debt of Diluted Earnings Per Share,” that would require the contingent shares issuable under our contingent convertible senior notes to be included in our diluted earnings per share calculation retroactive to the date of issuance by applying the “if converted” method under SFAS Statement No. 128, “Earnings Per Share” (Statement No. 128). We have followed the existing interpretation of Statement No. 128, which requires inclusion of the

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impact of the conversion of our contingent convertible senior notes only when and if the conversion threshold, as defined, is reached. If this proposed rule is adopted, our diluted earnings per share will be lower than previously reported. We estimate this proposed rule would increase our average shares outstanding used in our calculation of diluted earnings per share by approximately 9.6 million shares. In addition, we estimate that the numerator used in the calculation of our diluted earnings per share would increase by an amount equal to the interest cost, net of tax, on our contingent convertible senior notes. The annual interest on these notes is \$17.6 million (\$10.8 million net of tax).

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Risk from Interest Rates and Equity Prices

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 issued and entered into a significant amount of fixed-rate debt for the acquisition of Roadway. At June 30, 2004, we had approximately 80 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 June 30, 2004. 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 principal senior notes due 2008 and contingent convertible senior notes have been calculated based on the quoted market prices at June 30, 2004. 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, and therefore, we exclude it from the table below.

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Thereafter</u>	<u>Total</u>	<u>Fair Value</u>
Fixed-rate debt (in millions)	\$ —	\$ 4.4	\$ —	\$ —	\$ 227.5	\$ 407.0	\$ 638.9	\$ 789.1
Average interest rate	—	5.25%	—	—	8.22%	4.42%		

Foreign Exchange Rates

Revenue, operating expenses, assets and liabilities of our Canadian, Mexican and United Kingdom 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. On June 30, 2004, we entered into a foreign currency hedge with a notional amount of \$5 million and a maturity of December 31, 2004. This instrument is to effectively hedge our exposure to foreign currency fluctuations on certain intercompany debt with GPS Logistics (EU) Ltd.

Fuel Price Volatility

Yellow Transportation, Roadway Express and New Penn currently have effective fuel surcharge programs in place. As discussed under “Results of Operations – Yellow Transportation,” these programs are well established within the industry and customer acceptance of fuel surcharges remains high. Because 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.

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Item 4. 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 and 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 II - OTHER INFORMATION

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

- (a) Annual Meeting of Shareholders on May 20, 2004.
- (b) The following directors were elected with the indicated number of votes set forth below.

<u>Nominees</u>	<u>For</u>	<u>Withheld</u>
Cassandra C. Carr	41,331,222	1,204,995
Howard M. Dean	40,699,134	1,837,083
Frank P. Doyle	42,185,162	351,055
John F. Fiedler	41,484,029	1,052,188
Dennis E. Foster	41,353,965	1,182,252
John C. McKelvey	41,561,579	974,638
Phillip J. Meek	41,365,100	1,171,117
William L. Trubeck	42,026,648	509,569
Carl W. Vogt	42,196,604	339,613
William D. Zollars	41,739,261	796,956

- (c) Votes were cast with respect to the approval of the Yellow Roadway 2004 Long-Term Incentive and Equity Award Plan:

For: 28,719,351 Against: 5,238,508 Abstain: 111,954

- (d) Votes were cast with respect to the ratification of the appointment of KPMG LLP as independent public accountants of Yellow Roadway for 2004:

For: 41,872,179 Against: 521,727 Abstain: 142,311

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 3.1 Bylaws of Yellow Roadway Corporation, as amended.
- 10.1 Receivables Sale Agreement, dated as of May 21, 2004, between Yellow Transportation, Inc. and Roadway Express, Inc., as the Originators; and Yellow Roadway Receivables Funding Corporation, as the Buyer.
- 10.2 Receivables Purchase Agreement, dated as of May 21, 2004, among Yellow Roadway Receivables Funding Corporation, as Seller; Falcon Asset Securitization Corporation, Blue Ridge Asset Funding Corporation, as Conduits; the Financial Institutions Party to the Agreement, as Committed Purchasers; Wachovia Bank, National Association, as Blue Ridge Agent; and Bank One, NA (Main Office Chicago), as Falcon Agent and as Administrative Agent.
- 31.1 Certification of William D. 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.

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- 32.1 Certification of William D. 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 LLC and Subsidiaries Consolidated Financial Statements; Consolidated Balance Sheets as of June 30, 2004 and December 31, 2003, Statements of Consolidated Operations for the three and six months ended June 30, 2004 and twelve and twenty-four weeks ended June 21, 2003 and Statements of Cash Flows for the six months ended June 30, 2004 and twenty-four weeks ended June 21, 2003.
- 99.2 Roadway Express, Inc. and Subsidiaries Consolidated Financial Statements; Consolidated Balance Sheets as of June 30, 2004 and December 31, 2003, Statements of Consolidated Operations for the three and six months ended June 30, 2004 and twelve and twenty-four weeks ended June 21, 2003 and Statements of Cash Flows for the six months ended June 30, 2004 and twenty-four weeks ended June 21, 2003.
- 99.3 Roadway Next Day Corporation and Subsidiary Consolidated Financial Statements; Consolidated Balance Sheets as of June 30, 2004 and December 31, 2003, Statements of Consolidated Operations for the three and six months ended June 30, 2004 and twelve and twenty-four weeks ended June 21, 2003 and Statements of Cash Flows for the six months ended June 30, 2004 and twenty-four weeks ended June 21, 2003.

(b) Reports on Form 8-K

On April 23, 2004, a Form 8-K was furnished under Item 12, Results of Operations and Financial Condition, in which Yellow Roadway made available its results of operations and financial condition for the three months ending March 31, 2004.

On May 11, 2004, a Form 8-K was furnished under Item 9, Regulation FD Disclosure, to make available a presentation given at the Bear Stearns Global Transportation Conference on May 11, 2004.

On May 20, 2004, a Form 8-K was filed under Item 5, Other Events, to make available unaudited pro forma financial information by quarter for 2003.

On May 21, 2004, a Form 8-K was furnished under Item 9, Regulation FD Disclosure, to announce that Yellow Roadway held its annual stockholders' meeting on May 20, 2004, and to make available the preliminary results of the proxy vote.

On May 25, 2004, a Form 8-K was filed under Item 5, Other Events, to announce Yellow Roadway replaced its current asset backed securitization ("ABS") facility with a new ABS facility.

On June 15, 2004, a Form 8-K was furnished under Item 9, Regulation FD Disclosure, in which Yellow Roadway announced via a press release that it increased second quarter 2004 earnings per share guidance.

On June 18, 2004, a Form 8-K was filed under Item 5, Other Events, to announce Roadway Express, a subsidiary of Yellow Roadway, had reached an oral preliminary agreement with the IRS to settle pending tax litigation regarding the timing of the Roadway Express deduction for contributions to its union pension plans.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

YELLOW ROADWAY CORPORATION

Registrant

Date: August 9, 2004

/s/ William D. Zollars

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

Date: August 9, 2004

/s/ Donald G. Barger, Jr.

Donald G. Barger, Jr.
Senior Vice President
& Chief Financial Officer

**YELLOW ROADWAY CORPORATION
BYLAWS**

(As Amended through December 18, 2003)

**ARTICLE I
STOCKHOLDERS**

SECTION 1. ANNUAL MEETING

An annual meeting of the stockholders, for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held on such date in April and at such location and time of day as the Board of Directors shall each year fix.

SECTION 2. SPECIAL MEETINGS

Special meetings of the stockholders, for any purpose or purposes prescribed in the notice of the meeting, may be called by the Chairman of the Board, Chief Executive Officer or a majority of the Board of Directors and shall be held at the principal office of the company in Overland Park, Kansas on such date, and at such time as they shall fix.

SECTION 3. NOTICE OF MEETING

Written notice of the place, date and time of all meetings of the stockholders shall be given, not less than ten nor more than sixty days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting, except as otherwise provided herein or required by law (meaning, here and hereinafter, as required from time to time by the General Corporation Law of the State of Delaware or the Certificate of Incorporation).

When a meeting is adjourned to another date or time, written notice need not be given of the adjourned meeting if the place, date and time thereof are announced at the meeting at which the adjournment is taken; *provided*, however, that if the date of any adjourned meeting is more than fourteen days after the date for which the meeting was originally notice, or if a new record date is fixed for the adjourned meeting, written notice of the place, date and time of the adjourned meeting shall be given in conformity herewith. At any adjourned meeting any business may be transacted which might have been transacted at the original meeting.

SECTION 4. QUORUM

At any meeting of the stockholders, the holders of a majority of the outstanding shares (exclusive of treasury stock) of each class of stock entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum for the transaction of any business, unless or except to the extent that the presence of a larger number may be required by law.

If a quorum shall fail to attend any meeting, the chairman of the meeting or the holders of a majority of the shares of the stock entitled to vote who are present, in person or by proxy, may adjourn the meeting to another date or time.

If a notice of any adjourned special meeting of stockholders is sent to all stockholders entitled to vote thereat, stating that it will be held with those present constituting a quorum, then except as otherwise required by law, those present at such adjourned meeting shall constitute a quorum, and all matters shall be determined by a majority of the votes cast at such meeting.

SECTION 5. ORGANIZATION

The Chairman of the Board or, in his absence, the Chief Executive Officer, shall call to order any meeting of the stockholder and act as chairman of the meeting and the Secretary or Assistant Secretary shall act as secretary of the meeting. In the absence of the Secretary or Assistant Secretary of the Corporation, the secretary of the meeting shall be such person as the chairman appoints.

SECTION 6. CONDUCT OF BUSINESS

At an annual meeting of the stockholders, only such business may be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting business must be

(a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors,

(b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or

(c) otherwise properly brought before the meeting by a stockholder.

For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation. To be timely, a stockholder's notice must be received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the meeting; *provided*, however, than in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made.

To be in proper written form, a stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the business at the annual meeting, (b) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, (c) the class and number of shares of the Corporation which are beneficially owned by the stockholder, and (d) any material interest of the stockholder in such business.

Notwithstanding anything in the Bylaws to the contrary, no business shall be conducted at any annual meeting unless it has been properly brought before the meeting. The Chairman of the annual meeting shall determine whether business has been properly brought before the meeting in accordance with the provisions of this Section 6. If he should determine that it has not, he shall so declare to the meeting. Any business not properly brought before the meeting shall not be transacted.

SECTION 7. PROXIES AND VOTING

At any meeting of the stockholders, every stockholder entitled to vote may vote in person or by proxy authorized by an instrument in writing filed in accordance with the procedure established for the meeting.

Each stockholder shall have one vote for every share of stock entitled to vote which is registered in his name on the record date for the meeting, except as otherwise required by law or provided in the Certificate of Incorporation or these Bylaws.

All voting, except on the election of directors and where otherwise required by law, may be by a voice vote; *provided*, however, that upon demand therefor by a stockholder entitled to vote or his proxy, a stock vote shall be taken. Every stock vote shall be taken by ballot, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting. Every vote taken by ballot shall be counted by an inspector or inspectors appointed by the chairman of the meeting.

All elections shall be determined by a plurality of the votes cast, and except as otherwise required by law or provided in the Certificate of Incorporation or these Bylaws, all other matters shall be determined by a majority of the votes cast.

SECTION 8. NOTICE OF NOMINATION

Nominations for the election of directors may be made by the Board of Directors or by any stockholder entitled to vote for the election of directors. Such nominations shall be made by notice in writing, delivered or mailed by first class United States mail, postage prepaid, to the Secretary of the Corporation not less than 14 days nor more than 50 days prior to any meeting of the stockholders called for the election of directors; *provided*, however, that if less than 21 days' notice of the meeting is given to stockholders, such written notice shall be delivered or mailed, as prescribed, to the Secretary of the Corporation not later than the close of the seventh day following the day on which notice of the meeting was mailed to stockholders. Notice of nominations which are proposed by the Board of Directors shall be given by the Chairman on behalf of the Board.

Each notice under the above paragraph shall set forth

(i) the name, age, business address and, if known, residence address of each nominee proposed in such notice,

(ii) the principal occupation or employment of each such nominee and

(iii) the number of shares of stock of the Corporation which are beneficially owned by each such nominee.

The Chairman of the meeting may, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

SECTION 9. STOCK LIST

A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in his name shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten (10) days prior to the meeting, either at a place within the metropolitan area where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held.

The stock list shall also be kept at the place of the meeting during the whole time thereof and shall be open to the examination of any such stockholder who is present. This list shall presumptively determine the identify of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

ARTICLE II BOARD OF DIRECTORS

SECTION 1. DIRECTORS

a. Number and Term of Office

The number of directors who shall constitute the whole board shall be ten. Each director shall hold office until his successor is elected and qualified or until his earlier resignation, removal from office or death except as otherwise provided herein or required by law.

Whenever the authorized number of directors is increased between annual meetings of the stockholders, a majority of the directors then in office shall have the power to elect such new directors for the balance of a term and until their successors are elected and qualified. Any decrease in the authorized number of directors shall not become effective until the expiration of the term of the directors then in office unless, at the time of such decrease, there shall be vacancies on the board which are being eliminated by the decrease.

b. *Chairman of the Board*

The Board of Directors shall elect a member of the Board of Directors as Chairman of the Board of Directors (the "Chairman of the Board" or "Chairman") at its first meeting after every annual meeting of stockholders. The Chairman of the Board shall hold office until his successor is elected and qualified or until his earlier resignation, removal from office (as Chairman or director) or death except as other required by law.

The Chairman of the Board shall preside over all meetings of the Board of Directors and meetings of the shareholders and shall undertake such other tasks as he and the Board of Directors shall agree. The Chairman may also serve as an officer with respect to any of the offices described in Article IV hereof, however, the Chairman, solely in his capacity as Chairman of the Board, shall not be deemed an officer of the Corporation.

SECTION 2. VACANCIES

If the office of any director becomes vacant by reason of death, resignation, disqualification, removal or other cause, a majority of the directors remaining in office, although less than a quorum, may elect a successor for the unexpired term and until his successor is elected and qualified.

SECTION 3. RESIGNATION AND REMOVALS

No person who is concurrently a director and an employee of the Corporation shall be qualified to serve as a director of the Corporation from and after the time of any diminution in such person's duties or responsibilities as an officer, the time they leave the employ of the Corporation for any reason or their 75th birthday; *provided*, that if any such person resigns from the Board of Directors upon such event, such person shall thereafter be deemed qualified to serve as a director of the Corporation for so long as such person is otherwise qualified to so serve pursuant to the following sentence. No person shall be qualified to serve as a director of the Corporation on or after the date of the annual meeting of stockholders following:

(a) the director's 75th birthday;

(b) any fiscal year in which he has failed to attend at least 66% of the meetings of the Board of Directors and any committees of the Board of Directors on which such director serves, when such Board and committee meetings are taken on a collective basis; or

(c) the three month anniversary of any change in his employment (other than a promotion or lateral movement within the same organization); *provided* that such a person shall be deemed to be qualified to serve as a director if so determined by a majority of the members of the whole Board (excluding the director whose resignation would otherwise be required) if the Board in its judgment determines that such waiver would be in the best interest of the Corporation. A director shall offer the director's retirement or resignation effective as of the annual meeting of stockholders following any of those events.

A director may be removed only for cause by a majority vote of the stockholders entitled to vote for the election of directors. If the Chairman, pursuant to the preceding sentence, is

removed from his office as director, such removal shall also constitute his removal as Chairman of the Board. The Chairman of the Board may be removed as Chairman (but not as director) at any time, with or without cause, by a majority vote of the Board of Directors. "For cause" shall mean only such circumstances as described in the last paragraph of Article FIFTH of the Corporation's Certificate of Incorporation.

SECTION 4. REGULAR MEETINGS

Regular meetings of the Board of Directors shall be held at such places or places, on such date or date, and at such time or times as shall have been established by the Board of Directors and publicized among all directors. A notice of each regular meeting shall not be required.

SECTION 5. SPECIAL MEETINGS

Special meetings of the Board of Directors shall be called upon written request of two directors then in office or by the Chairman of the Board and shall be held at such place, on such date, and at such time as they or he shall fix. Notice of the place, date and time of each such special meeting shall be given each director by whom it is not waived by mailing written notice not less than three days before the meeting or by telegraphing the same not less than eighteen hours before the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

SECTION 6. QUORUM

At any meeting of the Board of Directors, one-third of the total number of the whole board, but not less than two, shall constitute a quorum for all purposes. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another place, date, or time, without further notice or waiver thereof.

SECTION 7. PARTICIPATION IN MEETINGS BY CONFERENCE TELEPHONE

Members of the Board of Directors, or of any committee thereof, may participate in a meeting of such board or committee by means of conference telephone or similar communications equipment that enables all persons participating in the meeting to hear each other. Such participation shall constitute presence in person at such meeting and any action duly taken by Directors at such a meeting shall have the same force and effect as if taken at a meeting duly called and attended in person by the Directors.

SECTION 8. CONDUCT OF BUSINESS

At any meeting of the Board of Directors, business shall be transacted in such order and manner as the Board may from time to time determine, and all matters shall be determined by the vote of a majority of the directors present, except as otherwise required by law or provided in the Certificate of Incorporation or these Bylaws. Action may be taken by the Board of Directors without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors.

SECTION 9. POWERS

The Board of Directors may, except as otherwise required by law, exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, including, without limiting the generality of the foregoing, the unqualified power:

1. To declare dividends from time to time in accordance with law;
2. To purchase or otherwise acquire any property, rights or privileges on such terms as it shall determine;
3. To authorize the creation, making and issuance, in such form as it may determine, of written obligations of every kind, negotiable or non-negotiable, secured or unsecured, and to do all things necessary in connection therewith;
4. To remove any officer of the Corporation with or without cause, and from time to time transfer the powers and duties of any officer to any other person for the time being;
5. To confer upon any officer of the Corporation the power to appoint, remove and suspend subordinate officers and agents;
6. To adopt from time to time such stock option, stock purchase, bonus or other compensation plans for officers and agents of the Corporation and its subsidiaries as it may determine;
7. To adopt from time to time such insurance, retirement, and other benefit plans for officers and agents of the Corporation and its subsidiaries as it may determine;
8. To adopt from time to time regulations, not inconsistent with these bylaws, for the management of the Corporation's business and affairs; and
9. To adopt from time to time an order of succession designating the officers to perform the duties and exercise the powers of the president in the event of the President's absence, death, inability or refusal to act.

SECTION 10. COMPENSATION OF DIRECTORS

Directors, as such, may receive, pursuant to resolution of the Board of Directors, fixed fees and other compensation for their services as directors, including, without limitation, their services as members of committees of the directors.

**ARTICLE III
COMMITTEES**

SECTION 1. COMMITTEE OF THE BOARD OF DIRECTORS

The Board of Directors, by resolution, may from time to time designate committees of the Board, each of which shall have the respective powers and duties necessary or proper to carry out the purposes for which appointed, to serve at the pleasure of the board and shall, for those committees and any others provided for herein, elect a director or directors to serve as the member or members, designating, if it desires, other directors as alternative members who may replace any absent or disqualified member at any meeting of the committee. Any committee so designated may exercise the power and authority of the Board of Directors to declare a dividend or to authorize the issuance of stock if the resolution which designates the committee or a supplemental resolution of the Board of Directors shall so provide. In the absence or disqualification of any members of the committee present at the meeting and not disqualified from voting, whether or not he or they constitute a quorum, may by unanimous vote appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member.

SECTION 2. CONDUCT OF BUSINESS

Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members, which may be by telephone or telegraph, of all meeting; one-third of the members shall constitute a quorum unless the committee shall consist of one or two members, in which event one member shall constitute a quorum; and all matter shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent in writing, and the writing or writings are filed with the minutes of the proceedings of such committee.

**ARTICLE IV
OFFICERS**

SECTION 1. GENERALLY

The officers of the Corporation shall consist of a Chief Executive Officer, a President (who may be, but need not be, the Chief Executive Officer), a Secretary and Treasurer. The Board of Directors may elect such additional officers as it deems necessary, including vice presidents, assistant secretaries and assistant treasurers. Officers shall be elected by the Board of Directors, which shall consider that subject at its first meeting after every annual meeting of stockholders. Each officer shall hold his office until his successor is elected and qualified or until his earlier resignation or removal. Any number of offices may be held by the same person.

SECTION 2. CHIEF EXECUTIVE OFFICER

The Chief Executive Officer shall be the senior officer of the Corporation and shall be responsible in general for the supervision and control of all the business and affairs of the Corporation.

SECTION 3. PRESIDENT

If the Board of Directors elects a Chief Executive Officer who is not the President, the President shall act in the place of the Chief Executive Officer in his absence or in the event of his death, inability or refusal to act. He shall perform all duties and have all powers which are delegated to him by the Board of Directors or Chief Executive Officer. He shall have power to sign all stock certificates, contracts and other instruments of the Corporation which are authorized. In the event of the absence, death, inability or refusal to act of the President, the officer designated by the Board of Directors shall perform the duties and exercise the powers of the President.

If the Board of Directors does not elect a Chief Executive Officer, the President shall also perform the duties and exercise the powers of the Chief Executive Officer.

SECTION 4. VICE PRESIDENT

Each vice president shall perform such duties as the Board of Directors shall prescribe.

SECTION 5. TREASURER

The Treasurer shall have charge and custody of all monies and securities of the Corporation, shall in general perform all of the duties commonly incident to the office of Treasurer, and shall perform such other duties as may be assigned him by the Chief Executive Officer, President, or Board of Directors. He shall make such disbursements of the funds of the Corporation as are proper and shall render from time to time an account of all such transactions and of the financial condition of the Corporation.

SECTION 6. SECRETARY

The secretary shall issue all authorized notices for, and shall keep minutes of, all meetings of the stockholders and the Board of Directors. He shall have charge of the corporate minute books.

SECTION 7. DELEGATION OF AUTHORITY

The Board of Directors may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

SECTION 8. REMOVAL

Any officer of the Corporation may be removed at any time, with or without cause, by the Board of Directors.

SECTION 9. ACTION WITH RESPECT TO SECURITIES OF OTHER CORPORATIONS

Unless otherwise directed by the Board of Directors, the Chief Executive Officer shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

ARTICLE V
INDEMNIFICATION OF DIRECTORS, OFFICERS, AND OTHERS

SECTION 1. RIGHT TO INDEMNIFICATION

a. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (“proceeding”), by reason of the fact that he or she (or a person for whom he or she is the legal representative) is or was a director, officer or employee of the Corporation or is or was serving at the request of the Corporation as a director, officer or employee or agent of another corporation, or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) against all expenses, liability and loss (including attorney’s fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith; *provided*, however, that with respect to any agent or employee, to the extent any such expenses, liabilities or losses are covered by insurance, other than insurance maintained by the Corporation, the Corporation shall be required to indemnify and hold harmless such agent or employee only to the extent that such expenses, liabilities or losses are not covered by such insurance. Such right shall be a contract right and shall include the right to be paid by the Corporation expenses incurred in defending any such proceedings in advance of its final disposition; *provided*, however, that the payment of such expenses incurred by a director or officer of the Corporation in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of such proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it should be determined ultimately that such director or officer is not entitled to be indemnified under this section or otherwise.

b. Any person who is or was an agent of the Corporation, and who would be entitled to be indemnified by the Corporation under the circumstances set forth in Section 1(a) but for the fact that such person is not or was not a director, officer or employee of the Corporation, may be indemnified by the Corporation (but shall not be entitled to be indemnified by the Corporation) in a specific case to all or part of the extent set forth in Section 1(a), if the Board of Directors determines that it is in the best interests of the Corporation to grant such indemnity. Authorization for such indemnity and the extent thereof shall be determined by majority vote of a quorum of the Board of Directors.

c. Each person who was or is made a party or is threatened to be made a party to or is involved in any proceeding by reason of the fact that that he or she (or a person for whom he

or she is the legal representative) is or was licensed to practice law and an employee (including an employee who is or was an officer) of the Corporation or any of its direct or indirect wholly owned subsidiaries and, while acting in the course of such employment committed or is alleged to have committed any negligent acts, errors or omissions in rendering professional legal services at the request of the corporation or pursuant to his employment (including, without limitation, rendering written or oral legal opinions to third parties) shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) against all expenses, liability and loss (including attorney's fees, judgments, fines or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith; *provided*, that to the extent any such expenses, liabilities or losses are covered by insurance, other than insurance maintained by the Corporation, the Corporation shall be required to indemnify and hold harmless the employee only to the extent that such expenses, liabilities or losses are not covered by such insurance. Such right shall be a contract right and shall include the right to be paid by the Corporation expenses incurred in defending any such proceedings in advance of its final disposition.

SECTION 2. RIGHT OF CLAIMANT TO BRING SUIT

If a claim under Section 1 is not paid in full by the Corporation within 90 days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim, and if successful in whole or in part, the claimant shall be entitled to be paid also the expenses of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant had not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant had not met the applicable standard of conduct.

SECTION 3. NON-EXCLUSIVITY OF RIGHTS

The rights conferred by Sections 1 and 2 shall not be exclusive of any other right which such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

SECTION 4. INSURANCE

The Corporation may maintain insurance, at its expense, to protect itself and any such director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

SECTION 5.

For purposes of this Article, reference to “other enterprise” shall include entities of any kind, including associations, rate bureaus and conferences.

**ARTICLE VI
STOCK**

SECTION 1. CERTIFICATE OF STOCK

Shares of the stock of the Corporation may be represented by certificates or uncertificated. Owners of shares of the stock of the Corporation shall be recorded in the share register of the Corporation, and ownership of such shares shall be evidenced by a certificate or book-entry notation in the share register of the Corporation. Any certificates representing such shares shall be signed by, or in the name of the Corporation by, the chairman or vice chairman of the Board of Directors, or the president or a vice president, and by the secretary or any assistant secretary, if one be appointed, or the treasurer or an assistant treasurer of the Corporation, certifying the number of shares represented by the certificate owned by such stockholder in the Corporation. Any or all of the signatures on the certificate may be facsimile.

SECTION 2. TRANSFERS OF STOCK

Upon surrender to the Corporation, or the transfer agent of the Corporation, of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new certificate or other evidence of such new shares to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Uncertificated shares shall be transferred in the share register of the Corporation upon the written instruction originated by the appropriate person to transfer the shares.

SECTION 3. TRANSFER AND CHANGE OF ADDRESS

Title to a certificate and to the shares represented thereby can be transferred only:

- (1) By delivery of the certificates, endorsed either in blank or to a specific person, by the person appearing in the certificate to be the owner of the shares represented thereby; or
- (2) By delivery of the certificate and a separate document containing a written assignment of the certificate or a power of attorney to sell, assign or transfer the same of the

shares represented thereby, signed by the person appearing by the certificates to be the owner of the shares represented thereby. Such assignment or power of attorney may be either in blank or to a specified person.

SECTION 4. CHANGE OF ADDRESS

Stockholders shall be responsible for notifying in writing the secretary, or the transfer agent or registrar as the case may be, if appointed by resolution of the Board, of any changes in their addresses from time to time, and failure to do so shall relieve the Corporation, its shareholders, directors, officers and the transfer agent and/or registrar, if any, of liability, for failure to direct notices, dividends, or other documents or property to an address other than the one appearing in the records of the secretary, or, if appointed, the transfer agent or registrar.

SECTION 5. RECORD DATE

The Board of Directors may fix a record date, which shall not be more than sixty or less than ten days before the date of any meeting of stockholders, nor more than sixty days prior to the time for the other action hereinafter described, as of which there shall be determined the stockholders who are entitled: to notice of or to vote at any meeting of stockholders or any adjournment thereof; to receive payment of any dividend or other distribution or allotment of any rights; or to exercise any rights with respect to any change, conversion or exchange of stock with respect to any other lawful action.

SECTION 6. LOST, STOLEN OR DESTROYED CERTIFICATES

In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to such regulations as the board of directors may establish concerning proof of such loss, theft or destruction and concerning the giving of a satisfactory bond or bonds of indemnity.

SECTION 7. REGULATIONS

The issue, transfer, conversion and registration of certificates of stock shall be governed by such other regulations as the Board of Directors may establish.

SECTION 8. REGISTERED STOCKHOLDER

The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact hereof and, accordingly, shall not be bound to recognize any equitable or other claim or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by the laws of the State of Delaware.

ARTICLE VII
NOTICES

SECTION 1. NOTICES

Whenever notice is required to be given to any stockholder, director, officer, or agent, such requirement shall not be construed to mean personal notice. Such notice may in every instance be effectively given by depositing a writing in a post office or letter box, in a postpaid, sealed wrapper, or by dispatching a prepaid telegram, addressed to such stockholder, director, officer, or agent at his or her address as the same appears on the books of the Corporation. The time when such notice is dispatched shall be at the time of the giving of the notice.

SECTION 2. WAIVERS

A written waiver of any notice, signed by a stockholder, director, officer, or agent, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such stockholders, director, officer, or agent. Neither the business nor the purpose of any meeting need be specified in such a waiver.

**ARTICLE VIII
MISCELLANEOUS**

SECTION 1. FACSIMILE SIGNATURES

In addition to the provisions for the use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

SECTION 2. CORPORATE SEAL

The Board of Directors may provide a suitable seal, containing the name of the Corporation, which seal shall be in charge of the secretary. If and when so directed by the Board of Directors or a committee thereof, duplicates of the seal may be kept and used by the treasurer or by the assistant secretary or assistant treasurer.

SECTION 3. RELIANCE UPON BOOKS, REPORTS AND RECORDS

Each director, each member of any committee designated by the Board of Directors, and each officer of the Corporation shall, in the performance of his duties, be fully protected in relying good faith upon the books of accounts or other records of the Corporation, including reports made to the Corporation by any of its officers, by an independent certified public accountant, or by an appraiser with reasonable care.

SECTION 4. FISCAL YEAR

The fiscal year of the Corporation shall be as fixed by the Board of Directors.

SECTION 5. TIME PERIODS

In applying any provisions of these Bylaws which require that an act be done or not done a specified number of days prior to an event or that an act be done during a period of a specified number of days after an event, calendar days shall be used, the day of the doing of the act shall be excluded and the day of the event shall be included.

**ARTICLE IX
AMENDMENTS**

SECTION 1. AMENDMENTS

These Bylaws may be amended or repealed, or new bylaws may be adopted

(a) by the affirmative vote of seventy-five percent of the shares issued and outstanding and entitled to vote at any annual or special meeting of stockholders; *provided that*

the notice of such meeting of stockholders whether regular or special, shall specify as one of the purposes thereof the making of such amendment or repeal; or

(b) by the affirmative vote of the majority of the Board of Directors at any regular or special meeting.

RECEIVABLES SALE AGREEMENT

Dated as of May 21, 2004

Between

YELLOW TRANSPORTATION, INC. and ROADWAY EXPRESS, INC.,
as the Originators,

and

YELLOW ROADWAY RECEIVABLES FUNDING CORPORATION,
as the Buyer

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THIS RECEIVABLES SALE AGREEMENT, dated as of May 21, 2004, is by and between YELLOW TRANSPORTATION, INC., an Indiana corporation (“YTI”), and ROADWAY EXPRESS, INC., a Delaware corporation (“REI” and, together with YTI, the “Originators”), as sellers, and YELLOW ROADWAY RECEIVABLES FUNDING CORPORATION, a Delaware corporation, as purchaser (the “Buyer”). Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in Exhibit I hereto or, if not defined therein, the meanings attributed to such terms in the Purchase Agreement hereinafter described.

PRELIMINARY STATEMENTS

Each of the Originators now owns, and from time to time hereafter will own, Receivables. Each of the Originators wishes to sell and assign to the Buyer, and the Buyer wishes to purchase from such Originator, all right, title and interest of such Originator in and to the Receivables originated by it now and hereafter arising.

Each of the Originators and the Buyer believe that it is in their mutual best interests for such Originator to sell the Receivables originated by such Originator to the Buyer and for the Buyer to purchase such Receivables.

Each of the Originators and the Buyer intends this transaction to be a true sale of the Receivables from such Originator to the Buyer, providing the Buyer with the full benefits of ownership of the Receivables, and neither of the Originators nor the Buyer intends this transaction to be, or for any purpose to be characterized as, a loan from the Buyer to such Originator.

Upon purchasing the Receivables from the Originators, the Buyer will sell interests in all or a portion of the Receivables pursuant to that certain Receivables Purchase Agreement dated as of May 21, 2004 (as the same may from time to time hereafter be amended, supplemented, restated or otherwise modified, the “Purchase Agreement”) among the Buyer, Falcon Asset Securitization Corporation (“Falcon”), Blue Ridge Asset Funding Corporation (“Blue Ridge”), Wachovia Bank, National Association, individually and as Blue Ridge Agent, and Bank One, NA, individually (“Bank One”), as Falcon Agent and as Administrative Agent.

ARTICLE I AMOUNTS AND TERMS OF THE PURCHASES

Section 1.1. Purchases of Receivables.

(a) Effective on the date of the initial Purchase hereunder, in consideration for the Purchase Price and upon the terms and subject to the conditions set forth herein, each of the Originators does hereby sell, assign, transfer, set-over and otherwise convey to the Buyer, without recourse (except to the extent expressly provided herein), and the Buyer does hereby

purchase from such Originator, on the terms and subject to the conditions set forth herein, all of such Originator's right, title and interest in and to all Receivables originated by such Originator and existing as of the close of business on the date of such initial Purchase and all Receivables thereafter arising, together, in each case, with all Related Security relating there to and all Collections thereof; provided, however, that in no event shall the Buyer purchase or shall any Originator sell, any Receivable arising after the Termination Date.

On the date of the initial Purchase, the Buyer shall acquire all of each Originator's right, title and interest in and to all Receivables existing as of the close of business on such date (together with all Related Security relating thereto and all Collections thereof). Thereafter, through and including the Termination Date, the Buyer shall acquire all of each Originator's right, title and interest in and to all Receivables which were not previously purchased by the Buyer hereunder upon the creation of such Receivables (together with all Related Security relating thereto and all Collections thereof), provided that the acquisition by the Buyer of such right, title and interest of each Originator in connection with each Purchase hereunder is conditioned upon and subject to such Originator's receipt of the Purchase Price therefor in accordance with Section 1.2 below. In connection with consummation of any Purchase hereunder, the Buyer may request that the applicable Originator deliver, and such Originator shall deliver, such approvals, opinions, information, reports or documents as the Buyer may reasonably request.

(b) It is the intention of the parties hereto that each Purchase of Receivables made hereunder shall constitute a "sale of accounts," as such term is used in Article 9 of the UCC for all purposes other than financial accounting purposes, which sales are absolute and irrevocable and provide the Buyer with the full benefits and risks of ownership of the Receivables. Except for the Purchase Price Credits owed pursuant to Section 1.3 hereof, each sale of Receivables hereunder is made without recourse to any Originator; provided, however, that (i) the applicable Originator shall be liable to the Buyer for all representations, warranties and covenants made by such Originator pursuant to the terms of the Transaction Documents, and (ii) such sale does not constitute and is not intended to result in an assumption by the Buyer or any assignee thereof of any obligation of the applicable Originator or any other Person arising in connection with the Receivables originated by such Originator, the related Contracts and/or other Related Security or any other obligations of such Originator. In view of the intention of the parties hereto that the Purchases of Receivables made hereunder shall constitute sales of such Receivables rather than loans secured by such Receivables, each Originator agrees on or prior to the date hereof to mark its master data processing records relating to the Receivables with a legend, acceptable to the Buyer, evidencing that the Buyer has purchased such Receivables as provided in this Agreement and to note in its financial statements that its Receivables have been sold to the Buyer. Upon the request of the Buyer or any Agent, each Originator will execute (if required) and file (or authorize the filing of) such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate to perfect and maintain the perfection of the Buyer's ownership interest in the Receivables, the Related Security and the Collections, or as the Buyer or any Agent may reasonably request. In addition, each Originator will, upon request, make available to the Buyer or to the Servicer the original copy of each Contract under which a Receivable has arisen.

Section 1.2. Payment for the Purchases.

(a) The Purchase Price for the initial Purchase of Receivables from each of the Originators shall be payable in full by the Buyer to such Originator on the date of such initial Purchase, and shall be paid to such Originator in the following manner:

(i) by delivery of immediately available funds, to the extent of funds made available to the Buyer in connection with its subsequent sale of an interest in such Receivables to the Purchasers under the Purchase Agreement,

(ii) by the issuance of equity to Yellow Roadway Corporation such equity having a fair market value of not less than the greater of (A) \$3,000,000 and (B) three percent (3%) of the aggregate Capital outstanding at such time under the Purchase Agreement, and

(iii) the balance, with the proceeds of a Subordinated Loan.

The Purchase Price for each Purchase from each Originator after the initial Purchase shall become due and owing in full by the Buyer to such Originator or its designee on the date of such Purchase (except that the Buyer may, with respect to any such Purchase, offset against such Purchase Price any amounts owed by such Originator to the Buyer hereunder and which have become due but remain unpaid) and shall be paid to such Originator in the manner provided in the following paragraphs (b), (c) and (d).

(b) With respect to any Purchase hereunder, at the time of settlement of the Purchase Price therefor pursuant to paragraph (d) below, the Buyer may elect to pay all or any part of, the applicable Purchase Price by borrowing from the applicable Originator a subordinated revolving loan (each, a "Subordinated Loan"), and such Originator, subject to the remaining provisions of this paragraph, irrevocably agrees to advance such Subordinated Loan in the amount so specified by the Buyer (which amount, unless otherwise specified by the Buyer, shall be deemed to be the lesser of (i) the aggregate Purchase Price which remains owing to such Originator in connection with such settlement after giving effect to funds received by such Originator which have been applied thereto, and (ii) the maximum Subordinated Loan which may then be borrowed under the restrictions set forth in the following sentence). Notwithstanding the foregoing, no Originator shall be committed to make any Subordinated Loan (and the Buyer's right to make the election described hereinabove shall not be effective), if and to the extent that, as of the end of the last Business Day of the Calculation Period to which such settlement relates (or such other date of determination as may be applicable pursuant to the proviso in paragraph (c) below) and as a result of making such loan, either: (1) the aggregate outstanding amount of the Subordinated Loans would exceed an amount equal to the sum of (w) the aggregate Outstanding Balance of the Eligible Receivables at such time, plus (x) 97% of the aggregate Outstanding Balance of Receivables which are not Eligible Receivables at such time, minus (y) the aggregate Capital outstanding at such time under the Purchase Agreement, or (2) the Buyer's net worth would be equal to an amount that is less than the greater of (A) \$3,000,000 or (B) three percent (3.00%) of the aggregate Capital outstanding at such time under the Purchase Agreement, or (3) the amount of the Subordinated Loan then being made would exceed an

amount equal to the Purchase Price payable in connection with the Purchases during such Calculation Period minus funds then being made available under the Purchase Agreement or otherwise then available to the Buyer during or with respect to such Calculation Period (or such other date or period, if applicable). The Subordinated Loans made by each Originator shall be evidenced by, and shall be payable in accordance with the terms and provisions of, a promissory note in the form of Exhibit V hereto (each, a "Subordinated Note") and shall be payable solely from funds which the Buyer is not required under the Purchase Agreement to set aside for the benefit of, or otherwise pay over to, the Agents and/or the Purchasers.

(c) In the case of any Purchase subsequent to the initial Purchase, if the Buyer has insufficient funds to pay in full the applicable Purchase Price (after taking account of the proceeds of Subordinated Loans available to the Buyer), then the Originator shall be deemed to have contributed to the capital of the Buyer Receivables having a Purchase Price equal to the otherwise unpaid portion of the total Purchase Price owing for such Purchase, which capital contributions shall be determined on an aggregate basis for the Monthly Period in which such Purchase occurred in connection with the settlement for such Monthly Period effected pursuant to paragraph (d) below; provided, however, that no such deemed capital contribution shall be made from and after the date on which the Originator notifies the Buyer in writing that it has designated a date as the Termination Date, and the Originator shall not be obligated to convey Receivables to the Buyer or otherwise consummate Purchases hereunder from and after such date unless the Originator reasonably determines that the Purchase Price therefor will be satisfied with funds available to the Buyer from Collections or otherwise or with the proceeds of Subordinated Loans.

(d) On each Business Day during a Calculation Period after the date of the initial Purchase, all Collections available to the Buyer (after setting aside amounts required to be set aside for the benefit of, or otherwise paid over to, the Agents and/or the Purchasers in accordance with the Purchase Agreement) shall be paid directly to the applicable Originator and, subject to receipt by such Originator of its share of the sub-Servicer Fee payable by the Buyer pursuant to Section 5.6 hereof for the Calculation Period in which such Business Day occurs, shall be applied as payments toward the Purchase Price of Receivables conveyed by such Originator to the Buyer during such Calculation Period. Although amounts shall be paid directly to the Originators on a daily basis in accordance with the first sentence of this paragraph, settlement of the Purchase Price between the Buyer and each Originator shall be effected on a monthly basis with respect to all Purchases within the same Calculation Period concurrently with the delivery of the Monthly Report relating to such Calculation Period pursuant to Section 5.5 hereof and based on the information contained therein. In addition to such other information as may be included therein, each Monthly Report shall set forth the following with respect to the related Calculation Period: (i) the aggregate Outstanding Balance of Receivables created and conveyed by such Originator in Purchases during such Calculation Period, (ii) the aggregate Purchase Price payable to such Originator in respect of such Purchases, specifying the Discount Factor in effect for such Calculation Period and the aggregate Purchase Price Credits deducted in calculating such aggregate Purchase Price, (iii) the aggregate amount of funds received by such Originator during such Calculation Period which are to be applied toward the aggregate Purchase Price owing for such Calculation Period pursuant to the first sentence of this paragraph, and (iv) the increase or decrease in the amount outstanding under the applicable Subordinated Note as of the end of such Calculation

Period after giving effect to the application of funds toward the aggregate Purchase Price and the restrictions on Subordinated Loans set forth in paragraph (b) above. Although settlement shall be effected concurrently with the delivery of each Monthly Report, increases or decreases in the amount owing under the Subordinated Notes made pursuant to paragraph (b) above, and contributions to capital pursuant to paragraph (c) above, shall be deemed to have occurred and shall be effective as of the last Business Day of the Calculation Period to which such settlement relates.

Section 1.3. Purchase Price Credit Adjustments. If on any day the Outstanding Balance of a Receivable is either (x) reduced as a result of any defective services or damage to shipped goods, any cash discount or any adjustment by the applicable Originator (whether individually or in its performance of duties as a Sub-Servicer), or (y) reduced or canceled as a result of a setoff in respect of any claim by any Person (whether such claim arises out of the same or a related transaction or an unrelated transaction and whether such claim relates to such Originator or any Affiliate thereof) or (z) is otherwise reduced as a result of any of the factors set forth in the definition of Dilutions, then, in such event, the Buyer shall be entitled to a credit (each, a "Purchase Price Credit") against the Purchase Price otherwise payable hereunder equal to the full amount of such reduction or cancellation. If such Purchase Price Credit exceeds the Original Balance of the Receivables to be sold hereunder on any date, then the applicable Originator shall pay the remaining amount of such Purchase Price Credit in cash on the next succeeding Business Day; provided that, if the Termination Date has not occurred, such Originator shall be allowed to deduct the remaining amount of such Purchase Price Credit from any indebtedness owed to it under the Subordinated Note.

Section 1.4. Payments and Computations, Etc. All amounts to be paid or deposited by the Buyer hereunder shall be paid or deposited in accordance with the terms hereof on the day when due in immediately available funds to the account of the applicable Originator designated from time to time by such Originator or as otherwise directed by such Originator. In the event that any payment owed by any Person hereunder becomes due on a day which is not a Business Day, then such payment shall be made on the next succeeding Business Day. Any amount due hereunder which is not paid when due hereunder shall bear interest at the Base Rate as in effect from time to time until paid in full; provided, however, that such interest rate shall not at any time exceed the maximum rate permitted by applicable law. All computations of interest payable hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first but excluding the last day) elapsed.

Section 1.5. Transfer of Records.

(a) In connection with the Purchases of Receivables hereunder, each Originator hereby sells, transfers, assigns and otherwise conveys to the Buyer all of such Originator's right and title to and interest in the Records relating to all Receivables sold hereunder, without the need for any further documentation in connection with any Purchase. In connection with such transfer, each Originator hereby grants to each of the Buyer and the Servicer an irrevocable, non-exclusive license to use, without royalty or payment of any kind, all software used by such Originator to account for the Receivables, to the extent necessary to

administer the Receivables, whether such software is owned by such Originator or is owned by others and used by such Originator under license agreements with respect thereto, provided that should the consent of any licensor of such Originator to such grant of the license described herein be required, such Originator hereby agrees that upon the request of the Buyer (or the Administrative Agent as the Buyer's assignee) it will use its reasonable efforts to obtain the consent of such third-party licensor. The license granted hereby shall be irrevocable, and shall terminate on the date this Agreement terminates in accordance with its terms.

(b) Each Originator (i) shall take such action requested by the Buyer and/or any Agent, from time to time hereafter, that may be necessary or appropriate to ensure that the Buyer and its assigns under the Purchase Agreement have an enforceable ownership interest in the Records relating to the Receivables purchased from such Originator hereunder and (ii) shall use its reasonable efforts to ensure that the Buyer and the Servicer each has an enforceable right (whether by license or sublicense or otherwise) to use all of the computer software used to account for the Receivables and/or to recreate such Records.

Section 1.6. Characterization. If, notwithstanding the intention of the parties expressed in Section 1.1(b), the conveyance by each Originator to the Buyer of Receivables hereunder shall be characterized as a secured loan and not a sale, this Agreement shall constitute a security agreement under the UCC and other applicable law. For this purpose, each Originator hereby grants to the Buyer a duly perfected security interest in all of such Originator's right, title and interest in, to and under the Receivables, the Collections, each Collection Account, all Related Security, all payments on or with respect to such Receivables, all other rights relating to and payments made in respect of the Receivables, and all proceeds of any thereof, in each case, whether now owned or existing or hereafter acquired or arising, which security interest shall be prior to all other liens on and security interests therein. After an Event of Default, the Buyer and its assignees shall have, in addition to the rights and remedies which they may have under this Agreement, all other rights and remedies provided to a secured creditor after default under the UCC and other applicable law, which rights and remedies shall be cumulative.

ARTICLE II REPRESENTATIONS AND WARRANTIES

Section 2.1. Originators' Representations and Warranties. Each Originator hereby represents and warrants, individually and in its capacity as Sub-Servicer, to the Buyer and its assigns that:

(a) Corporate Existence and Power. Such Originator is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation, and has all corporate power and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which it conducts its business and where the failure to obtain such license, authorization, consent or approval would have a Material Adverse Effect.

(b) No Conflict. The execution, delivery and performance by such Originator of this Agreement and each other Transaction Document, and such Originator's use of the proceeds of Purchases made hereunder, are within its corporate powers, have been duly authorized by all necessary corporate action, do not breach or violate (i) its articles of incorporation or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any material agreement, contract or instrument to which it is a party or by which it or any of its property is bound, or (iv) any material order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on assets of such Originator or its Subsidiaries (except as created hereunder); and no transaction contemplated hereby requires compliance with any bulk sales act or similar law. This Agreement and each other Transaction Document have been duly authorized, executed and delivered by such Originator.

(c) Governmental Authorization. Other than the filing of the financing statements required hereunder, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body (including, without limitation, the Department of Transportation and/or Surface Transportation Board) is required for the due execution, delivery and performance by such Originator of the Transaction Documents.

(d) Binding Effect. The Transaction Documents constitute the legal, valid and binding obligations of such Originator enforceable against such Originator in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally.

(e) Accuracy of Information. All information heretofore furnished by such Originator or any of its Affiliates to the Buyer, any Agent or the Purchasers for purposes of or in connection with this Agreement, any of the other Transaction Documents or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by such Originator or any of its Affiliates to the Buyer, any Agent and/or the Purchasers will be, true and accurate in every material respect, on the date such information is stated or certified and does not and will not contain any material misstatement of fact or omit to state a material fact or any fact necessary to make the statements contained therein not misleading.

(f) Use of Proceeds. No proceeds of any Purchase hereunder will be used (i) for a purpose which violates, or would be inconsistent with, Regulation G, T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time or (ii) to acquire any security in any transaction which is subject to Section 13 or 14 of the Securities Exchange Act of 1934, as amended.

(g) Good Title; Perfection. Immediately prior to each Purchase hereunder, such Originator shall be the legal and beneficial owner of the Receivables and Related Security with respect thereto, free and clear of any Adverse Claim, except as created by the Transaction Documents. This Agreement is effective to, and shall, upon each Purchase hereunder, irrevocably transfer to the Buyer legal and equitable title to, with the legal right to sell and encumber, such Receivables and the Related Security, free and clear of any Adverse

Claim except as otherwise created by the Buyer under the Purchase Agreement. Without limiting the foregoing, there have been duly filed all financing statements or other similar instruments or documents necessary under the UCC of all appropriate jurisdictions (or any comparable law) to perfect the Buyer's ownership interest in such Receivables.

(h) Places of Business. The principal places of business and chief executive office of such Originator and the offices where such Originator keeps all its Records are located at the address(es) listed on Exhibit II or such other locations notified to the Buyer in accordance with Section 4.2(a) in jurisdictions where all action required by Section 4.2(a) has been taken and completed. Such Originator's Federal Employer Identification Number is correctly set forth on Exhibit II.

(i) Collection Banks; etc. Except as otherwise notified to the Buyer in accordance with Section 4.2(b):

(i) such Originator has instructed all Obligor to pay all Collections directly to a segregated lock-box identified on Exhibit III to the Purchase Agreement,

(ii) in the case of all proceeds remitted to any such lock-box which is now or hereafter established, such proceeds will be deposited directly by the applicable Collection Bank into a concentration account or a depository account listed on Exhibit III to the Purchase Agreement,

(iii) the names and addresses of all Collection Banks, together with the account numbers of the Collection Accounts of such Originator at each Collection Bank, are listed on Exhibit III to the Purchase Agreement, and

(iv) each lock-box and Collection Account to which Collections are remitted shall be subject to a Collection Account Agreement that is then in full force and effect; provided, however, that the Collection Account(s) at Bank of America, N.A. need not be subject to a Collection Account Agreement until July 21, 2004.

In the case of lock-boxes and Collection Accounts identified on Exhibit III to the Purchase Agreement, exclusive dominion and control thereof has been transferred to the Buyer. Such Originator has not granted any Person, other than the Buyer as contemplated by this Agreement, dominion and control of any lock-box or other Collection Account, or the right to take dominion and control of any lock-box or other Collection Account at a future time or upon the occurrence of a future event.

(j) Financial Statements; Material Adverse Effect. The consolidated financial statements of Yellow Roadway Corporation and its consolidated Subsidiaries dated December 31, 2003, furnished by such Originator to the Buyer and the Agents are complete and correct in all material respects, and such financial statements have been prepared in accordance with generally accepted accounting principles consistently applied and fairly present the consolidated financial condition and results of operations of Yellow Roadway Corporation and its consolidated Subsidiaries as of such date and for the period ended on

such date. Since December 31, 2003, no event has occurred which would have a Material Adverse Effect.

(k) Names. In the past five years, such Originator has not used any corporate names, trade names or assumed names other than those listed on Exhibit II.

(l) Actions, Suits. There are no actions, suits or proceedings pending, or to the best of such Originator's knowledge, threatened, against or affecting such Originator, or any of the properties of such Originator, in or before any court, arbitrator or other body, which are reasonably likely to (i) adversely affect the collectibility of a material portion of the Receivables, (ii) materially adversely affect the financial condition of such Originator or (iii) materially adversely affect the ability of such Originator to perform its obligations under the Transaction Documents. Such Originator is not in default with respect to any order of any court, arbitrator or governmental or regulatory body.

(m) Credit and Collection Policy. With respect to each Receivable, the applicable Originator and Sub-Servicer has complied in all material respects with the Credit and Collection Policy.

(n) Payments to Originators. With respect to each Receivable sold to the Buyer under this Agreement, the Buyer has given reasonably equivalent value to the applicable Originator in consideration for the transfer of such Receivable and the Related Security with respect thereto under this Agreement and such transfer was not made for or on account of an antecedent debt. No sale by such Originator to the Buyer of any Receivable is or may be voidable under any Section of the Bankruptcy Reform Act of 1978 (11 U.S.C. §§ 101 et seq.), as amended.

(o) Ownership of the Buyer. Yellow Roadway Corporation owns one hundred percent (100%) of the issued and outstanding capital stock of the Buyer. Such capital stock is validly issued, fully paid and nonassessable and there are no options, warrants or other rights to acquire securities of the Buyer.

(p) Not an Investment Company. Such Originator is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended from time to time, or any successor statute.

(q) Purpose. Such Originator has determined that, from a business viewpoint, the sale of the Receivables to the Buyer contemplated hereby is in the best interests of such Originator.

(r) ERISA. No fact or circumstance, including but not limited to any Reportable Event, exists in connection with any Plan which would constitute grounds for the termination of any Plan by the Pension Benefit Guaranty Corporation or for the appointment by the appropriate United States District Court of a trustee to administer any such Plan and which would result in the termination of a Plan and the incurrence of material liability by such Originator or any ERISA Affiliate to the Plan, the PBGC, participants, beneficiaries or a trustee. No Plan has an accumulated funding deficiency as defined in Section 412(a) of the Code or Section 302(a) of ERISA, and no lien exists with respect to any Plan for failure to

make required contributions as described under 412(n) of the Code or Section 302(f) of ERISA. For the purposes of this representation and warranty, such Originator shall be deemed to have knowledge of all facts attributable to the Plan administrator designated pursuant to ERISA. No lien imposed under the Code or ERISA on the assets of such Originator or any ERISA Affiliate exists on account of any Multiemployer Plan.

ARTICLE III
CONDITIONS OF PURCHASES

Section 3.1. Conditions Precedent to Initial Purchase. The initial Purchase under this Agreement is subject to the conditions precedent that (i) the Buyer shall have received on or before the date of such Purchase those documents listed on Schedule A hereto and (ii) all conditions precedent to the initial purchase under the Purchase Agreement shall have been satisfied and/or waived.

Section 3.2. Conditions Precedent to All Purchases. Each Purchase shall be subject to the further conditions precedent that (a) on the date of each such Purchase, the following statements shall be true both before and after giving effect to such Purchase (and acceptance of the proceeds of such Purchase shall be deemed a representation and warranty by the applicable Originator that such statements are then true):

(i) the representations and warranties of such Originator set forth in Article II are correct on and as of the date of such Purchase as though made on and as of such date;

(ii) no event has occurred, or would result from such Purchase, that will constitute an Event of Default, and no event has occurred and is continuing, or would result from such Purchase, that would constitute a Potential Event of Default; and

(iii) the Termination Date shall not have occurred;

and (b) the Buyer shall have received such other approvals, opinions or documents as it may reasonably request.

Notwithstanding the foregoing conditions precedent, upon payment of the Purchase Price for any Purchase (whether by payment of cash, through an increase in the amounts outstanding under the applicable Subordinated Note, by offset of amounts owed to the Buyer or otherwise), title to the Receivables and related assets included in such Purchase shall vest in the Buyer, whether or not the conditions precedent to such Purchase were in fact satisfied.

**ARTICLE IV
COVENANTS**

Section 4.1. Affirmative Covenants of Originators. Until the date this Agreement shall terminate in accordance with its terms, each of the Originators hereby covenants, individually and in its capacity as a Sub-Servicer, that:

(a) Financial Reporting. Such Originator will maintain a system of accounting established and administered in accordance with generally accepted accounting principles, and furnish to the Buyer:

(i) Annual Reporting. Within 90 days after the close of each of its fiscal years, a complete copy of Yellow Roadway Corporation's audit report, which shall include at least Yellow Roadway Corporation's and its consolidated Subsidiaries' consolidated balance sheet, consolidated income statement and consolidated statement of cash flow for such year, examined in accordance with generally accepted auditing standards by an independent public accountant of national reputation selected by Yellow Roadway Corporation, together with the certificate described in clause (iii) below. Such auditor's report shall be free from exceptions, reservations or qualifications as result of which the auditor would be unable to conclude that the financial statements fairly present or adequately disclose in all material respects the financial condition of Yellow Roadway Corporation and its consolidated Subsidiaries and shall not be limited because of restricted or limited access by such accountant to any material portion of Yellow Roadway Corporation's or any Subsidiary's records.

(ii) Quarterly Reporting. Within 45 days after the close of each of the first three quarterly periods of each of its fiscal years, Yellow Roadway Corporation's and its consolidated Subsidiaries' unaudited consolidated balance sheet, consolidated income statement and consolidated statement of cash flow for such quarter and that portion of the fiscal year ending with such quarter, certified by the Chief Financial Officer of Yellow Roadway Corporation as being complete and correct in all material respects and fairly presenting in all material respects Yellow Roadway Corporation's and its consolidated Subsidiaries' financial condition and results of operations as of the end of such quarter and for that portion of the fiscal year ending with such quarter, together with the certificate described in clause (iii) below.

(iii) Compliance Certificate. Together with the financial statements required to be delivered under clauses (i) and (ii) above, a compliance certificate in substantially the form of Exhibit III signed by Yellow Roadway Corporation's Chief Financial Officer and dated the date of such annual financial statement or such quarterly financial statement, as the case may be.

(iv) Shareholders Statements and Reports. Promptly upon the furnishing thereof to the shareholders of Yellow Roadway Corporation, copies of all financial statements, reports and proxy statements so furnished.

(v) S.E.C. Filings. Promptly upon the filing thereof, copies of all registration statements, notices of securities issuance, annual, quarterly, monthly or other regular reports which the Originator or any of its Subsidiaries files with the Securities and Exchange Commission.

(vi) Notices under Transaction Documents. Forthwith upon its receipt of any notice, request for consent, financial statements, certification, report or other communication under or in connection with any Transaction Document from any Person other than the Buyer, any Agent or any Purchaser, copies of the same.

(vii) Change in Credit and Collection Policy. At least 30 days prior to the effectiveness of any material change in or amendment to the Credit and Collection Policy, a copy of the Credit and Collection Policy then in effect and a notice indicating such change or amendment.

(viii) [Reserved]

(ix) Other Information. Such other information (including non-financial information) as the Buyer (or any of its assignees) may from time to time reasonably request.

(b) Notices. Such Originator will notify the Buyer and the Agents in writing of any of the following immediately upon learning of the occurrence thereof, describing the same and, if applicable, the steps being taken with respect thereto:

(i) Events of Default or Potential Events of Default. The occurrence of each Event of Default or each Potential Event of Default.

(ii) Litigation. The institution of any litigation, arbitration proceeding or governmental proceeding against such Originator or any of its Subsidiaries, or to which such Originator or any of its Subsidiaries becomes party, in either case which such Originator reports to the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

(iii) ERISA. The occurrence of any event described in Section 8.07 (or any successor section dealing with disclosure of events under ERISA) of the Yellow Credit Agreement.

(iv) Downgrade. Any downgrading in the rating of any Indebtedness of Yellow Roadway Corporation or either Originator by Standard & Poor's Ratings Group or by Moody's Investors Service, Inc., setting forth the Indebtedness affected and the nature of such change.

(v) Labor Strike, Walkout, Lockout or Slowdown. The commencement or threat of any labor strike, walkout, lockout or concerted labor slowdown which prevents, or could reasonably be likely to prevent, pick-ups, shipments and/or deliveries by such Originator, and which could reasonably be expected to have a Material Adverse Effect (collectively, "Labor Actions").

(c) Compliance with Laws. Such Originator will comply in all material respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to comply would not have a Material Adverse Effect.

(d) Audits. Such Originator will furnish to the Buyer (and/or the Agents on behalf of the Buyer) from time to time such information with respect to it and the Receivables originated by it as the Buyer or any Agent may reasonably request. Such Originator shall, from time to time during regular business hours as requested by Buyer (or any Agent on its behalf) upon reasonable notice, permit the Buyer and the Agents, or their respective agents or representatives (i) to examine and make copies of and abstracts from all Records in the possession or under the control of such Originator relating to Receivables and the Related Security, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of such Originator for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to such Originator's financial condition or the Receivables and the Related Security or such Originator's performance hereunder or under the Contracts with any of the officers or employees of such Originator having knowledge of such matters.

(e) Keeping and Marking of Records and Books.

(i) Such Originator will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the immediate identification of each new Receivable and all Collections of and adjustments to each existing Receivable). Such Originator will give the Agents notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(ii) Such Originator will (a) on or prior to the date hereof, mark its master data processing records and other books and records relating to the Receivables with a legend, acceptable to the Buyer, describing the ownership interest of the Buyer therein and further describing the "Receivable Interests" sold by the Buyer to the Purchasers pursuant to the Purchase Agreement and (b) upon the request of the Buyer or any Agent: (x) mark each Contract with a legend describing Buyer's interest therein and further describing the Receivable Interests of the Purchasers and (y) deliver to the Buyer or its designee all Contracts (including, without limitation, all multiple originals of any such Contract) relating to the Receivables.

(f) Compliance with Contracts and Credit and Collection Policy. Such Originator will timely and fully (i) perform and comply with all provisions, covenants and other promises required to be observed by it under the Contracts (other than bills of lading) related to the Receivables, and (ii) comply in all material respects with any bills of lading

included in the Invoices and with the Credit and Collection Policy. Such Originator will pay when due any taxes payable in connection with the Receivables originated by it.

(g) Ownership Interest. Such Originator shall take all necessary action to establish and maintain in favor of the Buyer a valid and perfected first priority ownership interest in the Receivables and the Related Security, Collections and Collection Accounts with respect thereto, to the full extent contemplated herein, including, without limitation, taking such action to perfect, protect or more fully evidence the interest of the Buyer hereunder as the Buyer or its assignees may reasonably request.

(h) Purchasers' Reliance. Such Originator acknowledges that the Agents and the Purchasers are entering into the transactions contemplated by the Purchase Agreement in reliance upon the Buyer's identity as a separate legal entity from such Originator. Therefore, from and after the date of execution and delivery of this Agreement, such Originator shall take all reasonable steps including, without limitation, all steps that the Buyer or any assignee of the Buyer may from time to time reasonably request, to maintain the Buyer's identity as a separate legal entity and to make it manifest to third parties that the Buyer is an entity with assets and liabilities distinct from those of such Originator and any Affiliates thereof and not just a division of such Originator. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, such Originator (i) shall not hold itself out to third parties as liable for the debts of the Buyer nor purport to own the Receivables and other assets acquired by the Buyer, (ii) shall take all other actions necessary on its part to ensure that the Buyer is at all times in compliance with the covenants set forth in Section 5.1(k) of the Purchase Agreement and (iii) shall cause all tax liabilities arising in connection with the transactions contemplated herein or otherwise to be allocated between such Originator and the Buyer on an arm's-length basis and in a manner consistent with the procedures set forth in U.S. Treasury Regulations §§1.1502-33(d) and 1.1552-1.

(i) Collections. Such Originator shall instruct all Obligor to pay all Collections directly to a segregated lock-box or other Collection Account listed on Exhibit III to the Purchase Agreement, each of which is subject to a Collection Account Agreement; provided, however, that the Collection Account(s) at Bank of America, N.A. need not be subject to a Collection Account Agreement until July 21, 2004. In the case of payments remitted to any such lock-box, such Originator shall cause all proceeds from such lock-box to be deposited directly by a Collection Bank into a concentration account or a depository account listed on Exhibit III to the Purchase Agreement. Pursuant to Section 5.3 hereof and the Collection Account Agreements, such Originator has transferred and assigned to the Buyer all of its right, title and interest in and to, and exclusive ownership, dominion and control (subject to the terms of this Agreement) to each such lock-box, concentration account and depository account. In the case of any Collections received by such Originator, such Originator shall remit such Collections to a Collection Account not later than the Business Day immediately following the date of receipt of such Collections, and, at all times prior to such remittance, such Originator shall itself hold such Collections in trust, for the exclusive benefit of the Buyer and its assigns. In the case of any remittances received by such Originator in any such lock-box, concentration account or depository account that shall have been identified, to the satisfaction of the Servicer, to not constitute Collections or other proceeds of the Receivables or the Related Security, such Originator shall promptly remit

such items to the Person identified to it as being the owner of such remittances. From and after the date the Administrative Agent (at the direction of either Co-Agent) delivers to any of the Collection Banks a Collection Notice pursuant to Section 6.3 of the Purchase Agreement, the Administrative Agent, as assignee of the Buyer, may request that such Originator, and such Originator thereupon promptly shall, direct all Obligors on Receivables to remit all payments thereon to a new depository account (the "New Concentration Account") specified by the Administrative Agent and, at all times thereafter such Originator shall not deposit or otherwise credit to the New Concentration Account any cash or payment item other than Collections. Alternatively, the Administrative Agent (at the request of either Co-Agent) may request that such Originator, and such Originator thereupon promptly shall, direct all Persons then making remittances to any account listed on Exhibit III to the Purchase Agreement which remittances are not payments on Receivables to deliver such remittances to a location other than an account listed on Exhibit III to the Purchase Agreement.

(j) ERISA. Such Originator shall make all required installments or other required payments to a Plan under Section 412 of the Code or Section 302 of ERISA on or before the due date for such installment or other payment.

Section 4.2. Negative Covenants of Originators. Until the date this Agreement shall terminate in accordance with its terms, each of the Originators hereby covenants, individually and in its capacity as a Sub-Servicer, that:

(a) Name Change, Offices, Records and Books of Accounts. Such Originator will not change its name or legal form or relocate any office where Records are kept unless it shall have: (i) given the Buyer and the Agents at least 30 days prior notice thereof (in the case of a change of name or legal form) and (ii) delivered to the Buyer all financing statements, instruments and other documents requested by the Buyer (or any Agent on behalf of the Buyer) in connection with such change or relocation.

(b) Change in Payment Instructions to Obligors. Such Originator will not add or terminate any bank as a Collection Bank from those listed in Exhibit III to the Purchase Agreement, or make any change in its instructions to Obligors regarding payments to be made to such Originator or payments to be made to any lock-box, Collection Account or Collection Bank, unless the Buyer and the Agents shall have received, at least fifteen (15) Business Days before the proposed effective date therefor:

(i) written notice of such addition, termination or change, and

(ii) with respect to the addition of a lock-box, Collection Account or Collection Bank, an executed account agreement and an executed Collection Account Agreement from such Collection Bank relating thereto;

provided, however, that such Originator may make changes in instructions to Obligors regarding payments if such new instructions require such Obligor to make payments to another existing lock-box or other Collection Account that is subject to a Collection Account Agreement then in effect.

(c) Modifications to Contracts and Credit and Collection Policy. Such Originator will not make any material change in the character of its business or any change to the Credit and Collection Policy which would be reasonably likely to, in either case, adversely affect the collectibility of any material portion of the Receivables or decrease the credit quality of any newly created Receivables. Except as provided in Section 5.2(c), such Originator, acting as Sub-Servicer or otherwise, will not extend, amend or otherwise modify the terms of any Receivable or any Contract related thereto other than in accordance with the Credit and Collection Policy.

(d) Sales, Liens, Etc. Such Originator shall not sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, or create or suffer to exist any Adverse Claim upon (including, without limitation, the filing of any financing statement) or with respect to, any Receivable or Related Security or Collections in respect thereof, or upon or with respect to any Contract under which any Receivable arises, or any lock-box or other Collection Account or assign any right to receive income in respect thereof (other than, in each case, the creation of the interests therein in favor of the Buyer provided for herein and the Agents and the Purchasers provided for in the Purchase Agreement), and such Originator shall defend the right, title and interest of the Buyer in, to and under any of the foregoing property, against all claims of third parties claiming through or under such Originator.

(e) Accounting for Purchases. Such Originator will not, and shall not permit any Affiliate to, account for or treat (whether in tax returns, financial statements, reports or otherwise) the transactions contemplated hereby in any manner other than the sale of the Receivables and Related Security by such Originator to the Buyer or in any other respect account for or treat the transactions contemplated hereby in any manner other than as a sale of the Receivables and Related Security by such Originator to the Buyer except to the extent that such transactions are not recognized on account of consolidated financial reporting in accordance with generally accepted accounting principles.

ARTICLE V ADMINISTRATION AND COLLECTION

Section 5.1. Designation of Sub-Servicers.

(a) The servicing, administration and collection of the Receivables shall be conducted by the Servicer so designated from time to time in accordance with Section 6.1 of the Purchase Agreement. Each Originator is hereby designated as, and hereby agrees to act as a sub-servicer (a "Sub-Servicer") for the Buyer in the Buyer's capacity as the initial Servicer designated pursuant to the terms of the Purchase Agreement, and such Originator agrees in such capacity as Sub-Servicer to perform all of the duties and obligations of the Servicer set forth herein and in the Purchase Agreement with respect to the Receivables originated by such Originator and the Related Security related thereto and Collections thereof.

(b) Each Originator further agrees that it shall be directly liable to the Agents and the Purchasers for the full and prompt performance of all such duties and responsibilities

of the Servicer provided that (i) nothing in this Agreement shall eliminate the Buyer's primary liability to the Agents and the Purchasers for its duties as Servicer, (ii) the Buyer and its assigns shall retain sole responsibility and authority for withdrawing funds from the Collection Accounts, and (iii) the Agents and the Purchasers shall be entitled to deal exclusively with the Buyer in matters relating to the discharge by the Servicer of its duties pursuant to Section 6.1 of the Purchase Agreement.

(c) Without the prior written consent of the Buyer and its assignees, no Originator shall be permitted to delegate any of its duties or responsibilities as a Sub-Servicer to any other Person. If at any time any Agent shall designate as Servicer any Person other than the Buyer, all duties and responsibilities theretofore delegated by the Buyer to the Originators may, at the discretion of any Agent, be terminated forthwith on notice given by the Buyer or such Agent (as assignee of the Buyer) to the Originators.

Section 5.2. Duties of Sub-Servicers.

(a) Each of the Sub-Servicers shall take or cause to be taken all such actions as may be necessary or advisable to collect each Receivable originated by it from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy.

(b) Each of the Sub-Servicers shall use its best efforts to segregate, on each Business Day, in a manner acceptable to the Buyer and the Agents, all cash, checks and other instruments received by it from time to time constituting Collections from the general funds of such Sub-Servicer prior to the remittance thereof to the Buyer to be administered in accordance with the procedures described herein and in Article I of the Purchase Agreement.

(c) Each of the Sub-Servicers, may, in accordance with the Credit and Collection Policy, extend the maturity of any Receivable originated by it or adjust the Outstanding Balance of any such Receivable as such Sub-Servicer may determine to be appropriate to maximize Collections thereof; provided, however, that such extension or adjustment shall not alter the status of such Receivable as a Delinquent Receivable or Defaulted Receivable or limit the rights of the Agents or the Purchasers under the Purchase Agreement. Notwithstanding anything to the contrary contained herein, from and after the occurrence of an Event of Default, the Buyer shall have the absolute and unlimited right to direct each of the Sub-Servicers to commence or settle any legal action with respect to any Receivable originated by it or to foreclose upon or repossess any Related Security.

(d) Each of the Sub-Servicers shall hold in trust for the Buyer and its assignees, in accordance with their respective interests, all Records that evidence or relate to the Receivables, the related Contracts and Related Security or that are otherwise necessary or desirable to collect the Receivables and shall, as soon as practicable upon demand of the Buyer, deliver or make available to the Buyer all such Records at the chief executive office of such Originator. Each of the Sub-Servicers shall, as soon as practicable following receipt thereof, turn over to the Buyer all Collections of Receivables, less: (i) all reasonable out-of-pocket costs and expenses of the Sub-Servicer of servicing, administering and collecting the

Receivables, and (ii) any cash collections or other cash proceeds received with respect to indebtedness not constituting Receivables.

(e) Any payment by an Obligor in respect of any indebtedness owed by it to such Originator shall, except as otherwise specified by such Obligor or otherwise required by contract or law and unless otherwise instructed by the Buyer, be applied as a Collection of any Receivable of such Obligor (starting with the oldest such Receivable) to the extent of any amounts then due and payable thereunder before being applied to any other receivable or other obligation of such Obligor.

Section 5.3. Collection Account Agreements. Each Originator hereby transfers to the Buyer, effective concurrently with the initial Purchase hereunder (or, if any Collection Account is not in existence on such date, concurrently with the opening of such account), the exclusive ownership and control of the Collection Accounts, and such Originator shall claim no further right, title and/or interest in and to any such Collection Accounts nor any rights to withdraw funds therefrom. Each Originator hereby authorizes the Buyer, and agrees that the Buyer shall be entitled to (i) endorse such Originator's name on checks and other instruments representing Collections, (ii) enforce the Receivables, the related Contracts and the Related Security and (iii) take such action as shall be necessary or desirable to cause all cash, checks and other instruments constituting Collections of Receivables to come into the possession of the Buyer and its designees rather than such Originator.

Section 5.4. Responsibilities of the Originators. Anything herein to the contrary notwithstanding, the exercise by the Buyer (or its assignees) of its rights hereunder shall not release the Sub-Servicers or the Originators from any of their duties or obligations with respect to any Receivables or under the related Contracts. Neither the Buyer nor any of its assignees (including any Servicer) shall have any obligation or liability with respect to any Receivables or related Contracts, nor shall any of them be obligated to perform the obligations of either of the Originators.

Section 5.5. Reports. On the 15th day of each month (or, if such date is not a Business Day, the next succeeding Business Day), and at such times as the Buyer or any Agent (as the Buyer's assignee) shall request, the Sub-Servicers shall prepare and forward to the Buyer and the Agents a Monthly Report for the related Calculation Period (or other comparable report for such period as may be applicable). Promptly following any request therefor by the Buyer or any Agent, the Originators shall prepare and provide to the Buyer and the Agents a listing by Obligor of all Receivables together with an aging of such Receivables.

Section 5.6. Sub-Servicer Fee. In consideration of each Sub-Servicer's agreement to perform the duties and obligations of the Servicer under the Purchase Agreement with respect to the Receivables originated by such Sub-Servicer, the Buyer hereby agrees that, so long as such Originator shall continue to perform as a Sub-Servicer hereunder, the Buyer shall pay over to such Originator a monthly fee in an amount equal to (i) a per annum rate not to exceed 2.0% agreed to by the Buyer and such Originator from time to time, multiplied by (ii) the average Outstanding Balance of the Receivables

originated by such Originator and held by the Buyer (without taking account of any Receivable Interests held by the Purchasers) during the preceding Calculation Period, such fee to be calculated to provide the Servicer and each Sub-Servicer reasonable compensation for their respective servicing activities.

ARTICLE VI EVENTS OF DEFAULT

Section 6.1. Events of Default. The occurrence of any one or more of the following events shall constitute an Event of Default:

(a) Any Sub-Servicer or Originator shall fail (i) to make any payment or deposit required hereunder, or (ii) to perform or observe any term, covenant or agreement hereunder (other than as referred to in clause (i) of this paragraph (a)) and such failure shall remain unremedied for five (5) Business Days following the occurrence thereof.

(b) Any representation, warranty, certification or statement made by any Originator or Sub-Servicer in this Agreement, any other Transaction Document or in any other document delivered pursuant hereto shall prove to have been incorrect in any material respect when made or deemed made.

(c)(i) Any Originator or Sub-Servicer shall generally not pay its debts as such debts become due or shall admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Originator or Sub-Servicer seeking to adjudicate it bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or any substantial part of its property, unless any such proceeding or action instituted by any Person other than an Originator or Sub-Servicer is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of the filing of such action or making of any such appointment described in this subsection (c); or (ii) any Originator or Sub-Servicer shall take any corporate action to authorize any of the actions set forth in clause (i) above in this subsection (c).

(d) One or more final judgments shall be entered against any Originator or any of its Subsidiaries for the payment of money in the aggregate amount of \$10,000,000, or the equivalent thereof in another currency, or more on claims not covered by insurance or as to which the insurance carrier has denied its responsibility, and such judgment shall continue unsatisfied and in effect for thirty (30) consecutive days without a stay of execution or bond to secure appeal.

(e) Any Plan of any Originator or any of its Subsidiaries shall be terminated in a distress termination under Section 4041(c) of ERISA, or a trustee shall be appointed by the appropriate U.S. District Court to administer any Plan of the Originator or any of its Subsidiaries, or the PBGC shall institute proceedings to terminate any Plan of such Originator or any of its Subsidiaries or to appoint a trustee to administer any such Plan and,

upon the occurrence of any of the foregoing, the then current value of guaranteed benefits and other benefit commitments (as such terms are defined under Title IV of ERISA and determined in accordance with the principles of Title IV of ERISA) for which such Originator or any Subsidiary might be liable to any Person exceed the then current value of the assets allocable to such benefits by more than \$5,000,000.

(f) (A) (i) Any Multiemployer Plan is or shall have been terminated under Section 4041A of ERISA or the subject of termination proceedings under Section 4042 of ERISA, (ii) any Originator or any ERISA Affiliate has incurred any liability to or an account of a Multiemployer Plan under Section 4201 or 4204 of ERISA, or a "default" within the meaning of Section 4219(c)(5) of ERISA by an Originator or an ERISA Affiliate, United Parcel Service of America, Inc. or Arkansas Best Corporation shall occur with respect to any Multiemployer Plan; (B) there shall result from such event or events the imposition of a lien, the granting of a security interest, or a liability; and (C) such lien, security interest or liability, either individually or in the aggregate, has had, or could reasonably be expected to have, a Material Adverse Effect.

(g) A Change of Control shall occur.

(h) A Servicer Default shall occur under the terms of the Purchase Agreement and the Administrative Agent shall declare the Amortization Date to have occurred.

Section 6.2. Remedies. Upon the occurrence and during the continuation of an Event of Default, the Buyer may either (i) remove the Sub-Servicer as Sub-Servicer (to the extent such Event of Default was caused by, or arose as a result of the activities of, the Sub-Servicer), or (ii) declare the Termination Date to have occurred, whereupon the Termination Date shall forthwith occur, without demand, protest or further notice of any kind, all of which are hereby expressly waived by the Originators; provided, however, that upon the occurrence of an Event of Default described in subsection 6.1(c) above or of an actual or deemed entry of an order for relief with respect to any Originator under the Federal Bankruptcy Code, the Termination Date shall automatically occur, without demand, protest or any notice of any kind, all of which are hereby expressly waived by the Originators. Upon the occurrence of the Termination Date for any reason whatsoever, the Buyer and its assigns shall have, in addition to all other rights and remedies under this Agreement or otherwise, all other rights and remedies provided under the UCC, which rights shall be cumulative.

ARTICLE VII INDEMNIFICATION

Section 7.1. Indemnities by the Originators. Without limiting any other rights which the Buyer may have hereunder or under applicable law, each of the Originators hereby agrees to indemnify the Buyer and its assignees (including each Agent and Purchaser) and their respective officers, directors, agents and employees (each, an "Indemnified Party") from and against any and all damages, losses, claims, taxes, liabilities, costs, expenses and for all other amounts payable, including reasonable attorneys' fees (which attorneys may be employees of the Buyer, such Agent or such Purchaser) and disbursements (all of the

foregoing being collectively referred to as “Indemnified Amounts”) awarded against or incurred by any of them arising out of any of the following:

(i) any representation or warranty made by any Originator or Sub-Servicer (or any officers of any Originator or Sub-Servicer) under or in connection with this Agreement, any other Transaction Document, any Monthly Report or any other information or report delivered by any Originator or Sub-Servicer pursuant hereto or thereto, which shall have been false or incorrect when made or deemed made;

(ii) the failure by any Originator or Sub-Servicer to comply with any applicable law, rule or regulation with respect to any Receivable or Contract related thereto, or the nonconformity of any Receivable or Contract with any such applicable law, rule or regulation;

(iii) any failure of any Originator or Sub-Servicer to perform its duties or obligations in accordance with the provisions of this Agreement or any other Transaction Document;

(iv) any products liability or similar claim arising out of or in connection with merchandise, insurance or services which are the subject of any Contract;

(v) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of any Obligor to the payment of any Receivable (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the furnishing or failure to furnish the underlying freight shipping services;

(vi) the commingling of Collections of Receivables at any time with other funds;

(vii) any investigation, litigation or proceeding related to or arising from this Agreement or any other Transaction Document, the transactions contemplated hereby or thereby, the use of the proceeds of a Purchase, the ownership of the Receivables or any other investigation, litigation or proceeding relating to any Originator in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby or thereby;

(viii) any inability to litigate any claim against any Obligor in respect of any Receivable as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;

(ix) the sale to the Buyer of any Receivable other than an Eligible Receivable; or

(x) the failure to vest and maintain vested in the Buyer, or to transfer to the Buyer, legal and equitable title to, and ownership of, a first priority perfected ownership interest in the Receivables, the Related Security and the Collections, free and clear of any Adverse Claim (other than as created under the Purchase Agreement);

excluding, however, the following:

(a) Indemnified Amounts to the extent final judgment of a court of competent jurisdiction holds such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of the Indemnified Party seeking indemnification;

(b) Indemnified Amounts to the extent the same includes losses in respect of Eligible Receivables that prove to be uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor; or

(c) taxes imposed by the jurisdiction in which such Indemnified Party's principal executive office is located, on or measured by the overall net income of such Indemnified Party to the extent that the computation of such taxes is consistent with (a) the characterization of the Purchases as true sales and (b) the characterization of the transactions under the Purchase Agreement as creating indebtedness of the Buyer for purposes of taxation;

Section 7.2. Other Costs and Expenses. Such Originator shall pay to the Buyer on demand any and all costs and expenses of the Buyer, if any, including reasonable counsel fees and expenses in connection with the enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement or such documents, or the administration of this Agreement following an Event of Default.

ARTICLE VIII MISCELLANEOUS

Section 8.1. Waivers and Amendments.

(a) No failure or delay on the part of the Buyer (or any of its assignees) or any Originator in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

(b) No provision of this Agreement may be amended, supplemented, modified or waived except in writing signed by the Originators and the Buyer and, to the extent required under the Purchase Agreement, the Agents.

Section 8.2. Notices. Except as otherwise expressly provided herein, all communications and notices provided for hereunder shall be in writing (including bank wire, teletype or electronic facsimile transmission or similar writing) and shall be given to the other party hereto at its respective address or teletype number set forth on the signature pages hereof. All such communications and notices shall, when mailed, teletyped, telegraphed, telexed or cabled, be effective when received through the mails, transmitted by teletype, delivered to the telegraph company, confirmed by telex answerback or delivered to the cable company, respectively.

Section 8.3. Protection of Buyer's Interests.

(a) Each of the Originators agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary or desirable, or that the Buyer (or its assignees) may reasonably request, to perfect, protect or more fully evidence the Buyer's ownership of the Receivables, or to enable the Buyer (or its assignees) to exercise and enforce their rights and remedies hereunder. The Buyer may, or the Buyer may direct the applicable Originator to, notify the Obligors of Receivables, at any time following the replacement of such Originator as a Sub-Servicer and at such Originator's expense, of the Buyer's ownership of the Receivables and may also direct that payments of all amounts due or that become due under any or all Receivables be made directly to the Buyer or its designee.

(b) If any Originator or Sub-Servicer fails to perform any of its obligations hereunder, the Buyer (or any of its assignees) may (but shall not be required to) perform, or cause the performance of, such obligation; and the Buyer's (and any of its assignee's) costs and expenses incurred in connection therewith shall be payable by such Originator or Sub-Servicer, as applicable, on demand. Each Originator and Sub-Servicer each irrevocably authorizes the Buyer at any time and from time to time in the sole discretion of the Buyer, and appoints the Buyer as its attorney-in-fact, to act on behalf of such Originator and Sub-Servicer (i) to execute (if necessary) on behalf of such Originator as seller/debtor and to file financing statements necessary or desirable in the Buyer's sole discretion to perfect and to maintain the perfection and priority of the Buyer's ownership interest in the Receivables and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Receivables as a financing statement in such offices as the Buyer in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the Buyer's ownership interest in the Receivables. This appointment is coupled with an interest and is irrevocable.

Section 8.4. Confidentiality.

(a) Each of the Originators and the Sub-Servicers shall maintain and shall cause each of its employees and officers to maintain the confidentiality of this Agreement and the Purchase Agreement and the other confidential proprietary information with respect

to the Agents, Falcon, Blue Ridge and their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein and therein, except that each of the Originators, the Sub-Servicers and their respective officers and employees may disclose such information to the Originators' or the Sub-Servicers' external accountants and attorneys and as required by any applicable law or order of any judicial or administrative proceeding. In addition, each of the Originators and the Sub-Servicers may disclose any such nonpublic information pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

(b) Anything herein to the contrary notwithstanding, each of the Originators and the Sub-Servicers hereby consents to the disclosure of any nonpublic information with respect to it (i) to the Buyer, the Agents or the Purchasers by each other, (ii) by the Buyer, the Agents or the Purchasers to any prospective or actual assignee or participant of any of them or (iii) by any Agent to any rating agency, Commercial Paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to either Conduit or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which any Agent One acts as the administrator and to any officers, directors, employees, outside accountants and attorneys of any of the foregoing, provided each such Person is informed of the confidential nature of such information in a manner consistent with the practice of such Agent for the making of such disclosures generally to Persons of such types. In addition, the Buyer, the Purchasers and the Agents may disclose any such nonpublic information pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

Section 8.5. Bankruptcy Petition.

(a) Each of the Originators and the Sub-Servicers hereby covenants and agrees that, prior to the date which is one year and one day after the payment in full of all outstanding senior indebtedness of either Conduit, it will not institute against, or join any other Person in instituting against, either Conduit any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

(b) Each of the Originators and the Sub-Servicers hereby covenants and agrees that, prior to the date which is one year and one day after all Aggregate Unpaid (under and as defined in the Purchase Agreement) have been paid, it will not institute against, or join any other Person in instituting against, the Buyer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 8.6. Limitation of Liability. Except with respect to any claim arising out of the willful misconduct or gross negligence of any Agent or Purchaser, no claim may be made by any Originator, any Sub-Servicer or any other Person against any Agent or Purchaser or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions

contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and each of the Originators hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

Section 8.7. CHOICE OF LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF NEW YORK.

Section 8.8. CONSENT TO JURISDICTION. EACH ORIGINATOR HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN THE BOROUGH OF MANHATTAN IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY AN ORIGINATOR PURSUANT TO THIS AGREEMENT AND EACH ORIGINATOR HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE BUYER (OR THE RIGHTS OF ANY AGENT OR ANY PURCHASER AS THE BUYER'S ASSIGNEES) TO BRING PROCEEDINGS AGAINST ANY ORIGINATOR IN THE COURTS OF ANY OTHER JURISDICTION WHEREIN ANY ASSETS OF SUCH ORIGINATOR MAY BE LOCATED. ANY JUDICIAL PROCEEDING BY AN ORIGINATOR AGAINST THE BUYER, ANY AGENT OR ANY PURCHASER, ANY AFFILIATE OF ANY AGENT OR A PURCHASER, OR ANY OTHER OF THE BUYER'S ASSIGNEES INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY ANY ORIGINATOR PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN THE BOROUGH OF MANHATTAN, NEW YORK.

Section 8.9. WAIVER OF JURY TRIAL. EACH OF THE ORIGINATORS AND THE BUYER HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, ANY DOCUMENT EXECUTED BY AN ORIGINATOR PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 8.10. Binding Effect; Assignability. This Agreement shall be binding upon and inure to the benefit of the Originators, the Buyer and their respective successors and permitted assigns (including any trustee in bankruptcy). No Originator may assign any of its rights and obligations hereunder or any interest herein without the prior written consent of the Buyer and the Agents. The Buyer may assign at any time its rights and obligations hereunder and interests herein to any other Person without the consent of the Originators.

Without limiting the foregoing, each of the Originators acknowledges that the Buyer, pursuant to the Purchase Agreement, shall assign to the Administrative Agent, for the benefit of the Agents and the Purchasers, its rights, remedies, powers and privileges hereunder pursuant to the Purchase Agreement. Such Originator agrees that the Agents, as the assignees of the Buyer, shall, subject to the terms of the Purchase Agreement, have the right to enforce this Agreement and to exercise directly all of the Buyer's rights and remedies under this Agreement (including, without limitation, the right to give or withhold any consents or approvals of the Buyer to be given or withheld hereunder) and each Originator agrees to cooperate fully with the Agents and the Servicer in the exercise of such rights and remedies. Each Originator further agrees to give to the Agents copies of all notices it is required to give to the Buyer hereunder. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms and, subject to the proviso in Section 1.1(c), shall remain in full force and effect until such time, after the Termination Date, as the Aggregate Unpaid shall be equal to zero; provided, however, that the rights and remedies with respect to (i) any breach of any representation and warranty made by any Originator pursuant to Article II, (ii) the indemnification and payment provisions of Article VII, and (iii) Section 8.5 shall be continuing and shall survive any termination of this Agreement.

Section 8.11. Subordination. Each Originator agrees that any indebtedness, obligation or claim, it may from time to time hold or otherwise have (other than any obligation or claim with respect to the fees payable by the Buyer under Section 5.6) against the Buyer or any assets or properties of the Buyer, whether arising hereunder or otherwise existing, shall be subordinate, after the Amortization Date has occurred, in right of payment to the prior payment in full of any indebtedness or obligation of the Buyer owing to any Agent or Purchaser under the Purchase Agreement. The subordination provision contained herein is for the direct benefit of, and may be enforced by, the Agents and the Purchasers and/or any of their assignees under the Purchase Agreement.

Section 8.12. Integration; Survival of Terms. This Agreement, the Subordinated Notes and the Collection Account Agreements contain the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof superseding all prior oral or written understandings.

Section 8.13. Counterparts; Severability. This Agreement may be executed in any number of counterparts and by each party hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

Originators:

YELLOW TRANSPORTATION, INC.

By: _____

Name:

Title:

Address for Notices:

Yellow Transportation, Inc.
10990 Roe Avenue
Overland Park, KS 66211
Attention: Vice President and Treasurer
Phone: (913) 696-6125
Fax: (913) 323-9824

ROADWAY EXPRESS, INC.

By: _____

Name:

Title:

Address for Notices:

Roadway Express, Inc.
10990 Roe Avenue
Overland Park, KS 66211
Attention: Vice President and Treasurer
Phone: (913) 696-6125
Fax: (913) 323-9824

Buyer:

YELLOW ROADWAY RECEIVABLES FUNDING
CORPORATION

By: _____

Name:

Title:

Address for Notices:

Yellow Roadway Receivables Funding Corporation

10990 Roe Avenue

P.O. Box 7489

Overland Park, KS 66211

Attention: President

Phone: (913) 696-6125

Fax: (913) 323-9824

EXHIBIT I
DEFINITIONS

As used in this Agreement, (a) capitalized terms used and not otherwise defined herein are used with the meanings attributed thereto in the Purchase Agreement, and (b) the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“Agreement” means this Receivables Sale Agreement, as it may be amended or modified and in effect from time to time.

“Bank One” means Bank One, NA in its individual capacity and its successors.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Collection Date” means that date following the Termination Date which is one year and one day after the date which (i) the Outstanding Balance of all Receivables sold hereunder has been reduced to zero and (ii) the Originators have paid to the Buyer all indemnities, adjustments and other amounts which may be owed hereunder in connection with the Purchases.

“Contract” means, with respect to any Receivable, any and all Invoices and other agreements pursuant to which freight shipping services are ordered from and provided by an Originator.

“Credit and Collection Policy” means each Originator’s credit and collection policies and practices relating to Contracts and Receivables existing on the date hereof and summarized in Exhibit IV hereto, as modified from time to time in accordance with this Agreement.

“Discount Factor” means a percentage calculated to provide the Buyer with a reasonable return on its investment in the Receivables after taking account of (i) the time value of money based upon the anticipated dates of collection of the Receivables and the cost to the Buyer of financing its investment in the Receivables during such period, (ii) the risk of nonpayment by the Obligors, and (iii) the costs of sub-servicing performed by the applicable Originator. Each Originator and the Buyer may agree from time to time to change the Discount Factor based on changes in one or more of the items affecting the calculation thereof, provided that any change to the Discount Factor shall take effect as of the commencement of a Calculation Period, shall apply only prospectively and shall not affect the Purchase Price payment in respect of Purchases which occurred during any Calculation Period ending prior to the Calculation Period during which such Originator and the Buyer agree to make such change.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that is treated as a single employer with an Originator under Section 414 of the Code.

“Event of Default” has the meaning assigned to that term in Section 6.1.

“Labor Actions” has the meaning set forth in Section 4.1(b)(v).

“Material Adverse Effect” means a material adverse effect on (i) the financial condition, business or operations of any Originator, (ii) the ability of any Originator to perform its obligations under any Transaction Document, (iii) the legality, validity or enforceability of this Agreement, any Transaction Document or any Collection Account Agreement or Collection Notice relating to a Collection Account into which a material portion of Collections are deposited, (iv) the Originators’, the Buyer’s, any Agent’s or any Purchaser’s interest in the Receivables generally or in any significant portion of the Receivables, the Related Security or the Collections with respect thereto, or (v) the collectibility of the Receivables generally or of any material portion of the Receivables.

“Multiemployer Plan” means a multiemployer plan (as defined in Section 3(37) of ERISA) that is maintained or contributed to by any Originator or any ERISA Affiliate and is subject to Title IV of ERISA.

“Original Balance” means, with respect to any Receivable, the Outstanding Balance of such Receivable on the date it was purchased by the Buyer.

“Originators” has the meaning specified in the preamble to this Agreement.

“PBGC” means the Pension Benefit Guaranty Corporation created under Section 4002(a) of ERISA or any successor thereto.

“Plan” means any defined benefit plan, other than a Multiemployer Plan, maintained or contributed to by any Originator or any Subsidiary of an Originator or by any trade or business (whether or not incorporated) under common control with any Originator or any Subsidiary of an Originator as defined in Section 4001(b) of ERISA and insured by the PBGC under Title IV of ERISA.

“Potential Event of Default” means an event which, with the passage of time or the giving of notice, or both, would constitute an Event of Default.

“Purchase” means a purchase by the Buyer of the Receivables and the Related Security from an Originator pursuant to Section 1.1 of this Agreement.

“Purchase Price” means, with respect to any Purchase on any date, the aggregate price to be paid to the applicable Originator for such Purchase in accordance with Section 1.2 of this Agreement for the Receivables originated by such Originator and the associated Related Security being sold to the Buyer on such date, which price shall equal (i) the product of (x) the Original Balance of such Receivables times (y) one minus the Discount Factor then in effect, minus (ii) any Purchase Price Credits to be credited against the purchase price otherwise payable in accordance with Section 1.3 hereof.

“Purchase Price Credit” has the meaning set forth in Section 1.3.

“Purchase Agreement” has the meaning set forth in the Preliminary Statement of this Agreement.

“Related Security” means, with respect to any Receivable:

(i) all of the applicable Originator’s interest, if any, in the goods, the shipment of which gave rise to such Receivable, and any and all insurance contracts with respect thereto,

(ii) all other security interests or liens and property subject thereto from time to time, if any, purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all financing statements and security agreements describing any collateral securing such Receivable,

(iii) all guaranties, insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable whether pursuant to the Contract related to such Receivable or otherwise,

(iv) all Records related to such Receivables,

(v) all of the applicable Originator’s right, title and interest in, to and under each Contract executed in connection therewith in favor of or otherwise for the benefit of such Originator; and

(vi) all proceeds of any of the foregoing.

“Reportable Event” has the meaning set forth in Section 4043 of ERISA.

“Section” means a numbered section of this Agreement, unless another document is specifically referenced.

“Servicer” means at any time the Person then authorized pursuant to Article VI of the Purchase Agreement to service, administer and collect Receivables.

“Servicer Default” has the meaning set forth in the Purchase Agreement.

“Subordinated Loan” has the meaning set forth in Section 1.2(b).

“Subordinated Note” means each promissory note in substantially the form of Exhibit V hereto as more fully described in Section 1.2, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“Sub-Servicer” means each Originator in its capacity as a sub-servicer for the Servicer as described in Section 5.1 hereof.

“Termination Date” means, the earliest of (i) the Amortization Date, (ii) the date of the declaration or automatic occurrence of the Termination Date pursuant to Section 6.2 and (iii) the date designated by an Originator as the Termination Date in a written notice delivered to the Buyer not less than ten days prior to such designated date.

“Transaction Documents” means, collectively, this Agreement, each Contract, each Subordinated Note, each Collection Account Agreement and all other instruments, documents and agreements executed and delivered by an Originator in connection herewith.

“UCC” means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9.

EXHIBIT II
CHIEF EXECUTIVE OFFICE OF THE ORIGINATORS; LOCATIONS OF
RECORDS; TRADE NAMES; FEDERAL EMPLOYER IDENTIFICATION
NUMBER; ORGANIZATIONAL IDENTIFICATION NUMBERS

Chief Executive Offices:

10990 Roe Avenue
Overland Park, KS 66211

Location of Records:

10990 Roe Avenue
Overland Park, KS 66211

Federal Employer Identification Numbers:

Yellow Transportation, Inc. 44-0594706
Roadway Express, Inc. 34-0492670

Organizational Identification Numbers:

Yellow Transportation, Inc. 194190-049 (Indiana)
Roadway Express, Inc. 0473705 (Delaware)

Trade Names and Assumed Names: None (other than Yellow Freight System, Inc. and Yellow Freight System)

EXHIBIT III
FORM OF COMPLIANCE CERTIFICATE

This Compliance Certificate is furnished pursuant to that certain Receivables Sale Agreement dated as of May 21, 2004, between Yellow Transportation, Inc. and Roadway Express, Inc., as sellers, and Yellow Roadway Receivables Funding Corporation, as buyer (the "Agreement"). Capitalized terms used and not otherwise defined herein are used with the meanings attributed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected _____ of _____;

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Yellow Roadway Corporation and its Subsidiaries during the accounting period covered by the attached financial statements; and

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes an Event of Default or a Potential Event of Default, as each such term is defined under the Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Originator has taken, is taking, or proposes to take with respect to each such condition or event:

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this _____ day of _____, 20__.

[Name]

SCHEDULE I TO COMPLIANCE CERTIFICATE

Schedule of Compliance with Section 7.1(i) of the Purchase Agreement. Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

This schedule relates to the month ended: _____

EXHIBIT IV
CREDIT AND COLLECTION POLICY



CREDIT POLICY

Executive Summary

1st Edition

Prepared By:

Harold M. Moore, CCE, Credit Manager
Keith D. Rawson, Director - Revenue Management

December 9, 2002

This credit policy is confidential and proprietary to Yellow Transportation, Inc. This document may not be reproduced, disclosed, in whole or in part, or used for any purpose other than the evaluation of the policies contained herein.

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Credit Policy
Executive Summary

I. Forward

This document outlines Yellow Transportation's credit policies. These policies are necessary to establish, monitor, and manage Yellow's accounts receivable risk based on the credit worthiness of Yellow's customers and Yellow's financial objectives. It provides the framework for making decisions and taking actions that affect daily credit activities within the company.

Critical factors considered in making credit decisions are the need to grow profitable sales, to promote customer satisfaction, and provide for the necessary turnover and adequate protection of the corporation's investment in accounts receivable.

Reviewing this Executive Summary will provide you with an understanding of the basic credit policies that populate the 120 page Credit Manual. Because the policies are interspersed with procedures and educational material in the manual, this summary will allow you to easily identify the principles that will direct the management of Yellow's accounts receivable portfolio risk.

II. Executive Policy Approval

This Credit Policy is the official reference for the policies and procedures necessary to establish, monitor, and manage Yellow's accounts receivable portfolio based on the credit worthiness of Yellow's customers and Yellow's objectives. It provides the framework for making decisions and taking actions that affect daily credit activities within the company.

Senior management believes the activities and concepts presented in this manual are the best means for credit to operate in support of the company's overall objectives. Critical factors among these objectives are the need to grow profitable sales and promote customer satisfaction.

Any deviations from this policy, or handling of situations not covered in the manual must be referred to the Credit Manager-Yellow Transportation for approval or interpretation.

The policies have been approved by senior management and the legal staff of Yellow Transportation, Inc.

_____ Vice President Financial Services	_____ Date
_____ Senior Vice President Legal	_____ Date
_____ Senior Vice President Sales & Marketing	_____ Date
_____ Executive Vice President & Chief Administrative Officer	_____ Date
_____ President & Chief Executive Officer	_____ Date

III. Mission Statement

To protect Yellow Transportation’s investment in accounts receivable by providing industry-leading risk management and analysis services.

This objective will be achieved by employing a highly trained and focused credit team, by efficiently and effectively communicating, by using state-of-the-art technology, and by making fact based decisions that minimize credit risk and promote profitable sales.

IV. Credit Policy Principles

The following points describe the key principles that form the foundation for implementing the credit policy.

1. Personnel performing credit management and analysis functions have a reporting responsibility to the Credit Manager-Yellow Transportation. Credit granting and maintenance activities are coordinated with the corporate policy and objectives.
2. The policy is subject to modification when required by changes in Yellow objectives, or market conditions. All recommendations that are based on sound business judgment and would benefit the company should be made to the Credit Manager-Yellow Transportation.
3. From the standpoint of credit, no customer is denied the opportunity to use Yellow's services until all means of dealing with that customer on a reasonably sound fiscal basis are exhausted. The decision regarding a suitable credit basis, within the designated credit limit authority, is made by the credit specialist.
4. Standards by which credit risk decisions are made shall be flexible enough to permit the maximum profitable sales by the company, consistent with Yellow's objectives. Marginal credit risks (Very High, and High Risk) are dealt with only to the extent necessary to support corporate marketing initiatives, and if they constitute a source of added net profit at an acceptable rate of return. These customers will be secured by use of the risk management tools described in this Executive Summary.
5. The credit policy of the company supports the corporation's financial policy by using available capital in a manner that best serves Yellow's customers. This is accomplished by using funds to invest in critical assets to better serve Yellow's customers, and by providing efficient and quality service. Yellow does not use funds on a general basis to finance delinquent accounts receivable outside of Yellow's normal terms of sale.
6. Illegal discrimination in Yellow's customer relations is prohibited. Credit arrangements that deviate from Yellow's regular credit terms are made only when justified by unusual circumstances, and only on a temporary basis when dealing with a delinquent customer. Credit arrangements that involve contracts may be made for a more extended period of time. These exceptions must be approved by credit. Any adjustment in terms required to meet competition must be documented in the customer's credit file.

7. Yellow will comply with all laws relating to credit functions. Yellow must be especially sensitive to decisions involving terms and conditions of sale and any actions that might be considered a conspiracy to fix terms or prices. Yellow may extend different terms to competing customers as long as the credit decision is made in a nondiscriminatory manner so that the same standards of creditworthiness are applied. Yellow must treat all "like" customers alike.
8. Customer contacts are kept on a professional level that will promote respect for the company and its business practices.
9. Credit and sales personnel shall maintain a constructive and cooperative attitude with the objective of promoting profitable sales. Members of both groups shall keep each other informed of any information that might affect the level of risk with a customer. The credit team has the responsibility for activities that control customer risk, but may ask for assistance or guidance from sales representatives.
10. All accounts are assigned credit limits derived from a careful risk analysis of that account.
11. All information obtained for the purpose of making credit decisions must be managed in a confidential manner. Because of potential legal problems, or the breaching of another's trust, Yellow does not provide this information to unauthorized personnel within or outside Yellow's credit team. Only those involved in the decision making process are allowed access to this information.
12. It is essential that this policy be enforced uniformly if it is to be fair and workable.
13. Consistent with this policy, the credit team shall do its best to achieve assigned credit related objectives.

V. Managing Credit Risk With E-RAM

The credit team will be processing information concerning all new credit applicants through software called E-RAM (Enterprise Risk Assessment Manager). E-RAM is the web enabled version of a credit scoring program

developed by Dun & Bradstreet that considers both the credit applicant's information and data from Dun & Bradstreet's extensive business data base.

Based on criteria entered into tables by Yellow credit management, E-RAM analyzes the available data and then provides a risk evaluation, and a recommended credit limit for the credit specialist.

From an overall perspective, the accounts receivable (A/R) risk will be managed by segmenting the A/R portfolio into separate risk categories. Based on senior management's direction regarding the degree of risk they are willing to accept, credit management will control the A/R portfolio risk by administering this credit policy.

Realignment of credit risk will be done on a quarterly basis. A Quarterly Risk Segmentation Report will be provided to senior management for comparison with other business objectives. At this time, senior management can instruct credit management to adjust controls to a different percentage if needed for accomplishment of other business objectives.

The Risk Analysis Process

The risk analysis begins with the submission of a credit application by the credit applicant. This document provides Yellow with information necessary to establish an account, or the legal right to obtain additional information that might be needed to determine the credit applicant's creditworthiness. The application, also, establishes the rights and responsibilities of the credit applicant when dealing with Yellow.

Establishing the customer's creditworthiness is essential to managing the account in an effective and efficient manner in order to protect the investment Yellow will make in the customer. Determining the credit applicant's creditworthiness will, also, allow Yellow to provide additional services to good customers without any potential delays caused by unneeded credit investigation.

Yellow's A/R portfolio can be segmented into appropriate customer groups based on the degree of risk. E-RAM scores customers on a scale of 1 to 10, with ten being the most creditworthy customer.

All customers will be segmented into one of four risk categories ranging from very high risk to low risk. Customers in the very high risk category can be required to submit the most security, and information. Security includes such items as deposits, Letter of Credit, or guarantees. Customers in the high risk or average risk categories can be asked for a less stringent type, or amount of security, and less information than a higher risk customer. Customers falling in the low risk category will normally not be asked for any security, or additional information.

Customers earn an E-RAM score based on the following criteria:

1. 1 to 3.9 (Very High Risk)
 - Filing bankruptcy, or
 - Having a D&B Failure Risk Class 5 (35.8% failure rate), or
 - Having a D&B Credit Score of 1 (37.0% severe delinquent)
2. 4.0 to 6.9 (High Risk)
 - Having a D&B Failure Risk Class of 1-4 (.9% failure rate), and
 - Having a D&B Credit Score of 2-10 (18.0% severe delinquent)
3. 7.0 to 7.9 (Medium Risk)
 - Having a D&B Failure Risk Class 1-4 (.9% failure rate), and
 - Having a Credit Score of 11-35 (12.5% severe delinquent)
4. 8.0 to 10.0 (Low Risk)
 - Having a D&B Failure Risk Class of 1-4 (0.9% failure rate), and
 - Having a Credit Score of 36-100 (7.6% severe delinquent)

This segmentation provides for consistent, prompt, and reasonable treatment of all customers falling into the same classification of risk.

This segmentation, also, allows for a rapid adjustment in credit policy. If Yellow's senior management decides to tighten, or loosen credit requirements because of changes in business objectives, capacity capabilities, competition, economic climate, etc., credit can simply adjust the E-RAM score ranges.

Once the credit application has been received and processed through E-RAM, an E-RAM score will be generated. If that initial scoring will not support the

level of credit requested by the credit applicant, additional information will have to be obtained from the applicant in order to reassess the credit applicant's creditworthiness. If there is no additional information available, or the additional information still does not support the level of unsecured credit desired, then in order to protect Yellow's interest, the following risk management tools may be used.

II. RISK MANAGEMENT TOOLS

<u>E-RAM Score</u>	<u>Options</u>
1 to 3.9	(Very High Risk) <ul style="list-style-type: none">• Security deposit/Letter Of Credit/Corporate or personal guarantee Deposit or LOC should be 2 times projected service based on terms of sale (max), and becomes credit limit• Automatic credit card payment• Driver Collect• Customer segment closely monitored through E-RAM
4 to 6.9	(High Risk) <ul style="list-style-type: none">• Security deposit/Letter Of Credit/Corporate or personal guarantee Deposit or LOC should be 1 times projected service based on terms of sale (max), and becomes credit limit• Shorter terms of sale• Automatic credit card payment• Driver Collect• Customer segment closely monitored through E-RAM
7 to 7.9	(Medium Risk) <ul style="list-style-type: none">• Security deposit/Letter Of Credit/Corporate or personal guarantee Deposit or LOC should be .5 to 1 times projected service based on terms of sale (max)

-
- Shorter terms of sale
- 8 to 10 (Low Risk)
- None

These options may be changed by the credit specialist for varying situations such as large dollar amounts, or for non-quantifiable reasons.

In addition to the information analyzed through E-RAM for both new credit applicants and existing customers, alert services have been established through Dun & Bradstreet. This alert service is designed to ensure that credit is aware of any significant changes in an existing customer's status. It provides for an e-mail notification of any severe risk situation that develops with one of Yellow's customers (bankruptcies, conflicting public information, business deterioration).

VI. The Credit Granting Process

A. The Credit Application

A completed and signed credit application must be obtained from all new customers, and maintained in the customer's credit file. This requirement will be satisfied before an account can be opened for regular business from a new customer.

This requirement is necessary to establish:

- Accurate account set-up
- Accurate legal name and legal organization
- Accurate invoicing information
- Accounts payable contact
- Agreement to pay per terms of sale
- Authorization to charge for late fees
- Authorization to obtain personal credit reports

- Authorization to obtain trade & bank references
- Authorization for Yellow to recover attorney and collection fees
- A favorable location for any legal action required

All government entities: a federal, state, county or municipal entity; government funded schools, universities, agencies, and organizations; will complete a Government Credit Application And Acknowledgement Of Terms.

New credit applicants coming through the pricing contract process will, also, be required to complete a credit application as part of that process.

Large corporations are not exempt from this requirement. If a credit application can not be obtained from a large customer's corporate headquarters, then the local facility manager's signature will be accepted on the credit application.

When an existing customer changes its name or has a transfer of assets, ownership, or an ownership interest, a new credit application must be obtained.

In order to comply with the Fair Credit Reporting Act, if a consumer (personal) credit report of a credit applicant is required by Yellow as a condition of granting credit, the applicant must provide written consent in order for Yellow to obtain and use the report.

The requirements contained in Regulation B of the Equal Credit Opportunity Act will pertain to Yellow's processing of credit applications and the granting of credit.

(The Credit Application is attached to this Executive Summary.)

B. Establishing Credit for New Customers

Orders coming through the Customer Service Center will be screened through the Real Time Customer Acquisition (RTCA) process for minimal criteria in order to determine a limited and temporary level of credit worthiness. If the customer exceeds the minimal criteria, the order will be approved. However, the credit applicant will be sent a credit application and informed that to process future orders Yellow will have to review the credit application in order to establish a more appropriate credit limit. The credit limit will be created systematically through E-RAM.

If the credit applicant does not initially meet the minimal requirements, the applicant will be placed on credit hold (driver collect) and sent a credit application. The applicant will be informed that Yellow will have to review the application in order to establish an appropriate credit limit before providing any services on open account.

Credit applicants coming directly into Revenue Management will be screened through Dun & Bradstreet for minimal criteria in order to determine a limited and temporary level of credit worthiness. If the customer exceeds the minimal criteria, the order will be approved. However, the credit applicant will be sent a notice indicating that additional credit review will be necessary to establish a more appropriate amount of available credit.

If the credit applicant does not meet the minimal requirements, the applicant will be sent a notice explaining the reasons credit was not made available, and asked to submit clarifying information that would address the reasons stated if the applicant still desires to obtain credit.

C. Terms of Sale

Terms of sale are established by senior management of Yellow Transportation. The terms must be established without collusion with competitors.

Terms of sale must be agreed upon before a sale is made.

The following is Yellow Transportation's standard terms of sale as stated in Yellow's "Rules And Conditions."

<u>Terms</u>	<u>Definition</u>
Net 15	Full payment is due within 15 days of invoice date

Yellow may extend different terms to competing customers as long as the credit decision is made in a nondiscriminatory manner so that the same standards of creditworthiness are applied to all customers who compete with each other. Different terms include shortened as well as extended terms.

If special terms are requested because a competitor is already providing them, Yellow may consider meeting, not beating, the competitor's terms.

On a very limited basis, and when necessary to build profitable sales in order to achieve sales objectives, Yellow may extend terms beyond normal to only those delinquent customers with future market potential that may TEMPORARILY require assistance. Accepting payments beyond the due date on a controlled and secured basis may, also, be effective. Delinquent customers are subject to a late charge fee of 1.5% per month, as stipulated in "Yellow Rules and Conditions." The collection team will manage payments beyond terms.

Credit arrangements that involve contracts may be made for a more extended period of time.

All requests for special terms will follow the approval process below.

Special Terms

Net 16-30
Net 31-45
Net 46 +

Approving Authority

Credit Manager
Director Risk Management
V.P. Financial Services

D. Setting Credit Limits

A basic tool of managing risk is the credit limit. It provides the foundation for shipment approval, and calls immediate attention to a significant change in the customer's buying or payment patterns.

The credit limit is a determination of how much risk Yellow is willing to assume when dealing with a specific customer.

The vast majority of the recommended credit limits will be systematically calculated through E-RAM. The criteria used to set the credit limits is based on the customer's ability and intent to pay. The credit limit is normally a percentage of the company's net worth. When net worth is not available for a new customer, the credit limit will be based on a combination of company size, number of employees, and usage of transportation services.

Credit limits will be adjusted based on risk levels determined through E-RAM. High risk accounts will receive less credit on a percentage basis than low risk accounts.

Below is an example of a credit limit matrix that will be used to set an account's credit limit.

E-RAM Risk Category	Credit Limit Matrix % of Net Worth
Low (8.0 - 10.0)	20%
Medium (7.0 - 7.9)	15%
High (4.0 - 6.9)	10%
Very High (0.0 - 3.9)	0%

If the recommended credit limit is insufficient to support the level of projected business for the credit applicant, the credit specialist will initiate additional analysis of the applicant's creditworthiness. If the facts indicate it is prudent to raise the credit limit, the specialist will raise the limit. If the facts do not support the level of credit needed by the applicant, the specialist will recommend actions that can be taken by the applicant in order to increase the credit limit, and protect Yellow's interest.

If, based on other information, the recommended credit limit seems to be excessive for the credit applicant, the credit specialist may, also, lower the limit to a more reasonable level.

E. Determining Credit Hold

A credit hold is a credit management tool used to control Yellow's credit exposure when dealing with high-risk customers. It is a term with several distinctions that will be explained below. "Driver Collect" is a form of "Credit Hold."

The credit specialist will notify the appropriate parties in a credit hold situation. Yellow will not sell to a debtor on an open account basis that is with a third party collection agency, or is with an attorney for legal action.

Conditions That Initiate a Review of a Customer for Possible Credit Hold

- Bankruptcy
- New credit applicant does not meet minimum credit standards
- Credit application not on file from new credit applicant
- Existing account does not meet minimum credit standards

- Collector initiates a severe delinquency request

Credit Hold Types

Based on the degree of risk identified, the customer will be placed on one of the following types of credit hold:

- Company or personal check (code B)
- Cash or certified funds (code A, used if a Non Sufficient Funds check was received)
- Stop all deliveries and pickups (used when third party billing is involved)

Driver/Terminal Management Responsibility

Because the drivers, and terminal manager are the points-of-contact for customer pickups and deliveries, they will be responsible for implementing a credit hold.

If the terminal manager or account manager has a sound business reason for believing an exception to the credit hold is in the best interest of Yellow, then the Exceptions to Policy process should be followed.

F. The Exception Process

Responsibility for any exceptions to the policy will rest with the appropriate management level indicated in the table presented below. This process will allow for factors other than credit risk to be considered when making the decision to sell to the credit applicant.

Once both managers at the appropriate level have agreed to an exception and notified the involved credit specialist, the credit specialist will confirm the exception by e-mail, and implement the exception process.

Management Levels

<u>Finance</u>	<u>Sales</u>	<u>Corporate Sales</u>
Credit Specialist	Account Manager	Account Manager
Credit Manager	Account Manager	Account Manager
Director of Revenue Management	Director of Sales	Area V.P.
V.P. of Financial Services	Area V.P./Sales V.P.	V.P.
Ex. V.P. & CAO	Sr. Sales V.P.	Sr. Sales V.P.
	President & Chief Executive Officer	

VII. Glossary of Terms

E-RAM – Enterprise Risk Assessment Manager. E-RAM is a web enabled version of a credit scoring program developed by Dun & Bradstreet that considers both the credit applicant’s information and data from Dun & Bradstreet’s extensive business database.

Security – Security is a means to reduce the risk associated with an account. It includes such items as deposits, Letter of Credit, and guarantees.

Deposit – A sum of money placed with Yellow that acts as collateral to be drawn on should the customer not pay as agreed.

Letter of Credit – A letter of credit is a declaration by a bank that the bank will make certain payments on behalf of a specified party, its customer, under specified conditions. The LOC substitutes the bank’s credit for the customer.

Guarantee – Guarantees are used to sell to a weak customer on open credit terms, and reduce the possibility of a loss. A guarantee exists when open credit terms are provided to a customer, and a third party (guarantor) guarantees that in event of a default by the customer, the third party will be liable for the debt.

D&B Failure Score – The D&B Failure Score predicts the likelihood that a company will cease business during the next 12 months. The score ranges from 1 to 100, where 1 is poor and 100 is good.

D&B Credit Score – The D&B Credit Score predicts the likelihood that a company will pay its bills 25% past terms and 10% over 90+ days during the next 12 months. The score ranges from 1 to 100, where 1 is poor and 100 is good.

90+ Aging Index – The 90+ Aging Index is a percentage of an account’s open receivables that are over 90 days past due.

RTCA – Real Time Customer Acquisition. RTCA is a Yellow proprietary application that is used by the Customer Service Center to quickly establish a new account, provide a pricing discount, and check the D&B Credit Score.

Standard Terms of Sale (Net 15) – Full payment is due within 15 days of invoice date.

Credit Limit – The determination of how much risk Yellow is willing to assume when dealing with a specific customer.

D&B Average High Credit – D&B uses its extensive trade experience database to calculate the average amount of open receivables for a company.

Credit Hold – The process of deciding to stop business on an unsecured basis because of a high-risk situation.



Credit Management
P.O. Box 7929
Overland Park, KS 66207-9948
Fax: 913-234-8987

CONFIDENTIAL CREDIT APPLICATION AND ACKNOWLEDGEMENT OF TERMS

1. Firm's Legal Name _____ In Business Since _____
d/b/a _____ Fed. Tax No. _____
Yellow _____
2. Firm's Address _____
Street City State/Prov Zip/Postal Code
3. Phone _____ Fax _____ St. of incorp. or registration of partnership _____
4. We do business as a Corporation Partnership Sole Proprietor Other _____
 Limited Liability Corporation Limited Partnership (describe)
5. Full names and home addresses of corporation officers, partners, or proprietor (give social security number(s) if a Partnership or Sole Proprietorship):

6. Type of current business _____ DUNS # _____
7. The undersigned has filed or has not filed for or been the subject of a bankruptcy as a company or as an individual.
Has filed Chapter 7 Chapter 11 Chapter 13 Date filed _____
8. Credit Availability Requested (2 x expected monthly service) \$ _____
9. All orders are subject to credit approval. The undersigned acknowledges that Yellow's extension and maintenance of credit to the undersigned is at Yellow's sole discretion.
10. The management of Yellow may, at their discretion, establish a fee for any customer checks which are returned for non- sufficient funds or are dishonored for any reason.
11. Mail freight bills to _____
Address _____
Street/P.O. box City State/Prov Zip/Postal Code
A/P Individual _____ Phone _____ Fax _____
12. **CURRENT FINANCIAL STATEMENTS MAY BE REQUIRED WITH THIS APPLICATION IF DEEMED NECESSARY BY YELLOW MANAGEMENT TO MAKE A DECISION REGARDING CREDIT AVAILABILITY.**
13. **SECURITY INSTRUMENTS OR DEPOSITS MAY BE REQUIRED WITH THIS APPLICATION IF DEEMED NECESSARY BY YELLOW MANAGEMENT TO MAKE CREDIT AVAILABLE TO THE APPLICANT.**

14. Major Trade References:

A. _____
 (Name) (Complete Address)

 (Phone) (Fax) (Account No.) (Contact Person)

B. _____
 (Name) (Complete Address)

 (Phone) (Fax) (Account No.) (Contact Person)

C. _____
 (Name) (Complete Address)

 (Phone) (Fax) (Account No.) (Contact Person)

15. Bank References:

A. _____
 (Name) (Complete Address) Checking Loan Savings

 (Phone) (Account No.) (Contact Person)

B. _____
 (Name) (Complete Address) Checking Loan Savings

 (Phone) (Account No.) (Contact Person)

16. The undersigned acknowledge(s) Yellow's payment terms to be: **All accounts are due and payable 15 days from invoice date; and agrees to remit payment in accordance therewith.** In the event of a change in the Applicant's credit condition, Yellow reserves the right to apply security to delinquent balances, and/or to require additional security as deemed appropriate. The undersigned further acknowledge(s) that the foregoing payment terms are subject to change without notice.

17. The undersigned agrees that in order to induce Yellow to extend credit, the proper venue and situs for any legal action brought by either party arising out of this Application shall be the District Court of Johnson County, Kansas or the U.S. District Court for the District of Kansas located in Wyandotte County, Kansas.

18. **ACKNOWLEDGEMENT OF RESPONSIBILITY: IN ORDER TO INDUCE YELLOW TO PROVIDE CREDIT TO THE ABOVE-NAMED FIRM, AND IN CONSIDERATION OF SUCH CREDIT BEING EXTENDED, THE ABOVE-NAMED FIRM AGREES THAT IN THE EVENT CREDIT ISSUED PURSUANT TO THIS APPLICATION IS NOT RE-PAID IN ACCORDANCE WITH THE ABOVE-REFERENCED PAYMENT TERMS, THE ABOVE-NAMED FIRM AGREES TO REIMBURSE YELLOW FOR ALL COSTS, EXPENSES, CHARGES, AND FEES EXPENDED BY YELLOW IN EFFECTING COLLECTION, INCLUDING BY WAY OF ILLUSTRATION, COLLECTION AGENTS' FEES, ATTORNEYS' FEES, FILING FEES, ETC., TOGETHER WITH INTEREST THEREON AND ON THE AMOUNT DUE AT 18% PER ANNUM COMPOUNDED MONTHLY OR AT THE HIGHEST RATE OF INTEREST PERMITTED BY APPLICABLE LAW, WHICHEVER IS LESS.**

19. The undersigned is applying for extension of credit. The above information, which the undersigned warrants to be true and correct, is submitted as a basis for considering this Application. Yellow is authorized to investigate relationships with trade suppliers or financial institutions for the purpose of establishing credit.

20. The undersigned individual who is either a principal of the credit applicant or a sole proprietorship of the credit applicant, recognizing that his or her individual credit history may be a factor in the evaluation of the credit history of the applicant, hereby consents to and authorizes the use of a consumer credit report on the undersigned by the above named business credit grantor, from time to time as may be needed, in the credit evaluation process.

21. Submitted this date _____

22. _____
 Print Signatory

 Signature of President / Officer / Partner / Owner

EXHIBIT V
FORM OF SUBORDINATED NOTE

SUBORDINATED NOTE

May 21, 2004

1. Note. FOR VALUE RECEIVED, the undersigned, YELLOW ROADWAY RECEIVABLES FUNDING CORPORATION, a Delaware corporation ("Yellow-SPC"), hereby unconditionally promises to pay to the order of _____ a _____ corporation ("Payee"), in lawful money of the United States of America and in immediately available funds, on the "Collection Date" (as defined in the "Sale Agreement" referred to below) the aggregate unpaid principal sum outstanding of all "Subordinated Loans" made from time to time by Payee to Yellow-SPC pursuant to and in accordance with the terms of that certain Receivables Sale Agreement dated as of May 21, 2004 between Yellow Transportation, Inc. and Roadway Express, Inc., as sellers, and Yellow-SPC, as buyer (as amended, restated, supplemented or otherwise modified from time to time, the "Sale Agreement"). Reference to Section 1.2 of the Sale Agreement is hereby made for a statement of the terms and conditions under which the loans evidenced hereby have been and will be made. All terms which are capitalized and used herein and which are not otherwise specifically defined herein shall have the meanings ascribed to such terms in the Sale Agreement or, if not defined therein, in the Purchase Agreement (hereinafter defined).

2. Interest. Yellow-SPC further promises to pay interest on the outstanding unpaid principal amount hereof from the date hereof until payment in full hereof at a rate equal to the Base Rate; provided, however, that if Yellow-SPC shall default in the payment of any principal hereof, Yellow-SPC promises to, on demand, pay interest at the rate of the Base Rate plus 2% on any such unpaid amounts, from the date such payment is due to the date of actual payment. Interest shall be payable on the first Business Day of each month in arrears; provided, however, that Yellow-SPC may elect on the date any interest payment is due hereunder to defer such payment and upon such election the amount of interest due but unpaid on such date shall constitute principal under this Subordinated Note. The outstanding principal of any loan made under this Subordinated Note shall be due and payable on the Collection Date and may be repaid or prepaid at any time without premium or penalty.

3. Principal Payments. Payee is authorized and directed by Yellow-SPC to enter on the grid attached hereto, or, at its option, in its books and records, the date and amount of each loan made by it which is evidenced by this Subordinated Note and the amount of each payment of principal made by Yellow-SPC, and absent manifest error, such entries shall constitute prima facie evidence of the accuracy of the information so entered; provided that neither the failure of Payee to make any such entry or any error therein shall expand, limit or affect the obligations of Yellow-SPC hereunder.

4. Subordination. The indebtedness evidenced by this Subordinated Note is subordinated to the prior payment in full of all of Yellow-SPC's recourse obligations under that certain Receivables Purchase Agreement dated as of May 21, 2004 by and among Yellow-SPC, Falcon Asset Securitization Corporation, Blue Ridge Asset Funding Corporation, Wachovia Bank, National Association, individually and as Blue Ridge Agent, and Bank One, NA,

individually, as Falcon Agent and as Administrative Agent (as amended, restated, supplemented or otherwise modified from time to time, the "Purchase Agreement"). The subordination provisions contained herein are for the direct benefit of, and may be enforced by, the Agents and the Purchasers (each, as defined in the Purchase Agreement) and/or any of their respective assignees (collectively, the "Senior Claimants") under the Purchase Agreement. Until the date on which all Capital outstanding under the Purchase Agreement has been repaid in full and all other obligations of Yellow-SPC and/or the Servicer thereunder and under the Fee Letters referenced therein (all such obligations, collectively, the "Senior Claim") have been indefeasibly paid and satisfied in full, Payee shall not demand, accelerate, sue for, take, receive or accept from Yellow-SPC, directly or indirectly, in cash or other property or by set-off or any other manner (including, without limitation, from or by way of collateral) any payment or security of all or any of the indebtedness under this Subordinated Note or exercise any remedies or take any action or proceeding to enforce the same; provided, however, that (i) Payee hereby agrees that it will not institute against Yellow-SPC any proceeding of the type described in Section 6.1(c) of the Sale Agreement unless and until the Collection Date has occurred and (ii) nothing in this paragraph shall restrict Yellow-SPC from paying, or Payee from requesting, any payments under this Subordinated Note so long as Yellow-SPC is not required under the Purchase Agreement to set aside for the benefit of, or otherwise pay over to, the funds used for such payments to any of the Senior Claimants and further provided that the making of such payment would not otherwise violate the terms and provisions of the Purchase Agreement. Should any payment, distribution or security or proceeds thereof be received by Payee in violation of the immediately preceding sentence, Payee agrees that such payment shall be segregated, received and held in trust for the benefit of, and deemed to be the property of, and shall be immediately paid over and delivered to the Agents for the benefit of the Senior Claimants.

5. Bankruptcy; Insolvency. Upon the occurrence of any Servicer Default described in Section 7.1(c) of the Purchase Agreement involving Yellow-SPC as debtor, then and in any such event the Senior Claimants shall receive payment in full of all amounts due or to become due on or in respect of Capital and the Senior Claim (including Discount and CP Costs accruing under the Purchase Agreement after the commencement of any such proceeding, whether or not any or all of such Discount is an allowable claim in any such proceeding) before Payee is entitled to receive payment on account of this Subordinated Note, and to that end, any payment or distribution of assets of Yellow-SPC of any kind or character, whether in cash, securities or other property, in any applicable insolvency proceeding, which would otherwise be payable to or deliverable upon or with respect to any or all indebtedness under this Subordinated Note, is hereby assigned to and shall be paid or delivered by the Person making such payment or delivery (whether a trustee in bankruptcy, a receiver, custodian or liquidating trustee or otherwise) directly to the Agents for application to, or as collateral for the payment of, the Senior Claim until such Senior Claim shall have been paid in full and satisfied.

6. Amendments. This Subordinated Note shall not be amended or modified except in accordance with Section 9.1 of the Sale Agreement. The terms of this Subordinated Note may not be amended or otherwise modified without the prior written consent of each of the Agents.

7. Governing Law. This Subordinated Note shall be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws and decisions of the State of New York. Wherever possible each provision of this Subordinated Note shall be

interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Subordinated Note 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 Subordinated Note.

8. Waivers. All parties hereto, whether as makers, endorsers, or otherwise, severally waive presentment for payment, demand, protest and notice of dishonor. Payee additionally expressly waives all notice of the acceptance by any Senior Claimant of the subordination and other provisions of this Subordinated Note and expressly waives reliance by any Senior Claimant upon the subordination and other provisions herein provided.

9. Assignment. This Subordinated Note may not be assigned, pledged or otherwise transferred to any party other than Payee without the prior written consent of each of the Agents, and any such attempted transfer shall be void.

YELLOW ROADWAY RECEIVABLES FUNDING CORPORATION

By: _____
Title:

**SCHEDULE
TO
SUBORDINATED NOTE**

<u>DATE</u>	<u>AMOUNT OF SUBORDINATED LOAN</u>	<u>AMOUNT OF PRINCIPAL PAID</u>	<u>UNPAID PRINCIPAL BALANCE</u>	<u>NOTATION MADE BY (INITIALS)</u>
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SCHEDULE A
DOCUMENTS AND RELATED ITEMS TO BE DELIVERED ON OR PRIOR TO THE
INITIAL PURCHASE

I. Receivables Sale Agreement

A. Receivables Sale Agreement dated as of May 21, 2004 (the "Sale Agreement") by and between Yellow Transportation, Inc., an Indiana corporation (the "Originator"), and Yellow Roadway Receivables Funding Corporation, a Delaware corporation ("Yellow-SPC"), with the following exhibits:

- Exhibit I - Definitions
- Exhibit II - Places of Business of Originator; Locations of Records; Trade Names; Prior Names; Federal Employer I.D. Number
- Exhibit III - Compliance Certificate
- Exhibit IV - Credit and Collection Policy
- Exhibit V - Subordinated Note

B. Subordinated Notes dated May 21, 2004 executed by Yellow-SPC in favor of each of the two Originators.

C. Certificate of each Originator's [Assistant] Secretary certifying:

1. An attached copy of such Originator's Articles/Certificate of Incorporation (certified within 60 days prior to closing by the Indiana Secretary of State)
2. An attached copy of such Originator's By-Laws
3. An attached copy of resolutions of such Originator's Board of Directors authorizing such Originator's execution, delivery and performance of the Sale Agreement and related documents
4. The names, titles and specimen signatures of such Originator's officers authorized to execute and deliver the Sale Agreement and related documents

D. Good standing certificates for Yellow Transportation, Inc. from the States of Indiana and Kansas certified within 30 days prior to closing, and for Roadway Express, Inc. from the States of Delaware and Ohio certified within 30 days prior to closing.

E. Pre-filing state and federal tax lien, judgment lien and UCC lien searches against each Originator from its jurisdiction of incorporation and the jurisdiction where it maintains its chief executive office.

F. UCC Financing Statements naming each Originator, as debtor, and Bank One, NA, as Administrative Agent, as total assignee of secured party, for filing in each Originator's jurisdiction of incorporation.

G. Post-filing UCC lien searches against each Originator from its jurisdiction of incorporation. [post-closing]

H. Collection Account Agreements

1. Bank of America [within 60 days post-closing]
2. Bank One

I. Opinions:

1. Corporate/UCC opinions
2. True Sale/Non-consolidation opinion

J. CFO's Compliance Certificate.

K. Letter of release signed by Deutsche Bank.

L. UCC-3 Termination Statements with respect to the existing deal.

II. Receivables Purchase Agreement

A. Receivables Purchase Agreement dated as of May 21, 2004 (the "Purchase Agreement") by and among Yellow-SPC, Falcon Asset Securitization Corporation, Blue Ridge Asset Funding Corporation, Wachovia Bank, National Association, individually and as Blue Ridge Agent, and Bank One, NA, individually, as Falcon Agent and as Administrative Agent (in such capacity, the "Administrative Agent") with the following exhibits:

- Exhibit I - Definitions
- Exhibit II - Places of Business of Yellow-SPC; Locations of Records; Trade Names; Federal Employer I.D. Number, Organization I.D. Number
- Exhibit III - Lockboxes; Collection Accounts; Concentration Accounts; and Depository Accounts
- Exhibit IV - Compliance Certificate
- Exhibit V - Collection Account Agreement
- Exhibit VI - Credit and Collection Policy
- Exhibit VII - Form(s) of Invoice(s)
- Exhibit VIII - Monthly Report
- Exhibit IX - Form of Purchase Notice

B. Fee Letter dated as of May 21, 2004 by and between Yellow-SPC and the Falcon Agent.

C. Fee Letter dated as of May 21, 2004 by and between Yellow-SPC and the Blue Ridge Agent.

D. Certificate of Yellow-SPC's [Assistant] Secretary certifying:

1. An attached copy of Yellow-SPC's Certificate of Incorporation (certified within 30 days prior to closing by the Delaware Secretary of State)
2. An attached copy of Yellow-SPC's By-Laws
3. An attached copy of resolutions of Yellow-SPC's Board of Directors authorizing Yellow-SPC's execution, delivery and performance of the Purchase Agreement and related documents
4. The names, titles and specimen signatures of Yellow-SPC's officers authorized to execute and deliver the Purchase Agreement and related documents

E. Good standing certificates for Yellow-SPC from the following states certified within 30 days prior to closing:

1. Delaware
2. Kansas

F. UCC Financing Statement naming Yellow-SPC, as debtor, and the Administrative Agent, as secured party, for filing with the Secretary of State of Delaware.

G. Post-filing UCC lien searches against Yellow-SPC from the Secretary of State of Delaware [Post-closing]

H. [Reserved]

I. Purchase Notice executed by Yellow-SPC.

J. Opinion of Yellow-SPC's re corporate/UCC issues

K. Yellow-SPC's CFO's Compliance Certificate.

L. Liquidity Agreement dated as of May 21, 2004 by and between Falcon and Bank One.

M. Liquidity Agreement dated as of May 21, 2004 by and between Blue Ridge and Wachovia.

**RECEIVABLES PURCHASE AGREEMENT
DATED AS OF MAY 21, 2004**

AMONG

**YELLOW ROADWAY RECEIVABLES FUNDING CORPORATION
AS SELLER,**

**FALCON ASSET SECURITIZATION CORPORATION,
BLUE RIDGE ASSET FUNDING CORPORATION,
AS CONDUITS,**

**THE FINANCIAL INSTITUTIONS PARTY HERETO,
AS COMMITTED PURCHASERS,**

**WACHOVIA BANK, NATIONAL ASSOCIATION,
AS BLUE RIDGE AGENT**

AND

**BANK ONE, NA (MAIN OFFICE CHICAGO),
AS FALCON AGENT AND AS ADMINISTRATIVE AGENT**

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THIS RECEIVABLES PURCHASE AGREEMENT, dated as of May 21, 2004 (as amended, restated or otherwise modified from time to time, this **“Agreement”**), is by and among:

- (a) Yellow Roadway Receivables Funding Corporation, a Delaware corporation (the **“Seller”**),
- (b) Bank One, NA (Main Office Chicago) (**“Bank One”**) and Wachovia Bank, National Association (**“Wachovia”**), as Committed Purchasers,
- (c) Falcon Asset Securitization Corporation (**“Falcon”** or a **“Conduit”**) and Blue Ridge Asset Funding Corporation (**“Blue Ridge”** or a **“Conduit”**),
- (d) Bank One, NA (Main Office Chicago), as agent for the Falcon Group (together with its successors in such capacity, the **“Falcon Agent”** or a **“Co-Agent”**), and Wachovia Bank, National Association, as agent for the Blue Ridge Group (together with its successors in such capacity, the **“Blue Ridge Agent”** or a **“Co-Agent”**), and
- (e) Bank One, NA (Main Office Chicago), as administrative agent for the Groups pursuant to Article IX of this Agreement (together with its successors in such capacity, the **“Administrative Agent”**).

Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in Exhibit I hereto.

PRELIMINARY STATEMENTS

The Seller desires to transfer and assign Receivable Interests to the Purchasers from time to time.

Each of the Conduits may, in its absolute and sole discretion, purchase Receivable Interests from the Seller from time to time.

The Committed Purchasers shall, at the request of the Seller, purchase Receivable Interests from time to time.

Bank One has been requested and is willing to act as agent on behalf of the Falcon Group, and Wachovia has been requested and is willing to act as agent on behalf of the Blue Ridge Group in accordance with the terms hereof.

In addition, Bank One has been requested and is willing to act as administrative agent on behalf of the Groups in accordance with the terms hereof.

The parties hereto agree as follows:

ARTICLE I
AMOUNTS AND TERMS OF THE PURCHASES

Section 1.1. Purchase Facility. Upon the terms and subject to the conditions hereof, the Seller may from time to time prior to the Amortization Date request that the Groups purchase their respective Percentages of Receivable Interests offered for sale from time to time by delivering a Purchase Notice to the Co-Agents in accordance with Section 1.2. Upon receipt of a copy of each Purchase Notice from the Seller, each of the Co-Agents shall determine whether its Conduit will purchase its Group's Percentage of the Receivable Interest specified in such Purchase Notice, and

(a) in the event that Falcon elects not to make its Percentage of such Purchase, the Falcon Agent shall promptly notify the Seller and, unless the Seller cancels the Purchase Notice, each of the Falcon Committed Purchasers severally agrees to make its Ratable Share of the Falcon Group's Percentage of such Purchase on the terms and subject to the conditions hereof, **provided that** at no time may the aggregate Capital of the Falcon Group at any one time outstanding exceed the least of (i) the aggregate amount of the Falcon Committed Purchasers' Commitments, (ii) the Falcon Group's Percentage of the Purchase Limit, and (iii) the Falcon Group's Percentage of the product of (A) 100% minus the Aggregate Reserve Percentage, times (B) the Net Receivables Balance; and

(b) in the event that Blue Ridge elects not to make its Percentage of such Purchase, the Blue Ridge Agent shall promptly notify the Seller and, unless the Seller cancels its Purchase Notice, each of the Blue Ridge Committed Purchasers severally agrees to make its Ratable Share of the Blue Ridge Group's Percentage of such Purchase, on the terms and subject to the conditions hereof, **provided that** at no time may the aggregate Capital of the Blue Ridge Group at any one time outstanding exceed the least of (i) the aggregate amount of the Blue Ridge Committed Purchasers' Commitments, (ii) the Blue Ridge Group's Percentage of the Purchase Limit, and (iii) the Blue Ridge Group's Percentage of the product of (A) 100% minus the Aggregate Reserve Percentage, times (B) the Net Receivables Balance.

The Seller may, upon at least 30 Business Days' notice to the Agents, terminate in whole or reduce in part, ratably between the Groups (and within each Group, ratably amongst the Committed Purchasers therein), the unused portion of the Purchase Limit; **provided that** each partial reduction of the Purchase Limit shall be in an amount equal to \$10,000,000 or a larger integral multiple of \$5,000,000.

Section 1.2. Increases. The Seller shall provide the Co-Agents with at least two Business Days' prior notice in a form set forth as Exhibit IX hereto of each Incremental Purchase (a "**Purchase Notice**"). Each Purchase Notice shall be subject to Section 4.2 hereof and, except as set forth below, shall be irrevocable and shall specify the requested Purchase Price and each Group's Percentage thereof (which shall not be less than \$1,000,000 per Group), the proposed date of purchase and the requested Discount Rate and Tranche Period in the event the Committed Purchasers of either Group participate in such Purchase. Following receipt of a Purchase Notice,

each Co-Agent will determine whether its Conduit agrees to make its Group's Percentage of such Purchase. If its Conduit declines to make its Percentage of the proposed Purchase, such Co-Agent shall promptly advise the Seller and the Servicer of such fact, and the Seller may thereupon cancel the Purchase Notice as to both Groups or, in the absence of such a cancellation, the Incremental Purchase of that Group's Percentage of the applicable Receivable Interest will be made by the Committed Purchasers in such Group. On the date of each Incremental Purchase, upon satisfaction of the applicable conditions precedent set forth in Article IV, each Conduit or its Committed Purchasers, as applicable, shall deposit to the Facility Account, in immediately available funds, no later than 12:00 noon (Chicago time), an amount equal to (i) in the case of a Conduit, its Group's Percentage of the aggregate Purchase Price of the Receivable Interests described in such Purchase Notice or (ii) in the case of a Committed Purchaser, such Committed Purchaser's Pro Rata Share of its Group's Percentage of the aggregate Purchase Price of such Receivable Interests.

Section 1.3. Decreases. The Seller shall provide the Co-Agents with prior written notice in conformity with the Required Notice Period of any reduction requested by the Seller of the aggregate Capital outstanding (a "**Reduction Notice**"). Such Reduction Notice shall designate (i) the date (the "**Proposed Reduction Date**") upon which any such reduction of Capital shall occur (which date shall give effect to the applicable Required Notice Period), and (ii) the aggregate amount of the Groups' Capital to be reduced (the "**Aggregate Reduction**"), which shall be applied ratably to the Receivable Interests of each Group in accordance with the amount of Capital owing to each and within each Group, ratably in accordance with the amount of Capital, if any, owing to each member of such Group. Only one (1) Reduction Notice shall be outstanding at any time.

Section 1.4. Payment Requirements. All amounts to be paid or deposited by the Seller or the Servicer pursuant to any provision of this Agreement shall be paid or deposited in accordance with the terms hereof no later than 12:00 noon (Chicago time) on the day when due in immediately available funds, and if not received before 12:00 noon (Chicago time) shall be deemed to be received on the next succeeding Business Day. If such amounts are payable to the Administrative Agent or a member of the Falcon Group, they shall be paid for its account to the Falcon Agent, at 1 Bank One Plaza, Chicago, Illinois 60670 until otherwise notified by the Falcon Agent. If such amounts are payable to a member of the Blue Ridge Group, they shall be paid for its account to the Blue Ridge Agent, at 301 S. College Street, Charlotte, North Carolina 28288 until otherwise notified by the Blue Ridge Agent. In the event the Seller shall fail to pay any amount when due hereunder, upon notice to the Seller, the Administrative Agent may debit the Facility Account for all such amounts due and payable hereunder. All computations of Discount, per annum fees calculated as part of any CP Costs, per annum fees hereunder and under the Fee Letter shall be made on the basis of a year of 360 days for the actual number of days elapsed. If any amount hereunder shall be payable on a day which is not a Business Day, such amount shall be payable on the next succeeding Business Day.

Section 1.5. Payments and Collections.

Section 1.5.1. Payments. Notwithstanding any limitation on recourse contained in this Agreement, the Seller shall immediately pay to each of the Co-Agents when due, for the account of the relevant Purchaser or Purchasers in its Group, on a full recourse basis, (i) such

fees as are set forth in the applicable Fee Letter (which fees shall be sufficient to pay all fees owing to the Committed Purchasers in such Co-Agent's Group), (ii) all CP Costs owing to such Co-Agent's Conduit, (iii) all amounts payable as Discount to the Committed Purchasers in such Group, (iv) such Co-Agent's Group's Percentage of all amounts payable as Deemed Collections (which shall be applied to reduce such Group's outstanding Capital hereunder in accordance with Sections 1.5.2 and 1.5.3 hereof), (v) such Co-Agent's Group's Percentage of all amounts payable to reduce the aggregate Capital of the Receivables Interests, if required, pursuant to Section 1.5.6, (vi) such Co-Agent's Group's Percentage of all amounts payable pursuant to Article VIII, if any, (vii) such Co-Agent's Group's Percentage of all Servicer costs and expenses in connection with servicing, administering and collecting the Receivables, and (viii) such Co-Agent's Group's share of all Broken Funding Costs (collectively, the "**Obligations**"). Notwithstanding the foregoing, no provision of this Agreement or any Fee Letter shall require the payment or permit the collection of any amounts hereunder in excess of the maximum permitted by applicable law. If at any time the Seller receives any Collections or is deemed to receive any Collections, the Seller shall promptly pay such Collections or Deemed Collections to the Servicer and, at all times prior to such payment, such Collections shall be held in trust by the Seller for the exclusive benefit of the Purchasers and the Agents.

Section 1.5.2 Collections Prior to Amortization. Prior to the Amortization Date, any Collections and/or Deemed Collections received by the Servicer (after the initial Purchase of a Receivable Interest hereunder) shall be set aside and held in trust by the Servicer for the payment of any accrued and unpaid Aggregate Unpays or for a Reinvestment as provided in this Section 1.5.2. If at any time any Collections are received by the Servicer prior to the Amortization Date, the Seller hereby requests, and the Purchasers in each Group hereby agree to make, simultaneously with such receipt, a reinvestment (each, a "**Reinvestment**") with each Group's Percentage of each and every Collection received by the Servicer that is part of any Receivable Interest, such that after giving effect to such Reinvestment, the amount of Capital of such Receivable Interest immediately after such receipt and corresponding Reinvestment shall be equal to the amount of Capital immediately prior to such receipt. On each Settlement Date prior to the occurrence of the Amortization Date, the Servicer shall remit to each Co-Agent's respective account specified in Section 1.4 such Co-Agent's Group's Percentage of the amounts set aside during the preceding Settlement Period that were not the subject of a Reinvestment and apply such amounts (if not previously paid in accordance with Section 1.5.1) to reduce unpaid CP Costs, Discount and other Obligations owing to the members of such Group. If such CP Costs, Discount and other Obligations shall be reduced to zero, each Group's Percentage of any additional Collections received by the Servicer shall (i) if applicable, be remitted to the applicable Co-Agent's account no later than 12:00 noon (Chicago time) to the extent required to fund such Group's Percentage of any Aggregate Reduction on such Settlement Date and (ii) thereafter be remitted from the Servicer to the Seller on such Settlement Date.

Section 1.5.3 Collections Following Amortization. On the Amortization Date and on each day thereafter, the Servicer shall set aside and hold in trust, for the holder of each Receivable Interest, all Collections received on each such day. Such Collections shall be held in trust for each Group by the Servicer in accordance with their respective Percentages. On and after the Amortization Date, the Servicer shall, at any time upon the request from time to time by (or pursuant to standing instructions from) the Administrative Agent (i) remit to each Co-Agent's account specified in Section 1.4, such Co-Agent's Group's Percentage of the amounts set aside

pursuant to the preceding sentence, and (ii) apply such amounts to reduce such Group's Capital associated with each such Receivable Interest and any other Aggregate Unpays owing to such Group.

Section 1.5.4. Application of Collections. If there shall be insufficient funds on deposit for the Servicer to distribute funds in payment in full of the aforementioned amounts pursuant to Section 1.5.2 or 1.5.3 (as applicable), the Servicer shall distribute funds:

first, to the Servicer in payment of the Servicer's reasonable out-of-pocket costs and expenses in connection with servicing, administering and collecting the Receivables if the Seller or one of its Affiliates is not then acting as the Servicer,

second, to the Administrative Agent, in reimbursement of the Administrative Agent's costs of collection and enforcement of this Agreement,

third, to each of the Co-Agents, ratably in accordance with its Group's respective Percentage, in payment of accrued and unpaid Discount and CP Costs when and as due (to be shared ratably amongst the Purchasers in each Group in accordance with their respective shares thereof),

fourth, to each of the Co-Agents, ratably in accordance with its Group's respective Percentage, in reduction (if applicable) of their Group's Capital (to be shared ratably amongst the Purchasers in each Group in accordance with their respective shares thereof),

fifth, to each of the Co-Agents, ratably in accordance with its Group's respective Percentage, in ratable payment of all other unpaid Obligations owing to such Group, ***provided that*** to the extent such Obligations relate to a Group's Percentage of the payment of Servicer costs and expenses when the Seller or one of its Affiliates is acting as the Servicer, such costs and expenses will not be paid until after the payment in full of all other Obligations, and

sixth, after the Aggregate Unpays have been indefeasibly reduced to zero, to the Seller.

Section 1.5.5. Payment Rescission. No payment of any of the Aggregate Unpays shall be considered paid or applied hereunder to the extent that, at any time, all or any portion of such payment or application is rescinded by application of law or judicial authority, or must otherwise be returned or refunded for any reason. The Seller shall remain obligated for the amount of any payment or application so rescinded, returned or refunded, and shall promptly pay to each applicable Co-Agent (for application to the Person or Persons who suffered such rescission, return or refund) the full amount thereof, plus, if such amount represented a refund of Capital, CP Costs or Discount, as applicable, with respect thereto from the date of any such rescission, return or refunding.

Section 1.5.6. Maximum of Purchasers' Receivable Interests. The Seller shall ensure that the aggregate Receivable Interests of the Purchasers shall at no time exceed 100%. If, on any day, the aggregate Receivable Interests of the Purchasers exceeds 100%, (a) the Seller shall determine the amount that must be applied to the reduction of Capital of the Receivable Interests to eliminate such excess (the "***Mandatory Reduction Amount***"), and the Seller shall

immediately pay to each of the Co-Agents, its Group's respective Percentage of the Mandatory Reduction Amount for distribution to the Purchasers in such Group ratably in accordance with their respective amounts of Capital outstanding.

Section 1.5.7. Repurchase Option. The Seller shall have the right, by prior written notice to the Agents given in not less than the Required Notice Period, at any time to repurchase from the Purchasers all, but not less than all, of the then outstanding Receivable Interests. The aggregate purchase price in respect thereof shall be an amount equal to the Aggregate Unpaid through the date of such repurchase, payable in immediately available funds. Such repurchase shall be without representation, warranty or recourse of any kind by, on the part of, or against any Purchaser or any Agent.

Section 1.6. Conduit Funding.

Section 1.6.1. CP Costs. The Seller shall pay CP Costs with respect to the Capital associated with each Receivable Interest of a Conduit for each day that any Capital in respect of such Receivable Interest is outstanding; **provided, however**, that from and after the occurrence of a Servicer Default, the Seller shall pay Discount at the Default Rate with respect to each such Receivable Interest. Each Receivable Interest funded by a Conduit substantially with Pooled Commercial Paper will accrue CP Costs each day on a pro rata basis, based upon the percentage share the Capital in respect of such Receivable Interest represents in relation to all assets held by such Conduit and funded substantially with Pooled Commercial Paper.

Section 1.6.2. CP Costs Payments. On each Settlement Date, the Seller shall pay to each Co-Agent (for the benefit of its Conduit) an aggregate amount equal to all accrued and unpaid CP Costs in respect of the Capital associated with all Receivable Interests of such Conduit for the immediately preceding Accrual Period in accordance with Section 1.5.

Section 1.6.3. Calculation of CP Costs. On the 10th Business Day immediately preceding each Settlement Date, each Conduit shall calculate the aggregate amount of CP Costs (or, as applicable, Discount at the Default Rate) owing to it for the applicable Accrual Period and shall notify the Seller of such aggregate amount.

Section 1.7. Committed Purchaser Funding.

Section 1.7.1. Committed Purchaser Funding. Each Receivable Interest of the Committed Purchasers in a Group shall accrue Discount for each day during its Tranche Period at the LIBOR Rate, the Base Rate or, from and after the occurrence of a Servicer Default and during the continuance thereof, the Default Rate in accordance with the terms and conditions hereof. Until the Seller gives notice to the applicable Co-Agent of another Discount Rate in accordance with Section 1.7.4, the initial Discount Rate for any Receivable Interest transferred to the Committed Purchasers in a Group pursuant to the terms and conditions hereof, and the new Discount Rate for any Terminating Tranche, shall be the Base Rate and the applicable Tranche Period shall be a period of one Business Day commencing on the day requested in the Purchase Notice or on the last day of a Terminating Tranche, as applicable. If the Committed Purchasers in a Group acquire by assignment from the applicable Conduit any Receivable Interest pursuant to a Liquidity Agreement, the applicable Co-Agent shall promptly notify Seller of such fact and

each Receivable Interest so assigned shall each be deemed to have a new Tranche Period commencing on the date of any such assignment.

Section 1.7.2. Discount Payments. On the Settlement Date for each Receivable Interest of the Committed Purchasers in a Group, the Seller shall pay to the applicable Co-Agent (for the benefit of such Committed Purchasers) an aggregate amount equal to the accrued and unpaid Discount for the entire Tranche Period of each such Receivable Interest in accordance with Section 1.5.

Section 1.7.3. Selection and Continuation of Tranche Periods. (a) With consultation from (and approval by) the applicable Co-Agent, the Seller shall from time to time request Tranche Periods for the Receivable Interests of the Committed Purchasers in each Group, ***provided that***, if at any time the Committed Purchasers in a Group shall have a Receivable Interest, the Seller shall always request Tranche Periods such that at least one Tranche Period shall end on each date specified in clause (A) of the definition of Settlement Date.

(b) The Seller or the applicable Co-Agent may, effective on the last day of a Tranche Period (the “***Terminating Tranche***”) for any Receivable Interest, divide any such Receivable Interest into multiple Receivable Interests or combine any such Receivable Interest with one or more other Receivable Interests which either have a Terminating Tranche ending on such day or are newly created on such day, ***provided that*** in no event may a Receivable Interest of a Conduit be combined with a Receivable Interest of its Committed Purchasers.

Section 1.7.4. Committed Purchaser Discount Rates. Prior to the occurrence and continuance of a Servicer Default, the Seller may select the LIBOR Rate or the Base Rate for each Receivable Interest of the Committed Purchasers in either Group. The Seller shall by 11:00 a.m. (Chicago time): (i) at least three (3) Business Days prior to the expiration of any Terminating Tranche with respect to which the LIBOR Rate is being requested as a new Discount Rate and (ii) at least one (1) Business Day prior to the expiration of any Terminating Tranche with respect to which the Base Rate is being requested as a new Discount Rate, give the applicable Co-Agent irrevocable notice of the new Discount Rate for the Receivable Interest associated with such Terminating Tranche. From and after the occurrence of a Servicer Default and during the continuance thereof, all Receivable Interests shall accrue Discount at the Default Rate.

Section 1.7.5. Suspension of the LIBOR Rate. If any Committed Purchaser notifies its Co-Agent that it has determined that funding its Pro Rata Share of the Receivable Interests of the Committed Purchasers in such Group at a LIBOR Rate would violate any applicable law, rule, regulation, or directive of any governmental or regulatory authority, whether or not having the force of law, or that (i) deposits of a type and maturity appropriate to match fund its Receivable Interests at such LIBOR Rate are not available or (ii) such LIBOR Rate does not accurately reflect the cost of acquiring or maintaining a Receivable Interest at such LIBOR Rate, then such Co-Agent shall suspend the availability of such LIBOR Rate from its Group and require the Seller to select the Base Rate for any Receivable Interest of the Committed Purchasers in its Group that has been accruing Discount at such LIBOR Rate.

Section 1.7.6. Calculation of Discount. On the 10th Business Day immediately preceding each Settlement Date for each Receivable Interest of the Committed Purchasers in a Group, the applicable Co-Agent shall calculate the aggregate amount of Discount for the applicable Tranche Period and shall notify the Seller of such aggregate amount, if any.

Section 1.8. Grant of Security Interest. The Seller hereby grants to the Administrative Agent for the ratable benefit of the Groups a security interest in all of its interest, now owned or hereafter acquired, in the Receivables, the Related Security, each Collection Account, the Collections and proceeds thereof to secure payment of the Aggregate Unpaid, including its indemnity obligations under Article VIII and all other obligations owed hereunder to the Agents and the Purchasers. If the conveyance by the Seller of interests in Receivables hereunder shall be characterized as a secured loan and not a sale, it is the intention of the parties hereto that this Agreement shall constitute a security agreement under applicable law, and that the Seller shall be deemed to have granted to the Administrative Agent for the ratable benefit of the Groups a duly perfected security interest in all of the Seller's right, title and interest in, to and under the Receivables, the Collections, each Collection Account, all Related Security, all payments on or with respect to such Receivables, all other rights relating to and payments made in respect of the Receivables, and all proceeds of any thereof prior to all other liens on and security interests therein. After a Servicer Default, the Administrative Agent, on behalf of the Groups, shall have, in addition to the rights and remedies it may have under this Agreement, all other rights and remedies provided to a secured creditor after default under the UCC and other applicable law, which rights and remedies shall be cumulative.

Section 1.9. Servicer Fee. To the extent of available Collections in accordance with the priorities set forth in Sections 1.5.2 and 1.5.3, on the first Business Day of each month while any Aggregate Unpaid are outstanding, the Servicer shall be paid a servicing and collection fee (the "**Servicer Fee**") equal to 1.0% per annum (or such other arm's length fee as may be mutually agreed upon from time to time by the Servicer, the Originators and the Administrative Agent) on the average daily amount of Capital during the calendar month (or portion thereof) then most recently ended. The Servicer Fee shall be computed for actual days elapsed on the basis of a year consisting of 365 days.

**ARTICLE II
[RESERVED]**

**ARTICLE III
REPRESENTATIONS AND WARRANTIES**

Section 3.1. Seller Representations and Warranties. The Seller hereby represents and warrants to the Agents and the Purchasers that:

(a) Corporate Existence and Power. The Seller is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation, and has all corporate power and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is conducted, except for such

licenses, authorization, consents and approvals the failure to obtain any of which would not have a Material Adverse Effect.

(b) No Conflict. The execution, delivery and performance by the Seller of this Agreement and each other Transaction Document, and the Seller's use of the proceeds of purchases made hereunder, are within its corporate or banking association powers, have been duly authorized by all necessary corporate or banking association action, do not breach or violate (i) its certificate or articles of incorporation or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or by which it or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on assets of the Seller or its Subsidiaries (except created hereunder); and no transaction contemplated hereby requires compliance with any bulk sales act or similar law. This Agreement and each other Transaction Document has been duly authorized, executed and delivered by the Seller.

(c) Governmental Authorization. Other than the filing of the financing statements required hereunder, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Seller of the Transaction Documents.

(d) Binding Effect. The Transaction Documents constitute the legal, valid and binding obligations of the Seller enforceable against the Seller in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally.

(e) Accuracy of Information. All information heretofore furnished by the Seller or any of its Affiliates to the Agents or the Purchasers for purposes of or in connection with this Agreement, any of the other Transaction Documents or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by the Seller or any of its Affiliates to the Purchasers will be, true and accurate in every material respect, on the date such information is stated or certified and does not and will not contain any material misstatement of fact or omit to state a material fact or any fact necessary to make the statements contained therein not misleading.

(f) Use of Proceeds. No proceeds of any purchase hereunder will be used (i) for a purpose which violates, or would be inconsistent with, Regulation T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time or (ii) to acquire any security in any transaction which is subject to Section 13 or 14 of the Securities Exchange Act of 1934, as amended.

(g) Title to Receivables. Each Receivable has been purchased by the Seller from the applicable Originator in accordance with the terms of the Sale Agreement, and the Seller has thereby irrevocably obtained all legal and equitable title to, and has the legal right to sell and encumber, such Receivable, its Collections and the Related Security. Each such Receivable has been transferred to the Seller free and clear of any Adverse Claim. Without limiting the foregoing, there has been duly filed all financing statements or other similar instruments or

documents necessary under the UCC of all appropriate jurisdictions (or any comparable law) to perfect the Seller's ownership interest in such Receivable.

(h) Good Title; Perfection. Immediately prior to each purchase hereunder, the Seller shall be the legal and beneficial owner of the Receivables and Related Security with respect thereto, free and clear of any Adverse Claim, except as created by the Transaction Documents. This Agreement is effective to, and shall, upon each purchase hereunder, transfer to the relevant Purchaser or Purchasers (and such Purchaser or Purchasers shall acquire from the Seller) a valid and perfected first priority undivided percentage ownership interest in each Receivable existing or hereafter arising and in the Related Security and Collections with respect thereto, free and clear of any Adverse Claim, except as created by the Transactions Documents.

(i) Places of Business. The principal places of business and chief executive office of the Seller and the offices where the Seller keeps all its Records are located at the address(es) listed on Exhibit II or such other locations notified to the Administrative Agent in accordance with Section 5.2(a) in jurisdictions where all action required by Section 5.2(a) has been taken and completed. The Seller's Federal Employer Identification Number and Organizational Identification Number are correctly set forth on Exhibit II.

(j) Collection Banks; etc. Except as otherwise notified to the Administrative Agent in accordance with Section 5.2(b):

(i) the Seller has instructed, or has caused each Originator to instruct, all Obligors to pay all Collections directly to a segregated lock-box identified on Exhibit III hereto,

(ii) in the case of all proceeds remitted to any such lock-box which is now or hereafter established, such proceeds will be deposited directly by the applicable Collection Bank into a concentration account or a depository account listed on Exhibit III,

(iii) the names and addresses of all Collection Banks, together with the account numbers of the Collection Accounts of the Seller at each Collection Bank, are listed on Exhibit III, and

(iv) each lock-box and Collection Account to which Collections are remitted shall be subject to a Collection Account Agreement that is then in full force and effect; provided, however, that the Collection Account(s) at Bank of America, N.A. need not be subject to a Collection Account Agreement until July 21, 2004.

In the case of lock-boxes and Collection Accounts identified on Exhibit III which were established by an Originator or by any Person other than the Seller, exclusive dominion and control thereof has been transferred to the Seller. The Seller has not granted to any Person, other than the Administrative Agent as contemplated by this Agreement, dominion and control of any lock-box or Collection Account, or the right to take dominion and control of any lock-box or Collection Account at a future time or upon the occurrence of a future event.

(k) Material Adverse Effect. Since December 31, 2003, no event has occurred which would have a Material Adverse Effect.

(l) Names. In the past five years, the Seller has not used any corporate names, trade names or assumed names other than the name in which it has executed this Agreement.

(m) Actions, Suits. There are no actions, suits or proceedings pending, or to the best of the Seller's knowledge, threatened, against or affecting the Seller or any Originator, or any of the respective properties of the Seller or any Originator, in or before any court, arbitrator or other body, which are reasonably likely to (i) adversely affect the collectibility of a material portion of the Receivables, (ii) materially adversely affect the financial condition of the Seller or any Originator or (iii) materially adversely affect the ability of the Seller or any Originator to perform its obligations under the Transaction Documents. Neither the Seller nor any Originator is in default with respect to any order of any court, arbitrator or governmental body.

(n) Credit and Collection Policies. With respect to each Receivable, each of the applicable Originator, the Seller and the Servicer has complied in all material respects with the Credit and Collection Policy.

(o) Payments to the Applicable Originator. With respect to each Receivable transferred to the Seller, the Seller has given reasonably equivalent value to the applicable Originator in consideration for such transfer of such Receivable and the Related Security with respect thereto under the Sale Agreement and such transfer was not made for or on account of an antecedent debt. No transfer by an Originator of any Receivable is or may be voidable under any Section of the Bankruptcy Reform Act of 1978 (11 U.S.C. §§ 101 *et seq.*), as amended.

(p) Ownership of the Seller. Yellow Roadway Corporation owns, directly or indirectly, 100% of the issued and outstanding capital stock of the Seller. Such capital stock is validly issued, fully paid and nonassessable and there are no options, warrants or other rights to acquire securities of the Seller.

(q) Not an Investment Company. The Seller is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended from time to time, or any successor statute.

(r) Purpose. The Seller has determined that, from a business viewpoint, the purchase of Receivables and related interests from the Originators under the Sale Agreement, and the sale of Receivable Interests to the Purchasers and the other transactions contemplated herein, are in the best interest of the Seller.

(s) Net Receivables Balance. Both before and after giving effect to each Incremental Purchase and Reinvestment, the Net Receivables Balance equals or exceeds the sum of (i) the product of the Net Receivables Balance multiplied by the Aggregate Reserve Percentage, and by (ii) the aggregate Capital outstanding.

Section 3.2. Committed Purchaser Representations and Warranties. Each Committed Purchaser hereby represents and warrants to its applicable Co-Agent and Conduit that:

(a) Existence and Power. Such Committed Purchaser is a corporation or a banking association duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, and has all corporate power to perform its obligations hereunder.

(b) **No Conflict.** The execution, delivery and performance by such Committed Purchaser of this Agreement are within its corporate powers, have been duly authorized by all necessary corporate action, do not breach or violate (i) its certificate or articles of incorporation or association or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on its assets. This Agreement has been duly authorized, executed and delivered by such Committed Purchaser.

(c) **Governmental Authorization.** No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by such Committed Purchaser of this Agreement.

(d) **Binding Effect.** This Agreement constitutes the legal, valid and binding obligation of such Committed Purchaser enforceable against such Committed Purchaser in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally.

ARTICLE IV CONDITIONS OF PURCHASES

Section 4.1. **Conditions Precedent to Initial Purchase.** The initial Purchase of a Receivable Interest under this Agreement is subject to the conditions precedent that (a) the Administrative Agent shall have received on or before the date of such Purchase those documents listed on Schedule A hereto, and (b) each of the Agents shall have been paid all fees required to be paid on such date pursuant to the terms of the Fee Letters.

Section 4.2. **Conditions Precedent to All Purchases and Reinvestments.** Each Purchase of a Receivable Interest and each Reinvestment shall be subject to the further conditions precedent that:

(a) in the case of each such purchase, the Servicer shall have delivered to the Agents on or prior to the date of such purchase, in form and substance satisfactory to the Agents, all Monthly Reports as and when due under Section 6.5;

(b) on the date of each such purchase or Reinvestment, the following statements shall be true both before and after giving effect to such purchase or Reinvestment (and acceptance of the proceeds of such purchase or Reinvestment shall be deemed a representation and warranty by the Seller that such statements are then true):

(i) the representations and warranties set forth in Section 3.1 are correct on and as of the date of such purchase or Reinvestment as though made on and as of such date; **provided, however,** that the representation and warranty set forth in

Section 3.1(k) need only be true and correct as of the date of the initial purchase of Receivable Interests hereunder;

(ii) no event has occurred, or would result from such purchase or Reinvestment, that will constitute a Servicer Default, and no event has occurred and is continuing, or would result from such purchase or Reinvestment, that would constitute a Potential Servicer Default; and

(iii) the Liquidity Termination Date shall not have occurred, the aggregate Capital of all Receivable Interests shall not exceed the Purchase Limit and the aggregate Receivable Interests shall not exceed 100%; and

(c) the Administrative Agent shall have received such other approvals, opinions or documents as any Agent may reasonably request.

ARTICLE V COVENANTS

Section 5.1. Affirmative Covenants of Seller. Until the date on which the Aggregate Unpaid have been indefeasibly paid in full, the Seller hereby covenants, individually and in its capacity as Servicer, that:

(a) Financial Reporting. The Seller will maintain a system of accounting established and administered in accordance with generally accepted accounting principles, and furnish to the Co-Agents:

(i) Annual Reporting. Within 90 days after the close of each of its fiscal years, financial statements for such fiscal year certified in a manner reasonably acceptable to the Administrative Agent by the Chief Financial Officer of the Seller, together with the financial statements of Yellow Roadway Corporation required under Section 4.1(a)(i) of the Sale Agreement.

(ii) Quarterly Reporting. Within 45 days after the close of the first three quarterly periods of each of its fiscal years, balance sheets as at the close of each such period and statements of income and retained earnings and a statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter, all certified by its Chief Financial Officer, together with the financial statements of Yellow Roadway Corporation required under Section 4.1(a)(ii) of the Sale Agreement.

(iii) Compliance Certificate. Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit IV signed by the Seller's Chief Financial Officer and dated the date of such annual financial statement or such quarterly financial statement, as the case may be, together with the certificate of Yellow Roadway Corporation required under Section 4.1(a)(iii) of the Sale Agreement.

(iv) Copies of Notices, Etc. under Sale Agreement and Other Transaction Documents. Forthwith upon its receipt of any notice, request for consent, financial statements of Yellow Roadway Corporation, certification, report or other communication under or in connection with any Transaction Document from any Person other than one of the Agents or Purchasers, copies of the same.

(v) Change in Credit and Collection Policy. At least 30 days prior to the effectiveness of any material change in or amendment to the Credit and Collection Policy, a copy of the Credit and Collection Policy then in effect and a notice indicating such change or amendment.

(vi) Other Information. Such other information (including non-financial information) as any Agent or Purchaser may from time to time reasonably request.

(b) Notices. The Seller will notify the Agents in writing of any of the following immediately upon learning of the occurrence thereof, describing the same and, if applicable, the steps being taken with respect thereto:

(i) Servicer Defaults or Potential Servicer Defaults. The occurrence of each Servicer Default or each Potential Servicer Default, by a statement of the Chief Financial Officer of the Seller;

(ii) Judgment. The entry of any judgment or decree against the Seller;

(iii) Litigation. The institution of any litigation, arbitration proceeding or governmental proceeding against the Seller or to which the Seller becomes party;

(iv) Termination Date under Sale Agreement. The declaration by any Originator of the "Termination Date" under the Sale Agreement;

(v) Downgrade. Any downgrade in the rating of any Indebtedness of the Seller, any Originator or Yellow Roadway Corporation by Standard & Poor's Ratings Group or by Moody's Investors Service, Inc., setting forth the Indebtedness affected and the nature of such change; and

(vi) Labor Strike, Walkout, Lockout or Slowdown. The commencement or threat of any labor strike, walkout, lockout or concerted labor slowdown against Yellow Roadway Corporation or any of its Affiliates which prevents, or could reasonably be likely to prevent, pick-ups, shipments and/or deliveries by any Originator, and which could reasonably be expected to have a Material Adverse Effect (collectively, "**Labor Actions**").

(c) Compliance with Laws. The Seller will comply in all material respects with all applicable laws, rules, regulations, orders writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to comply would not have a Material Adverse Effect.

(d) Audits. The Seller will furnish to the Agents from time to time such information with respect to it and the Receivables as any Agent may reasonably request. The Seller shall, from time to time during regular business hours as requested by any Agent upon reasonable notice, permit the Agents, or their agents or representatives (and shall cause the Originators to permit the Agents or their agents or representatives) (i) to examine and make copies of and abstracts from all Records in the possession or under the control of the Seller or an Originator relating to Receivables and the Related Security, including, without limitation, the related Invoices, and (ii) to visit the offices and properties of the Seller and the Originators for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to the Seller's or any Originator's financial condition or the Receivables and the Related Security or the Seller's performance hereunder, or any Originator's performance under any of the other Transaction Documents, or the Seller's or any Originator's performance under the Invoices with any of the officers or employees of the Seller or any Originator having knowledge of such matters.

(e) Keeping and Marking of Records and Books.

(i) The Seller will, and will cause the Originators to, maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the immediate identification of each new Receivable and all Collections of and adjustments to each existing Receivable). The Seller will, and will cause the Originators to, give the Agents notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(ii) The Seller will, and will cause each of the Originators to, (a) on or prior to the date hereof, mark its master data processing records and other books and records relating to the Receivables with a legend, reasonably acceptable to the Administrative Agent, describing the Receivable Interests and (b) upon the request of the Administrative Agent: (A) mark each Invoice with a legend describing the Receivable Interests and (B) deliver to the Administrative Agent all Invoices (including, without limitation, all multiple originals of any such Invoice) relating to the Receivables.

(f) Compliance with Invoices and Credit and Collection Policy. The Seller will, and will cause the Originators to, timely and fully (i) perform and comply with all provisions, covenants and other promises required to be observed by it under the Invoices (other than bills of lading) related to the Receivables, and (ii) comply in all material respects with any bills of lading included in the Invoices and with the Credit and Collection Policy. The Seller will, and will cause the Originators to, pay when due any taxes payable in connection with the Receivables.

(g) Purchase of Receivables from an Originator. With respect to each Receivable purchased under the Sale Agreement, the Seller shall (or shall cause the applicable Originator to) take all actions necessary to vest legal and equitable title to such Receivable and the Related

Security irrevocably in the Seller, including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC of all appropriate jurisdictions (or any comparable law) to perfect the Seller's interest in such Receivable and such other action to perfect, protect or more fully evidence the interest of the Seller as the Administrative Agent may reasonably request.

(h) Ownership Interest. The Seller shall take all necessary action to establish and maintain a valid and perfected first priority undivided percentage ownership interest in the Receivables and the Related Security and Collections with respect thereto, to the full extent contemplated herein, in favor of the Agents and the Purchasers, including, without limitation, taking such action to perfect, protect or more fully evidence the interest of the Administrative Agent on behalf of the Groups hereunder as any Agent may reasonably request.

(i) Payment to the Applicable Originator. With respect to each Receivable purchased by the Seller from an Originator, such sale shall be effected under, and in strict compliance with the terms of, the Sale Agreement, including, without limitation, the terms relating to the amount and timing of payments to be made to the applicable Originator in respect of the purchase price for such Receivable.

(j) Performance and Enforcement of Sale Agreement. The Seller shall timely perform the obligations required to be performed by the Seller, and shall vigorously enforce the rights and remedies accorded to the Seller, under the Sale Agreement. The Seller shall take all actions to perfect and enforce its rights and interests (and the rights and interests of the Administrative Agent, on behalf of the Groups, as assignee of the Seller) under the Sale Agreement as the Administrative Agent may from time to time reasonably request, including, without limitation, making claims to which it may be entitled under any indemnity, reimbursement or similar provision contained in the Sale Agreement.

(k) Purchasers' Reliance. The Seller acknowledges that the Purchasers are entering into the transactions contemplated by this Agreement in reliance upon the Seller's identity as a legal entity that is separate from each of the Originators and Yellow Roadway Corporation. Therefore, from and after the date of execution and delivery of this Agreement, the Seller shall take all reasonable steps including, without limitation, all steps that any Agent or Purchaser may from time to time reasonably request to maintain the Seller's identity as a separate legal entity and to make it manifest to third parties that the Seller is an entity with assets and liabilities distinct from those of the Originators and any Affiliates thereof and not just a division of one of the Originators. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, the Seller shall:

(i) conduct its own business in its own name and require that all full-time employees of the Seller, if any, identify themselves as such and not as employees of an Originator (including, without limitation, by means of providing appropriate employees with business or identification cards identifying such employees as the Seller's employees);

(ii) compensate all employees, consultants and agents directly, from the Seller's bank accounts, for services provided to the Seller by such employees,

consultants and agents and, to the extent any employee, consultant or agent of the Seller is also an employee, consultant or agent of an Originator, allocate the compensation of such employee, consultant or agent between the Seller and such Originator on a basis which reflects the services rendered to the Seller and such Originator;

(iii) clearly identify its offices (by signage or otherwise) as its offices and, if such office is located in the offices of an Originator, the Seller shall lease such office at a fair market rent;

(iv) have a separate telephone number, which will be answered only in its name and separate stationery, invoices and checks in its own name;

(v) conduct all transactions with each Originator (including, without limitation, any delegation of its obligations hereunder as Servicer) strictly on an arm's-length basis, allocate all overhead expenses (including, without limitation, telephone and other utility charges) for items shared between the Seller and such Originator on the basis of actual use to the extent practicable and, to the extent such allocation is not practicable, on a basis reasonably related to actual use;

(vi) at all times have at least two members of its Board of Directors (each, an **"Independent Director"**) who are not at such time, and have not have been at any time during the preceding five years (A) a director, officer, employee or affiliate of Yellow Roadway Corporation or any of its subsidiaries or affiliates, or (B) the beneficial owner at the time of such individual's appointment as an Independent Director or at any time thereafter while serving as an Independent Director, of five percent (5%) of the outstanding common shares of Yellow Roadway Corporation having general voting rights; **provided, however,** that a director who otherwise meets the description of Independent Director as set forth herein shall not be disqualified from serving as an Independent Director of the Seller if he or she is also a director of another corporation that is an Affiliate of Yellow Roadway Corporation with a certificate of incorporation substantially similar to the certificate of incorporation of the Seller;

(vii) observe all corporate formalities as a distinct entity, and ensure that all corporate actions relating to (A) the selection, maintenance or replacement of the Independent Directors, (B) the dissolution or liquidation of the Seller or (C) the initiation of participation in, acquiescence in or consent to any bankruptcy, insolvency, reorganization or similar proceeding involving the Seller, are duly authorized by unanimous vote of its Board of Directors (including the Independent Directors);

(viii) maintain the Seller's books and records separate from those of the Originators and otherwise readily identifiable as its own assets rather than assets of an Originator;

(ix) prepare its financial statements separately from those of the Originators and insure that any consolidated financial statements of the Originators or any Affiliate thereof that include the Seller and which are filed with the Securities and Exchange Commission or any other governmental agency have notes clearly stating that the Seller is a separate corporate entity and that its assets will be available first and foremost to satisfy the claims of the creditors of the Seller;

(x) except as herein specifically otherwise provided, not commingle funds or other assets of the Seller with those of the Originators and not maintain bank accounts or other depository accounts to which any Originator is an account party, into which any Originator makes deposits or from which any Originator has the power to make withdrawals;

(xi) not permit any Originator to pay any of the Seller's operating expenses (except pursuant to allocation arrangements that comply with the requirements of this Section 5.1(k));

(xii) not permit the Seller to be named as an insured on the insurance policy covering the property of any Originator or enter into an agreement with the holder of such policy whereby in the event of a loss in connection with such property, proceeds are paid to the Seller; and

(xiii) take such other actions as are necessary on its part to ensure that the facts and assumptions set forth in the opinion issued by Fulbright & Jaworski L.L.P., as counsel for the Seller, in connection with the closing or initial purchase under this Agreement and relating to substantive consolidation issues, and in the certificates accompanying such opinion, remain true and correct in all material respects at all times.

(l) Collections. The Seller shall instruct all Obligor, or cause the Originators to instruct, all Obligor to pay all Collections directly to a segregated lock-box or other Collection Account listed on Exhibit III, each of which is subject to a Collection Account Agreement; provided, however, that the Collection Account(s) at Bank of America, N.A. need not be subject to a Collection Account Agreement until July 21, 2004. In the case of payments remitted to any such lock-box, the Seller shall cause all proceeds from such lock-box to be deposited directly by a Collection Bank into a Collection Account listed on Exhibit III, which is subject to a Collection Account Agreement; provided, however, that the Collection Account(s) at Bank of America, N.A. need not be subject to a Collection Account Agreement until July 21, 2004. The Seller shall maintain exclusive dominion and control (subject to the terms of this Agreement) to each such Collection Account. In the case of any Collections received by the Seller or any Originator, the Seller shall remit (or shall cause such Originator to remit) such Collections to a Collection Account not later than the Business Day immediately following the date of receipt of such Collections, and, at all times prior to such remittance, the Seller shall itself hold (or, if applicable, shall cause such Originator to hold) such Collections in trust, for the exclusive benefit of the Purchasers and the Agents. In the case of any remittances received by the Seller in any such Collection Account that shall have been identified, to the satisfaction of the Servicer, to

not constitute Collections or other proceeds of the Receivables or the Related Security, the Seller shall promptly remit such items to the Person identified to it as being the owner of such remittances. From and after the date the Administrative Agent (at the direction of either Co-Agent) delivers to any of the Collection Banks a Collection Notice pursuant to Section 6.3, any Agent may request that the Seller, and the Seller thereupon promptly shall and shall direct the Originators to, direct all Obligors on Receivables to remit all payments thereon to a new depository account (the "**New Concentration Account**") specified by the Administrative Agent and, at all times thereafter the Seller shall not deposit or otherwise credit, and shall not permit any Originator or any other Person to deposit or otherwise credit to the New Concentration Account any cash or payment item other than Collections. Alternatively, the Administrative Agent may request that the Seller, and the Seller thereupon promptly shall, direct all Persons then making remittances to any Collection Account listed on Exhibit III which remittances are not payments on Receivables to deliver such remittances to a location other than an account listed on Exhibit III.

(m) Minimum Net Worth. The Seller shall at all times maintain total assets which exceed its total liabilities by not less than 3% of the Purchase Limit at such time.

Section 5.2. Negative Covenants of Seller. Until the date on which the Aggregate Unpays have been indefeasibly paid in full, the Seller hereby covenants, individually and in its capacity as Servicer, that:

(a) Name Change, Offices, Records and Books of Accounts. The Seller will not change its name, identity or corporate structure (within the meaning of Section 9-402(7) of any applicable enactment of the UCC) or relocate its chief executive office or any office where Records are kept unless it shall have: (i) given the Administrative Agent at least 45 days prior notice thereof and (ii) delivered to the Administrative Agent all financing statements, instruments and other documents requested by the Administrative Agent in connection with such change or relocation.

(b) Change in Payment Instructions to Obligors. The Seller will not add or terminate any bank as a Collection Bank from those listed in Exhibit III, or make any change in its instructions to Obligors regarding payments to be made to the Seller or payments to be made to any lock-box, Collection Account or Collection Bank, unless the Administrative Agent shall have received, at least fifteen (15) Business Days before the proposed effective date therefor:

(i) written notice of such addition, termination or change, and

(ii) with respect to the addition of a lock-box, Collection Account or Collection Bank, an executed account agreement and an executed Collection Account Agreement from such Collection Bank relating thereto;

provided, however, that the Seller may make changes in instructions to Obligors regarding payments if such new instructions require such Obligor to make payments to another existing lock-box or Collection Account that is subject to a Collection Account Agreement then in effect.

(c) Modifications to Invoices and Credit and Collection Policy. The Seller will not make any change to the Credit and Collection Policy which would be reasonably likely to

adversely affect the collectibility of any material portion of the Receivables or decrease the credit quality of any newly created Receivables. Except as provided in Section 6.2(c), the Seller, acting as Servicer or otherwise, will not extend, amend or otherwise modify the terms of any Receivable or any Invoice related thereto other than in accordance with the Credit and Collection Policy.

(d) Sales, Liens, Etc. The Seller shall not sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, or create or suffer to exist any Adverse Claim upon (including, without limitation, the filing of any financing statement) or with respect to any Receivable, Related Security or Collections, or upon or with respect to any Invoice under which any Receivable arises, or any lock-box or Collection Account or assign any right to receive income in respect thereof (other than, in each case, the creation of the interests therein in favor of the Administrative Agent and the Purchasers provided for herein), and the Seller shall defend the right, title and interest of the Agents and the Purchasers in, to and under any of the foregoing property, against all claims of third parties claiming through or under the Seller or any Originator.

(e) Nature of Business; Other Agreements; Other Indebtedness. The Seller shall not engage in any business or activity of any kind or enter into any transaction or indenture, mortgage, instrument, agreement, contract, lease or other undertaking other than the transactions contemplated and authorized by this Agreement and the Sale Agreement. Without limiting the generality of the foregoing, the Seller shall not create, incur, guarantee, assume or suffer to exist any indebtedness or other liabilities, whether direct or contingent, other than:

- (i) as a result of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business,
- (ii) the incurrence of obligations under this Agreement,
- (iii) the incurrence of obligations, as expressly contemplated in the Sale Agreement, to make payment to the applicable Originator thereunder for the purchase of Receivables from such Originator under the Sale Agreement, and
- (iv) the incurrence of operating expenses in the ordinary course of business of the type otherwise contemplated in Section 5.1(k) of this Agreement.

In the event the Seller shall at any time borrow a "Revolving Loan" under the Sale Agreement, the obligations of the Seller in connection therewith shall be subordinated to the obligations of the Seller to the Purchasers and the Agents under this Agreement, on such terms as shall be satisfactory to the Administrative Agent.

(f) Amendments to Sale Agreement. The Seller shall not, without the prior written consent of the Agents:

- (i) cancel or terminate the Sale Agreement,
- (ii) give any consent to or waiver of (or take any action having the same effect on) any provision of the Sale Agreement,

- (iii) waive any default, action, omission or breach under the Sale Agreement, or otherwise grant any indulgence thereunder, or
- (iv) amend, supplement or otherwise modify any of the terms of the Sale Agreement.

(g) Amendments to Corporate Documents. The Seller shall not amend its Certificate of Incorporation or By-Laws in any respect that would impair its ability to comply with the terms or provisions of any of the Transaction Documents, including, without limitation, Section 5.1(k) of this Agreement.

(h) Merger. The Seller shall not merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions, and except as otherwise contemplated herein) all or substantially all of its assets (whether now owned or hereafter acquired) to, or acquire all or substantially all of the assets of, any Person.

(i) Restricted Junior Payments. The Seller shall not make any Restricted Junior Payment if a Servicer Default or Potential Servicer Default exists or would result therefrom.

ARTICLE VI ADMINISTRATION AND COLLECTION

Section 6.1. Designation of Servicer.

(a) The servicing, administration and collection of the Receivables shall be conducted by such Person (the “**Servicer**”) so designated from time to time in accordance with this Section 6.1. The Seller is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer pursuant to the terms of this Agreement. The Co-Agents may at any time designate as Servicer any Person to succeed the Seller or any successor Servicer.

(b) The Seller is permitted to delegate, and the Seller hereby advises the Purchasers and the Agents that it has delegated, to each of the Originators, as subservicers of the Servicer, certain of its duties and responsibilities as Servicer hereunder in respect of the Receivables transferred by such Originator to the Seller. Notwithstanding the foregoing, (i) the Seller shall be and remain primarily liable to the Agents and the Purchasers for the full and prompt performance of all duties and responsibilities of the Servicer hereunder and (ii) the Agents and the Purchasers shall be entitled to deal exclusively with the Seller in matters relating to the discharge by the Servicer of its duties and responsibilities hereunder, and the Agents and the Purchasers shall not be required to give notice, demand or other communication to any Person other than the Seller in order for communication to the Servicer and its subservicer or other delegate in respect thereof to be accomplished. The Seller, at all times that it is the Servicer, shall be responsible for providing its subservicer or other delegate with any notice given under this Agreement.

(c) Without the prior written consent of both of the Co-Agents, (i) the Seller shall not be permitted to delegate any of its duties or responsibilities as Servicer to any Person other than each Originator, and then such delegation shall be limited to the activities of Servicer hereunder as the same may relate to the Receivables originated by such Originator, and (ii) no

Originator shall be permitted to further delegate to any other Person any of the duties or responsibilities of the Servicer delegated to it by the Seller. If at any time the Co-Agents shall designate as Servicer any Person other than the Seller, all duties and responsibilities theretofore delegated by the Seller to the Originators may, at the discretion of the Co-Agents, be terminated forthwith on notice given by the Co-Agents to the Seller.

Section 6.2. Duties of Servicer.

(a) The Servicer shall take or cause to be taken all such actions as may be necessary or advisable to collect each Receivable from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the applicable Invoices and the Credit and Collection Policy.

(b) The Servicer shall administer the Collections in accordance with the procedures described herein and in Article I. The Servicer shall set aside and hold in trust for the account of the Seller and the Purchasers their respective shares of the Collections of Receivables in accordance with Sections 1.5.2 and 1.5.3. The Servicer shall upon the request of the Administrative Agent after the occurrence of the Amortization Date, segregate, in a manner acceptable to the Administrative Agent, all cash, checks and other instruments received by it from time to time constituting Collections from the general funds of the Servicer or the Seller prior to the remittance thereof in accordance with Section 1.5. If the Servicer shall be required to segregate Collections pursuant to the preceding sentence, the Servicer shall segregate and deposit with a bank designated by the Administrative Agent such allocable share of Collections of Receivables set aside for the Purchasers on the first Business Day following receipt by the Servicer of such Collections, duly endorsed or with duly executed instruments of transfer.

(c) The Servicer, may, in accordance with the Credit and Collection Policy, extend the maturity of any Receivable or adjust the Outstanding Balance of any Receivable as the Servicer may determine to be appropriate to maximize Collections thereof; **provided, however**, that such extension or adjustment shall not alter the status of such Receivable as a Delinquent Receivable or Defaulted Receivable or limit the rights of the Agents or the Purchasers under this Agreement. Notwithstanding anything to the contrary contained herein, from and after the occurrence of a Servicer Default, the Co-Agents shall have the absolute and unlimited right to direct the Servicer to commence or settle any legal action with respect to any Receivable or to foreclose upon or repossess any Related Security.

(d) The Servicer shall hold in trust for the Seller and the Purchasers, in accordance with their respective interests in the Receivables, all Records that evidence or relate to the Receivables, the related Invoices and Related Security or that are otherwise necessary or desirable to collect the Receivables and shall, as soon as practicable upon demand of the Administrative Agent, deliver or make available to the Administrative Agent all such Records, (x) if such demand is made at any time prior to the replacement of the Seller as Servicer hereunder, at the chief executive office of each Originator and (y) if such demand is made at any time after the replacement of the Seller as Servicer hereunder, to such location as the Administrative Agent may designate in writing. The Servicer shall, as soon as practicable following receipt thereof, turn over to the Seller (i) that portion of Collections of Receivables representing the Seller's undivided fractional ownership interest therein, less, in the event the

Seller is not the Servicer, all reasonable out-of-pocket costs and expenses of the Servicer of servicing, administering and collecting the Receivables, and (ii) any cash collections or other cash proceeds received with respect to indebtedness not constituting Receivables. The Servicer shall, from time to time at the request of any Purchaser, furnish to the Purchasers (promptly after any such request) a calculation of the amounts set aside for the Purchasers pursuant to Section 1.5.

(e) Any payment by an Obligor in respect of any indebtedness owed by it to the Seller shall, except as otherwise specified by such Obligor or otherwise required by contract or law and unless otherwise instructed by the Administrative Agent, be applied as a Collection of any Receivable of such Obligor (starting with the oldest such Receivable) to the extent of any amounts then due and payable thereunder before being applied to any other receivable or other obligation of such Obligor.

Section 6.3. Collection Notices. The Administrative Agent is authorized at any time to date and to deliver to the Collection Banks a Collection Notice under any Collection Account Agreement. The Seller hereby transfers to the Administrative Agent for the benefit of the Groups, effective when the Administrative Agent (at the direction of either Co-Agent) delivers such notice, the exclusive ownership and control of the Collection Accounts. In case any authorized signatory of the Seller whose signature appears on a Collection Account Agreement shall cease to have such authority before the delivery of such notice, such Collection Notice shall nevertheless be valid as if such authority had remained in force. The Seller hereby authorizes the Administrative Agent, and agrees that the Administrative Agent shall be entitled to (i) endorse the Seller's name on checks and other instruments representing Collections, (ii) enforce the Receivables, the related Invoices and the Related Security and (iii) take such action as shall be necessary or desirable to cause all cash, checks and other instruments constituting Collections of Receivables to come into the possession of the Administrative Agent rather than the Seller.

Section 6.4. Responsibilities of the Seller. Anything herein to the contrary notwithstanding, the exercise by the Agents and the Purchasers of their rights hereunder shall not release the Servicer or the Seller from any of their duties or obligations with respect to any Receivables or under the related Invoices. The Purchasers shall have no obligation or liability with respect to any Receivables or related Invoices, nor shall any of them be obligated to perform the obligations of the Seller.

Section 6.5. Reports. On the 15th day of each month (or, if such date is not a Business Day, the next following Business Day), and at such other times as any Agent shall request, the Servicer shall prepare and forward to the Agents a Monthly Report, **provided** that during an Asynchronous Accounting Period, the Monthly Report to be delivered during the months of September and October shall be due on the 22nd day of such months (or, if such date is not a Business Day, the next following Business Day) instead of the 15th day. Promptly following any request therefor by any Agent, the Seller shall prepare and provide to the Agents a listing by Obligor of all Receivables together with an aging of such Receivables.

ARTICLE VII
SERVICER DEFAULTS

Section 7.1. Servicer Defaults. The occurrence of any one or more of the following events shall constitute a Servicer Default:

(a) The Servicer or the Seller shall fail (i) to make when due any payment or deposit required hereunder, or (ii) to perform or observe any term, covenant or agreement hereunder (other than as referred to in clause (i) of this paragraph (a)) and such failure shall remain unremedied for five (5) Business Days following the earlier to occur of (A) written notice thereof by any Agent to the Servicer or the Seller, as applicable, or (B) the Servicer's or the Seller's actual knowledge of such failure.

(b) Any representation, warranty, certification or statement made by the Seller, the Servicer or an Originator in this Agreement, any other Transaction Document or in any other document delivered pursuant hereto shall prove to have been incorrect in any material respect when made or deemed made.

(c) (i) The Seller or the Servicer shall generally not pay its debts as such debts become due or shall admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Seller or the Servicer seeking to adjudicate it bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or any substantial part of its property, or (ii) the Seller or any Servicer shall take any corporate action to authorize any of the actions set forth in clause (i) above in this subsection (c).

(d) As at the end of any Calculation Period:

(i) the average of the Delinquency Ratios for each of the three consecutive Calculation Periods then most recently ended shall exceed 2.50%;

(ii) the average of the Dilution Ratios for each of the three consecutive Calculation Periods then most recently ended shall exceed 8.25%; or

(iii) the average of the Default Ratios for each of the three consecutive Calculation Periods then most recently ended shall exceed 2.50%.

(e) Any Originator (i) shall fail to perform or observe any term, covenant or agreement contained in any other Transaction Document, or (ii) shall for any reason cease to transfer, or cease to have the legal capacity or otherwise be incapable of transferring, Receivables to the Seller, as purchaser under the Sale Agreement, or any "Event of Default" or "Potential Event of Default" shall occur under the Sale Agreement.

(f) The aggregate Receivable Interests hereunder shall at any time exceed 100%.

(g) A Change of Control shall occur.

(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.

(i) Any Level II Trigger Event shall occur.

ARTICLE VIII INDEMNIFICATION

Section 8.1. Indemnities by the Seller. Without limiting any other rights which any Agent or any Purchaser may have hereunder or under applicable law, the Seller hereby agrees to indemnify each of the Agents and the Purchasers and their respective officers, directors, agents and employees (each, an “**Indemnified Party**”) from and against any and all damages, losses, claims, taxes, liabilities, costs, expenses and for all other amounts payable, including reasonable attorneys’ fees (which attorneys may be employees of an Agent or such Purchaser) and disbursements (all of the foregoing being collectively referred to as “**Indemnified Amounts**”) awarded against or incurred by any of them arising out of or as a result of this Agreement or the acquisition, either directly or indirectly, by a Purchaser of an interest in the Receivables, excluding, however:

(a) Indemnified Amounts to the extent final judgment of a court of competent jurisdiction holds such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of the Indemnified Party seeking indemnification;

(b) Indemnified Amounts to the extent the same includes losses in respect of Receivables which are uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor; or

(c) taxes imposed by the jurisdiction in which such Indemnified Party’s principal executive office is located, on or measured by the overall net income of such Indemnified Party to the extent that the computation of such taxes is consistent with the Intended Characterization;

provided, however, that nothing contained in this sentence shall limit the liability of the Seller or the Servicer or limit the recourse of the Purchasers to the Seller or Servicer for amounts otherwise specifically provided to be paid by the Seller or the Servicer under the terms of this Agreement. Without limiting the generality of the foregoing indemnification, the Seller shall

indemnify the Agents and the Purchasers for Indemnified Amounts (including, without limitation, losses in respect of uncollectible receivables, regardless of whether reimbursement therefor would constitute recourse to the Seller or the Servicer) relating to or resulting from:

(i) any representation or warranty made by the Seller, an Originator or the Servicer (or any officers of the Seller, an Originator or the Servicer) under or in connection with this Agreement, any other Transaction Document, any Monthly Report or any other information or report delivered by the Seller, an Originator or the Servicer pursuant hereto or thereto, which shall have been false or incorrect when made or deemed made;

(ii) the failure by the Seller, an Originator or the Servicer to comply with any applicable law, rule or regulation with respect to any Receivable or Invoice related thereto, or the nonconformity of any Receivable or Invoice included therein with any such applicable law, rule or regulation;

(iii) any failure of the Seller, an Originator or the Servicer to perform its duties or obligations in accordance with the provisions of this Agreement or any other Transaction Document;

(iv) any products liability or similar claim arising out of or in connection with merchandise, insurance or services which are the subject of any Invoice;

(v) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of any Obligor to the payment of any Receivable (including, without limitation, a defense based on such Receivable or the related Invoice not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or service related to such Receivable or the furnishing or failure to furnish such merchandise or services;

(vi) the commingling of Collections of Receivables at any time with other funds;

(vii) any investigation, litigation or proceeding related to or arising from this Agreement or any other Transaction Document, the transactions contemplated hereby or thereby, the use of the proceeds of a purchase, the ownership of the Receivable Interests or any other investigation, litigation or proceeding relating to the Seller or an Originator in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby or thereby;

(viii) any inability to litigate any claim against any Obligor in respect of any Receivable as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;

(ix) a Servicer Default described in Section 7.1(c);

(x) the failure to vest and maintain vested in the Administrative Agent, for the benefit of the Purchasers, or to transfer to the Administrative Agent for the benefit of the Purchasers, legal and equitable title to, and ownership of, a first priority perfected undivided percentage ownership (to the extent of the Receivable Interests contemplated hereunder) in the Receivables, the Related Security and the Collections, free and clear of any Adverse Claim; or

(xi) any failure of the Seller to give reasonably equivalent value to the applicable Originator under the Sale Agreement in consideration of the transfer by such Originator of any Receivable, or any attempt by any Person to void any such transfer under statutory provisions or common law or equitable action, including, without limitation, any provision of the Bankruptcy Code.

Section 8.2. Increased Cost and Reduced Return.

(a) If after the date hereof, any Funding Source shall be charged any fee, expense or increased cost on account of the adoption of any applicable law, rule or regulation (including any applicable law, rule or regulation regarding capital adequacy), any accounting principles or any change therein in any of the foregoing, or any change in the interpretation or administration thereof by the Financial Accounting Standards Board ("**FASB**"), any governmental authority, any central bank or any comparable agency charged with the interpretation or administration thereof, or compliance with any request or directive (whether or not having the force of law) of any such authority or agency (a "**Regulatory Change**"): (i) which subjects any Funding Source to any charge or withholding on or with respect to any Funding Agreement or a Funding Source's obligations under a Funding Agreement, or on or with respect to the Receivables, or changes the basis of taxation of payments to any Funding Source of any amounts payable under any Funding Agreement (except for changes in the rate of tax on the overall net income of a Funding Source) or (ii) which imposes, modifies or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of a Funding Source, or credit extended by a Funding Source pursuant to a Funding Agreement or (iii) which imposes any other condition the result of which is to increase the cost to a Funding Source of performing its obligations under a Funding Agreement, or to reduce the rate of return on a Funding Source's capital as a consequence of its obligations under a Funding Agreement, or to reduce the amount of any sum received or receivable by a Funding Source under a Funding Agreement or to require any payment calculated by reference to the amount of interests or loans held or interest received by it, then, upon demand by the applicable Co-Agent, the Seller shall pay to such Co-Agent, for the benefit of the relevant Funding Source, such amounts charged to such Funding Source or compensate such Funding Source for such reduction. For the avoidance of doubt, if FASB Interpretation No. 46, or any other change in accounting standards or the issuance of any other pronouncement, release or interpretation, causes or requires the consolidation of all or a portion of the assets and liabilities of any Conduit or the Seller with the assets and liabilities of any Agent, any Person or any other Funding Source, such event shall constitute a circumstance on which such Funding Source may base a claim for reimbursement under this Section.

(b) Payment of any sum pursuant to Section 8.2(a) shall be made by the Seller to the applicable Co-Agent, for the benefit of the relevant Funding Source, not later than ten (10)

days after any such demand is made. A certificate of any Funding Source, signed by an authorized officer claiming compensation under this Section 8.2 and setting forth the additional amount to be paid for its benefit and explaining the manner in which such amount was determined shall be conclusive evidence of the amount to be paid, absent manifest error.

Section 8.3. Costs and Expenses Relating to this Agreement. The Seller shall pay to the Agents on demand all costs and out-of-pocket expenses in connection with the preparation, execution, delivery and administration of this Agreement, the transactions contemplated hereby and the other documents to be delivered hereunder, including without limitation, the reasonable cost of the Agents' auditors auditing the books, records and procedures of the Seller, reasonable fees and out-of-pocket expenses of legal counsel for the Agents and the Purchasers (which such counsel may be employees of an Agent or a Purchaser) with respect thereto and with respect to advising the Agents and the Purchasers as to their respective rights and remedies under this Agreement. The Seller shall pay to the Agents on demand any and all reasonable costs and expenses of the Agents and the Purchasers, if any, including reasonable counsel fees and expenses in connection with the enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement or such documents, or the administration of this Agreement following a Servicer Default.

ARTICLE IX THE AGENTS

Section 9.1. Appointment.

(a) Each member of the Blue Ridge Group hereby irrevocably designates and appoints Wachovia Bank, National Association as Blue Ridge Agent hereunder and under the other Transaction Documents to which the Blue Ridge Agent is a party, and authorizes the Blue Ridge Agent to take such action on its behalf under the provisions of the Transaction Documents and to exercise such powers and perform such duties as are expressly delegated to the Blue Ridge Agent by the terms of the Transaction Documents, together with such other powers as are reasonably incidental thereto. Each member of the Falcon Group hereby irrevocably designates and appoints Bank One as Falcon Agent hereunder and under the other Transaction Documents to which the Falcon Agent is a party, and authorizes the Falcon Agent to take such action on its behalf under the provisions of the Transaction Documents and to exercise such powers and perform such duties as are expressly delegated to the Falcon Agent by the terms of the Transaction Documents, together with such other powers as are reasonably incidental thereto. Each of the Purchasers and the Co-Agents hereby irrevocably designates and appoints Bank One, NA (Main Office Chicago) as Administrative Agent hereunder and under the Transaction Documents to which the Administrative Agent is a party, and authorizes the Administrative Agent to take such action on its behalf under the provisions of the Transaction Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of the Transaction Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, none of the Agents shall have any duties or responsibilities, except those expressly set forth in the Transaction Documents to which it is a party, or any fiduciary relationship with any Purchaser, and no implied covenants, functions, responsibilities, duties, obligations or

liabilities on the part of such Agent shall be read into any Transaction Document or otherwise exist against such Agent.

(b) The provisions of this Article IX are solely for the benefit of the Agents and the Purchasers, and neither the Seller nor the Servicer shall have any rights as a third-party beneficiary or otherwise under any of the provisions of this Article IX, except that this Article IX shall not affect any obligations which any of the Agents or Purchasers may have to either the Seller or the Servicer under the other provisions of this Agreement.

(c) In performing its functions and duties hereunder, (i) the Blue Ridge Agent shall act solely as the agent of the members of the Blue Ridge Group and does not assume and shall not be deemed to have assumed any obligation or relationship of trust or agency with or for the Seller or the Servicer or any of their respective successors and assigns, (ii) the Falcon Agent shall act solely as the agent of the members of the Falcon Group and does not assume and shall not be deemed to have assumed any obligation or relationship of trust or agency with or for either the Seller or the Servicer or any of their respective successors and assigns, and (iii) the Administrative Agent shall act solely as the agent of the Co-Agents and the Purchasers and does not assume and shall not be deemed to have assumed any obligation or relationship of trust or agency with or for the Seller or the Servicer or any of their respective successors and assigns.

Section 9.2. Delegation of Duties. Each Agent may execute any of its duties under the applicable Transaction Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. No Agent shall be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

Section 9.3. Exculpatory Provisions. None of the Agents nor any of its directors, officers, agents or employees shall be (i) liable for any action lawfully taken or omitted to be taken by it or them or any Person described in Section 9.2 under or in connection with this Agreement (except for its, their or such Person's own bad faith, gross negligence or willful misconduct), or (ii) responsible in any manner to any of the Purchasers or other Agents for any recitals, statements, representations or warranties made by the Seller contained in this Agreement or in any certificate, report, statement or other document referred to or provided for in, or received under or in connection with, this Agreement or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other document furnished in connection herewith, or for any failure of either the Seller or the Servicer to perform its respective obligations hereunder, or for the satisfaction of any condition specified in Article IV, except receipt of items required to be delivered to such Agent. None of the Agents shall be under any obligation to any other Agent or any Purchaser to ascertain or to inquire as to the observance or performance of any of the agreements or covenants contained in, or conditions of, this Agreement, or to inspect the properties, books or records of the Seller or the Servicer. This Section 9.3 is intended solely to govern the relationship between the Agents, on the one hand, and the Purchasers, on the other.

Section 9.4. Reliance by Agents.

(a) Each of the Agents shall in all cases be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, telegram, telecopy or telex message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Seller or the Servicer), independent accountants and other experts selected by such Agent. Each of the Agents shall in all cases be fully justified in failing or refusing to take any action under this Agreement or any other document furnished in connection herewith unless it shall first receive such advice or concurrence of such of the members of its Group, as it shall determine to be appropriate under the relevant circumstances, or it shall first be indemnified to its satisfaction by the Committed Purchasers in its Group against any and all liability, cost and expense which may be incurred by it by reason of taking or continuing to take any such action.

(b) Any action taken by any of the Agents in accordance with Section 9.4(a) shall be binding upon all of the Agents and the Purchasers.

Section 9.5. Notice of Seller Defaults. None of the Agents shall be deemed to have knowledge or notice of the occurrence of any Servicer Default or Potential Servicer Default unless such Agent has received notice from another Agent, a Purchaser, the Seller or the Servicer referring to this Agreement, stating that a Servicer Default or Potential Servicer Default has occurred hereunder and describing such Servicer Default or Potential Servicer Default. In the event that any of the Agents receives such a notice, it shall promptly give notice thereof to the Purchasers and the other Agents. The Administrative Agent shall take such action with respect to such Servicer Default or Potential Servicer Default as shall be directed by either of the Co-Agents **provided that** the Administrative Agent is indemnified to its satisfaction by such Co-Agent and the Committed Purchasers in its Group against any and all liability, cost and expense which may be incurred by it by reason of taking any such action.

Section 9.6. Non-Reliance on Other Agents and Purchasers. Each of the Purchasers expressly acknowledges that none of the Agents, nor any of the Agents' respective officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by any of the Agents hereafter taken, including, without limitation, any review of the affairs of the Seller, the Servicer or the Originators, shall be deemed to constitute any representation or warranty by such Agent. Each of the Purchasers also represents and warrants to the Agents and the other Purchasers that it has, independently and without reliance upon any such Person (or any of their Affiliates) and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Seller, the Servicer and the Originators and made its own decision to enter into this Agreement. Each of the Purchasers also represents that it will, independently and without reliance upon the Agents or any other Purchaser, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, prospects, financial

and other condition and creditworthiness of the Seller, the Servicer and the Originators. The Agents, the Purchasers and their respective Affiliates, shall have no duty or responsibility to provide any party to this Agreement with any credit or other information concerning the business, operations, property, prospects, financial and other condition or creditworthiness of the Seller, the Servicer and the Originators which may come into the possession of such Person or any of its respective officers, directors, employees, agents, attorneys-in-fact or affiliates, except that each of the Agents shall promptly distribute to the other Agents and the Purchasers, copies of financial and other information expressly provided to it by either of the Seller or the Servicer pursuant to this Agreement.

Section 9.7. Indemnification of Agents. Each of the Committed Purchasers hereby agrees to indemnify (a) its applicable Co-Agent, (b) the Administrative Agent, and (c) the officers, directors, employees, representatives and agents of each of the foregoing (to the extent not reimbursed by the Seller or the Servicer and without limiting the obligation of the Seller or the Servicer to do so), ratably in accordance with their respective Commitments, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (including, without limitation, the reasonable fees and disbursements of counsel for such Co-Agent, the Administrative Agent or such Person in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not such Co-Agent or the Administrative Agent or such Person shall be designated a party thereto) that may at any time be imposed on, incurred by or asserted against such Co-Agent, the Administrative Agent or such Person as a result of, or arising out of, or in any way related to or by reason of, any of the transactions contemplated hereunder or the execution, delivery or performance of this Agreement or any other document furnished in connection herewith (but excluding any such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the bad faith, gross negligence or willful misconduct of such Co-Agent, the Administrative Agent or such Person as finally determined by a court of competent jurisdiction).

Section 9.8. Agents in their Individual Capacities. Each of the Agents in its individual capacity and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Seller, the Servicer, the Originators and their Affiliates as though such Agent were not an Agent hereunder. With respect to its Receivable Interests, if any, pursuant to this Agreement, each of the Agents shall have the same rights and powers under this Agreement as any Purchaser and may exercise the same as though it were not an Agent, and the terms "Committed Purchaser," "Committed Purchasers," "Purchaser" and "Purchasers" shall include each of the Agents in their individual capacities.

Section 9.9. UCC Filings. Each of the Co-Agents and the Purchasers hereby expressly recognizes and agrees that the Administrative Agent may be listed as the assignee or secured party of record on the various UCC filings required to be made under the Transaction Documents in order to perfect their respective interests in the Receivables, the Collections, each Collection Account and all Related Security, that such listing shall be for administrative convenience only in creating a record or nominee holder to take certain actions hereunder on behalf of the Groups and that such listing will not affect in any way the status of the Purchasers as the true parties in interest with respect to the collateral covered thereby. In addition, such

listing shall impose no duties on the Administrative Agent other than those expressly and specifically undertaken in accordance with this Article IX.

Section 9.10. Successor Agents. If any Agent or its holding company is merged with or into any other Person, such Agent may, upon five days' notice to the Seller and the other Agents, assign its rights and obligations hereunder to the survivor of such merger or any of its bank Affiliates, in each case, **provided that** both Standard & Poor's Ratings Group and Moody's Investors Service, Inc. have approved the proposed assignee as the successor administrator of such Agent's Conduit. After the effectiveness of any assigning Agent's assignment hereunder, the assigning Agent shall be discharged from its duties and obligations hereunder and under the other Transaction Documents and the provisions of this Article IX and Article VIII shall continue in effect for its benefit with respect to any actions taken or omitted to be taken by it while it was an Agent under this Agreement and under the other Transaction Documents.

ARTICLE X ASSIGNMENTS; PARTICIPATIONS

Section 10.1. Assignments.

(a) Each of the parties hereby agrees and consents to the complete or partial assignment by each Conduit of all or any portion of its rights under, interest in, title to and obligations under this Agreement to (i) its Committed Purchasers pursuant to its Liquidity Agreement, and (ii) another special purpose asset-backed commercial paper issuer administered by a Co-Agent or one of its Affiliates. Upon each such assignment pursuant to this Section 10.1(a), such Conduit shall be released from its obligations so assigned. Further, each of the other parties hereby agrees that any assignee of a Conduit of this Agreement or all or any of its Receivable Interests shall have all of the rights and benefits under this Agreement as if references to such Conduit or to a "Purchaser" explicitly referred to such assignee, and no such assignment shall in any way impair the rights and benefits of such Conduit hereunder.

(b) Any Committed Purchaser may at any time and from time to time assign to one or more Persons ("**Purchasing Committed Purchasers**") all or any part of its rights and obligations under this Agreement pursuant to an assignment agreement, in a form and substance satisfactory to the applicable Co-Agent (the "**Assignment Agreement**"), executed by such Purchasing Committed Purchaser and such selling Committed Purchaser. The consent of (i) the applicable Conduit and (ii) provided no Servicer Default or Potential Servicer Default exists and is continuing, the Seller (which consent of the Seller shall not be unreasonably withheld or delayed), shall be required prior to the effectiveness of any such assignment. Each assignee of a Committed Purchaser must have a short-term debt rating of A-1 or better by Standard & Poor's Ratings Group and P-1 by Moody's Investors Service, Inc. and must agree to deliver to the applicable Co-Agent, promptly following any request therefor by such Co-Agent or its Conduit, an enforceability opinion in form and substance satisfactory to such Co-Agent and Conduit. Upon delivery of the executed Assignment Agreement to the applicable Co-Agent, such selling Committed Purchaser shall be released from its obligations hereunder to the extent of such assignment. Thereafter the Purchasing Committed Purchaser shall for all purposes be a Committed Purchaser party to this Agreement and shall have all the rights and obligations of a Committed Purchaser under this Agreement to the same extent as if it were an original party

hereto and no further consent or action by the Seller, the Purchasers or the Agents shall be required.

(c) The Seller shall not have the right to assign its rights or obligations under this Agreement.

Section 10.2. Participations. Any Committed Purchaser may, in the ordinary course of its business at any time sell to one or more Persons (each, a “**Participant**”) participating interests in its Pro Rata Share of the Receivable Interests of the Committed Purchasers or any other interest of such Committed Purchaser hereunder. Notwithstanding any such sale by a Committed Purchaser of a participating interest to a Participant, such Committed Purchaser’s rights and obligations under this Agreement shall remain unchanged, such Committed Purchaser shall remain solely responsible for the performance of its obligations hereunder, and the Seller, the Conduits and the Agents shall continue to deal solely and directly with such Committed Purchaser in connection with such Committed Purchaser’s rights and obligations under this Agreement. Each Committed Purchaser agrees that any agreement between such Committed Purchaser and any such Participant in respect of such participating interest shall not restrict such Committed Purchaser’s right to agree to any amendment, supplement, waiver or modification to this Agreement, except for any amendment, supplement, waiver or modification described in clause (i) of Section 11.1(b).

ARTICLE XI MISCELLANEOUS

Section 11.1. Waivers and Amendments.

(a) No failure or delay on the part of any party hereto in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

(b) Except as set forth in Section 7.1(h), no provision of this Agreement may be amended, supplemented, modified or waived except in writing in accordance with the provisions of this Section 11.1(b). Each of the Co-Agents shall be responsible for determining what consents, if any, it must obtain from the members of its Group before entering into any amendment, supplement, modification or waiver of the Agreement. The Sellers and the Agents may enter into written modifications or waivers of any provisions of this Agreement, **provided, however**, that no such modification or waiver shall:

(i) without the consent of each affected Purchaser, (A) extend the Liquidity Termination Date or the date of any payment or deposit of Collections by the Seller or the Servicer, (B) reduce the rate or extend the time of payment of Discount (or any component thereof), (C) reduce any fee payable to any Agent for the benefit of the Purchasers, (D) except pursuant to Article X hereof, change the

amount of the Capital of any Purchaser, a Committed Purchaser's Pro Rata Share or a Committed Purchaser's Commitment, (E) amend, modify or waive any provision of the definition of Required Committed Purchasers or this Section 11.1(b), (F) consent to or permit the assignment or transfer by the Seller of any of its rights and obligations under this Agreement, (G) change the definition of "Eligible Receivable," "Discount Reserve," "Loss Reserve Percentage," "Aggregate Reserve Percentage" or "Default Ratio," or (H) amend or modify any defined term (or any defined term used directly or indirectly in such defined term) used in clauses (A) through (G) above in a manner which would circumvent the intention of the restrictions set forth in such clauses; or

(ii) without the written consent of the applicable Agent, amend, modify or waive any provision of this Agreement if the effect thereof is to affect the rights or duties of such Agent.

Notwithstanding the foregoing, without the consent of the Seller, the Agents may enter into amendments to modify any of the terms or provisions of Article IX, Article X (other than provisions requiring the consent of Seller to any assignment) or Section 11.13 **provided that** such amendment has no negative impact upon the Seller. Any modification or waiver made in accordance with this Section 11.1 shall apply to each of the Purchasers equally and shall be binding upon the Seller, the Servicer, the Purchasers and the Agents.

Section 11.2. Notices.

(a) Except as provided in subsection (b) below, all communications and notices provided for hereunder shall be in writing (including bank wire, telecopy or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or telecopy numbers set forth on the signature pages hereof. All such communications and notices shall, when mailed, telecopied, telegraphed, telexed or cabled, be effective when received through the mails, transmitted by telecopy, delivered to the telegraph company, confirmed by telex answerback or delivered to the cable company, respectively, except that communications and notices to any of the Agents or Purchasers pursuant to Article I shall not be effective until received by the intended recipient.

(b) The Seller hereby authorizes each of the Agents to effect purchases and Tranche Period and Discount Rate selections based on telephonic notices made by any Person whom such Agent in good faith believes to be acting on behalf of the Seller. The Seller agrees to deliver promptly to each applicable Agent a written confirmation of each telephonic notice signed by an authorized officer of the Seller. However, the absence of such confirmation shall not affect the validity of such notice. If the written confirmation differs from the action taken by any Agent, the records of such Agent shall govern absent manifest error.

Section 11.3. Ratable Payments. If any Purchaser, whether by setoff or otherwise, has payment made to it with respect to any portion of the Aggregate Unpaid owing to such Purchaser (other than payments received pursuant to Section 8.2 or 8.3) in a greater proportion than that received by any other Purchaser entitled to receive a ratable share of such Aggregate Unpaid, such Purchaser agrees, promptly upon demand, to purchase for cash without

recourse or warranty a portion of the Aggregate Unpaid held by the other Purchasers so that after such purchase each Purchaser will hold its ratable proportion of the Aggregate Unpaid; **provided that** if all or any portion of such excess amount is thereafter recovered from such Purchaser, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

Section 11.4. Protection of Ownership Interests of the Purchasers.

(a) The Seller agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary or desirable, or that any Agent may reasonably request, to perfect, protect or more fully evidence the Receivable Interests, or to enable the Administrative Agent, on behalf of the Groups, to exercise and enforce its rights and remedies hereunder. The Administrative Agent may, or the Administrative Agent may direct the Seller to, notify the Obligors of Receivables, at any time following the replacement of the Seller as Servicer and at the Seller's expense, of the ownership interests of the Purchasers under this Agreement and may also direct that payments of all amounts due or that become due under any or all Receivables be made directly to the Administrative Agent or its designee. The Seller shall, at any Purchaser's written request, withhold the identity of such Purchaser in any such notification.

(b) If the Seller or the Servicer fails to perform any of its obligations hereunder, any of the Agents may (but shall not be required to) perform, or cause performance of, such obligation; and such Agent's costs and expenses incurred in connection therewith shall be payable by the Seller (if the Servicer that fails to so perform is the Seller or an Affiliate thereof) as provided in Section 8.3, as applicable. The Seller and the Servicer each irrevocably authorizes the Administrative Agent at any time and from time to time in the sole discretion of the Administrative Agent, and appoints the Administrative Agent as its attorney-in-fact, to act on behalf of the Seller and the Servicer (i) to execute on behalf of the Seller as debtor (if required) and to file financing statements necessary or desirable in the Administrative Agent's sole discretion to perfect and to maintain the perfection and priority of the interest of the Administrative Agent, on behalf of the Groups, in the Receivables and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Receivables as a financing statement in such offices as the Administrative Agent in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the interests of the Purchasers in the Receivables. This appointment is coupled with an interest and is irrevocable.

Section 11.5. Confidentiality.

(a) The Seller shall maintain and shall cause each of its employees and officers to maintain the confidentiality of this Agreement and the other confidential proprietary information with respect to the Agents and the Conduits and their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that the Seller and its officers and employees may disclose such information to the Seller's external accountants and attorneys and as required by any applicable law or order of any judicial or administrative proceeding. In addition, the Seller may disclose any such nonpublic information pursuant to any law, rule, regulation, direction, request or order

of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

(b) Anything herein to the contrary notwithstanding, the Seller hereby consents to the disclosure of any nonpublic information with respect to it (i) to the Agents, the Committed Purchasers or the Conduits by each other, (ii) by the Agents or the Purchasers to any prospective or actual assignee or participant of any of them or (iii) by the Co-Agents to any rating agency, Commercial Paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to either of the Conduits or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which either of the Co-Agents acts as the administrator and to any officers, directors, employees, outside accountants and attorneys of any of the foregoing, provided each such Person is informed of the confidential nature of such information in a manner consistent with the practice of the applicable Agent for the making of such disclosures generally to Persons of such type. In addition, the Purchasers and the Agents may disclose any such nonpublic information pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

Section 11.6. Bankruptcy Petition. Each of the Seller, the Agents and the Committed Purchasers hereby covenants and agrees that, prior to the date which is one year and one day after the payment in full of all outstanding senior indebtedness of each of the Conduits, it will not institute against, or join any other Person in instituting against, such Conduit any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 11.7. Limitation of Liability. Except with respect to any claim arising out of the willful misconduct or gross negligence of any of the Agents or the Purchasers, no claim may be made by the Seller, the Servicer or any other Person against any of the Agents or Purchasers or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and the Seller hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

Section 11.8. CHOICE OF LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF NEW YORK.

Section 11.9. CONSENT TO JURISDICTION. THE SELLER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN THE BOROUGH OF MANHATTAN IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY THE SELLER PURSUANT TO THIS AGREEMENT AND THE SELLER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION

IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF ANY AGENT OR ANY PURCHASER TO BRING PROCEEDINGS AGAINST THE SELLER IN THE COURTS OF ANY OTHER JURISDICTION WHEREIN ANY ASSETS OF THE SELLER OR ANY ORIGINATOR MAY BE LOCATED. ANY JUDICIAL PROCEEDING BY THE SELLER AGAINST ANY AGENT OR PURCHASER OR ANY AFFILIATE OF ANY AGENT OR PURCHASER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY THE SELLER PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN THE BOROUGH OF MANHATTAN, STATE OF NEW YORK.

Section 11.10. WAIVER OF JURY TRIAL. EACH OF THE SELLER, THE AGENTS AND THE PURCHASERS HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, ANY DOCUMENT EXECUTED BY THE SELLER PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 11.11. Integration; Survival of Terms. This Agreement, the Sale Agreement, the Collection Account Agreements, the Liquidity Agreements and the Fee Letters contain the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof superseding all prior oral or written understandings. The provisions of Article VIII and Section 11.6 shall survive any termination of this Agreement.

Section 11.12. Counterparts; Severability. This Agreement 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 when taken together shall constitute one and the same Agreement. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 11.13. Co-Agent Roles.

(a) Each of the Falcon Committed Purchasers acknowledges that Bank One and certain of its Affiliates including Banc One Capital Markets, Inc. act, or may in the future act, (i) as administrative agent for Falcon, (ii) as issuing and paying agent for the Commercial Paper of Falcon, (iii) to provide credit or liquidity enhancement for the timely payment for the Commercial Paper of Falcon, and (iv) to provide other services from time to time for Falcon (collectively, the **"Bank One Roles"**). Without limiting the generality of this Section 11.13, each Bank One Committed Purchaser hereby acknowledges and consents to any and all Bank

One Roles and agrees that in connection with any Bank One Role, Bank One may take, or refrain from taking, any action which it, in its discretion, deems appropriate, including, without limitation, in its role as administrative agent for Falcon, the giving of notice of a purchase pursuant to the Falcon Liquidity Agreement.

(b) Each of the Blue Ridge Committed Purchasers acknowledges that Wachovia and certain of its Affiliates including (Wachovia Capital Markets, LLC.) act, or may in the future act, (i) as administrative agent for Blue Ridge, (ii) as issuing and paying agent for the Commercial Paper of Blue Ridge, (iii) to provide credit or liquidity enhancement for the timely payment for the Commercial Paper of Blue Ridge, and (iv) to provide other services from time to time for Blue Ridge (collectively, the “**Wachovia Roles**”). Without limiting the generality of this Section 11.13, each Blue Ridge Committed Purchaser hereby acknowledges and consents to any and all Wachovia Roles and agrees that in connection with any Wachovia Role, Wachovia may take, or refrain from taking, any action which it, in its discretion, deems appropriate, including, without limitation, in its role as administrative agent for Blue Ridge, the giving of notice of a purchase pursuant to the Blue Ridge Liquidity Agreement

Section 11.14. Characterization. It is the intention of the parties hereto that each purchase hereunder shall constitute an absolute and irrevocable sale for all purposes other than financial accounting purposes, which purchase shall provide the applicable Purchaser with the full benefits of ownership of the applicable Receivable Interest. Except as specifically provided in this Agreement, each sale of a Receivable Interest hereunder is made without recourse to the Seller; **provided, however**, that (i) the Seller shall be liable to each of the Purchasers and the Agents for all representations, warranties and covenants made by the Seller pursuant to the terms of this Agreement, and (ii) such sale does not constitute and is not intended to result in an assumption by any Purchaser or Agent or any assignee thereof of any obligation of the Seller or any Originator or any other person arising in connection with the Receivables, the Related Security, or the related Invoices, or any other obligations of the Seller or any Originator.

[signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

YELLOW ROADWAY RECEIVABLES
FUNDING CORPORATION

By: _____

Name:

Title:

Address for Notices:

Yellow Roadway Receivables Funding Corporation
10990 Roe Avenue
P.O. Box 7489
Overland Park, KS 66211
Attention: President
Phone: (913) 696-6125
Fax: (913) 323-9824

By: _____
Authorized Signatory

Address for Notices:

Falcon Asset Securitization Corporation
c/o Bank One, NA (Main Office Chicago)
Asset-Backed Finance
1 Bank One Plaza, IL1-1729
Chicago, Illinois 60670-1729
Attention: John Kuhns
Fax: (312) 732-3600

BLUE RIDGE ASSET FUNDING
CORPORATION

By: *WACHOVIA CAPITAL MARKETS, LLC, ITS
ATTORNEY-IN-FACT*

By: _____
Title:

Address for Notices:

Blue Ridge Asset Funding Corporation
301 S. College St.,
FLR TRW 10 NC0610
Charlotte, NC 28288-0610
Attention: Douglas R. Wilson, Sr.
Phone: (704) 374-2520
Fax: (704) 383-9579

With a copy to:

Blue Ridge Asset Funding Corporation
c/o AMACAR Group, L.L.C.
6525 Morrison Blvd., Suite 318
Charlotte, North Carolina 28211
Attention: Douglas K. Johnson
Phone: (704) 365-0569
Fax: (704) 365-1362

COMMITTED PURCHASERS:

PRO RATA SHARE
COMMITMENT FOR FALCON GROUP

\$200,000,000

100%

BANK ONE, NA as a Committed Purchaser, as
Falcon Agent and as Administrative Agent

By: _____

Title:

Address for notices:

Bank One, NA (Main Office Chicago)
Asset-Backed Finance
1 Bank One Plaza, IL1-1729
Chicago, Illinois 60670-1729
Attention: John Kuhns
Fax: (312) 732-3600

PRO RATA SHARE
COMMITMENT FOR BLUE RIDGE GROUP

\$100,000,000

100%

WACHOVIA BANK ONE, NATIONAL
ASSOCIATION, as a Committed Purchaser and as
Blue Ridge Agent

By: _____

Title:

Address for notices:

Wachovia Bank, National Association
191 Peachtree Street, N.E.
22nd Floor, Mail Stop GA-8088
Atlanta, Georgia 30303
Attention: Eero Maki
Fax: (404) 332-5275

\$300,000,000 PURCHASE LIMIT

**EXHIBIT I
DEFINITIONS**

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“Accrual Period” means each calendar month, **provided that** the initial Accrual Period hereunder means the period from (and including) the date of the initial purchase hereunder to (and including) the last day of the calendar month thereafter.

“Administrative Agent” has the meaning specified in the preamble to this Agreement.

“Adverse Claim” means a lien, security interest, charge or encumbrance, or other right or claim in, of or on any Person’s assets or properties in favor of any other Person.

“Affiliate” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with such Person or any Subsidiary of such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the other Person, whether through ownership of voting securities, by contract or otherwise. In addition, for purposes of the definitions of “Concentration Limit,” “Eligible Receivable” and “Net Receivables Balance,” a Person shall be deemed to control another Person if such Person owns more than 50% of any class of voting securities (or corresponding interest in the case of non-corporate entities) of the other Person.

“Agents” means the Co-Agents and the Administrative Agent, and **“Agent”** means any one of the foregoing.

“Aggregate Reduction” has the meaning specified in Section 1.3.

“Aggregate Reserve Percentage” means, on any date of determination, the sum of the Loss Reserve Percentage, the Discount Reserve Percentage, the Dilution Reserve Percentage and the Servicer Fee Percentage.

“Aggregate Unpays” means, at any time, an amount equal to the sum of all Capital and all other unpaid Obligations (whether due or accrued) at such time.

“Agreement” means this Amended and Restated Receivables Purchase Agreement, as it may be amended or modified and in effect from time to time.

“Amortization Date” means the earliest to occur of (i) the day on which any of the conditions precedent set forth in Section 4.2 are not satisfied, (ii) the Business Day immediately prior to the occurrence of a Servicer Default set forth in Section 7.1(c), (iii) the Business Day specified in a written notice from the Administrative Agent following the occurrence of any other Servicer Default, and (iv) the date which is 30 Business Days after the

Co-Agents' receipt of written notice from Seller that it wishes to terminate the facility evidenced by this Agreement.

"Applicable Margin" means "Applicable Margin" (as defined in the Yellow Credit Agreement).

"Asynchronous Accounting Period" means any period during which Roadway Express, Inc. employs accounting periods, generally 4 calendar weeks in length, established according to a 13-period annual accounting calendar.

"Bank One" has the meaning set forth in the preamble to this Agreement.

"Base Rate" means, with respect to each Group, a rate per annum equal to the sum of (a) the higher of (i) the corporate base rate, prime rate or base rate of interest, as applicable, announced by such Group's Reference Bank from time to time, changing when and as such rate changes, and (ii) ½ of 1% above the Federal Funds Effective Rate, changing when and as such rate changes, plus (b) the Applicable Margin for "Revolving Loans" maintained as "Base Rate Loans" (in each case, as defined in the Yellow Credit Agreement).

"Blue Ridge" has the meaning set forth in the preamble to this Agreement.

"Blue Ridge Agent" has the meaning set forth in the preamble to this Agreement.

"Blue Ridge Committed Purchaser" means Wachovia in its individual capacity and its successors and assigns.

"Blue Ridge Fee Letter" means the fee letter dated as of May 21, 2004 by and between the Blue Ridge Agent and the Seller, as the same may be amended, restated or otherwise modified from time to time.

"Blue Ridge Group" means, collectively, Blue Ridge, the Blue Ridge Agent and the Blue Ridge Committed Purchasers.

"Blue Ridge Liquidity Agreement" means the liquidity asset purchase agreement dated as of May 21, 2004 by and among Blue Ridge, the Blue Ridge Agent and the Blue Ridge Committed Purchasers, as the same may be amended, restated or otherwise modified from time to time.

"Broken Funding Costs" means for any Receivable Interest which: (i) has its Capital reduced without compliance by the Seller with the notice requirements hereunder or (ii) does not become subject to an Aggregate Reduction following the delivery of any Reduction Notice or (iii) is assigned under Article II or terminated prior to the date on which it was originally scheduled to end; an amount equal to the excess, if any, of (A) the CP Costs or Discount (as applicable) that would have accrued during the remainder of the Tranche Periods or the tranche periods for Commercial Paper determined by the applicable Co-Agent to relate to such Receivable Interest (as applicable) subsequent to the date of such reduction, assignment or termination (or in respect of clause (ii) above, the date such Aggregate Reduction was designated to occur pursuant to the Reduction Notice) of the Capital of such Receivable Interest if such

reduction, assignment or termination had not occurred or such Reduction Notice had not been delivered, over (B) the sum of (x) to the extent all or a portion of such Capital is allocated to another Receivable Interest, the amount of CP Costs or Discount actually accrued during the remainder of such period on such Capital for the new Receivable Interest, and (y) to the extent such Capital is not allocated to another Receivable Interest, the income, if any, actually received during the remainder of such period by the holder of such Receivable Interest from investing the portion of such Capital not so allocated. In the event that the amount referred to in clause (B) exceeds the amount referred to in clause (A), the relevant Purchaser or Purchasers agree to pay to the Seller the amount of such excess. All Broken Funding Costs shall be due and payable hereunder upon demand.

“Business Day” means any day on which banks are not authorized or required to close in New York, New York or Chicago, Illinois and The Depository Trust Company of New York is open for business, and, if the applicable Business Day relates to any computation or payment to be made with respect to the LIBOR Rate, any day on which dealings in dollar deposits are carried on in the London interbank market.

“Calculation Period” means, for the purposes of any calculation defined herein which references “Calculation Period”, (i) during an Asynchronous Accounting Period, (A) in the case of any amounts used in such calculation derived from or associated with Receivables originated by Yellow Transportation, Inc., the calendar month designated in the table below and (B) in the case of any amounts used in such calculation derived from or associated with Receivables originated by Roadway Express, Inc., the accounting period designated in the table below, **it being understood** that accounting period 8 and accounting period 9 shall be treated as a single accounting period by averaging such amounts derived from these two periods, **it being further understood** that “Calculation Period” is a collective term referring to both component periods as specified in (A) and (B) above and as indicated in the table below and the phrases “Calculation Period most recently ended” and “as of the last day of the Calculation Period most recently ended” refer collectively to both respective component periods or the last day of both respective component periods (as the case may be) as specified in (A) and (B) above and as indicated in the table below, or (ii) at all other times, each calendar month:

Calculation Period	Calendar Month	Accounting Period
1	January	Period 1
2	February	Period 2
3	March	Period 3
4	April	Period 4
5	May	Period 5
6	June	Period 6
7	July	Period 7
8	August	Average of Period 8 & Period 9
9	September	Period 9
10	October	Period 10
11	November	Period 11
12	December	Period 12

“Capital” of any Receivable Interest means, at any time, the Purchase Price of such Receivable Interest (and after giving effect to any adjustments contemplated in Section 1.5), minus the sum of the aggregate amount of Collections and other payments received by the applicable Co-Agent which in each case are applied to reduce such Capital in accordance with the terms of this Agreement; **provided that** such Capital shall be restored in the amount of any Collections or other payments so received and applied if at any time the distribution of such Collections or payments are rescinded or must otherwise be returned or refunded for any reason.

“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 an Originator shall cease for any reason to constitute a majority of the board of directors of an Originator; or (iii) an 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 each Originator on a fully diluted basis.

“Co-Agent” has the meaning set forth in the preamble to this Agreement.

“Collection Account” means each concentration account, depositary account, lock-box account or similar account in which any Collections are collected or deposited.

“Collection Account Agreement” means, in the case of any actual or proposed Collection Account, an agreement with a Collection Bank in substantially the form of Exhibit V hereto or in such other form as may be approved by the Administrative Agent.

“Collection Bank” means, at any time, any of the banks or other financial institutions holding one or more Collection Accounts.

“Collection Notice” means a notice, in substantially the form of the Collection Notice contained in Exhibit V hereto, from the Administrative Agent to a Collection Bank.

“Collections” means, with respect to any Receivable, all cash collections and other cash proceeds in respect of such Receivable, including, without limitation, all cash proceeds of Related Security with respect to such Receivable.

“Commercial Paper” means promissory notes of a Conduit issued by such Conduit in the commercial paper market.

“Commitment” means, for each Committed Purchaser, the commitment of such Committed Purchaser to purchase its Pro Rata Share of Receivable Interests offered to its Group from the Seller, such Pro Rata Share not to exceed, in the aggregate, the amount set forth

opposite such Committed Purchaser's name on the signature pages of this Agreement, as such amount may be modified in accordance with the terms hereof.

"Committed Purchasers" means the Blue Ridge Committed Purchasers and the Falcon Committed Purchasers.

"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 any of the Agents reasonably believe(s) such threat is likely to be carried out, and

(ii) the Administrative 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 any of the Agents may, upon not less than three Business Days' notice to the Seller and the other Agents, cancel any Special Concentration Limit.

"CP Costs" means, for each day with respect to either Conduit, the sum of (i) discount accrued on such Conduit's Pooled Commercial Paper on such day, plus (ii) any and all accrued commissions in respect of such Conduit's placement agents and Commercial Paper dealers, and issuing and paying agent fees incurred, in respect of such Pooled Commercial Paper for such day, plus (iii) other costs associated with funding by such Conduit of small or odd-lot amounts with respect to all receivable purchase facilities which are funded by such Conduit's Pooled Commercial Paper for such day, minus (iv) any accrual of income net of expenses received on such day from investment of collections received under all receivable purchase facilities funded substantially with Pooled Commercial Paper of such Conduit, minus (v) any payment received on such day net of expenses in respect of Broken Funding Costs related to the prepayment of any Receivable Interest of such Conduit pursuant to the terms of any receivable purchase facilities funded substantially with Pooled Commercial Paper of such Conduit. In addition to the foregoing costs, if Seller shall request any Incremental Purchase during any

period of time determined by such Conduit's Co-Agent in its sole discretion to result in incrementally higher CP Costs applicable to such Incremental Purchase, such Conduit's Capital associated with any such Incremental Purchase shall, during such period, be deemed to be funded by such Conduit in a special pool (which may include capital associated with other receivable purchase facilities) for purposes of determining such additional CP Costs applicable only to such special pool and charged each day during such period against such Conduit's Capital.

"Credit and Collection Policy" means the Seller's credit and collection policies and practices relating to Invoices and Receivables existing on the date hereof and summarized in Exhibit VI hereto, as modified from time to time in accordance with this Agreement. It is understood that the Credit and Collection Policy of the Seller in respect of any Receivable shall be the credit and collection policies of the Originators thereof. To the extent any Originator shall not have comprehensively reduced to writing its credit and collection policies, the Credit and Collection Policy in respect of Receivables originated by such Originator shall be those credit and collection policies of such Originator in effect on the date hereof and disclosed to the Agents on or prior to the date hereof.

"Days Outstanding" means, at any time: (a) one-half of the sum of the beginning and ending Outstanding Balances of all Receivables during the Calculation Period most recently ended, multiplied by (b) the number of days in the Calculation Period most recently ended divided by the aggregate amount payable pursuant to Invoices generated during the Calculation Period most recently ended.

"Deemed Collections" means the aggregate of all amounts the Seller shall have been deemed to have received as a Collection of a Receivable. The Seller shall be deemed to have received: (A) a Collection of a Receivable in the amount of the reduction or cancellation if at any time the Outstanding Balance of any such Receivable is reduced or canceled either as a result of (x) any defective or rejected goods or services, any discount or any adjustment or otherwise by Seller (other than cash Collections on account of the Receivables) or (y) any setoff in respect of any claim by any Person (whether such claim arises out of the same or a related transaction or an unrelated transaction), and (B) a Collection in full of a Receivable if at any time any of the representations or warranties in Section 3.1 prove to have been untrue when made or deemed made with respect to any Receivable. The Seller hereby agrees to pay all Deemed Collections immediately to the Servicer for application in accordance with the terms and conditions hereof.

"Default Rate" means the sum of (i) the Base Rate plus (ii) 2.0% *per annum*.

"Default Ratio" means, at any time, a fraction (expressed as a percentage) having (a) a numerator equal to the sum of (i) the Outstanding Balance of all Receivables that remained outstanding 151 to 180 days after their respective initial invoice dates as of the last day of the Calculation Period most recently ended, plus (ii) the aggregate Outstanding Balance of Receivables that were written off as uncollectible during the Calculation Period most recently ended that, if not so written off, would have been outstanding not more than 150 days after their respective invoice dates, and (b) a denominator equal to the aggregate amount payable pursuant to Invoices generated five (5) Calculation Periods prior to the Calculation Period most recently ended.

“Defaulted Receivable” means a Receivable: (i) as to which any payment, or part thereof, remains unpaid for 151 days or more from the original invoice date for such payment; (ii) as to which the Obligor thereof has taken any action, or suffered any event to occur, of the type described in Section 7.1(c) (as if references to the Seller therein refer to such Obligor); (iii) as to which the Obligor thereof, if a natural person, is deceased; or (iv) which has been identified by the Seller as uncollectible.

“Deferred Revenue” means any Receivable which has been booked as an asset on the applicable Originator’s balance sheet (prior to giving effect to any sale or contribution of such Receivable by such Originator to the Seller) but as to which delivery of the underlying goods has not yet been completed in accordance with the Invoice or underlying purchase order.

“Delinquency Ratio” means, as of the last day of any calendar month, a percentage equal to (i) the aggregate Outstanding Balance of all Receivables that are then Delinquent Receivables, divided by (ii) the aggregate Outstanding Balance of all Receivables as of such date.

“Delinquent Receivable” means a Receivable (other than a Defaulted Receivable) as to which any payment, or part thereof, remains unpaid for 121 days or more but less than 151 days from the original invoice date for such payment.

“Dilution Horizon Ratio” means, on any date of determination: (i) the aggregate amount of Receivables generated during the Calculation Period then most recently ended, divided by (ii) the Net Receivables Balance on such date.

“Dilution Ratio” means, as of the last day of any calendar Calculation Period, a percentage equal to (i) the aggregate amount of Dilutions which occurred during such Calculation Period, divided by (ii) the aggregate amount of Receivables generated by the Originators during the Calculation Period immediately prior to such Calculation Period.

“Dilution Reserve” means, on any date, an amount equal to (i) the Dilution Reserve Percentage, multiplied by (ii) the Net Receivables Balance as of the opening of business of the Servicer on such date.

“Dilution Reserve Percentage” means, on any date of determination, the greater of (i) the Dilution Reserve Percentage Floor and (ii) the percentage determined pursuant to the following formula:

$$\{(2.00 \times ED) + [(DS - ED) \times (DS/ED)]\} \times DHR$$

where:

ED = the Expected Dilution on such date;

DS = the Dilution Spike as of such date; and

DHR = the Dilution Horizon Ratio on such date.

“Dilution Reserve Percentage Floor” means 6%.

“Dilution Spike” means, on any date of determination, the highest Dilution Ratio for any Calculation Period during the 12 Calculation Periods then most recently ended.

“Dilutions” means, at any time, the aggregate amount of reductions in or cancellations of the Outstanding Balances of the Receivables described in clauses (A)(x) and (A)(y) of the definition of “Deemed Collections.”

“Discount” means for each respective Tranche Period relating to Receivable Interests of the Committed Purchasers, an amount equal to the product of the applicable Discount Rate for each Receivable Interest multiplied by the Capital of such Receivable Interest for each day elapsed during such Tranche Period, annualized on a 360 day basis.

“Discount Rate” means the LIBOR Rate or the Base Rate, as applicable, with respect to each Receivable Interest of the Committed Purchasers; **provided that** from and after the occurrence of a Servicer Default, the Discount Rate in respect of each Receivable Interest and Tranche Period shall be the Base Rate.

“Discount Reserve” means, on any date of determination, the amount determined pursuant to the following formula:

$$\{ (D + F) + [(C \times 1.5 \times DR) \times \frac{2 \times DSO}{360}] \}$$

where:

D = the accrued and unpaid Discount for all Receivable Interests of the Purchasers as of the date of determination;

F = the aggregate amount of accrued and unpaid Servicer Fees and other fees owing pursuant to the Fee Letter as of the date of determination;

C = the aggregate Capital outstanding as of the date of determination;

DR = the highest Discount Rate applicable on the date of determination; and

DSO = the Days Outstanding.

“Discount Reserve Percentage” means, on any date of determination, a percentage equal to (i) the Discount Reserve divided by (ii) the Net Receivables Balance.

“Eligible Receivable” means, at any time:

(i) a Receivable the Obligor of which (a) if a natural person, is a resident of the United States or, if a corporation or other business organization, is organized under the laws of the United States or any political subdivision thereof

and has its chief executive office in the United States, and (b) is not an Affiliate of any of the parties hereto,

(ii) a Receivable as to which no payment, or part thereof, remains unpaid for 120 days or more from the original invoice date, and such Receivable is not a Defaulted Receivable,

(iii) a Receivable which arises under an Invoice that requires payment within 60 days after the original invoice date therefor and has not had its payment terms extended,

(iv) a Receivable which is an "account" within the meaning of Section 9-106 of the UCC of all applicable jurisdictions,

(v) a Receivable which is denominated and payable only in United States dollars in the United States,

(vi) a Receivable which arises under an Invoice in substantially the form of one of the form invoices set forth on Exhibit VII hereto or otherwise approved by any Agent in writing, which, together with such Receivable, is in full force and effect and constitutes the legal, valid and binding obligation of the related Obligor enforceable by the Seller and its assignees against such Obligor in accordance with its terms,

(vii) a Receivable which arises under an Invoice which (a) does not require the Obligor under such Invoice to consent to the transfer, sale or assignment of the rights and duties of the applicable Originator or any of its assignees under such Invoice and (b) is not subject to a confidentiality provision that would have the effect of restricting the ability of any Agent or any Purchaser to exercise its rights under this Agreement, including, without limitation, its right to review the Invoice,

(viii) a Receivable which arises under an Invoice that contains an obligation to pay a specified sum of money,

(ix) a Receivable which is not subject to any right of rescission, counterclaim, any other defense (including defenses arising out of violations of usury laws) of the applicable Obligor or Originator or any other Adverse Claim,

(x) a Receivable as to which (A) at any time while any Labor Action is pending or threatened, the applicable Originator has satisfied and fully performed all obligations on its part with respect to such Receivable required to be fulfilled by it, and no further action is required to be performed by any Person with respect thereto other than payment thereon by the applicable Obligor, and (B) at any time while no such Labor Action is pending or threatened, a Receivable as to which the applicable Originator has commenced shipment of the underlying goods in accordance with the applicable Invoice or purchase order and no further action is required to be performed by any Person with respect thereto other than the

completion of shipment by such Originator and payment thereon by the applicable Obligor,

(xi) a Receivable all right, title and interest to and in which has been validly transferred by the applicable Originator directly to the Seller under and in accordance with the Sale Agreement, and the Seller has good and marketable title thereto free and clear of any Adverse Claim,

(xii) a Receivable which, together with the Invoice related thereto, was created in compliance with each, and does not breach any, law, rule or regulation applicable thereto (including, without limitation, any law, rule and regulation relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) and with respect to which no part of the Invoice related thereto is in violation of any such law, rule or regulation,

(xiii) a Receivable which satisfies all applicable requirements of the Credit and Collection Policy,

(xiv) a Receivable which was generated in the ordinary course of the applicable Originator's business in connection with the provision of shipping services for the applicable Obligor by such Originator,

(xv) that portion of a Receivable which arises solely from the sale of freight shipping and ancillary services to the related Obligor by the applicable Originator (and not that portion which arises from the provision of services by an interline carrier), and such Originator shall have transferred such Receivable to the Seller,

(xvi) a Receivable as to which the Administrative Agent has not notified the Seller that any Agent has determined that such Receivable or class of Receivables is not acceptable as an Eligible Receivable, including, without limitation, because such Receivable arises under an Invoice that is not acceptable to such Agent, and

(xvii) a Receivable the Obligor of which is not the Obligor (or the Affiliate of an Obligor) in respect of Receivables of which more than 50% of the aggregate Outstanding Balance is more than 120 days past their respective invoice dates.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Expected Dilution" means, on any date of determination, the average of the Dilution Ratios for the 12 Calculation Periods then most recently ended

"Facility Account" means the Seller's Account No. 55-66681 at Bank One.

“Falcon” has the meaning set forth in the preamble to this Agreement.

“Falcon Agent” has the meaning set forth in the preamble to this Agreement.

“Falcon Committed Purchaser” means Bank One in its individual capacity and its successors and assigns.

“Falcon Fee Letter” means the fee letter dated as of May 21, 2004 by and among the Administrative Agent, the Falcon Agent and the Seller, as the same may be amended, restated or otherwise modified from time to time.

“Falcon Group” means, collectively, Blue Ridge, the Blue Ridge Agent and the Blue Ridge Committed Purchasers.

“Falcon Liquidity Agreement” means the liquidity asset purchase agreement dated as of May 21, 2004 by and among Falcon, the Falcon Agent and the Falcon Committed Purchasers, as the same may be amended, restated or otherwise modified from time to time.

“Federal Funds Effective Rate” means, for any period, a fluctuating interest rate per annum equal for each day during such period equal to (i) the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York in the Composite Closing Quotations for U.S. Governments Securities; or (ii) if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:30 a.m. (Chicago time) for such day on such transactions received by the Reference Bank from three federal funds brokers of recognized standing selected by it.

“Fee Letter” means the Blue Ridge Fee Letter or the Falcon Fee Letter.

“Finance Charges” means, with respect to an Invoice, any finance, interest, late payment charges or similar charges owing by an Obligor pursuant to such Invoice.

“Funding Agreement” means, as to either Conduit, its Liquidity Agreement and any other agreement or instrument executed by any Funding Source with or for the benefit of such Conduit.

“Funding Source” means, as to either Conduit, (i) any of its Committed Purchasers or (ii) any insurance company, bank or other financial institution providing liquidity, credit enhancement or back-up purchase support or facilities to such Conduit.

“Government Receivable” means a Receivable as to which the Obligor is the United States federal government, any political subdivision thereof, or any agency of the foregoing.

“Group” means the Blue Ridge Group or the Falcon Group.

“Incremental Purchase” means a purchase of one or more Receivable Interests which increases the total outstanding Capital hereunder.

“Intended Characterization” means, for income tax purposes, the characterization of the acquisition by the Purchasers of Receivable Interests as a loan or loans by the Purchasers to the Seller secured by the Receivables, the Related Security, the Collection Accounts and the Collections.

“Invoice” means, collectively, with respect to any Receivable, any and all instruments, bills of lading, invoices or other writings which evidence such Receivable or the goods underlying such Receivable.

“Labor Actions” has the meaning set forth in Section 5.1(b)(vi).

“Level I Trigger Event” means the failure of Yellow Roadway Corporation to maintain a Total Leverage Ratio (as defined in the Yellow Credit Agreement as in effect on December 11, 2003) or a Consolidated Interest Coverage Ratio (as defined in the Yellow Credit Agreement as in effect on December 11, 2003) as set forth in the table below:

<u>TOTAL LEVERAGE RATIO</u>	<u>CONSOLIDATED INTEREST COVERAGE RATIO</u>
< 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 as in effect on 12/11/03) 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 as in effect on December 11, 2003) or a Consolidated Interest Coverage Ratio (as defined in the Yellow Credit Agreement as in effect on December 11, 2003) as set forth in the table below.

<u>TOTAL LEVERAGE RATIO</u>	<u>CONSOLIDATED INTEREST COVERAGE RATIO</u>
< 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	

“LIBOR Rate” means the rate per annum equal to the sum of (i)(a) the rate at which deposits in U.S. Dollars are offered by the Reference Bank to first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of the relevant Tranche Period, such deposits being in the approximate amount of the Capital of the Receivable Interest to be funded or maintained, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Tranche Period plus (ii) the Applicable Margin for “Revolving Loans” maintained as “Eurodollar Loans” (in each case, as defined in the Yellow Credit Agreement). The LIBOR Rate shall be rounded, if necessary, to the next higher 1/16 of 1%.

“Liquidity Agreement” means the Blue Ridge Liquidity Agreement or the Falcon Liquidity Agreement.

“Liquidity Termination Date” means May 20, 2005 (or if such date is not a Business Day, the next preceding Business Day).

“Loss Reserve Percentage” means, on any date of determination, the greater of (i) 12.0%, and (ii) the percentage equal to (a) 2.00, multiplied by (b) the highest of the past twelve rolling 3-Calculation Period average Default Ratios, multiplied by (c) a fraction having a numerator equal to the aggregate amount of Receivables generated during the preceding 4 Calculation Periods and denominator equal to the Net Receivables Balance on the date of determination.

“Mandatory Reduction Amount” has the meaning set forth in Section 1.5.6.

“Material Adverse Effect” means a material adverse effect on (i) the financial condition, business or operations of the Seller or any Originator, (ii) the ability of the Seller or any Originator to perform its obligations under any Transaction Document, (iii) the legality, validity or enforceability of this Agreement, any Transaction Document or any Collection Account Agreement or Collection Notice relating to a Collection Account into which a material portion of Collections are deposited, (iv) the Seller’s or any Purchaser’s interest in the Receivables generally or in any significant portion of the Receivables, the Related Security or the Collections with respect thereto, or (v) the collectibility of the Receivables generally or of any material portion of the Receivables.

“Monthly Report” means a report, in substantially the form of Exhibit VIII hereto (appropriately completed), furnished by the Servicer to the Agents pursuant to Section 6.5.

“Net Receivables Balance” means, at any time, the aggregate Outstanding Balance of all Eligible Receivables at such time, reduced by the aggregate amount by which the Outstanding Balance of all Eligible Receivables of each Obligor and its Affiliates exceeds the Concentration Limit for such Obligor.

“New Concentration Account” has the meaning set forth in Section 5.1(l).

“Obligations” shall have the meaning set forth in Section 1.5.1.

“Obligor” means a Person obligated to make payments pursuant to an Invoice.

“Originator” means either of (a) Yellow Transportation, Inc., an Indiana corporation, or (b) Roadway Express, Inc., a Delaware corporation.

“Outstanding Balance” of any Receivable at any time means the then outstanding principal balance thereof, and shall exclude any interest or finance charges thereon, without regard to whether any of the same shall have been capitalized.

“Percentage” means 66.66666667% for the Falcon Group and 33.33333333% for the Blue Ridge Group.

“Person” means an individual, partnership, corporation, limited liability company, association, trust, or any other entity, or organization, including a government or political subdivision or agent or instrumentality thereof.

“Pooled Commercial Paper” means Commercial Paper notes of a Conduit subject to any particular pooling arrangement by such Conduit, but excluding Commercial Paper issued by a Conduit for a tenor and in an amount specifically requested by any Person in connection with any agreement effected by such Conduit.

“Potential Servicer Default” means an event which, with the passage of time or the giving of notice, or both, would constitute a Servicer Default.

“Pro Rata Share” means, for each Committed Purchaser, the Commitment of such Committed Purchaser divided by its Group’s Percentage of the Purchase Limit, adjusted as necessary to give affect to the application of the terms of Section 2.5.

“Purchase” means an Incremental Purchase or a Reinvestment.

“Purchase Limit” means the aggregate of the Commitments of the Committed Purchasers hereunder (which aggregate amount is \$300,000,000 as of the date of this Agreement).

“Purchase Price” means, with respect to any Incremental Purchase, the least of:

- (a) the amount of Capital requested by the Seller in the applicable Purchase Notice,
- (b) the remaining unused portion of the Purchase Limit on the applicable purchase date, and
- (c) the maximum amount by which the aggregate outstanding Capital could be increased such that after giving effect to such increase in Capital, the

Net

Receivables Balance will equal or exceed the product of (i) the sum of 100% plus the Aggregate Reserve Percentage, times (ii) the aggregate outstanding Capital after giving effect to such Incremental Purchase.

“**Purchaser**” means a Conduit or a Committed Purchaser, as applicable.

“**Receivable**” means the indebtedness and other obligations owed (at the time it arises, and before giving effect to any transfer or conveyance contemplated under the Sale Agreement or hereunder) to an Originator, whether constituting an account, chattel paper, instrument or general intangible, arising in connection with the provision of freight shipping and ancillary services by such Originator and includes, without limitation, the obligation to pay any Finance Charges with respect thereto. Indebtedness and other rights and obligations arising from any one transaction, including, without limitation, indebtedness and other rights and obligations represented by an individual Invoice, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other rights and obligations arising from any other transaction.

“**Receivable Interest**” means, at any time, an undivided percentage ownership interest associated with a designated amount of Capital selected pursuant to the terms and conditions hereof in (i) each Receivable arising prior to the time of the most recent computation or recomputation of such undivided interest, (ii) all Related Security with respect to each such Receivable, and (iii) all Collections with respect to, and other proceeds of, each such Receivable. Such undivided percentage interest shall equal:

$$\frac{C}{NRB - (ARP \times NRB)}$$

where:

C = the Capital of such Receivable Interest.

ARP = the Aggregate Reserve Percentage.

NRB = the Net Receivables Balance.

Such undivided percentage ownership interest shall be initially computed on its date of purchase. Thereafter, until the Amortization Date, each Receivable Interest shall be automatically recomputed (or deemed to be recomputed) on each day prior to the Amortization Date. The variable percentage represented by any Receivable Interest as computed (or deemed recomputed) as of the close of the business day immediately preceding the Amortization Date shall remain constant at all times thereafter.

“**Records**” means, with respect to any Receivable, all Invoices and other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to such Receivable, any Related Security therefor and the related Obligor.

“**Reduction Notice**” has the meaning set forth in Section 1.3.

“**Reference Bank**” means, with respect to each Group at any time, the bank that is then acting as its Co-Agent.

“Reinvestment” has the meaning set forth in Section 1.5.2.

“Related Security” means, with respect to any Receivable:

- (i) all of the Seller’s interest in the goods, the shipment of which gave rise to such Receivable, and any and all insurance contracts with respect thereto,
- (ii) all other security interests or liens and property subject thereto from time to time, if any, purporting to secure payment of such Receivable, whether pursuant to the Invoice related to such Receivable or otherwise, together with all financing statements and security agreements describing any collateral securing such Receivable,
- (iii) all guaranties, insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable whether pursuant to the Invoice related to such Receivable or otherwise,
- (iv) all Records related to such Receivables,
- (v) all of the Seller’s right, title and interest in, to and under the Sale Agreement and each bill of lading, instrument, document or agreement executed in connection therewith in favor of or otherwise for the benefit of the Seller; and
- (vi) all proceeds of any of the foregoing.

“Required Notice Period” means the number of days required notice set forth below applicable to the Aggregate Reduction indicated below:

<u>Aggregate Reduction</u>	<u>Required Notice Period</u>
< or = \$100,000,000	two Business Days
> \$100,000,000	five Business Days

“Reserve Requirement” means the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed against the Reference Bank in respect of Eurocurrency liabilities, as defined in Regulation D of the Board of Governors of the Federal Reserve System as in effect from time to time.

“Restricted Junior Payment” means (i) any dividend or other distribution, direct or indirect, on account of any shares of any class of capital stock of the Seller now or hereafter outstanding, except a dividend payable solely in shares of that class of stock or in any junior class of stock to an Originator, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of capital stock of the Seller now or hereafter outstanding, (iii) any payment or prepayment of principal of, premium, if any, or interest, fees or other charges on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment and any claim for rescission with respect to the Indebtedness evidenced by the Subordinated Note (as defined in the Sale

Agreement), (iv) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of capital stock of the Seller now or hereafter outstanding, and (v) any payment of management fees by the Seller.

“**Sale Agreement**” means that certain Receivables Sale Agreement of even date herewith between the Seller, as purchaser, and the Originators, as sellers, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“**Section**” means a numbered section of this Agreement, unless another document is specifically referenced.

“**Seller**” has the meaning set forth in the preamble to this Agreement.

“**Servicer**” means at any time the Person (which may be one of the Agents) then authorized pursuant to Article VI to service, administer and collect Receivables.

“**Servicer Default**” has the meaning specified in Article VII.

“**Servicer Fee**” has the meaning specified in Section 1.9.

“**Servicer Fee Reserve**” means, on any date, an amount determined pursuant to the following formula:

$$\text{SFP} \times \text{NRB} \times \frac{2 \times \text{DSO}}{360}$$

where:

SFP = the Servicer Fee Percentage as of the date of determination;

NRB = the Net Receivables Balance as of the opening of business of the Servicer on such date; and

DSO = the Days Outstanding on such date of determination.

“**Servicer Fee Percentage**” means 2% or such other percentage as may be agreed upon between the Administrative Agent and the Servicer as an arms-length rate for the Servicer Fee.

“**Settlement Date**” means (A) except during an Asynchronous Accounting Period, the 20th day of each month (or, if any such day is not a Business Day, the next succeeding Business Day), (B) during an Asynchronous Accounting Period, the 24th day of the month following the last day of each such period (or, if any such day is not a Business Day, the next succeeding Business Day), and (C) the last day of the relevant Tranche Period in respect of each Receivable Interest of the Committed Purchasers.

“**Settlement Period**” means (A) in respect of each Receivable Interest of a Conduit, the immediately preceding Accrual Period, and (B) in respect of each Receivable

Interest of either Group's Committed Purchasers, the entire Tranche Period of such Receivable Interest.

"Subsidiary" of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, limited liability company, association, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of the Seller.

"Terminating Tranche" has the meaning set forth in Section 1.7.3(b).

"Tranche Period" means, with respect to any Receivable Interest held by a Committed Purchaser:

(a) if Discount for such Receivable Interest is calculated on the basis of the LIBOR Rate, a period of one, two, three or six months, or such other period as may be mutually agreeable to the applicable Co-Agent and Seller, commencing on a Business Day selected by Seller or the applicable Co-Agent pursuant to this Agreement. Such Tranche Period shall end on the day in the applicable succeeding calendar month which corresponds numerically to the beginning day of such Tranche Period, provided, however, that if there is no such numerically corresponding day in such succeeding month, such Tranche Period shall end on the last Business Day of such succeeding month; or

(b) if Discount for such Receivable Interest is calculated on the basis of the Base Rate, a period commencing on a Business Day selected by Seller and agreed to by the applicable Co-Agent, provided no such period shall exceed one month.

If any Tranche Period would end on a day which is not a Business Day, such Tranche Period shall end on the next succeeding Business Day, provided, however, that in the case of Tranche Periods corresponding to the LIBOR Rate, if such next succeeding Business Day falls in a new month, such Tranche Period shall end on the immediately preceding Business Day. In the case of any Tranche Period for any Receivable Interest of which commences before the Amortization Date and would otherwise end on a date occurring after the Amortization Date, such Tranche Period shall end on the Amortization Date. The duration of each Tranche Period which commences after the Amortization Date shall be of such duration as selected by the applicable Co-Agent.

"Transaction Documents" means, collectively, this Agreement, the Sale Agreement, the Fee Letters, the Liquidity Agreements, each Collections Notice and all other instruments, documents and agreements executed and delivered by the Seller or any Originator in connection herewith.

“*UCC*” means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

“*Wachovia*” has the meaning set forth in the preamble to this Agreement.

“*Yellow Credit Agreement*” has the meaning set forth in Section 7.1(h) of this Agreement.

All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9.

EXHIBIT II
CHIEF EXECUTIVE OFFICE OF THE SELLER; LOCATIONS OF RECORDS;
FEDERAL EMPLOYER IDENTIFICATION NUMBER AND ORGANIZATIONAL
IDENTIFICATION NUMBER

Chief Executive Office:

10990 Roe Avenue
Overland Park, KS 66211

Location of Records:

10990 Roe Avenue
Overland Park, KS 66211

Federal Employer Identification Number:

Yellow Roadway Receivables Funding Corporation: 71-0966967

Organizational Identification Number (Delaware):

Yellow Roadway Receivables Funding Corporation: 3794014

Trade Names and Assumed Names:

None (other than its corporate name, Yellow Roadway Receivables Funding Corporation)

**EXHIBIT III
 LOCKBOXES; COLLECTION ACCOUNTS;
 CONCENTRATION ACCOUNTS; AND DEPOSITARY ACCOUNTS**

<u>TYPE OF ACCT.</u>	<u>ACCOUNT #</u>	<u>BANK NAME</u>	<u>CITY, STATE</u>
YELLOW TRANSPORTATION, INC. (f/k/a YELLOW FREIGHT SYSTEM, INC.)			
Concentration	3750962424	Bank of America	Dallas, TX
YELLOW ROADWAY RECEIVABLES FUNDING CORPORATION, INC. • CHANGED FROM ROADWAY FUNDING, INC.			
Concentration / Lockbox	11-02227	Bank One	Chicago, IL
YELLOW ROADWAY RECEIVABLES FUNDING CORPORATION, INC. • CHANGED FROM ROADWAY EXPRESS, INC.			
ACH/Electronic Deposits	872035497	Bank One	Columbus, Ohio
Merchant Card	100160594	Bank One	Columbus,
YELLOW ROADWAY RECEIVABLES FUNDING CORPORATION, INC. • CHANGED FROM YELLOW RECEIVABLES CORPORATION			
Driver Collect	3750967393	Bank of America	Dallas, TX
Concentration / Lockbox	3751433761	Bank of America	Dallas, TX
Concentration / Lockbox	55-03450	Bank One	Chicago, IL
ACH & Electronic 820 Test	10-54816	Bank One	Chicago, IL
ACCOUNT CLOSED			
Collection	3750962356	Bank of America	Dallas, TX

EXHIBIT IV
FORM OF COMPLIANCE CERTIFICATE

To: Bank One, NA (Main Office Chicago), as Falcon Agent and as Administrative Agent Wachovia Bank, National Association, as Blue Ridge Agent

This Compliance Certificate is furnished pursuant to that certain Receivables Purchase Agreement dated as of May 21, 2004, among Yellow Roadway Receivables Funding Corporation (the "**Seller**"), the Purchasers party thereto, Wachovia Bank, National Association, as Blue Ridge Agent, and Bank One, NA (Main Office Chicago), as Falcon Agent and as Administrative Agent (the "**Agreement**").

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected _____ of the Seller;

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Seller and its Subsidiaries during the accounting period covered by the attached financial statements;

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Servicer Default or Potential Servicer Default, as each such term is defined under the Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate[, except as set forth below.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Seller has taken, is taking, or proposes to take with respect to each such condition or event:]

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this _____ day of _____.

SCHEDULE I TO COMPLIANCE CERTIFICATE

Schedule of Compliance with Section 7.1(i) of the Agreement. Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

This schedule relates to the month ended: _____

EXHIBIT V
FORM OF COLLECTION ACCOUNT AGREEMENT
COLLECTION ACCOUNT AGREEMENT

May 21, 2004

Bank One, NA
1 Bank One Plaza
Chicago, IL 60670
Attention: Cheryl M. Bell

Re: Yellow Roadway Receivables Funding Corporation

Ladies and Gentlemen:

You have exclusive control of the P.O. Boxes (each a "Lock-Box" and collectively, the "Lock-Boxes") and accounts (each an "Existing Account" and collectively, the "Existing Accounts") listed in Exhibit I for the purpose of receiving mail and/or processing payments pursuant to that certain lock-box services agreement (the "Agreement") dated June 1, 1994 between you and _____ (the "Customer"). You hereby confirm your agreement to perform the services described therein. Among the services you have agreed to perform therein is to endorse all checks and other evidences of payment, and credit such payments to an Existing Account maintained with you in the name of the Customer.

We understand that Bank One, NA (as the "Collection Bank") and Bank One National Processing Corporation ("BONPC") work together to provide services with respect to the Lock-Boxes. All references herein to "you" and "your" shall mean the Collection Bank and BONPC, as applicable.

Customer hereby transfers and assigns all of its right, title and interest in and to, and exclusive ownership and control over, the Lock-Boxes to Yellow Roadway Receivables Funding Corporation ("Seller"). Customer and Seller hereby request that from and after May 21, 2004, the Existing Accounts be re-titled in the name of Seller (so retitled, the "Collection Accounts") for the purposes of that certain Receivables Purchase Agreement (the "Receivables Purchase Agreement") dated as of May 21, 2004 among Seller, as seller, Falcon Asset Securitization Corporation, as a conduit, Blue Ridge Asset Funding Corporation, as a conduit, the financial institutions from time to time a party thereto, as committed purchasers, and Bank One, NA, as administrative agent (the "Agent").

Customer and Seller hereby irrevocably instruct you, and you hereby agree, that from the date hereof, you shall comply with instructions originated by the Agent, directing disposition of the funds in the Collection Accounts without further consent of the Customer or Seller. The Agent hereby authorizes you to take instructions from the Seller, on behalf of the Agent, with respect to

the funds delivered to the Lock-Boxes and/or on deposit in the Collection Accounts until such time as you receive notice from the Agent in the form attached hereto as Annex A.

We hereby irrevocably instruct you, and you hereby agree, that upon receiving notice from the Agent in the form attached hereto as Annex A: (i) the name of the Collection Accounts will be changed to "Bank One, NA, for itself and as agent" (or any designee of Bank One) and the Agent will have exclusive ownership of and access to such Collection Accounts, and neither we nor any of our affiliates will have any control of such Collection Accounts or any access thereto, (ii) you will either continue to send the funds from the Lock-Boxes to the Collection Accounts, or will redirect the funds as the Agent may otherwise request, (iii) you will transfer monies on deposit in the Collection Accounts, at any time, as directed by the Agent, (iv) all services to be performed by you under the Agreement will be performed on behalf of the Agent, and (v) all correspondence or other mail which you have agreed to send us will be sent to the Agent at the following address:

Bank One, NA, as Agent
Mail Code IL1-1729
1 Bank One Plaza
Chicago, Illinois 60670
Attention: Asset-Backed Finance

Moreover, upon such notice, the Agent will have all rights and remedies given to Customer or Seller under the Agreement. Each of Customer and Seller agrees, however, to continue to pay all fees and other assessments due thereunder at any time.

You hereby acknowledge that monies deposited in the Collection Accounts or any other account established with you by the Agent for the purpose of receiving funds from the Lock-Boxes are subject to the liens of the Agent for itself and as agent under the Receivables Purchase Agreement, and will not be subject to deduction, set-off, banker's lien or any other right you or any other party may have against Customer or Seller, except that you may debit the Collection Accounts for any items deposited therein that are returned or otherwise not collected and for all charges, fees, commissions and expenses incurred by you in providing services hereunder, all in accordance with your customary practices for the charge back of returned items and expenses.

You hereby agree that (i) you are a "bank" within the meaning of Section 9-102 of the Uniform Commercial Code as is in effect in the State of Illinois (the "UCC"), (ii) the Collection Accounts constitute "deposit accounts" within the meaning of Section 9-102 of the UCC and (iii) this letter agreement shall constitute an "authenticated record" for purposes of Section 9-104 of the UCC. The Customer and Seller hereby grant to and confer upon the Agent "control" of the Lock-Boxes and Collection Accounts as contemplated in Section 9-104 (and similar and related provisions) of the UCC.

You will be liable only for direct damages in the event you fail to exercise ordinary care. You shall be deemed to have exercised ordinary care if your action or failure to act is in conformity with general banking usages or is otherwise a commercially reasonable practice of the banking industry. You shall not be liable for any special, indirect or consequential damages, even if you have been advised of the possibility of these damages. You will not be liable for any failure to perform your obligations when the failure arises out of causes beyond your control,

including, without limitation, an act of a governmental regulatory/authority, an act of God, accident, equipment failure, labor disputes or system failure, provided you have exercised such diligence as the circumstances require.

Nothing in this Agreement, unless otherwise agreed in writing, or any course of dealing between you, the Customer, the Seller or the Agent, commits or obligates you to extend any overdraft or other credit to the Customer, the Seller or the Agent.

You or the Agent, upon thirty (30) days notice to the other parties, may terminate this Agreement. Any claim or cause of action of any party against any other relating to this Agreement which existed at the time such termination becomes effective shall survive the termination. All mail received after the date specified in such notice of termination (the "Termination Date") shall be returned by you to the Agent by first class mail or such other means mutually agreeable to you and the Agent, and all funds received in the Collection Accounts after the Termination Date shall be sent by you to an account specified by the Agent. Notwithstanding the foregoing, you acknowledge that monies deposited in the Collection Accounts after the Termination Date shall continue to be subject to the liens of the Agent for itself and as agent under the Receivables Purchase Agreement, and will not be subject to deduction, set-off, banker's lien or any other right you or any other party may have against Customer or Seller, except as otherwise provided in this letter agreement.

The Customer and Seller agree to indemnify you for, and hold you harmless from, all claims, damages, losses, liabilities and expenses, including legal fees and expenses, resulting from or with respect to this Agreement and the administration and maintenance of the Collection Accounts and the services provided hereunder, including, without limitation: (a) any action taken, or not taken, by you in regard thereto in accordance with the terms of this Agreement, (b) the breach of any representation or warranty made by the Seller pursuant to this Agreement, (c) any item, including, without limitation, any automated clearinghouse transaction, which is returned for any reason, and (d) any failure of the Seller to pay any invoice or charge to you for services in respect to this Agreement and the Collection Accounts or any amount owing to you from the Customer with respect thereto or to the service provided hereunder.

The parties acknowledge that you may assign or transfer your rights and obligations hereunder to a wholly-owned subsidiary of Bank One Corporation.

This letter agreement and the rights and obligations of the parties hereunder will be governed by and construed and interpreted in accordance with the laws of the State of Illinois. This letter agreement may be executed in any number of counterparts and all of such counterparts taken together will be deemed to constitute one and the same instrument.

This letter agreement contains the entire agreement between the parties, and may not be altered, modified, terminated or amended in any respect, nor may any right, power or privilege of any party hereunder be waived or released or discharged, except upon execution by all parties hereto of a written instrument so providing. In the event that any provision in this letter agreement is in conflict with, or inconsistent with, any provision of the Agreement, this letter agreement will exclusively govern and control. Each party agrees to take all actions

reasonably requested by any other party to carry out the purposes of this letter agreement or to preserve and protect the rights of each party hereunder.

Please indicate your agreement to the terms of this letter agreement by signing in the space provided below. This letter agreement will become effective immediately upon execution of a counterpart of this letter agreement by all parties hereto.

Very truly yours,

By: _____
Name: _____
Title: _____

YELLOW ROADWAY RECEIVABLES
FUNDING CORPORATION

By: _____
Name: _____
Title: _____

Acknowledged and agreed to
this ____ day of May, 2004:

BANK ONE, NA as Collection Bank

By: _____
Name: _____
Title: _____

BANK ONE, NA (MAIN OFFICE CHICAGO),
as Agent

By: _____
Name: _____
Title: _____

Lock-Boxes

Accounts

[ON LETTERHEAD OF THE AGENT]

[DATE]

[Collection Bank Name and Address]

Attention: _____

Re: [Seller]

Ladies and Gentlemen:

We hereby notify you that we are exercising our rights pursuant to that certain letter agreement among [Customer], [Seller], you and us, to have the name of, and to have exclusive ownership and control of, the accounts numbered _____ (the "Collection Accounts") maintained with you, transferred to "_____, as Agent." [The Collection Account will henceforth be a zero-balance account, and funds deposited in the Collection Account should be sent at the end of each day to _____]. You have further agreed to perform all other services you are performing under that certain agreement dated _____ between you and [Customer] on our behalf.

We appreciate your cooperation in this matter.

Very truly yours,

BANK ONE, NA, as Agent

By: _____

Name:

Title:

EXHIBIT VI
CREDIT AND COLLECTION POLICY

[See Exhibit IV to the Receivables Sale Agreement]

**EXHIBIT VII
FORM OF INVOICE(S)**

[attached]

**EXHIBIT VIII
FORM OF MONTHLY REPORT**

Yellow Roadway Receivables Funding Corporation

A. MONTHLY ACTIVITY

- a. Beginning Receivables Balance (Ending Receivables Balance from the previous period)
- b. New Invoices (Gross Sales)
- c. Cash Collections from Entire Portfolio
- d. Total Dilution
- e. Write-offs
- f. Other adjustments
- g. Ending Receivables Balance (a+b-c-d-e-f) _____
- h. Number of Days in the Month

B. ELIGIBLE RECEIVABLES

- a. Accounts with over 50% of unpaid balances > 121 days past date of invoice
- b. Due from foreign obligors
- c. Non-US Dollar denominated receivables
- d. Off - Bill Discounts
- e. Overcharge Claims
- f. Cargo Claims
- g. Unapplied Cash
- h. Due to Interlines
- i. Inter-company Receivables
- j. Receivables not already excluded > 121 days from date of invoice
- k. Current Receivables in Collection Dept
- l. Receivables with right of set-off (memo)
- m. Contra Balances (Potential Offsets: Lesser of Receivable or Payable)
- n. Miscellaneous
- o. Subtotal
- p. Eligible Receivables (A.h - B.o) _____

C. NET RECEIVABLES BALANCE

- a. U.S. Government (not to exceed 5% of B.p)
- b. Top Ten Obligor (no obligor to exceed 3% of B.p)
 - 1
 - 2
 - 3
 - 4
 - 5
 - 6
 - 7
 - 8
 - 9
 - 10

Outstandings Excess

Total Excess Concentration

- c. Proportional Deferred Revenue (not to exceed 15% of Eligible Receivables) _____
- d. Net Receivables Balance (B.p - C.a - C.b - C.c) _____

D.	SERVICER FEE RESERVE				
	a. Servicer Percentage				
	b. Days Outstanding $((A.a + A.g)/2 \times A.h/A.b)$				
	c. Servicer Fee Reserve Percentage $(a \times b \times 2 / 360)$				_____
E.	DISCOUNT RESERVE				
	a. Accrued and Unpaid Discount				
	b. Accrued and Unpaid Fees Pursuant to the Fee Letter and Servicer Fees				
	c. Capital outstanding at Month End				
	d. Highest Discount Rate on a Receivable Interest				
	e. Days Outstanding (See D.b)				
	f. Discount Reserve $((a + b + (c \times 1.5 \times d \times 2 \times e)/360)$				
	g. Discount Reserve Percentage $(f/C.d)$				_____
F.	DILUTION RESERVE Dilution				
		<u>Dilution</u>	<u>Sales 1 Mo Prior</u>	<u>Dilution Ratio</u>	
	a. Dilution Ratio is Dilution over Sales 1 Month Prior				
	b. Expected Dilution = Average of last 12 Dilution Ratios				
	c. Dilution Spike is Highest of the last 12 Dilution Ratios				
	d. Sales of Current Month				
	e. Dynamic Dilution Reserve Percentage $\{((2.00 \times b) + (c - b) \times (c/b)) \times d\}/C.d\}$				
	f. Dilution Reserve Percentage Floor				
	g. Dilution Reserve Percentage				_____
G.	LOSS RESERVE				
		<u>151 -180 Days Old</u>	<u>Write- Offs</u>	<u>Sales 5 Mos Prior</u>	<u>Default Ratio</u>
	a. Default Ratio is Receivables 151 - 180 days old plus Write-offs of less than 151 days old over				
	b. Highest of past 12 3-Month Rolling Average Default Ratios				
	c. Sales for most recent 4 Months				
	d. Dynamic Loss Reserve Percentage $((2.00 \times b \times c)/C.d)$				
	e. Loss Reserve Percentage Floor				
	f. Loss Reserve Percentage				_____
H.	AGGREGATE RESERVE PERCENTAGE				
	a. Sum of all Reserve % $(D.c + E.g + F.g + G.f)$				_____

		<u>121 -150 Days Old</u>	<u>Total Rec. Balance</u>	<u>Delinquency Ratio</u>		
I.	DELINQUENCY RATIO					
	Current Month					
	1 Month Ago					
	2 Months Ago					
a.	Average for most Recent 3 Months					
			<u>Current</u>	<u>Trigger</u>	<u>Default?</u>	
J.	SERVICER DEFAULT TRIGGERS					
a.	3-Month Average Delinquency Ratio (See I.a)			2.50%		
b.	3-Month Average Dilution Ratio (See Combined)			8.25%		
c.	3-Month Average Default Ratio (See Combined)			2.50%		
d.	Aggregate Receivables Interest ((E.c)/(C.d-H.c x C.d))			100.00%		
				<u> </u>		
K.	CAPITAL ADJUSTMENTS					
a.	Net Receivables Balance (See C.d)					
b.	Aggregate Reserve (H.a x K.a)					
	Maximum Supportable (a - b)					
	Facility Limit		300,000,000			
c.	Maximum Funding; Lesser of Facility Limit or Maximum Supportable					
d.	Capital outstanding (See E.c) at Month End					
	Falcon's Share					
	Blue Ridge's Share					
e.	Available Funding (c - d if positive)					
f.	Funding Shortfall Owed to Falcon (c - d if negative)					
g.	Capital as of most recent Report - prior month ending					
			<u> </u>			
h.	Capital Paydowns					
			<u> </u>			
i.	New Purchase Requested (no greater than K.e)					
			<u> </u>			
j.	Capital after Settlement (g - h + i)					
			<u> </u>			
	Blue Ridge's Share					
			<u> </u>			
	Falcon's Share					
			<u> </u>			
				<u>\$ Amount</u>	<u>Percent</u>	
L.	RECEIVABLES AGING					
a.	Current Receivables					
b.	31 - 60 Days Old					
c.	61 - 90 Days Old					
d.	91 - 120 Days Old					
e.	121 - 150 Days Old					
f.	151 - 180 Days Old					
g.	181 + Days Old					
	TOTAL					

The undersigned hereby represents and warrants to Bank One NA , as Administrative Agent, pursuant to the Receivables Purchase Agreement dated May XX, 2004 between Yellow Receivables Corporation, Falcon Asset Securitization Corporation, Blue Ridge Asset Funding Corporation, the Financial Institutions party thereto and Bank One, as in effect on the date hereof, that the above information is accurate and complete as of _____.

By: _____
Name: _____
Title: _____

**EXHIBIT IX
FORM OF PURCHASE NOTICE**

[Date]

Bank One, NA (Main Office Chicago), as Falcon Agent

1 Bank One Plaza, IL1-1729

Asset-Backed Finance

Chicago, Illinois 60670-1729

Attention: Falcon Conduit Administrator and John Kuhns

Wachovia Bank, National Association, as Blue Ridge Agent

191 Peachtree Street, N.E.

22nd Floor, Mail Stop GA-8088

Atlanta, Georgia 30303

Attention: Eero Maki

Ladies and Gentlemen:

The undersigned, Yellow Roadway Receivables Funding Corporation, refers to the Receivables Purchase Agreement, dated as of May 21, 2004 (the "**Receivables Purchase Agreement**"), the terms defined therein being used herein as therein defined), among the undersigned, Falcon Asset Securitization Corporation ("**Falcon**"), Blue Ridge Asset Funding Corporation ("**Blue Ridge**" and, together with Falcon, the "**Conduits**"), certain Committed Purchasers parties thereto, Wachovia Bank, National Association, as Blue Ridge Agent, and Bank One, NA (Main Office Chicago), as Falcon Agent and Administrative Agent, and hereby gives you notice, irrevocably, pursuant to Section 1.2 of the Receivables Purchase Agreement that the undersigned hereby requests an Incremental Purchase under the Receivables Purchase Agreement, and in that connection sets forth below the information relating to such Incremental Purchase (the "**Proposed Purchase**") as required by Section 1.2 of the Receivables Purchase Agreement:

(i) The Business Day of the Proposed Purchase is _____.

(ii) The requested Purchase Price in respect of the Proposed Purchase is \$_____, of which the Blue Ridge Group's Percentage is \$_____; and the Falcon Group's Percentage is \$_____.

(iii) The requested Purchasers in respect of the Proposed Purchase are the [Conduits] [Committed Purchasers].

(iv) If the Proposed Purchase is to be funded by the Committed Purchasers, the duration of the initial Tranche Period for the Proposed Purchase is _____ [days] [months].

(v) If the Proposed Purchase is to be funded by the Committed Purchasers, the Discount Rate related to such initial Tranche Period is requested to be the [LIBOR] [Base] Rate.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Purchase (before and after giving effect to the Proposed Purchase):

(A) the representations and warranties set forth in Section 3.1 [(other than Section 3.1(k))] of the Receivables Purchase Agreement are correct on and as of such date, as though made on and as of such date;

(B) no event has occurred, or would result from the Proposed Purchase that will constitute a Servicer Default, and no event has occurred and is continuing, or would result from such Proposed Purchase, that would constitute a Potential Servicer Default; and

(C) the Liquidity Termination Date has not occurred, the aggregate Capital of all Receivable Interests of the Purchasers shall not exceed the Purchase Limit and the aggregate Receivable Interests of the Purchasers does not exceed 100%.

Very truly yours,

YELLOW ROADWAY RECEIVABLES FUNDING
CORPORATION

By: _____
Title: _____

SCHEDULE A
DOCUMENTS AND RELATED ITEMS TO BE DELIVERED TO
THE ADMINISTRATIVE AGENT
ON OR PRIOR TO THE EFFECTIVENESS OF THE RECEIVABLES PURCHASE
AGREEMENT

I. Receivables Sale Agreement

A. Receivables Sale Agreement dated as of May 21, 2004 (the "Sale Agreement") by and between Yellow Transportation, Inc., an Indiana corporation (the "Originator"), and Yellow Roadway Receivables Funding Corporation, a Delaware corporation ("Yellow-SPC"), with the following exhibits:

Exhibit I -	Definitions
Exhibit II -	Places of Business of Originator; Locations of Records; Trade Names; Prior Names; Federal Employer I.D. Number
Exhibit III -	Compliance Certificate
Exhibit IV -	Credit and Collection Policy
Exhibit V -	Subordinated Note

B. Subordinated Notes dated May 21, 2004 executed by Yellow-SPC in favor of each of the two Originators.

C. Certificate of each Originator's [Assistant] Secretary certifying:

1. An attached copy of such Originator's Articles/Certificate of Incorporation (certified within 60 days prior to closing by the Indiana Secretary of State)
2. An attached copy of such Originator's By-Laws
3. An attached copy of resolutions of such Originator's Board of Directors authorizing such Originator's execution, delivery and performance of the Sale Agreement and related documents
4. The names, titles and specimen signatures of such Originator's officers authorized to execute and deliver the Sale Agreement and related documents

D. Good standing certificates for Yellow Transportation, Inc. from the States of Indiana and Kansas certified within 30 days prior to closing, and for Roadway Express, Inc. from the States of Delaware and Ohio certified within 30 days prior to closing.

E. Pre-filing state and federal tax lien, judgment lien and UCC lien searches against each Originator from its jurisdiction of incorporation and the jurisdiction where it maintains its chief executive office.

F. UCC Financing Statements naming each Originator, as debtor, and Bank One, NA, as Administrative Agent, as total assignee of secured party, for filing in each Originator's jurisdiction of incorporation.

G. Post-filing UCC lien searches against each Originator from its jurisdiction of incorporation. [post-closing]

H. Collection Account Agreements

1. Bank of America [within 60 days post-closing]
2. Bank One

I. Opinions:

1. Corporate/UCC opinions
2. True Sale/Non-consolidation opinion

J. CFO's Compliance Certificate.

K. Letter of release signed by Deutsche Bank.

L. UCC-3 Termination Statements with respect to the existing deal.

II. Receivables Purchase Agreement

A. Receivables Purchase Agreement dated as of May 21, 2004 (the "Purchase Agreement") by and among Yellow-SPC, Falcon Asset Securitization Corporation, Blue Ridge Asset Funding Corporation, Wachovia Bank, National Association, individually and as Blue Ridge Agent, and Bank One, NA, individually, as Falcon Agent and as Administrative Agent (in such capacity, the "Administrative Agent") with the following exhibits:

Exhibit I -	Definitions
Exhibit II -	Places of Business of Yellow-SPC; Locations of Records; Trade Names; Federal Employer I.D. Number, Organization I.D. Number
Exhibit III -	Lockboxes; Collection Accounts; Concentration Accounts; and Depositary Accounts
Exhibit IV -	Compliance Certificate
Exhibit V -	Collection Account Agreement
Exhibit VI -	Credit and Collection Policy
Exhibit VII -	Form(s) of Invoice(s)
Exhibit VIII -	Monthly Report
Exhibit IX -	Form of Purchase Notice

B. Fee Letter dated as of May 21, 2004 by and between Yellow-SPC and the Falcon Agent.

C. Fee Letter dated as of May 21, 2004 by and between Yellow-SPC and the Blue Ridge Agent.

D. Certificate of Yellow-SPC's [Assistant] Secretary certifying:

1. An attached copy of Yellow-SPC's Certificate of Incorporation (certified within 30 days prior to closing by the Delaware Secretary of State)
2. An attached copy of Yellow-SPC's By-Laws
3. An attached copy of resolutions of Yellow-SPC's Board of Directors authorizing Yellow-SPC's execution, delivery and performance of the Purchase Agreement and related documents
4. The names, titles and specimen signatures of Yellow-SPC's officers authorized to execute and deliver the Purchase Agreement and related documents

E. Good standing certificates for Yellow-SPC from the following states certified within 30 days prior to closing:

1. Delaware
2. Kansas

F. UCC Financing Statement naming Yellow-SPC, as debtor, and the Administrative Agent, as secured party, for filing with the Secretary of State of Delaware.

G. Post-filing UCC lien searches against Yellow-SPC from the Secretary of State of Delaware [Post-closing]

H. [Reserved]

I. Purchase Notice executed by Yellow-SPC.

J. Opinion of Yellow-SPC's re corporate/UCC issues

K. Yellow-SPC's CFO's Compliance Certificate.

L. Liquidity Agreement dated as of May 21, 2004 by and between Falcon and Bank One.

M. Liquidity Agreement dated as of May 21, 2004 by and between Blue Ridge and Wachovia.

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 report on Form 10-Q of Yellow Roadway Corporation;
- (2) Based on my knowledge, this 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 report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this 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 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)) for the registrant and 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 report is being prepared;
 - b. 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
 - c. 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (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 the registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control 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 control over financial reporting.

Date: August 9, 2004

/s/ William D. Zollars

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

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, Jr., certify that:

- (1) I have reviewed this report on Form 10-Q of Yellow Roadway Corporation;
- (2) Based on my knowledge, this 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 report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this 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 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)) for the registrant and 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 report is being prepared;
 - b. 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
 - c. 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (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 the registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control 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 control over financial reporting.

Date: August 9, 2004

/s/ Donald G. Barger, Jr.

Donald G. Barger, Jr.
Senior Vice President
& Chief Financial Officer

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 quarterly report of Yellow Roadway Corporation on Form 10-Q for the period ended June 30, 2004, 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: August 9, 2004

/s/ William D. Zollars

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

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 quarterly report of Yellow Roadway Corporation on Form 10-Q for the period ended June 30, 2004, 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: August 9, 2004

/s/ Donald G. Barger, Jr.

Donald G. Barger, Jr.
Senior Vice President
& Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENTS

Roadway LLC and Subsidiaries

A wholly owned subsidiary of Yellow Roadway Corporation

Consolidated Balance Sheets as of June 30, 2004 and December 31, 2003;

Statements of Consolidated Operations for the three and six months ended June 30, 2004 and
twelve and twenty-four weeks ended June 21, 2003;

Statements of Consolidated Cash Flows for the six months ended June 30, 2004 and twenty-four weeks ended June 21, 2003.

CONSOLIDATED BALANCE SHEETS
 Roadway LLC and Subsidiaries
 A wholly owned subsidiary of Yellow Roadway Corporation
 (Amounts in thousands)
 (Unaudited)

	June 30, 2004	December 31, 2003
Assets		
Current Assets:		
Cash and cash equivalents	\$ 18,485	\$ 49,879
Accounts receivable, net	27,664	343,231
Accounts receivable from affiliate	350,847	—
Prepaid expenses and other	77,789	34,388
Total current assets	474,785	427,498
Property and Equipment:		
Cost	876,202	824,747
Less – accumulated depreciation	36,955	3,285
Net property and equipment	839,247	821,462
Goodwill	598,444	596,845
Intangibles, net	463,206	460,372
Other assets	27,585	32,314
Total assets	\$ 2,403,267	\$ 2,338,491
Liabilities and Parent Company Investment		
Current Liabilities:		
Accounts payable	\$ 136,490	\$ 118,701
Advances payable to parent	13,939	56,067
Wages, vacations and employees' benefits	239,403	186,400
Other current and accrued liabilities	96,441	88,653
Total current liabilities	486,273	449,821
Other Liabilities:		
Long-term debt	246,465	248,895
Deferred income taxes, net	214,529	213,689
Accrued pension and postretirement	207,711	210,596
Claims and other liabilities	123,942	123,725
Total other liabilities	792,647	796,905
Parent Company Investment:		
Capital surplus	1,098,292	1,097,221
Retained earnings	27,782	(4,558)
Accumulated other comprehensive loss	(1,727)	(898)
Total parent company investment	1,124,347	1,091,765
Total liabilities and parent company investment	\$ 2,403,267	\$ 2,338,491

The accompanying notes are an integral part of these statements.

STATEMENTS OF CONSOLIDATED OPERATIONS
Roadway LLC and Subsidiaries
A wholly owned subsidiary of Yellow Roadway Corporation
(Amounts in thousands)
(Unaudited)

	Three Months Ended June 30, 2004	Twelve Weeks Ended June 21, 2003
Operating Revenue	\$ 832,515	\$ 741,528
Operating Expenses:		
Salaries, wages and employees' benefits	512,619	468,223
Operating expenses and supplies	125,376	130,022
Operating taxes and licenses	21,504	18,688
Claims and insurance	15,587	14,529
Depreciation and amortization	20,516	16,870
Purchased transportation	87,689	75,725
Losses (gains) on property disposals, net	(174)	30
Total operating expenses	783,117	724,087
Operating Income	49,398	17,441
Nonoperating (Income) Expenses:		
Interest expense	3,396	4,780
Other	10,648	1,264
Nonoperating expenses, net	14,044	6,044
Income From Continuing Operations Before Income Taxes	35,354	11,397
Income tax provision	13,913	4,787
Income From Continuing Operations	21,441	6,610
Loss from discontinued operations	—	(302)
Net Income	\$ 21,441	\$ 6,308

The accompanying notes are an integral part of these statements. Refer to Note 2 for the difference in accounting policies between the periods presented.

STATEMENTS OF CONSOLIDATED OPERATIONS
Roadway LLC and Subsidiaries
A wholly owned subsidiary of Yellow Roadway Corporation
(Amounts in thousands)
(Unaudited)

	Six Months Ended June 30, 2004	Twenty-four Weeks Ended June 21, 2003
Operating Revenue	\$ 1,605,757	\$ 1,495,598
Operating Expenses:		
Salaries, wages and employees' benefits	1,004,074	943,658
Operating expenses and supplies	253,250	260,434
Operating taxes and licenses	41,015	38,554
Claims and insurance	29,122	29,641
Depreciation and amortization	39,438	34,169
Purchased transportation	168,858	150,509
Losses (gains) on property disposals, net	(186)	841
Total operating expenses	1,535,571	1,457,806
Operating Income	70,186	37,792
Nonoperating (Income) Expenses:		
Interest expense	7,001	9,881
Other	10,195	2,957
Nonoperating expenses, net	17,196	12,838
Income From Continuing Operations Before Income Taxes	52,990	24,954
Income tax provision	20,650	10,481
Income From Continuing Operations	32,340	14,473
Loss from discontinued operations	—	(155)
Net Income	\$ 32,340	\$ 14,318

The accompanying notes are an integral part of these statements. Refer to Note 2 for the difference in accounting policies between the periods presented.

STATEMENTS OF CONSOLIDATED CASH FLOWS
Roadway LLC and Subsidiaries
A wholly owned subsidiary of Yellow Roadway Corporation
(Amounts in thousands)
(Unaudited)

	Six Months Ended June 30, 2004	Twenty-four Weeks Ended June 21, 2003
Operating Activities:		
Net income	\$ 32,340	\$ 14,473
Noncash items included in net income:		
Depreciation and amortization	39,438	35,849
Losses (gains) on property disposals, net	(186)	841
Deferred income tax provision, net	(3,602)	(10,335)
Changes in assets and liabilities, net:		
Accounts receivable	315,568	15,371
Accounts payable	(15,711)	(1,980)
Other working capital items	29,447	(80,412)
Claims and other	(2,667)	6,660
Other, net	2,538	38,275
Net cash from operating activities	397,165	18,742
Investing Activities:		
Acquisition of property and equipment	(38,180)	(22,448)
Proceeds from disposal of property and equipment	2,595	1,721
Business disposal	—	47,430
Net cash provided by (used in) investing activities	(35,585)	26,703
Financing Activities:		
Treasury stock activity, net	—	1,713
Dividends paid	—	(1,931)
Repayment of long-term debt	—	(26,426)
Advances payable to parent, net	(392,974)	—
Net cash used in financing activities	(392,974)	(26,644)
Net Increase (Decrease) In Cash and Cash Equivalents From Continuing Operations	(31,394)	18,801
Net Decrease In Cash and Cash Equivalents From Discontinued Operations	—	(38)
Cash and Cash Equivalents, Beginning of Period	49,879	106,929
Cash and Cash Equivalents, End of Period	\$ 18,485	\$ 125,692

The accompanying notes are an integral part of these statements. Refer to Note 2 for the difference in accounting policies between the periods presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Roadway LLC and Subsidiaries
A wholly owned subsidiary of Yellow Roadway Corporation
(unaudited)

1. Description of Business

Roadway LLC (also referred to as “Roadway,” “the Company,” “we” or “our”) is a holding company with two primary segments, Roadway Express, Inc. and Roadway Next Day Corporation. The segments 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. Roadway Express owns 100 percent of Reimer Express Lines Ltd. 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 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 (“Yellow Roadway”). 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 for a total purchase price of approximately \$1.1 billion.

2. Principles of Consolidation and Summary of Accounting Policies

The accompanying consolidated financial statements include the accounts of Roadway LLC and its wholly owned subsidiaries. We have prepared the consolidated financial statements, without audit by independent public accountants, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). In management’s opinion, all normal recurring adjustments necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods included herein have been made. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from these statements pursuant to SEC rules and regulations. Accordingly, the accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements included as Exhibit 99.2 to the Yellow Roadway Corporation Annual Report on Form 10-K for the year ended December 31, 2003.

Prior to the acquisition of Roadway Corporation by Yellow Corporation on December 11, 2003, Roadway Corporation and all of its wholly owned subsidiaries operated on thirteen four-week accounting periods with twelve weeks in each of the first three quarters and sixteen weeks in the fourth quarter. As part of the acquisition, Roadway LLC adopted a calendar-quarter reporting basis as well as the significant accounting policies of Yellow Roadway Corporation. In addition, we 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. For accounting policies related to the Consolidated Balance Sheets as of June 30, 2004 and December 31, 2003, for the Statements of Consolidated Operations for the three and six months ended June 30, 2004, and for the Statement of Consolidated Cash Flows for the six months ended June 30, 2004 and the related notes to financial statements, please refer to the Yellow Roadway Corporation Annual Report on Form 10-K for the year ended December 31, 2003. For accounting policies related to the Statements of Consolidated Operations for the twelve and twenty-four weeks ended June 21, 2003 and the Statement of Consolidated Cash Flows for the twenty-four weeks ended June 21, 2003 and related notes to financial statements, please refer to the Roadway Corporation financial statements and related notes at December 11, 2003, filed as Exhibit 99.1 to the Yellow Roadway Corporation Annual Report on Form 10-K for the year ended December 31, 2003.

3. 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. The following table shows the amount of goodwill attributable to our operating segments with goodwill balances and changes therein:

(in thousands)	December 31, 2003	Purchase Accounting Reclasses/ Other	June 30, 2004
Roadway Express	\$ 474,513	\$ 68,640	\$ 543,153
New Penn	122,332	(67,041)	55,291
Goodwill	\$ 596,845	\$ 1,599	\$ 598,444

As the acquisition of Roadway Corporation by Yellow Corporation occurred in December 2003, the allocation of the purchase price included in the December 31, 2003 Consolidated Balance Sheets was preliminary and subject to refinement. During the six months ended June 30, 2004, an independent asset valuation was received and certain reallocations were made related to tangible and intangible assets. In addition, the fair value of certain post-employment benefit obligations was determined by an actuary. The purchase price allocation has been modified to reflect the results of these analyses. These changes did not have a material impact on our consolidated results of operations.

As of June 30, 2004, refinements to the purchase price allocation are substantially complete. We do expect additional changes during the third quarter of 2004 with respect to the determination of the fair value of certain tax-related contingencies and certain other minor refinements. We do not expect these subsequent changes to have a material impact on our consolidated results of operations.

The components of amortizable intangible assets are as follows:

(in thousands)	Weighted Average Life (years)	June 30, 2004		December 31, 2003	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer related	17	\$ 110,000	\$ 3,655	\$ 111,800	\$ 356
Technology based	3	16,000	2,820	16,000	273
Intangible assets		\$ 126,000	\$ 6,475	\$ 127,800	\$ 629

Total marketing related intangible assets with indefinite lives were \$343.7 million at June 30, 2004 and \$333.2 million at December 31, 2003. These intangible assets are not subject to amortization. The change between periods related to a reclassification arising from modifications to the purchase price allocation, as discussed above, and foreign currency translation adjustments.

4. Restructuring Costs

In connection with the acquisition of Roadway Corporation by Yellow Corporation, we incurred \$13.4 million of restructuring costs as a result of severance (administrative, sales and operations personnel) and relocation of workforce and contract terminations. We have recognized such costs as a liability assumed as of the acquisition date, resulting in additional goodwill. These restructuring costs consisted of \$12.2 million of employee termination (including wages, health benefits and outplacement services) and relocation costs for approximately 800 employees and \$1.2 million for contract terminations. All of these restructuring items will have been effectuated within one year of the acquisition date in accordance with purchase accounting requirements. During the six months ended June 30, 2004, we paid \$2.0 million of restructuring costs resulting in an \$11.4 million accrued liability at June 30, 2004.

5. Employee Benefits

Components of Net Periodic Pension Cost

In December 2003, the Financial Accounting Standards Board revised Statement of Financial Accounting Standards (“SFAS”) No. 132, Employers’ Disclosures about Pensions and Other Postretirement Benefits (“Statement No. 132R”). Statement No. 132R requires the disclosure of the components of the net periodic pension cost recognized during interim periods. The following table sets forth the components of our net periodic pension cost for the three and six months ended June 30, 2004 and the twelve and twenty-four weeks ended June 21, 2003:

(in thousands)	Three Months ended June 30, 2004	Twelve Weeks ended June 21, 2003	Six Months ended June 30, 2004	Twenty-four Weeks ended June 21, 2003
Service cost	\$ 5,412	\$ 4,704	\$ 10,824	\$ 9,408
Interest cost	7,360	6,285	14,720	12,570
Expected return on plan assets	(6,195)	(5,059)	(12,390)	(10,118)
Amortization of net transition obligation	—	(330)	—	(660)
Amortization of prior service cost	—	1,298	—	2,596
Amortization of net loss	16	32	32	64
Net periodic pension cost	\$ 6,593	\$ 6,930	\$ 13,186	\$ 13,860

The following table sets forth the components of our other postretirement costs for the three and six months ended June 30, 2004 and the twelve and twenty-four weeks ended June 21, 2003:

(in thousands)	Three Months ended June 30, 2004	Twelve Weeks ended June 21, 2003	Six Months ended June 30, 2004	Twenty-four Weeks ended June 21, 2003
Service cost	\$ 244	\$ 466	\$ 715	\$ 932
Interest cost	406	788	1,189	1,576
Amortization of prior service cost	—	(445)	—	(890)
Amortization of net loss	—	134	—	268
Total other postretirement cost	\$ 650	\$ 943	\$ 1,904	\$ 1,886

Employer Contributions

In our financial statements for the year ended December 31, 2003, we disclosed that we expect to contribute approximately \$20 million to our pension plans in 2004, and this expectation has not changed. As of June 30, 2004, our contributions to the pension plans have not been significant.

6. Related Party Transactions

Yellow Roadway maintains an asset backed securitization (“ABS”) facility that involves receivables of Yellow Transportation and Roadway Express. The ABS facility is operated by Yellow Roadway Receivables Funding Corporation (“YRRFC”), a special purpose entity wholly owned by Yellow Roadway. As the receivables of Roadway Express are transferred to YRRFC, the accompanying balance sheet at June 30, 2004 reflects these amounts as accounts receivable from affiliate, net of certain financing costs.

7. 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 delivery lanes.

The accounting policies of the segments are the same as those described in Exhibit 99.2 to the Yellow Roadway Corporation Annual Report on Form 10-K for the year ended December 31, 2003. Yellow Roadway charges management fees and other corporate services to its segments based on the direct benefits received or as a percentage of revenue. Roadway LLC identifiable assets primarily refer to cash, cash equivalents and miscellaneous investments.

The following table summarizes our operations by business segment:

(in thousands)	Roadway Express	New Penn	Roadway LLC/ Eliminations	Consolidated
As of June 30, 2004 Identifiable assets	\$ 2,140,609	\$ 248,853	\$ 13,805	\$ 2,403,267
As of December 31, 2003 Identifiable assets	2,002,421	340,713	(4,643)	2,338,491
Three months ended June 30, 2004				
External revenue	768,203	64,312	—	832,515
Operating income	36,360	9,194	3,844	49,398
Adjustments to operating income ^(a)	(131)	(43)	—	(174)
Adjusted operating income	36,229	9,151	3,844	49,224
Six months ended June 30, 2004				
External revenue	1,485,341	120,416	—	1,605,757
Operating income	51,397	14,945	3,844	70,186
Adjustments to operating income ^(a)	(138)	(48)	—	(186)
Adjusted operating income	51,259	14,897	3,844	70,000
Twelve weeks ended June 21, 2003				
External revenue	691,156	50,372	—	741,528
Operating income	11,813	5,628	—	17,441
Adjustments to operating income ^(a)	(21)	51	—	30
Adjusted operating income	11,792	5,679	—	17,471
Twenty-four weeks ended June 21, 2003				
External revenue	1,396,400	99,198	—	1,495,598
Operating income	29,551	8,241	—	37,792
Adjustments to operating income ^(a)	781	60	—	841
Adjusted operating income	30,332	8,301	—	38,633

(a) Management excludes these items when evaluating operating income and segment performance to better evaluate the results of our core operations. In the periods presented, adjustments consisted of property gains and losses.

8. Comprehensive Income

Our comprehensive income for the periods presented includes net income and foreign currency translation adjustments. Comprehensive income for the three months ended June 30, 2004 and twelve weeks ended June 21, 2003 follows:

(in thousands)	June 30, 2004	June 21, 2003
Net income	\$ 21,441	\$ 6,308
Changes in foreign currency translation adjustments	(829)	3,139
Comprehensive income	\$ 20,612	\$ 9,447

Comprehensive income for the six months ended June 30, 2004 and twenty-four weeks ended June 21, 2003 follows:

(in thousands)	June 30, 2004	June 21, 2003
Net income	\$ 32,340	\$ 14,318
Changes in foreign currency translation adjustments	(1,070)	5,902
Comprehensive income	\$ 31,270	\$ 20,220

9. Rental Expenses

Roadway incurs rental expenses under noncancelable lease agreements for certain buildings and operating equipment. Rental expense is charged to "operating expenses and supplies" on the Statements of Consolidated Operations. The following table represents the actual rental expense, as reflected in operating income, incurred for the three and six months ended June 30, 2004 and the twelve and twenty-four weeks ended June 21, 2003:

(in thousands)	Three Months ended June 30, 2004	Twelve Weeks ended June 21, 2003	Six Months ended June 30, 2004	Twenty-four Weeks ended June 21, 2004
Rental expense	\$ 13,552	\$ 12,235	\$ 26,731	\$ 25,284

10. Multi-Employer Pension Plans

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.

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 the 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. Under recent legislation, qualified multi-employer plans are permitted to exclude certain recent investment losses from the minimum funding formula through 2005. The Central States Plan, in particular, has informed us that its recent

investment performance has adversely affected its funding levels and that the fund is seeking corrective measures to address its funding. During the benefit period of the recent legislation, the Central States Plan is expected to meet the minimum funding requirements. If any of these plans, including the Central States Plan, fails to meet minimum funding requirements and the trustees of such a plan are unable to obtain a waiver of the requirements or certain changes in how the applicable plan calculates its funding level 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 contributions in excess of our contractually agreed upon rates could be required 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 LLC.

11. Guarantees of the Senior Notes Due 2008

Roadway LLC, the primary obligor of the senior notes due 2008, and its following wholly 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, 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 June 30, 2004 and December 31, 2003 with respect to the financial position, for the three and six months ended June 30, 2004 and twelve and twenty-four weeks ended June 21, 2003 for results of operations, and for the six months ended June 30, 2004 and twenty-four weeks ended June 21, 2003 for the statements of cash flows. 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 those subsidiaries that are governed by foreign laws, Yellow Roadway Receivables Funding Corporation and Roadway Funding, Inc., the special-purpose entities that are or were associated with our asset backed securitization agreements.

Condensed Consolidating Balance Sheets

June 30, 2004 (in thousands)	Primary Obligor	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	\$ —	\$ 11	\$ 7	\$ —	\$ 18
Accounts receivable, net	—	8	20	—	28
Intercompany advances receivable	71	376	26	(122)	351
Prepaid expenses and other	—	78	—	—	78
Total current assets	71	473	53	(122)	475
Property and equipment	—	858	18	—	876
Less – accumulated depreciation	—	35	2	—	37
Net property and equipment	—	823	16	—	839
Investment in subsidiaries	612	46	—	(658)	—
Receivable from affiliate	650	—	—	(650)	—
Goodwill, intangibles and other assets	20	1,037	32	—	1,089
Total assets	\$ 1,353	\$ 2,379	\$ 101	\$ (1,430)	\$ 2,403
Accounts payable	\$ —	\$ 127	\$ 9	\$ —	\$ 136
Intercompany advances payable	8	94	34	(122)	14
Wages, vacations and employees' benefits	1	235	3	—	239
Other current and accrued liabilities	(17)	111	3	—	97
Total current liabilities	(8)	567	49	(122)	486
Due to affiliate	—	650	—	(650)	—
Long-term debt	246	—	—	—	246
Deferred income taxes, net	(11)	220	6	—	215
Claims and other liabilities	2	330	—	—	332
Parent company investment	1,124	612	46	(658)	1,124
Total liabilities and parent company investment	\$ 1,353	\$ 2,379	\$ 101	\$ (1,430)	\$ 2,403

December 31, 2003 (in thousands)	Primary Obligor	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	\$ —	\$ 44	\$ 6	\$ —	\$ 50
Accounts receivable, net	—	326	17	—	343
Intercompany advances receivable	38	56	103	(197)	—
Prepaid expenses and other	—	34	—	—	34
Total current assets	38	460	126	(197)	427
Property and equipment	—	811	13	—	824
Less – accumulated depreciation	—	3	—	—	3
Net property and equipment	—	808	13	—	821
Investment in subsidiaries	593	29	—	(622)	—
Receivable from affiliate	650	—	—	(650)	—
Goodwill, intangibles and other assets	21	1,034	35	—	1,090
Total assets	\$ 1,302	\$ 2,331	\$ 174	\$ (1,469)	\$ 2,338
Accounts payable	\$ 1	\$ 111	\$ 7	\$ —	\$ 119
Intercompany advances payable	—	127	126	(197)	56
Wages, vacations and employees' benefits	1	182	3	—	186
Other current and accrued liabilities	(31)	118	2	—	89
Total current liabilities	(29)	538	138	(197)	450
Due to affiliate	—	650	—	(650)	—
Long-term debt	249	—	—	—	249
Deferred income taxes, net	(11)	218	7	—	214
Claims and other liabilities	1	333	—	—	334
Parent company investment	1,092	592	29	(622)	1,091
Total liabilities and parent company investment	\$ 1,302	\$ 2,331	\$ 174	\$ (1,469)	\$ 2,338

Condensed Consolidating Statements of Operations

For the three months ended June 30, 2004 (in thousands)	Primary Obligor	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	\$ —	\$ 795	\$ 38	\$ —	\$ 833
Operating expenses:					
Salaries, wages and employees' benefits	—	501	12	—	513
Operating expenses and supplies	—	119	6	—	125
Operating taxes and licenses	—	22	—	—	22
Claims and insurance	—	15	—	—	15
Depreciation and amortization	—	20	1	—	21
Purchased transportation	—	76	12	—	88
Losses (gains) on property disposals, net	—	—	—	—	—
Total operating expenses	—	753	31	—	784
Operating income (loss)	—	42	7	—	49
Nonoperating (income) expenses:					
Interest expense	4	13	1	(14)	4
Other, net	(14)	9	1	14	10
Nonoperating (income) expenses, net	(10)	22	2	—	14
Income (loss) before income taxes	10	20	5	—	35
Income tax provision	3	10	1	—	14
Subsidiary earnings	14	4	—	(18)	—
Net income (loss)	\$ 21	\$ 14	\$ 4	\$ (18)	\$ 21

For the twelve weeks ended June 21, 2003 (in thousands)	Primary Obligor	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	\$ —	\$ 711	\$ 31	\$ —	\$ 742
Operating expenses:					
Salaries, wages and employees' benefits	2	456	10	—	468
Operating expenses and supplies	(2)	125	7	—	130
Operating taxes and licenses	—	18	1	—	19
Claims and insurance	—	15	—	—	15
Depreciation and amortization	—	16	1	—	17
Purchased transportation	—	67	9	—	76
Losses on property disposals, net	—	—	—	—	—
Total operating expenses	—	697	28	—	725
Operating income (loss)	—	14	3	—	17
Nonoperating (income) expenses:					
Interest expense	—	5	—	—	5
Other, net	—	1	—	—	1
Nonoperating (income) expenses, net	—	6	—	—	6
Income (loss) before income taxes	—	8	3	—	11
Income tax provision	—	4	1	—	5
Subsidiary earnings	6	2	—	(8)	—
Net income (loss)	\$ 6	\$ 6	\$ 2	\$ (8)	\$ 6

Condensed Consolidating Statements of Operations

For the six months ended June 30, 2004 (in thousands)	Primary Obligor	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	\$ —	\$ 1,535	\$ 71	\$ —	\$ 1,606
Operating expenses:					
Salaries, wages and employees' benefits	—	981	23	—	1,004
Operating expenses and supplies	—	241	12	—	253
Operating taxes and licenses	—	40	1	—	41
Claims and insurance	—	29	—	—	29
Depreciation and amortization	—	38	2	—	40
Purchased transportation	—	146	23	—	169
Losses (gains) on property disposals, net	—	—	—	—	—
Total operating expenses	—	1,475	61	—	1,536
Operating income (loss)	—	60	10	—	70
Nonoperating (income) expenses:					
Interest expense	7	27	—	(27)	7
Other, net	(27)	8	2	27	10
Nonoperating (income) expenses, net	(20)	35	2	—	17
Income (loss) before income taxes	20	25	8	—	53
Income tax provision	7	12	2	—	21
Subsidiary earnings	13	6	—	(19)	—
Net income (loss)	\$ 26	\$ 19	\$ 6	\$ (19)	\$ 32

For the twenty-four weeks ended June 21, 2003
(in thousands)

	Primary Obligor	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	\$ —	\$ 1,435	\$ 61	\$ —	\$ 1,496
Operating expenses:					
Salaries, wages and employees' benefits	4	920	20	—	944
Operating expenses and supplies	(4)	250	14	—	260
Operating taxes and licenses	—	38	1	—	39
Claims and insurance	—	29	1	—	30
Depreciation and amortization	—	33	1	—	34
Purchased transportation	—	132	18	—	150
Losses on property disposals, net	—	1	—	—	1
Total operating expenses	—	1,403	55	—	1,458
Operating income (loss)	—	32	6	—	38
Nonoperating (income) expenses:					
Interest expense	—	10	—	—	10
Other, net	—	4	(1)	—	3
Nonoperating (income) expenses, net	—	14	1	—	13
Income (loss) before income taxes	—	18	7	—	25
Income tax provision	—	8	3	—	11
Subsidiary earnings	14	4	—	(18)	—
Net income (loss)	\$ 14	\$ 14	\$ 4	\$ (18)	\$ 14

Condensed Consolidating Statements of Cash Flows

For the six months ended June 30, 2004
(in thousands)

	Primary Obligor	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash from operating activities	\$ 25	\$ 379	\$ (7)	\$ —	\$ 397
Investing activities:					
Acquisition of property and equipment	—	(38)	—	—	(38)
Proceeds from disposal of property and equipment	—	2	—	—	2
Net cash used in investing activities	—	(36)	—	—	(36)
Financing activities:					
Intercompany advances / repayments	(25)	(376)	8	—	(393)
Net cash used in financing activities	(25)	(376)	8	—	(393)
Net decrease in cash and cash equivalents	—	(33)	1	—	(32)
Cash and cash equivalents, beginning of period	—	44	6	—	50
Cash and cash equivalents, end of period	\$ —	\$ 11	\$ 7	\$ —	\$ 18

For the twenty-four weeks ended June 21, 2003 (in thousands)	Primary Obligor	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash from (used in) operating activities	\$ (14)	\$ 34	\$ (1)	\$ —	\$ 19
Investing activities:					
Acquisition of property and equipment	—	(19)	(1)	—	(20)
Proceeds from disposal of property and equipment	—	—	—	—	—
Business disposal	47	—	—	—	47
Net cash provided by (used in) investing activities	47	(19)	(1)	—	27
Financing activities:					
Repayment of long-term debt	(27)	—	—	—	(27)
Treasury stock purchases	2	—	—	—	2
Dividends paid	(2)	—	—	—	(2)
Intercompany advances / repayments	49	(49)	—	—	—
Net cash used in financing activities	22	(49)	—	—	(27)
Net increase (decrease) in cash and cash equivalents	55	(34)	(2)	—	19
Cash and cash equivalents, beginning of period	12	88	7	—	107
Cash and cash equivalents, end of period	\$ 67	\$ 54	\$ 5	\$ —	\$ 126

CONSOLIDATED FINANCIAL STATEMENTS

Roadway Express, Inc. and Subsidiaries

A wholly owned subsidiary of Yellow Roadway Corporation

Consolidated Balance Sheets as of June 30, 2004 and December 31, 2003;

Statements of Consolidated Operations for the three and six months ended June 30, 2004
and twelve and twenty-four weeks ended June 21, 2003;

Statements of Consolidated Cash Flows for the six months ended June 30, 2004
and twenty-four weeks ended June 21, 2003.

CONSOLIDATED BALANCE SHEETS
Roadway Express, Inc. and Subsidiaries
A wholly owned subsidiary of Yellow Roadway Corporation
(Amounts in thousands)
(Unaudited)

	<u>June 30, 2004</u>	<u>December 31, 2003</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 9,491	\$ 24,552
Accounts receivable, net	—	349,016
Accounts receivable from affiliate	350,677	—
Prepaid expenses and other	70,715	27,317
Total current assets	430,883	400,885
Property and Equipment:		
Cost	790,485	750,264
Less – accumulated depreciation	32,749	2,763
Net property and equipment	757,736	747,501
Goodwill	543,153	474,513
Intangibles, net	397,468	371,081
Other assets	4,694	8,441
Total assets	\$2,133,934	\$ 2,002,421
Liabilities and Parent Company Investment		
Current Liabilities:		
Accounts payable	\$ 132,519	\$ 108,425
Advances payable to parent and affiliates	86,338	115,202
Wages, vacations and employees' benefits	222,049	173,298
Other current and accrued liabilities	102,226	110,566
Total current liabilities	543,132	507,491
Other Liabilities:		
Note payable to affiliate	500,000	500,000
Deferred income taxes, net	194,090	186,280
Accrued pension and postretirement	205,810	208,785
Claims and other liabilities	109,579	110,173
Total other liabilities	1,009,479	1,005,238
Parent Company Investment:		
Capital surplus	574,427	496,044
Retained earnings	8,622	(5,454)
Accumulated other comprehensive loss	(1,726)	(898)
Total parent company investment	581,323	489,692
Total liabilities and parent company investment	\$2,133,934	\$ 2,002,421

The accompanying notes are an integral part of these statements.

STATEMENTS OF CONSOLIDATED OPERATIONS
Roadway Express, Inc. and Subsidiaries
A wholly owned subsidiary of Yellow Roadway Corporation
(Amounts in thousands)
(Unaudited)

	Three Months Ended June 30, 2004	Twelve Weeks Ended June 21, 2003
Operating Revenue	\$ 768,203	\$ 691,156
Operating Expenses:		
Salaries, wages and employees' benefits	471,393	433,102
Operating expenses and supplies	117,461	125,734
Operating taxes and licenses	19,839	17,182
Claims and insurance	14,675	13,599
Depreciation and amortization	17,729	14,471
Purchased transportation	87,033	75,276
Losses (gains) on property disposals, net	(131)	(21)
Total operating expenses	727,999	679,343
Operating income	40,204	11,813
Nonoperating (Income) Expenses:		
Interest expense	9,965	122
Other	10,387	505
Nonoperating expenses, net	20,352	627
Income Before Income Taxes	19,852	11,186
Income tax provision	8,140	4,842
Net Income	\$ 11,712	\$ 6,344

The accompanying notes are an integral part of these statements. Refer to Note 2 for the difference in accounting policies between the periods presented.

STATEMENTS OF CONSOLIDATED OPERATIONS
Roadway Express, Inc. and Subsidiaries
A wholly owned subsidiary of Yellow Roadway Corporation
(Amounts in thousands)
(Unaudited)

	Six Months Ended June 30, 2004	Twenty-four Weeks Ended June 21, 2003
Operating Revenue	\$ 1,485,341	\$ 1,396,400
Operating Expenses:		
Salaries, wages and employees' benefits	925,369	872,539
Operating expenses and supplies	238,143	251,560
Operating taxes and licenses	37,755	35,561
Claims and insurance	27,497	27,494
Depreciation and amortization	33,807	29,396
Purchased transportation	167,667	149,518
Losses (gains) on property disposals, net	(138)	781
Total operating expenses	1,430,100	1,366,849
Operating income	55,241	29,551
Nonoperating (Income) Expenses:		
Interest expense	20,355	284
Other	10,291	915
Nonoperating expenses, net	30,646	1,199
Income Before Income Taxes	24,595	28,352
Income tax provision	10,266	11,733
Net Income	\$ 14,329	\$ 16,619

The accompanying notes are an integral part of these statements. Refer to Note 2 for the difference in accounting policies between the periods presented.

STATEMENTS OF CONSOLIDATED CASH FLOWS
Roadway Express, Inc. and Subsidiaries
A wholly owned subsidiary of Yellow Roadway Corporation
(Amounts in thousands)
(Unaudited)

	Six Months Ended June 30, 2004	Twenty-four Weeks Ended June 21, 2003
Operating Activities:		
Net income	\$ 14,329	\$ 16,619
Noncash items included in net income:		
Depreciation and amortization	33,807	29,396
Losses (gains) on property disposals, net	(138)	781
Deferred income tax provision, net	(1,759)	(9,541)
Changes in assets and liabilities, net:		
Accounts receivable	349,126	14,926
Accounts payable	(9,516)	(1,817)
Other working capital items	6,694	(34,306)
Claims and other	(3,570)	9,894
Other, net	4,521	429
Net cash from operating activities	393,494	26,381
Investing Activities:		
Acquisition of property and equipment	(31,090)	(21,216)
Proceeds from disposal of property and equipment	2,074	1,472
Net cash used in investing activities	(29,016)	(19,744)
Financing Activities:		
Dividends paid	—	(42,000)
Advances payable to parent and affiliates, net	(379,539)	—
Net cash used in financing activities	(379,539)	(42,000)
Net Decrease In Cash and Cash Equivalents	(15,061)	(35,363)
Cash and Cash Equivalents, Beginning of Period	24,552	82,016
Cash and Cash Equivalents, End of Period	\$ 9,491	\$ 46,653

The accompanying notes are an integral part of these statements. Refer to Note 2 for the difference in accounting policies between the periods presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Roadway Express, Inc. and Subsidiaries
A wholly owned subsidiary of Yellow Roadway Corporation
(unaudited)

1. 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. 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 (“Yellow Roadway”). 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 for a total purchase price of approximately \$1.1 billion. Roadway LLC principal segments include Roadway Express and Roadway Next Day Corporation.

2. Principles of Consolidation and Summary of Accounting Policies

The accompanying consolidated financial statements include the accounts of Roadway Express and its wholly owned subsidiaries. We have prepared the consolidated financial statements, without audit by independent public accountants, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). In management’s opinion, all normal recurring adjustments necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods included herein have been made. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from these statements pursuant to SEC rules and regulations. Accordingly, the accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements included as Exhibit 99.4 to the Yellow Roadway Corporation Annual Report on Form 10-K for the year ended December 31, 2003.

Prior to the acquisition of Roadway Corporation by Yellow Corporation on December 11, 2003, Roadway Corporation and all of its wholly owned subsidiaries, including Roadway Express, operated on thirteen four-week accounting periods with twelve weeks in each of the first three quarters and sixteen weeks in the fourth quarter. As part of the acquisition, Roadway Express adopted a calendar-quarter reporting basis as well as the significant accounting policies of Yellow Roadway Corporation. In addition, we 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. For accounting policies related to the Consolidated Balance Sheets as of June 30, 2004 and December 31, 2003, for the Statements of Consolidated Operations for the three and six months ended June 30, 2004, and for the Statement of Consolidated Cash Flows for the six months ended June 30, 2004 and the related notes to financial statements, please refer to the Yellow Roadway Corporation Annual Report on Form 10-K for the year ended December 31, 2003. For accounting policies related to the Statements of Consolidated Operations for the twelve and twenty-four weeks ended June 21, 2003 and the Statement of Consolidated Cash Flows for the twenty-four weeks ended June 21, 2003 and related notes to financial statements, please refer to the Roadway Express financial statements and related notes at December 11, 2003, filed as Exhibit 99.3 to the Yellow Roadway Corporation Annual Report on Form 10-K for the year ended December 31, 2003.

3. 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. The following table shows the amount of goodwill and changes therein:

(in thousands)	December 31, 2003	Purchase Accounting Reclasses/ Other	June 30, 2004
Goodwill	\$ 474,513	\$ 68,640	\$ 543,153

As the acquisition of Roadway Corporation by Yellow Corporation occurred in December 2003, the allocation of the purchase price included in the December 31, 2003 Consolidated Balance Sheets was preliminary and subject to refinement. During the six months ended June 30, 2004, an independent asset valuation was received and certain reallocations were made related to tangible and intangible assets. In addition, the fair value of certain post-employment benefit obligations was determined by an actuary. The purchase price allocation has been modified to reflect the results of these analyses. These changes did not have a material impact on our consolidated results of operations.

As of June 30, 2004, refinements to the purchase price allocation are substantially complete. We do expect additional changes during the third quarter of 2004 with respect to the determination of the fair value of certain tax-related contingencies and certain other minor refinements. We do not expect these subsequent changes to have a material impact on our consolidated results of operations.

The components of amortizable intangible assets are as follows:

(in thousands)	Weighted Average Life (years)	June 30, 2004		December 31, 2003	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer related	19	\$ 63,800	\$ 1,653	\$ 48,900	\$ 164
Technology based	3	15,000	2,660	15,000	256
Intangible assets		\$ 78,800	\$ 4,313	\$ 63,900	\$ 420

Total marketing related intangible assets with indefinite lives were \$323.0 million at June 30, 2004 and \$307.6 million at December 31, 2003. These intangible assets are not subject to amortization. The change between periods related to a reclassification arising from modifications to the purchase price allocation, as discussed above, and foreign currency translation adjustments.

4. Restructuring Costs

In connection with the acquisition of Roadway Corporation by Yellow Corporation, we incurred \$13.4 million of restructuring costs as a result of severance (administrative, sales and operations personnel) and relocation of workforce and contract terminations. We have recognized such costs as a liability assumed as of the acquisition date, resulting in additional goodwill. These restructuring costs consisted of \$12.2 million of employee termination (including wages, health benefits and outplacement services) and relocation costs for approximately 800 employees and \$1.2 million for contract terminations. All of these restructuring items will have been effectuated within one year of the acquisition date in accordance with purchase accounting requirements. During the six months ended June 30, 2004, we paid \$2.0 million of restructuring costs resulting in an \$11.4 million accrued liability at June 30, 2004.

5. Employee Benefits

Components of Net Periodic Pension Cost

In December 2003, the Financial Accounting Standards Board revised Statement of Financial Accounting Standards ("SFAS") No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits ("Statement No. 132R"). Statement No. 132R requires the disclosure of the components of the net periodic pension cost recognized during interim periods. The following table sets forth the components of our net periodic pension cost for the three and six months ended June 30, 2004 and the twelve and twenty-four weeks ended June 21, 2003:

(in thousands)	Three Months ended June 30, 2004	Twelve Weeks ended June 21, 2003	Six Months ended June 30, 2004	Twenty-four Weeks ended June 21, 2003
Service cost	\$ 5,401	\$ 4,693	\$ 10,802	\$ 9,386
Interest cost	7,331	6,257	14,662	12,514
Expected return on plan assets	(6,195)	(5,059)	(12,390)	(10,118)
Amortization of net transition obligation	—	(330)	—	(660)
Amortization of prior service cost	—	1,298	—	2,596
Amortization of net loss	16	32	32	64
Net periodic pension cost	\$ 6,553	\$ 6,891	\$ 13,106	\$ 13,782

The following table sets forth the components of our other postretirement costs for the three and six months ended June 30, 2004 and the twelve and twenty-four weeks ended June 21, 2003

(in thousands)	Three Months ended June 30, 2004	Twelve Weeks ended June 21, 2003	Six Months ended June 30, 2004	Twenty-four Weeks ended June 21, 2003
Service cost	\$ 244	\$ 466	\$ 715	\$ 932
Interest cost	406	788	1,189	1,576
Amortization of prior service cost	—	(445)	—	(890)
Amortization of net loss	—	134	—	268
Net periodic postretirement cost	\$ 650	\$ 943	\$ 1,904	\$ 1,886

Employer Contributions

In our financial statements for the year ended December 31, 2003, we disclosed that we expect to contribute approximately \$20 million to our pension plans in 2004, and this expectation has not changed. As of June 30, 2004, we have not made any contributions to the plans.

6. Comprehensive Income

Our comprehensive income for the periods presented includes net income and foreign currency translation adjustments. Comprehensive income for the three months ended June 30, 2004 and twelve weeks ended June 21, 2003 follows:

(in thousands)	June 30, 2004	June 21, 2003
Net income	\$ 11,711	\$ 6,344
Changes in foreign currency translation adjustments	(829)	3,139
Comprehensive income	\$ 10,882	\$ 9,483

Comprehensive income for the six months ended June 30, 2004 and twenty-four weeks ended June 21, 2003 follows:

(in thousands)	June 30, 2004	June 21, 2003
Net income	\$14,329	\$ 16,619
Changes in foreign currency translation adjustments	(1,070)	5,902
Comprehensive income	<u>\$13,259</u>	<u>\$ 22,521</u>

7. **Rental Expenses**

Roadway Express incurs rental expenses under noncancelable lease agreements for certain buildings and operating equipment. Rental expense is charged to "operating expenses and supplies" on the Statements of Consolidated Operations. The following table represents the actual rental expense, as reflected in operating income, incurred for the three and six months ended June 30, 2004 and twelve and twenty-four weeks ended June 21, 2003:

(in thousands)	Three Months ended June 30, 2004	Twelve Weeks ended June 21, 2003	Six Months ended June 30, 2004	Twenty-four Weeks ended June 21, 2003
Rental expense	<u>\$ 13,449</u>	<u>\$ 12,164</u>	<u>\$ 26,557</u>	<u>\$ 25,136</u>

8. **Multi-Employer Pension Plans**

Roadway Express contributes 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.

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 the 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 us to obligations under the legislation.

Roadway Express has collective bargaining agreements with its 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. Under recent legislation, qualified multi-employer plans are permitted to exclude certain recent investment losses from the minimum funding formula through 2005. The Central States Plan, in particular, has informed us that its recent investment performance has adversely affected its funding levels and that the fund is seeking corrective measures to address its funding. During the benefit period of the recent legislation, the Central States Plan is expected to meet the minimum funding requirements. If any of these plans, including the Central States Plan, fails to meet minimum funding requirements and the trustees of such a plan are unable to obtain a waiver of the requirements or certain changes in how the applicable plan calculates its funding level 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 contributions in excess of our contractually agreed upon rates could be required 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.

9. **Related Party Transactions**

Yellow Roadway maintains an asset backed securitization ("ABS") facility that involves receivables of Yellow Transportation, Inc. and Roadway Express. The ABS facility is operated by Yellow Roadway Receivables Funding Corporation ("YRRFC"), a special purpose entity wholly owned by Yellow Roadway. As the receivables of Roadway Express are transferred to YRRFC, the accompanying balance sheet at June 30, 2004 reflects these amounts as accounts receivable from affiliate, net of certain financing costs.

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 June 30, 2004 and at December 31, 2003.

CONSOLIDATED FINANCIAL STATEMENTS

Roadway Next Day Corporation and Subsidiary

A wholly owned subsidiary of Yellow Roadway Corporation

Consolidated Balance Sheets as of June 30, 2004 and December 31, 2003;

Statements of Consolidated Operations for the three and six months ended June 30, 2004
and twelve and twenty-four weeks ended June 21, 2003;

Statements of Consolidated Cash Flows for the six months ended June 30, 2004
and twenty-four weeks ended June 21, 2003.

CONSOLIDATED BALANCE SHEETS
Roadway Next Day Corporation and Subsidiary
A wholly owned subsidiary of Yellow Roadway Corporation
(Amounts in thousands)
(Unaudited)

	June 30, 2004	December 31, 2003
Assets		
Current Assets:		
Cash and cash equivalents	\$ 8,994	\$ 25,328
Accounts receivable, net	27,774	19,877
Advances receivable from parent and affiliates	10,100	—
Prepaid expenses and other	6,834	6,830
Total current assets	53,702	52,035
Property and Equipment:		
Cost	85,716	74,482
Less – accumulated depreciation	4,206	521
Net property and equipment	81,510	73,961
Goodwill	55,291	122,332
Intangibles, net	65,738	89,291
Other assets	2,711	3,094
Total assets	\$ 258,952	\$ 340,713
Liabilities and Parent Company Investment		
Current Liabilities:		
Accounts payable	\$ 3,974	\$ 8,905
Advances payable to parent and affiliates	—	4,568
Wages, vacations and employees' benefits	16,355	12,102
Other current and accrued liabilities	10,552	9,550
Total current liabilities	30,881	35,125
Other Liabilities:		
Note payable to affiliate	150,405	150,000
Deferred income taxes, net	32,029	38,999
Accrued pension and postretirement	1,901	1,811
Claims and other liabilities	12,868	12,057
Total other liabilities	197,203	202,867
Parent Company Investment:		
Capital surplus	26,199	103,259
Retained earnings	4,669	(538)
Total parent company investment	30,868	102,721
Total liabilities and parent company investment	\$ 258,952	\$ 340,713

The accompanying notes are an integral part of these statements.

STATEMENTS OF CONSOLIDATED OPERATIONS
Roadway Next Day Corporation and Subsidiary
A wholly owned subsidiary of Yellow Roadway Corporation
(Amounts in thousands)
(Unaudited)

	Three Months Ended June 30, 2004	Twelve Weeks Ended June 21, 2003
Operating Revenue	\$ 64,318	\$ 50,372
Operating Expenses:		
Salaries, wages and employees' benefits	41,225	33,217
Operating expenses and supplies	7,913	6,298
Operating taxes and licenses	1,665	1,445
Claims and insurance	913	885
Depreciation and amortization	2,787	2,399
Purchased transportation	663	449
Losses (gains) on property disposals, net	(42)	51
Total operating expenses	55,124	44,744
Operating Income	9,194	5,628
Nonoperating (Income) Expenses:		
Interest expense	3,085	4,658
Other	392	1,101
Nonoperating expenses, net	3,477	5,759
Income (Loss) From Continuing Operations Before Income Taxes	5,717	(131)
Income tax provision (benefit)	2,230	75
Net Income (Loss) from Continuing Operations	3,487	(206)
Loss from discontinued operations	—	(302)
Net Income (Loss)	\$ 3,487	\$ (508)

The accompanying notes are an integral part of these statements. Refer to Note 2 for the difference in accounting policies between the periods presented.

STATEMENTS OF CONSOLIDATED OPERATIONS
Roadway Next Day Corporation and Subsidiary
A wholly owned subsidiary of Yellow Roadway Corporation
(Amounts in thousands)
(Unaudited)

	Six Months Ended June 30, 2004	Twenty-four Weeks Ended June 21, 2003
Operating Revenue	\$ 120,422	\$ 99,198
Operating Expenses:		
Salaries, wages and employees' benefits	78,701	67,284
Operating expenses and supplies	15,110	12,937
Operating taxes and licenses	3,260	2,852
Claims and insurance	1,625	2,060
Depreciation and amortization	5,631	4,773
Purchased transportation	1,197	991
Losses (gains) on property disposals, net	(47)	60
Total operating expenses	105,477	90,957
Operating Income	14,945	8,241
Nonoperating (Income) Expenses:		
Interest expense	6,238	9,597
Other	381	2,456
Nonoperating expenses, net	6,619	12,053
Income (Loss) From Continuing Operations Before Income Taxes	8,326	(3,812)
Income tax provision (benefit)	3,119	(1,327)
Net Income (Loss) from Continuing Operations	5,207	(2,485)
Loss from discontinued operations	—	(155)
Net Income	\$ 5,207	\$ (2,640)

The accompanying notes are an integral part of these statements. Refer to Note 2 for the difference in accounting policies between the periods presented.

STATEMENTS OF CONSOLIDATED CASH FLOWS
Roadway Next Day Corporation and Subsidiary
A wholly owned subsidiary of Yellow Roadway Corporation
(Amounts in thousands)
(Unaudited)

	Six Months Ended June 30, 2004	Twenty-four Weeks Ended June 21, 2003
Operating Activities:		
Net income (loss)	\$ 5,207	\$ (2,485)
Noncash items included in net income (loss):		
Depreciation and amortization	5,631	6,454
Losses (gains) on property disposals, net	(47)	60
Changes in assets and liabilities, net:		
Accounts receivable	(7,897)	(1,311)
Accounts payable	(4,930)	64
Other working capital items	5,251	4,426
Claims and other	902	(175)
Other, net	382	—
Net cash from operating activities	4,499	7,033
Investing Activities:		
Acquisition of property and equipment	(7,081)	(1,232)
Proceeds from disposal of property and equipment	512	248
Net cash used in investing activities	(6,569)	(984)
Financing Activities:		
Advances to parent and affiliates, net	(14,264)	(7,300)
Net cash used in financing activities	(14,264)	(7,300)
Net Decrease In Cash and Cash Equivalents From Continuing Operations	(16,334)	(1,251)
Net Decrease In Cash and Cash Equivalents From Discontinued Operations	—	(38)
Cash and Cash Equivalents, Beginning of Period	25,328	12,992
Cash and Cash Equivalents, End of Period	\$ 8,994	\$ 11,703

The accompanying notes are an integral part of these statements. Refer to Note 2 for the difference in accounting policies between the periods presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Roadway Next Day Corporation and Subsidiary
A wholly owned subsidiary of Yellow Roadway Corporation
(unaudited)

1. 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 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 (“Yellow Roadway”). 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 for a total purchase price of approximately \$1.1 billion. Roadway LLC principal segments include Roadway Express, Inc. and Roadway Next Day Corporation.

2. Principles of Consolidation and Summary of Accounting Policies

The accompanying consolidated financial statements include the accounts of Roadway Next Day and its wholly owned subsidiaries. We have prepared the consolidated financial statements, without audit by independent public accountants, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). In management’s opinion, all normal recurring adjustments necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods included herein have been made. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from these statements pursuant to SEC rules and regulations. Accordingly, the accompanying consolidated financial statements should be read in conjunction with our consolidated financial statements included as Exhibit 99.6 to the Yellow Roadway Corporation Annual Report on Form 10-K for the year ended December 31, 2003.

Prior to the acquisition of Roadway Corporation by Yellow Corporation on December 11, 2003, Roadway Corporation and all of its wholly owned subsidiaries, including Roadway Next Day, operated on thirteen four-week accounting periods with twelve weeks in each of the first three quarters and sixteen weeks in the fourth quarter. As part of the acquisition, Roadway Next Day adopted a calendar-quarter reporting basis as well as the significant accounting policies of Yellow Roadway Corporation. In addition, we 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. For accounting policies related to the Consolidated Balance Sheets as of June 30, 2004 and December 31, 2003, and for the Statements of Consolidated Operations for the three and six months ended June 30, 2004 and for the Statement of Consolidated Cash Flows for the six months ended June 30, 2004 and the related notes to financial statements, please refer to the Yellow Roadway Corporation Annual Report on Form 10-K for the

year ended December 31, 2003. For accounting policies related to the Statements of Consolidated Operations for the twelve and twenty-four weeks ended June 21, 2003 and the Statement of Consolidated Cash Flows for the twenty-four weeks ended June 21, 2003 and related notes to financial statements, please refer to our financial statements and related notes at December 11, 2003, filed as Exhibit 99.5 to the Yellow Roadway Corporation Annual Report on Form 10-K for the year ended December 31, 2003.

3. 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. The following table shows the amount of goodwill attributable to Roadway Next Day with balances and changes therein:

(in thousands)	December 31, 2003	Purchase Accounting Reclasses/ Other	June 30, 2004
Goodwill	\$ 122,332	\$ (67,041)	\$ 55,291

As the acquisition of Roadway Corporation by Yellow Corporation occurred in December 2003, the allocation of the purchase price included in the December 31, 2003 Consolidated Balance Sheets was preliminary and subject to refinement. During the six months ended June 30, 2004, an independent asset valuation was received and certain reallocations were made related to tangible and intangible assets. The purchase price allocation has been modified to reflect the results of this valuation. These changes did not have a material impact on our consolidated results of operations.

As of June 30, 2004, refinements to the purchase price allocation are substantially complete. There may be certain minor refinements during the third quarter of 2004. We do not expect these subsequent changes to have a material impact on our consolidated results of operations.

The components of amortizable intangible assets are as follows:

(in thousands)	Weighted Average Life (years)	June 30, 2004		December 31, 2003	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer related	15	\$ 46,200	\$ 2,020	\$ 62,900	\$ 192
Technology based	3	1,000	142	1,000	17
Intangible assets		\$ 47,200	\$ 2,162	\$ 63,900	\$ 209

Total marketing related intangible assets with indefinite lives were \$20.7 million at June 30, 2004 and \$25.6 million at December 31, 2003. These intangible assets are not subject to amortization. The change between periods related to a reclassification arising from modifications to the purchase price allocation, as discussed above, and foreign currency translation adjustments.

4. **Employee Benefits**

Components of Net Periodic Pension Cost

In December 2003, the Financial Accounting Standards Board revised Statement of Financial Accounting Standards (“SFAS”) No. 132, Employers’ Disclosures about Pensions and Other Postretirement Benefits (“Statement No. 132R”). Statement No. 132R requires the disclosure of the components of the net periodic pension cost recognized during interim periods. The following table sets forth the components of our net periodic pension cost for the three and six months ended June 30, 2004 and the twelve and twenty-four weeks ended June 21, 2003:

(in thousands)	Three Months ended June 30, 2004	Twelve Weeks ended June 21, 2003	Six Months ended June 30, 2004	Twenty-four Weeks ended June 21, 2003
Service cost	\$ 11	\$ 10	\$ 22	\$ 21
Interest cost	29	27	58	55
Net periodic pension cost	\$ 40	\$ 37	\$ 80	\$ 76

5. **Rental Expenses**

Roadway Next Day incurs rental expenses under noncancelable lease agreements for certain buildings and operating equipment. Rental expense is charged to “operating expenses and supplies” on the Statements of Consolidated Operations. The following table represents the actual rental expense, as reflected in operating income, incurred for the three and six months ended June 30, 2004 and the twelve and twenty-four weeks ended June 21, 2003:

(in thousands)	Three Months ended June 30, 2004	Twelve Weeks ended June 21, 2003	Six Months ended June 30, 2004	Twenty-four Weeks ended June 21, 2003
Rental expense	\$ 103	\$ 71	\$ 174	\$ 148

6. **Multi-Employer Pension Plans**

Roadway Next Day contributes to various 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.

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 the 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 it to obligations under the legislation.

Roadway Next Day has collective bargaining agreements with its 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. Under recent legislation, qualified multi-employer plans are permitted to exclude certain recent investment losses from the minimum funding formula through 2005. If any of these plans fail to meet minimum funding requirements and the trustees of such a plan are unable to obtain a waiver of the requirements or certain changes in how the applicable plan calculates its funding level 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 contributions in excess of our contractually agreed upon rates could be required 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.

7. **Related Party Transactions**

On December 10, 2003, Roadway Next Day executed a \$150 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 June 30, 2004 and at December 31, 2003.