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, 2005

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	**48-0948788**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
10990 Roe Avenue, Overland Park, Kansas	**66211**
(Address of principal executive offices)	**(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 29, 2005
Common Stock, $1 Par Value Per Share	57,927,746 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)

	June 30, 2005 (Unaudited)	December 31, 2004
Assets		
Current Assets:		
Cash and cash equivalents	$ 62,395	$ 106,489
Accounts receivable, net	1,182,117	778,596
Prepaid expenses and other	222,957	168,356
Total current assets	1,467,469	1,053,441
Property and Equipment:		
Cost	3,569,409	2,672,289
Less – accumulated depreciation	1,295,849	1,249,571
Net property and equipment	2,273,560	1,422,718
Goodwill	1,206,886	632,141
Intangibles, net	654,697	468,310
Other assets	82,402	50,559
Total assets	$5,685,014	$3,627,169
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	$ 354,427	$ 307,089
Wages, vacations and employees' benefits	523,177	427,731
Other current and accrued liabilities	434,100	210,519
Current maturities of contingently convertible notes	250,000	250,000
Asset backed securitization ("ABS") borrowings	486,000	—
Current maturities of long-term debt	4,455	4,400
Total current liabilities	2,052,159	1,199,739
Other Liabilities:		
Long-term debt, less current portion	822,880	403,535
Deferred income taxes, net	393,001	319,839
Claims and other liabilities	620,209	489,865
Commitments and contingencies		
Shareholders' Equity:		
Common stock, $1 par value per share	60,024	51,303
Preferred stock, $1 par value per share	—	—
Capital surplus	1,155,940	694,504
Retained earnings	676,482	550,484
Accumulated other comprehensive loss	(34,847)	(33,159)
Unamortized restricted stock awards	(21,213)	(10,479)
Treasury stock, at cost (2,093 and 2,066 shares)	(39,621)	(38,462)
Total shareholders' equity	1,796,765	1,214,191
Total liabilities and shareholders' equity	$5,685,014	$3,627,169

The accompanying notes are an integral part of these statements.

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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	
	2005	2004	2005	2004
Operating Revenue	$2,088,846	$1,674,131	$3,766,807	$3,226,266
Operating Expenses:				
Salaries, wages and employees' benefits	1,237,467	1,031,120	2,270,914	2,024,670
Operating expenses and supplies	333,592	249,128	590,049	487,485
Purchased transportation	228,331	183,384	411,984	350,648
Depreciation and amortization	59,080	42,982	105,048	83,588
Other operating expenses	92,444	79,469	164,125	150,047
(Gains) losses on property disposals, net	1,250	(193)	(1,984)	269
Acquisition charges	864	—	864	—
Total operating expenses	1,953,028	1,585,890	3,541,000	3,096,707
Operating Income	135,818	88,241	225,807	129,559
Nonoperating (Income) Expenses:				
Interest expense	14,189	11,497	22,804	23,407
Other	(1,316)	462	(545)	342
Nonoperating expenses, net	12,873	11,959	22,259	23,749
Income Before Income Taxes	122,945	76,282	203,548	105,810
Income tax provision	46,840	29,365	77,550	40,737
Net Income	$ 76,105	$ 46,917	$ 125,998	$ 65,073
Average Common Shares Outstanding – Basic	52,639	47,958	50,728	47,885
Average Common Shares Outstanding – Diluted	55,319	48,436	53,791	48,348
Basic Earnings Per Share	$ 1.45	$ 0.98	$ 2.48	$ 1.36
Diluted Earnings Per Share	$ 1.38	$ 0.97	$ 2.34	$ 1.35

The accompanying notes are an integral part of these statements.

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

	2005	2004
Operating Activities:		
Net income	$ 125,998	$ 65,073
Noncash items included in net income:		
Depreciation and amortization	105,048	83,588
(Gains) losses on property disposals, net	(1,984)	269
Deferred income tax provision, net	(2,996)	(3,602)
Changes in assets and liabilities, net:		
Accounts receivable	(69,491)	(85,659)
Accounts payable	(48,411)	(32,347)
Other working capital items	41,679	124,498
Claims and other	31,786	18,465
Other, net	3,020	10,404
Net cash provided by operating activities	184,649	180,689
Investing Activities:		
Acquisition of property and equipment	(120,523)	(107,043)
Proceeds from disposal of property and equipment	12,437	3,728
Acquisition of companies, net of cash acquired	(754,300)	(7,881)
Net cash used in investing activities	(862,386)	(111,196)
Financing Activities:		
ABS borrowings, net	486,000	(14,500)
Issuance (repayment) of long-term debt	149,994	(100,036)
Debt issuance costs	(3,151)	—
Proceeds from exercise of stock options	800	3,444
Net cash provided by (used in) financing activities	633,643	(111,092)
Net Decrease In Cash and Cash Equivalents	(44,094)	(41,599)
Cash and Cash Equivalents, Beginning of Period	106,489	75,166
Cash and Cash Equivalents, End of Period	$ 62,395	$ 33,567

The accompanying notes are an integral part of these statements.

STATEMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY
Yellow Roadway Corporation and Subsidiaries
For the six months ended June 30
(Amounts in thousands except per share data)
(Unaudited)

	2005
Common Stock	
Beginning balance	$ 51,303
Issuance of common stock for USF acquisition	9,020
Other, net	(299)
Ending balance	$ 60,024
Capital Surplus	
Beginning balance	$ 694,504
Issuance of equity awards, net	17,077
Issuance of common stock for USF acquisition	439,105
Employer contribution to 401(k) plan	4,470
Other, net	784
Ending balance	$1,155,940
Retained Earnings	
Beginning balance	$ 550,484
Net income	125,998
Ending balance	$ 676,482
Accumulated Other Comprehensive Loss	
Beginning balance	$ (33,159)
Foreign currency translation adjustment, net of tax	(1,688)
Ending balance	$ (34,847)
Unamortized Equity Awards	
Beginning balance	$ (10,479)
Issuance of equity awards, net	(15,008)
Amortization of equity awards	4,274
Ending balance	$ (21,213)
Treasury Stock, At Cost	
Beginning balance	$ (38,462)
Other, net	(1,159)
Ending balance	$ (39,621)
Total Shareholders' Equity	$1,796,765

The accompanying notes are an integral part of these statements.

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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 transportation services. 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 45% 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 regionalized management and customer facing organizations. Approximately 30% of Roadway Express shipments are completed in two days or less. Roadway Express owns 100% of Reimer Express Lines Ltd. ("Reimer"), located in Canada, that specializes in shipments into, across and out of Canada.
- YRC Regional Transportation, Inc. ("Regional Transportation") is a holding company for our transportation service providers focused on business opportunities in the regional and next-day delivery markets. Regional Transportation includes the results of New Penn Motor Express, Inc. ("New Penn"), USF Holland Inc., USF Reddaway Inc. and USF Bestway Inc. among others, which provide regional, next-day ground services through a network of facilities located across the United States ("U.S."); Quebec, Canada; Mexico and Puerto Rico and USF Glen Moore Inc., which provides truckload services throughout the U.S.
- Meridian IQ, Inc. ("Meridian IQ") is a logistics 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. Meridian IQ now includes the business of USF Logistics Services Inc. following our acquisition of USF Corporation.

2. **Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of Yellow Roadway and its wholly owned subsidiaries. Management makes estimates and assumptions that affect the amounts reported in the financial statements and notes. Actual results could differ from those estimates. 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, 2004.

3. **Acquisitions**

In accordance with SFAS No. 141, Business Combinations ("SFAS No. 141"), we allocate the purchase price of our acquisitions to the tangible and intangible assets and liabilities of the acquired entity based on their fair values. We record the excess of the 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 ("SFAS 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 definite useful lives are amortized on a straight-line basis over their respective useful lives.

The operating results of the following acquisitions are included in our consolidated results of operations from the dates of acquisition through June 30, 2005.

USF Corporation

On May 24, 2005, Yellow Roadway completed the acquisition of USF Corporation ("USF"), headquartered in Chicago, IL, through the merger (the "Merger") of a wholly owned subsidiary of Yellow Roadway with and into USF, resulting in USF becoming a wholly owned subsidiary of Yellow Roadway. USF, a leader in the transportation industry, specializes in delivering comprehensive supply chain management solutions, including high-value next-day, regional and national LTL transportation, third-party logistics, and premium regional and national truckload transportation. The company serves the North American market, including the United States, Canada and Mexico, as well as the U.S. territories of Puerto Rico and Guam under the following brands: USF Holland, USF Reddaway, USF Bestway, USF Glen Moore and USF Logistics. The acquisition will further advance Yellow Roadway as one of the leading transportation services companies in the world. The combined entity will offer customers a broad range of transportation services including next day, inter-regional, national, and international capabilities.

Pursuant to the Merger, each share of common stock of USF was converted into the right to receive $29.25 in cash and 0.31584 shares of Yellow Roadway common stock resulting in consideration of approximately $835 million in cash and 9 million shares for a total purchase price of $1.3 billion. The purchase price also included approximately $13.6 million for investment banking, legal and accounting fees that Yellow Roadway incurred to consummate the acquisition, resulting in total cash consideration of $742 million, net of cash acquired. The cash portion of the merger consideration was financed with a combination of proceeds from the issuance of floating rate notes, borrowings under our asset backed securitization ("ABS") facility, and cash on hand.

The allocation of the total consideration for the USF acquisition is as follows (in millions):

Current assets, net of cash acquired of $106.9 million	$ 357.8
Property, plant and equipment	841.4
Goodwill	567.4
Intangible assets	194.4
Other assets	21.6
Current liabilities	(357.6)
Long-term debt	(272.8)
Other liabilities	(167.1)
Net assets acquired	$1,185.1

The purchase price allocation has been prepared on a preliminary basis, and changes are expected as an appraisal of both tangible and intangible assets is completed and additional information becomes available.

Of the estimated $194.4 million of acquired intangible assets, $118.2 million was assigned to trade names that are not subject to amortization. The remaining $76.2 million of acquired intangible assets has a weighted-average useful life of approximately fourteen years. The intangible assets that make up that amount include customer relationships of $68.0 million (fifteen-year weighted average useful life) and computer software of $8.2 million (three-year weighted average useful life). The $567.4 million of goodwill was assigned to the Regional Transportation and Meridian IQ segments in the amounts of $497.8 million and $69.6 million, respectively. None of the goodwill is expected to be deductible for tax purposes.

In connection with the acquisition and our overall business strategy, on June 20, 2005 we announced the planned shut down of USF Dugan Inc., effective July 11, 2005. Additionally, we intend to significantly reduce the personnel requirements in Chicago, IL, USF Corporation's former headquarters. As a result of these planned events, we incurred $32.9 million of restructuring costs as a result of severance (administrative, sales and operations personnel primarily from USF Dugan and the USF corporate office) and contract terminations. We have recognized these costs as a liability assumed as of the acquisition date, resulting in additional goodwill. These restructuring costs consisted of $24.2 million of employee termination (including wages, health benefits and outplacement services) for approximately 1,250 employees and $8.7 million for contract terminations and other miscellaneous costs. 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, 2005, we paid $8.6 million of restructuring costs resulting in a $24.3 million accrued liability at June 30, 2005.

The following unaudited pro forma data summarizes the results of operations for the periods indicated as if the USF acquisition had occurred as of the beginning of the periods presented for the three and six months ended June 30.

	Three Months		Six Months	
(in millions except per share data)	2005	2004	2005	2004
Revenue	$2,449.1	$2,286.0	$4,725.0	$4,454.9
Net income	66.5	42.1	106.3	64.5
Diluted earnings per share	$ 1.10	$ 0.73	$ 1.75	$ 1.12

The pro forma data gives effect to actual operating results prior to the acquisition and adjustments to interest expense and amortization expense, net of tax. Included in the pro forma results for the six months ended June 30, 2005 is approximately $18.3 million ($12.5 million net of tax) of acquisition charges incurred by USF that are considered unusual. The unaudited pro forma financial information is not intended to represent or be indicative of the consolidated results of operations of Yellow Roadway that would have been reported had the acquisition been completed as of the dates presented, and should not be taken as representative of the future consolidated results of operations of Yellow Roadway.

GPS Asia

In March 2005, Meridian IQ exercised and closed its option to purchase GPS Logistics Group Ltd., the Asian operations of GPS Logistics, Inc., and in turn, made a payment of $5.7 million ($3.2 million net of cash acquired). Under the terms of the purchase agreement, this payment is subject to subsequent upward and downward adjustments based on the financial performance of the Asia business through March 2007. Additional earn out payments could be required based on the financial performance of the Asia business during the period March 2007 to March 2009. The pro forma effect of this acquisition is not material to our results of operations.

Other

In June 2005, we placed $9 million in escrow to be applied to our purchase of 50% of the outstanding stock of JHJ International Transportation Co., Ltd., based in Shanghai, China. We are committed to investing a total of $45 million to acquire the 50% ownership interest upon closing of the transaction which is subject to governmental approval and is expected to occur in the second half of 2005.

4. Goodwill and Intangibles

Goodwill is recognized for the excess of the purchase price over the fair value of tangible and identifiable intangible net assets of businesses acquired. In accordance with SFAS No. 142, we review goodwill at least annually for impairment based on a fair value approach.

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

(in millions)	Roadway Express	Regional Transportation	Meridian IQ	Total
Balances at December 31, 2004	$ 545.2	$ 58.6	$ 28.3	$ 632.1
Goodwill resulting from acquisitions	—	502.6	72.9	575.5
Changes in foreign currency exchange rates	(0.2)	—	(0.5)	(0.7)
Balances at June 30, 2005	$ 545.0	$ 561.2	$ 100.7	$1,206.9

The components of amortizable intangible assets are as follows:

(in millions)	Weighted Average Life (years)	June 30, 2005 Gross Carrying Amount	June 30, 2005 Accumulated Amortization	December 31, 2004 Gross Carrying Amount	December 31, 2004 Accumulated Amortization
Customer related	17	$ 186.2	$ 13.3	$ 118.2	$ 9.0
Marketing related	6	1.0	0.5	1.0	0.4
Technology based	3	25.7	9.3	17.5	6.1
Intangible assets		$ 212.9	$ 23.1	$ 136.7	$ 15.5

Total marketing related intangible assets with indefinite lives, primarily tradenames, were $463.8 million at June 30, 2005 and $346.9 million at December 31, 2004. Certain foreign currency translation adjustments are also reflected in the intangible amounts. These intangible assets are not subject to amortization, but are subjected to annual impairment tests.

5. **Debt and Financing**

Total debt consisted of the following:

(in millions)	June 30, 2005	December 31, 2004
ABS borrowings, secured by accounts receivable	$ 486.0	$ —
Floating rate notes	150.0	—
USF senior notes	271.8	—
Senior notes due 2008	241.6	244.0
Contingent convertible senior notes	400.0	400.0
Other	14.0	13.9
Total debt	$ 1,563.4	$ 657.9
ABS borrowings	(486.0)	—
Current maturities	(254.5)	(254.4)
Long-term debt	$ 822.9	$ 403.5

Floating Rate Notes

On May 24, 2005, we completed the private placement of $150 million in aggregate principal amount of senior floating rate notes due 2008 (the "Floating Rate Notes") that bear interest at a floating rate based on the London Interbank Offered Rate ("LIBOR") plus 1.375% payable quarterly in arrears. The Floating Rate Notes contain affirmative covenants similar to our credit agreement, yet does not require any financial covenants. We used the proceeds from the $150 million private placement as a part of the financing for the acquisition of USF. The notes were later exchanged for public notes as a part of an exchange offer in June 2005.

The Floating Rate Notes represent senior unsecured obligations of the Company and rank *pari passu* in right of payment with all other present and future senior indebtedness of the Company. The Floating Rate Notes are jointly and severally guaranteed by certain of our current domestic subsidiaries and have certain call features which allow us to redeem the notes at par anytime after November 15, 2006.

USF Senior Notes

As part of our acquisition of USF and by virtue of the merger agreement, we assumed $150 million aggregate principal amount of 8.5% senior notes due April 15, 2010, and $100 million aggregate principal amount of 6.5% senior notes due May 1, 2009 (collectively "USF Senior Notes"). The USF Senior Notes were revalued as part of purchase accounting and assigned a fair value of $272.2 million on May 24, 2005 with $18.6 million fair value adjustment to the 2010 notes and $3.6 million fair value adjustment to the 2009 notes. The premium over the face value of the USF Senior Notes is being amortized as a reduction to interest expense over the remaining life of the notes.

Asset Backed Securitization Facility

On May 24, 2005, we amended our ABS facility by entering into a Second Amended and Restated Receivables Purchase Agreement. Under the terms of this agreement, the ABS facility now involves receivables of USF Holland and USF Reddaway, two operating companies of USF acquired May 24, 2005, in addition to the previously included receivables of Yellow Transportation and Roadway Express. In addition, the facility has an increased limit of $650 million, up from the previous limit of $450 million, and now provides a letter of credit sublimit of $325 million. The interest rate continues to be a variable rate based on the A1/P1 commercial paper rate, plus a fixed increment for utilization. No other material changes were made to the agreement. Upon finalization of the amended agreement on May 24, 2005, we borrowed $550 million from the facility to fund a portion of the USF purchase price.

Credit Agreement

On May 19, 2005, we entered into an Amended and Restated Credit Agreement with certain banks, expiring May 18, 2010, that provides a $850 million senior unsecured revolving credit facility, including sublimits available for borrowings under certain foreign currencies. This agreement amends and restates our existing Credit Agreement, dated as of September 10, 2004, that provided among other things a revolving facility of $500 million. The new agreement also provides for letters of credit to be issued that would, in turn, reduce the borrowing capacity. As of June 30, 2005, no amounts were outstanding under the new agreement.

Amounts borrowed under the credit agreement bear interest at LIBOR plus 0.60%. Additionally, we are obligated to a facility fee of 0.15% of the total commitment. In accordance with the terms of the agreement, we must comply with certain performance covenants. As of June 30, 2005, we were in compliance with all terms of the agreement.

Future maturities of total debt for the years ending December 31 are as follows:

(in millions)	
2005	$ 4.5
2006	486.0
2007	—
2008	377.5
2009	101.0
Thereafter	556.0
Total	$1,525.0

6. **Stock-Based Compensation**

We have 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, 2004. We account 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.

We have not granted any options during the three months ended June 30, 2005 or the six months ended June 30, 2005. We estimated the fair value per option for each option granted during the six months ended June 30, 2004 using the Black-Scholes option pricing model with the following weighted average assumptions:

	Six Months Ended June 30, 2004
Actual options granted	28,000
Dividend yield	— %
Expected volatility	45.2%
Risk-free interest rate	2.6%
Expected option life (years)	3.6
Fair value per option	$ 12.61

The following table illustrates the effect on net income and earnings per share if we 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 2005	Three Months 2004	Six Months 2005	Six Months 2004
Net income, as reported	$76.1	$46.9	$126.0	$65.1
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	0.2	0.4	0.5	0.9
Pro forma net income	$75.9	$46.5	$125.5	$64.2
Basic earnings per share:				
Net income – as reported	$1.45	$0.98	$ 2.48	$1.36
Net income – pro forma	1.44	0.97	2.48	1.34
Diluted earnings per share:				
Net income – as reported	1.38	0.97	2.34	1.35
Net income – pro forma	1.37	0.96	2.34	1.33

During the six months ended June 30, 2005, we recorded the issuance of 284,640 share units and 8,975 shares of restricted stock to certain executive officers, key employees and our board of directors under our long-term incentive and equity award plan. The weighted-average grant-date fair value of these awards was $58.94 per unit. According to the plan provisions, the share units provide the holders the right to receive one share of common stock upon vesting of one share unit. With respect to 142,226 units awarded, the vesting provision states that 50% of the awarded performance share units will vest three years from the date of grant and the remaining 50% will vest six years from the date of grant. With respect to 140,884 units, the entire award vests on the third anniversary of the date of grant.

The related compensation expense for the share units and restricted stock discussed above 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.

7. Employee Benefits

Components of Net Periodic Pension and Other Postretirement Cost

The following table sets forth the components of our pension costs for the three and six months ended June 30:

(in millions)	Three Months 2005	Three Months 2004	Six Months 2005	Six Months 2004
Service cost	$ 10.7	$ 9.7	$ 21.3	$ 19.9
Interest cost	15.1	14.2	30.0	28.7
Expected return on plan assets	(14.0)	(13.2)	(27.8)	(26.5)
Amortization of prior service cost	0.4	0.3	0.8	0.6
Amortization of net loss	2.7	1.2	5.3	3.0
Net periodic pension cost	$ 14.9	$ 12.2	$ 29.6	$ 25.7

The following table sets forth the components of our other postretirement costs for the three and six months ended June 30:

(in millions)	Three Months 2005	Three Months 2004	Six Months 2005	Six Months 2004
Service cost	$ 0.4	$ 0.5	$ 0.6	$ 0.9
Interest cost	1.1	0.8	1.6	1.6
Amortization of prior service cost	0.1	—	0.2	—
Amortization of net (gain)	(0.1)	—	(0.2)	—
Other postretirement cost	$ 1.5	$ 1.3	$ 2.2	$ 2.5

Employer Contributions

We expect to contribute $49.9 million to our pension plans in 2005. For the six months ended June 30, 2005, our contributions to the pension plans have approximated $4.5 million.

8. **Earnings Per Share**

Dilutive securities, consisting of options to purchase our common stock, included in the calculation of diluted weighted average common shares were 583,000 and 626,000 for the three and six months ended June 30, 2005 and 478,000 and 463,000 for the three and six months ended June 30, 2004. In addition, dilutive securities related to our net share settle contingent convertible notes were 2,097,000 and 2,437,000 for the three and six months ended June 30, 2005. There were no such comparable amounts for the three and six months ended June 30, 2004.

9. **Business Segments**

We report financial and descriptive information about our 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.

We have four reportable segments, which are strategic business units that offer complementary transportation services to their customers. Yellow Transportation and Roadway Express are carriers that provide comprehensive regional, national and international transportation services. Regional Transportation is comprised of carriers that focus primarily on business opportunities in the regional and next-day delivery markets. Meridian IQ, our logistics segment, provides domestic and international freight forwarding, multi-modal brokerage services, and transportation management 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, 2004. The USF accounting policies have been conformed to Yellow Roadway effective as of May 25, 2005. We charge management fees and other corporate services to our segments based on the direct benefits received or as a percentage of revenue. Corporate operating losses represent operating expenses of the holding company, including salaries, wages and benefits, along with incentive compensation and professional services for all periods presented. Corporate identifiable assets primarily refer to cash, cash equivalents and deferred debt issuance costs. Intersegment revenue relates to transportation services between our segments, 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	Regional Transportation	Meridian IQ	Corporate/ Eliminations	Consolidated
As of June 30, 2005						
Identifiable assets	$ 1,023.8	$ 2,111.5	$ 2,173.4	$ 266.1	$ 110.2	$ 5,685.0
As of December 31, 2004						
Identifiable assets	1,030.4	2,110.4	248.9	108.0	129.5	3,627.2
Three months ended June 30, 2005						
External revenue	850.2	830.1	313.4	95.1	—	2,088.8
Intersegment revenue	0.9	0.8	1.1	0.5	(3.3)	—
Operating income (loss)	68.5	51.2	19.8	3.6	(7.3)	135.8
Adjustments to operating income[(a)]	0.1	1.0	0.4	—	0.6	2.1
Adjusted operating income (loss)[(b)]	68.6	52.2	20.2	3.6	(6.7)	137.9
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)[(b)]	45.7	36.2	9.2	0.6	(3.7)	88.0
Six months ended June 30, 2005						
External revenue	1,640.8	1,596.1	378.9	151.0	—	3,766.8
Intersegment revenue	1.5	1.5	1.0	1.1	(5.1)	—
Operating income (loss)	117.3	88.3	27.9	4.6	(12.3)	225.8
Adjustments to operating income[(a)]	(2.5)	0.5	0.4	—	0.5	(1.1)
Adjusted operating income (loss)[(b)]	114.8	88.8	28.3	4.6	(11.8)	224.7
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)[(b)]	72.6	51.3	14.9	1.1	(10.1)	129.8

(a) Management excludes these items when evaluating operating income and segment performance to better evaluate the results of our core operations. In the 2005 periods presented, adjustments consisted of losses (gains) on property disposals and acquisition charges. In the 2004 periods presented, adjustments consisted of losses (gains) on property disposals.

(b) This measurement is used for internal management purposes and should not be construed as a better measurement than operating income as defined by generally accepted accounting principles.

10. **Comprehensive Income**

Our comprehensive income for the periods presented includes net income and foreign currency translation adjustments. Comprehensive income for the three and six months ended June 30 follows:

	Three Months		Six Months	
(in millions)	**2005**	**2004**	**2005**	**2004**
Net income	$76.1	$46.9	$126.0	$65.1
Other comprehensive income, net of tax:				
Changes in foreign currency translation adjustments	(1.1)	(1.4)	(1.7)	(1.4)
Comprehensive income	$75.0	$45.5	$124.3	$63.7

11. **Rental Expenses**

We incur rental expenses under non-cancelable lease agreements for certain buildings and operating equipment. Rental expense is included in "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:

	Three Months		Six Months	
(in millions)	**2005**	**2004**	**2005**	**2004**
Rental expense	$30.8	$24.4	$57.9	$47.9

12. **Multi-Employer Pension Plans**

Yellow Transportation, Roadway Express, New Penn, USF Bestway, USF Holland and USF Reddaway contribute to approximately 90 separate multi-employer health, welfare and pension plans for employees covered by collective bargaining agreements (approximately 69% of our 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 37% 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 law 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 the applicable subsidiaries of YRC Regional Transportation have no current intention of taking any action that would subject us to obligations under the legislation.

Yellow Transportation, Roadway Express, New Penn, USF Bestway, USF Holland and USF Reddaway 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 (the "Code") and related regulations establish minimum funding requirements for these plans. The Central States Plan, in particular, has informed us that investment performance has adversely affected its funding levels and that the fund is seeking corrective measures to address its funding. If any of these multi-employer pension plans, including the Central States Plan, 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. These excise taxes are not contributed to the deficient funds, but rather are deposited in the United States general treasury funds. To avoid these taxes, contributions in excess of our contractually agreed upon rates could be necessary to correct the funding deficiency. If the IRS imposed an excise tax on the participating employers or we pay additional contributions in amounts sufficient to avoid the tax, either of these actions could have a material adverse impact on the financial results of Yellow Roadway.

The Central States Plan has applied for, and the IRS has granted, an extension on the amortization of its unfunded liabilities through 2014, subject to Central States Plan improving its funding levels during that period and certain other conditions. Assuming that the Central States Plan meets these conditions, it is expected to meet the minimum funding requirements, as the IRS has modified them, through at least 2014. Absent the benefit of the amortization extension that the IRS has granted to the Central States Plan, the Company believes that the plan would not meet the minimum funding requirements that the Code and related regulations require.

13. **Certain Commitments, Contingencies and Uncertainties**

In 2004, USF Red Star, a USF subsidiary that operated in the Northeastern U.S., was shut down. Due to the shutdown, USF, now our wholly owned subsidiary, is subject to withdrawal liability under the Multi-Employer Pension Plan Amendment Act of 1980 (as amended, "MEPPA") for up to 14 multi-employer pension plans. Based on information that USF has recently received from these plans, Yellow Roadway estimates that USF Red Star could be liable for up to approximately $85 million, net of payments to date. However, Yellow Roadway also estimates that approximately $20 million of this liability could be abated because of contributions that Yellow Transportation, Roadway Express, New Penn and USF Holland made to certain of these 14 plans. Thus, we have reserved approximately $65 million for these liabilities. We have recognized these liabilities as an obligation assumed on the acquisition date of USF, resulting in additional goodwill. See Note 3. The expected annual cash flow relative to this liability is approximately $12 million until further resolution. USF is entitled to review and contest liability assessments that various funds provided as well as determine whether additional abatement might be available as a result of other Yellow Roadway business units who make contributions to these plans. The final withdrawal liability may be adjusted when further information is available as we negotiate with the pension plans to agree on the correct calculation of withdrawal liability amounts and as sufficient information becomes available to determine the available abatement of the liability under MEPPA, including any necessary arbitration or litigation with the affected pension plans. The timing of any funding of USF Red Star's withdrawal liabilities to any particular fund will depend upon agreement with the fund on the ultimate amount of the liability, the conclusion of any arbitration or litigation to settle any disputes and the determination at the end of a plan year of whether abatement is applicable. MEPPA provides that certain interim payments may be required until these events occur. MEPPA also provides that any ultimate withdrawal liability payments may be made in a lump sum or over a period of time.

In November 2004, the Teamsters National Freight Industry Negotiating Committee (the "Teamsters") filed a complaint against USF, USF Red Star and USF Holland in the United States District Court for the Eastern District of Pennsylvania. In connection with the shut down of USF Red Star, the Teamsters claim certain violations of the National Labor Relations Act (the "NLRA"), alleging (among other things) that the shut down was in breach of USF Red Star's labor contract. The Teamsters are asking for unspecified damages. Additionally, the Teamsters filed a class action suit on behalf of the employees of USF Red Star alleging violations of the federal Worker Adjustment and Retraining Notification Act ("WARN Act"), seeking 60 days back compensation for USF Red Star employees due to allegedly shutting down USF Red Star without adequate notice under the WARN Act. We are vigorously contesting this lawsuit. The Teamsters are also requesting the National Labor Relations Board ("NLRB") to issue a complaint against USF, USF Red Star and USF Holland for allegedly unfair labor practices for these same allegations. We are vigorously contesting these allegations as well. The NLRB has not issued a complaint in this matter.

Including the Teamsters WARN action mentioned above, either or both of USF or USF Red Star are currently named in five class action lawsuits alleging violations of the federal WARN Act. These suits have been consolidated into one action in the United States District Court for the Eastern District of Pennsylvania. The plaintiffs in these suits are seeking 60 days back compensation for USF Red Star employees due to allegedly shutting down Red Star without adequate notice under the WARN Act. We are vigorously contesting these lawsuits.

USF Red Star has sued the Teamsters in connection with their strike on USF Red Star in the Northern District of New York, alleging that the strike was in breach of Teamsters' labor contract and that the strike was illegal secondary conduct under the NLRA, intending to pressure USF Dugan to allow organizing efforts at USF Dugan to succeed. USF Red Star is seeking unspecified damages from the Teamsters in connection with this lawsuit.

In December 2003, Idealease Services, Inc. ("Idealease") filed a complaint against USF Logistics in the Circuit Court of Cook County in Chicago, Illinois. Idealease was asking the court to require USF Logistics to specifically perform an alleged contractual obligation to buy back from Idealease a fleet of vehicles following the cessation of a customer's business operations. In the interim, Idealease has sold the vehicles and is now asking USF Logistics to pay Idealease the difference between the sale price of the vehicles and the price schedule set forth on the parties' contract, approximately $4.9 million. Alternatively, Idealease contends that USF Logistics is liable for the unpaid lease payments of approximately $11.5 million, which remain payable because certain riders to the lease agreement are invalid due to a lack of consideration. USF Logistics continues to vigorously contest this lawsuit.

We expect to recognize the liabilities, if any, associated with these USF lawsuits as an obligation assumed on the acquisition date of USF, resulting in additional goodwill, as these liabilities become subject to reasonable estimation in the twelve months following the acquisition of USF.

During June 2005, USF Reddaway entered into a four-year labor agreement with its unionized employees at certain of its Oregon and Washington facilities.

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14. **Guarantees of the Contingent Convertible Senior Notes and Senior Floating Rate Notes**

In August 2003, we issued 5.0% contingent convertible senior notes due 2023. In November 2003, we issued 3.375% contingent convertible senior notes due 2023 (the August and November issuances, collectively, may also be known as the "contingent convertible senior notes"). In December 2004, we completed exchange offers pursuant to which holders of the contingent convertible senior notes could exchange their notes for an equal amount of new net share settled contingent convertible senior notes. Substantially all notes were exchanged as a part of the exchange offers. In May 2005, we completed the private placement of $150 million in aggregate principal amount of senior floating rate notes due 2008. In connection with the net share settled contingent convertible senior notes and the floating rate notes, the following 100% owned subsidiaries of Yellow Roadway have issued guarantees in favor of the holders of the net share settled contingent convertible senior notes and the floating rate notes: Yellow Transportation, Inc., Mission Supply Company, Yellow Relocation Services, Inc., Yellow Roadway 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, 2005 and December 31, 2004 with respect to the financial position, for the three and six months ended June 30, 2005 and 2004 for results of operations, and for the six months ended June 30, 2005 and 2004 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 and the floating rate notes. The Guarantor Subsidiaries column presents the financial information of all guarantor subsidiaries of the net share settled contingent convertible senior notes and the floating rate notes. The Non-Guarantor Subsidiaries column presents the financial information of all non-guarantor subsidiaries, including those subsidiaries 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, 2005 (in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ 20	$ 13	$ 29	$ —	$ 62
Intercompany advances receivable	—	(23)	23	—	—
Accounts receivable, net	4	143	1,035	—	1,182
Prepaid expenses and other	4	153	66	—	223
Total current assets	28	286	1,153	—	1,467
Property and equipment	—	3,004	565	—	3,569
Less – accumulated depreciation	—	1,263	32	—	1,295
Net property and equipment	—	1,741	533	—	2,274
Investment in subsidiaries	2,693	(25)	49	(2,717)	—
Receivable from affiliate	—	555	193	(748)	—
Goodwill, intangibles and other assets	229	1,549	366	(200)	1,944
Total assets	$2,950	$ 4,106	$ 2,294	$ (3,665)	$ 5,685
Intercompany advances payable	$ 486	$ (516)	$ 230	$ (200)	$ —
Accounts payable	10	275	70	—	355
Wages, vacations and employees' benefits	9	450	64	—	523
Other current and accrued liabilities	10	246	180	(2)	434
Current maturities of contingently convertible notes	250	—	—	—	250
Current maturities of long-term debt	—	4	486	—	490
Total current liabilities	765	459	1,030	(202)	2,052
Payable to affiliate	170	—	578	(748)	—
Long-term debt, less current portion	300	523	—	—	823
Deferred income taxes, net	(6)	300	99	—	393
Claims and other liabilities	23	542	54	1	620
Commitments and contingencies					
Shareholders' equity	1,698	2,282	533	(2,716)	1,797
Total liabilities and shareholders' equity	$2,950	$ 4,106	$ 2,294	$ (3,665)	$ 5,685

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December 31, 2004 (in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ 82	$ 7	$ 17	$ —	$ 106
Intercompany advances receivable	—	484	—	(484)	—
Accounts receivable, net	3	14	762	—	779
Prepaid expenses and other	4	149	15	—	168
Total current assets	89	654	794	(484)	1,053
Property and equipment at cost	—	2,541	131	—	2,672
Less – accumulated depreciation	—	1,231	18	—	1,249
Net property and equipment	—	1,310	113	—	1,423
Investment in subsidiaries	1,162	97	—	(1,259)	—
Receivable from affiliate	8	127	39	(174)	—
Goodwill, intangibles and other assets	218	953	180	(200)	1,151
Total assets	$1,477	$ 3,141	$ 1,126	$ (2,117)	$ 3,627
Intercompany advances payable	$ —	$ —	$ 684	$ (684)	$ —
Accounts payable	8	276	23	—	307
Wages, vacations and employees’ benefits	17	391	20	—	428
Other current and accrued liabilities	17	183	10	—	210
Current maturities of contingently convertible notes	250	—	—	—	250
Current maturities of long-term debt	—	4	—	—	4
Total current liabilities	292	854	737	(684)	1,199
Payable to affiliate	—	16	158	(174)	—
Long-term debt, less current portion	150	254	—	—	404
Deferred income taxes, net	(5)	286	39	—	320
Claims and other liabilities	18	457	15	—	490
Commitments and contingencies					
Shareholders’ equity	1,022	1,274	177	(1,259)	1,214
Total liabilities and shareholders’ equity	$1,477	$ 3,141	$ 1,126	$ (2,117)	$ 3,627

Condensed Consolidating Statements of Operations

For the three months ended June 30, 2005 (in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$ 14	$ 1,758	$ 317	$ —	$ 2,089
Operating expenses:					
Salaries, wages and employees’ benefits	12	1,073	153	—	1,238
Operating expenses and supplies	7	265	62	—	334
Purchased transportation	—	167	61	—	228
Depreciation and amortization	—	48	11	—	59
Other operating expenses	—	79	13	—	92
(Gains) losses on property disposals, net	—	1	—	—	1
Acquisition charges	1	—	—	—	1
Total operating expenses	20	1,633	300	—	1,953
Operating income (loss)	(6)	125	17	—	136
Nonoperating (income) expenses:					
Interest expense	7	(6)	13	—	14
Other	(6)	44	(39)	—	(1)
Nonoperating (income) expenses, net	1	38	(26)	—	13
Income (loss) before income taxes	(7)	87	43	—	123
Income tax provision (benefit)	(1)	33	15	—	47
Net income (loss)	$ (6)	$ 54	$ 28	$ —	$ 76

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
Purchased transportation	—	162	24	(2)	184
Depreciation and amortization	—	39	4	—	43
Other operating expenses	1	74	4	—	79
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
Net income (loss)	$ 20	$ 28	$ 23	$ (24)	$ 47

For the six months ended June 30, 2005 (in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$ 29	$ 3,362	$ 447	$ (71)	$ 3,767
Operating expenses:					
Salaries, wages and employees' benefits	23	2,032	216	—	2,271
Operating expenses and supplies	16	559	85	(70)	590
Purchased transportation	—	321	92	(1)	412
Depreciation and amortization	—	89	16	—	105
Other operating expenses	—	148	16	—	164
(Gains) losses on property disposals, net	—	(2)	—	—	(2)
Acquisition charges	1	—	—	—	1
Total operating expenses	40	3,147	425	(71)	3,541
Operating income (loss)	(11)	215	22	—	226
Nonoperating (income) expenses:					
Interest expense	13	10	—	—	23
Other	(13)	56	(44)	—	(1)
Nonoperating (income) expenses, net	—	66	(44)	—	22
Income (loss) before income taxes	(11)	149	66	—	204
Income tax provision (benefit)	(1)	55	24	—	78
Net income (loss)	$ (10)	$ 94	$ 42	$ —	$ 126

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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
Purchased transportation	—	310	43	(2)	351
Depreciation and amortization	—	76	8	—	84
Other operating expenses	2	141	7	—	150
Operating (gains) and losses	—	—	—	—	—
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
Net income (loss)	$ 40	$ 42	$ 34	$ (51)	$ 65

Condensed Consolidating Statements of Cash Flows

For the six months ended June 30, 2005 (in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash provided by (used in) operating activities	$ (8)	$ 101	$ 92	$ —	$ 185
Investing activities:					
Acquisition of property and equipment	—	(60)	(61)	—	(121)
Proceeds from disposal of property and equipment	—	9	3	—	12
Acquisition of companies	(804)	47	3	—	(754)
Net cash used in investing activities	(804)	(4)	(55)	—	(863)
Financing activities:					
ABS borrowings, net	486	—	—	—	486
Issuance of long-term debt	150	—	—	—	150
Debt issuance costs	(3)	—	—	—	(3)
Proceeds from exercise of stock options	1	—	—	—	1
Intercompany advances / repayments	116	(91)	(25)	—	—
Net cash provided by (used in) financing activities	750	(91)	(25)	—	634
Net decrease in cash and cash equivalents	(62)	6	12	—	(44)
Cash and cash equivalents, beginning of period	82	7	17	—	106
Cash and cash equivalents, end of period	$ 20	$ 13	$ 29	$ —	$ 62

For the six months ended June 30, 2004 (in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash provided by (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 stock options	—	4	—	—	4
Intercompany advances / repayments	42	(399)	328	29	—
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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15. **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% 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, 2005 and December 31, 2004 with respect to the financial position, for the three and six months ended June 30, 2005 and 2004 for results of operations, and for the six months ended June 30, 2005 and 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, 2005 (in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ —	$ 28	$ 34	$ —	$ 62
Intercompany advances receivable	—	(13)	23	(10)	—
Accounts receivable, net	—	5	1,177	—	1,182
Prepaid expenses and other	11	87	125	—	223
Total current assets	11	107	1,359	(10)	1,467
Property and equipment	—	826	2,743	—	3,569
Less – accumulated depreciation	—	48	1,247	—	1,295
Net property and equipment	—	778	1,496	—	2,274
Investment in subsidiaries	—	734	24	(758)	—
Receivable from affiliate	105	(248)	143	—	—
Goodwill, intangibles and other assets	656	1,056	882	(650)	1,944
Total assets	$ 772	$ 2,427	$ 3,904	$ (1,418)	$ 5,685
Intercompany advances payable	$ —	$ (60)	$ 70	$ (10)	$ —
Accounts payable	—	104	251	—	355
Wages, vacations and employees' benefits	—	228	295	—	523
Other current and accrued liabilities	2	119	313	—	434
Current maturities of contingently convertible notes	—	250	—	—	250
Current maturities of long-term debt	—	—	490	—	490
Total current liabilities	2	641	1,419	(10)	2,052
Payable to affiliate	—	547	103	(650)	—
Long-term debt, less current portion	242	299	282	—	823
Deferred income taxes, net	(9)	212	190	—	393
Claims and other liabilities	—	343	277	—	620
Commitments and contingencies	—	—	—	—	—
Shareholders' equity	537	385	1,633	(758)	1,797
Total liabilities and shareholders' equity	$ 772	$ 2,427	$ 3,904	$ (1,418)	$ 5,685

December 31, 2004 (in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ —	$ 89	$ 17	$ —	$ 106
Intercompany advances receivable	76	542	—	(618)	—
Accounts receivable, net	—	(1)	780	—	779
Prepaid expenses and other	11	69	88	—	168
Total current assets	87	699	885	(618)	1,053
Property and equipment	—	876	1,796	—	2,672
Less – accumulated depreciation	—	70	1,179	—	1,249
Net property and equipment	—	806	617	—	1,423
Investment in subsidiaries	671	57	1	(729)	—
Receivable from affiliate	650	(12)	12	(650)	—
Goodwill, intangibles and other assets	6	1,045	100	—	1,151
Total assets	$1,414	$ 2,595	$ 1,615	$ (1,997)	$ 3,627
Intercompany advances payable	$ —	$ —	$ 618	$ (618)	$ —
Accounts payable	—	123	184	—	307
Wages, vacations and employees' benefits	—	238	190	—	428
Other current and accrued liabilities	(16)	130	96	—	210
Current maturities of contingently convertible notes	—	250	—	—	250
Current maturities of long-term debt	—	—	4	—	4
Total current liabilities	(16)	741	1,092	(618)	1,199
Payable to affiliate	—	626	24	(650)	—
Long-term debt, less current portion	244	150	10	—	404
Deferred income taxes, net	(9)	212	117	—	320
Claims and other liabilities	—	334	156	—	490
Commitments and contingencies					
Shareholders' equity	1,195	532	216	(729)	1,214
Total liabilities and shareholders' equity	$1,414	$ 2,595	$ 1,615	$ (1,997)	$ 3,627

Condensed Consolidating Statements of Operations

For the three months ended June 30, 2005 (in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$ —	$ 806	$ 1,283	$ —	$ 2,089
Operating expenses:					
Salaries, wages and employees' benefits	—	527	711	—	1,238
Operating expenses and supplies	—	89	245	—	334
Purchased transportation	—	81	147	—	228
Depreciation and amortization	—	20	39	—	59
Other operating expenses	—	37	55	—	92
(Gains) losses on property disposals, net	—	1	—	—	1
Acquisition charges	—	1	—	—	1
Total operating expenses	—	756	1,197	—	1,953
Operating income	—	50	86	—	136
Nonoperating (income) expenses:					
Interest expense	3	(6)	17	—	14
Other	(13)	36	(24)	—	(1)
Nonoperating (income) expenses, net	(10)	30	(7)	—	13
Income (loss) before income taxes	10	20	93	—	123
Income tax provision	4	8	35	—	47
Net income (loss)	$ 6	$ 12	$ 58	$ —	$ 76

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
Purchased transportation	—	74	109	1	184
Depreciation and amortization	—	20	23	—	43
Other operating expenses	—	38	41	—	79
Total operating expenses	—	743	830	13	1,586
Operating income	—	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
Net income (loss)	$ 7	$ 6	$ 35	$ (1)	$ 47

For the six months ended June 30, 2005 (in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$ —	$ 1,545	$ 2,222	$ —	$ 3,767
Operating expenses:					
Salaries, wages and employees' benefits	—	1,032	1,239	—	2,271
Operating expenses and supplies	—	159	431	—	590
Purchased transportation	—	155	257	—	412
Depreciation and amortization	—	40	65	—	105
Other operating expenses	—	68	96	—	164
(Gains) losses on property disposals, net	—	—	(2)	—	(2)
Acquisition charges	—	1	—	—	1
Total operating expenses	—	1,455	2,086	—	3,541
Operating income	—	90	136	—	226
Nonoperating (income) expenses:					
Interest expense	6	1	29	(13)	23
Other	(26)	57	(45)	13	(1)
Nonoperating (income) expenses, net	(20)	58	(16)	—	22
Income (loss) before income taxes	20	32	152	—	204
Income tax provision	8	13	57	—	78
Net income (loss)	$ 12	$ 19	$ 95	$ —	$ 126

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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
Purchased transportation	—	144	207	—	351
Depreciation and amortization	—	38	46	—	84
Other operating expenses	—	71	79	—	150
Total operating expenses	—	1,482	1,615	—	3,097
Operating income	—	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
Net income (loss)	$ 13	$ 4	$ 48	$ —	$ 65

Condensed Consolidating Statements of Cash Flows

For the six months ended June 30, 2005 (in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash provided by (used in) operating activities	$ 29	$ 3	$ 153	$ —	$ 185
Investing activities:					
Acquisition of property and equipment	—	(29)	(92)	—	(121)
Proceeds from disposal of property and equipment	—	4	8	—	12
Acquisition of companies	—	(800)	46	—	(754)
Net cash used in investing activities	—	(825)	(38)	—	(863)
Financing activities:					
ABS borrowings, net		486	—	—	486
Issuance of long-term debt		150	—	—	150
Debt issuance costs		(3)	—	—	(3)
Proceeds from exercise of stock options	—	1	—	—	1
Intercompany advances / repayments	(29)	127	(98)	—	—
Net cash provided by (used in) financing activities	(29)	761	(98)	—	634
Net decrease in cash and cash equivalents	—	(61)	17	—	(44)
Cash and cash equivalents, beginning of period	—	89	17	—	106
Cash and cash equivalents, end of period	$ —	$ 28	$ 34	$ —	$ 62

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	$ (163)	$ —	$ 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	—	—	4	—	4
Intercompany advances / repayments	(25)	(357)	382	—	—
Net cash provided by (used in) financing activities	(25)	(360)	274	—	(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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16. **Guarantees of the Senior Notes Due 2009 and 2010**

In connection with the senior notes due 2009 and 2010 that Yellow Roadway assumed by virtue of its merger with USF, and in addition to the primary obligor, USF Corporation, Yellow Roadway and its following 100% owned subsidiaries have issued guarantees in favor of the holders of the senior notes due 2009 and 2010: USF Sales Corporation, USF Holland Inc., USF Bestway Inc., USF Bestway Leasing Inc., USF Reddaway Inc., USF Dugan Inc., USF Glen Moore Inc., USF Distribution Services Inc., USF Logistic Services Inc. and IMUA Handling Corporation. 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, 2005 with respect to the financial position, for the three and six months ended June 30, 2005 for results of operations, and for the six months ended June 30, 2005 for statement of cash flows. The primary obligor column presents the financial information of USF Corporation. The Guarantor Subsidiaries column presents the financial information of all guarantor subsidiaries of the senior notes due 2009 and 2010 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 Sheet

June 30, 2005 (in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ —	$ 38	$ 24	$ —	$ 62
Accounts receivable, net	5	136	1,041	—	1,182
Prepaid expenses and other	(6)	62	167	—	223
Total current assets	(1)	236	1,232	—	1,467
Property and equipment	47	821	2,748	—	3,616
Less – accumulated depreciation	—	57	1,285	—	1,342
Net property and equipment	47	764	1,463	—	2,274
Investment in subsidiaries	161	(23)	9	(147)	—
Receivable from affiliate	566	(96)	134	(604)	—
Goodwill, intangibles and other assets	595	119	1,230	—	1,944
Total assets	$1,368	$ 1,000	$ 4,068	$ (751)	$ 5,685
Intercompany advances payable	$ —	$ 286	$ (286)	$ —	$ —
Accounts payable	1	86	268	—	355
Wages, vacations and employees' benefits	(3)	110	417	(1)	523
Other current and accrued liabilities	45	89	300	—	434
Current maturities of contingently convertible notes	—	250	—	—	250
Current maturities of long-term debt	—	—	490	—	490
Total current liabilities	43	821	1,189	(1)	2,052
Payable to affiliate	158	250	196	(604)	—
Long-term debt, less current portion	272	300	251	—	823
Deferred income taxes, net	(52)	120	325	—	393
Claims and other liabilities	105	(20)	535	—	620
Commitments and contingencies					
Shareholders' equity	842	(471)	1,572	(146)	1,797
Total liabilities and shareholders' equity	$1,368	$ 1,000	$ 4,068	$ (751)	$ 5,685

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Condensed Consolidating Statements of Operations

For the three months ended June 30, 2005 (in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$ —	$ 1,905	$ 194	$ (10)	$ 2,089
Operating expenses:					
Salaries, wages and employees' benefits	1	1,152	89	(5)	1,237
Operating expenses and supplies	1	299	34	—	334
Purchased transportation	—	185	45	(2)	228
Depreciation and amortization	1	52	7	—	60
Other operating expenses	—	88	7	(3)	92
(Gains) losses on property disposals, net	—	1	—	—	1
Acquisition charges	—	1	—	—	1
Total operating expenses	3	1,778	182	(10)	1,953
Operating income (loss)	(3)	127	12	—	136
Nonoperating (income) expenses:					
Interest expense	2	(1)	13	—	14
Other	—	22	(33)	10	(1)
Nonoperating (income) expenses, net	2	21	(20)	10	13
Income (loss) before income taxes	(5)	106	32	(10)	123
Income tax provision	—	32	15	—	47
Net income (loss)	$ (5)	$ 74	$ 17	$ (10)	$ 76

For the six months ended June 30, 2005 (in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$ —	$ 3,426	$ 351	$ (10)	$ 3,767
Operating expenses:					
Salaries, wages and employees' benefits	1	2,109	166	(5)	2,271
Operating expenses and supplies	1	523	66	—	590
Purchased transportation	—	337	77	(2)	412
Depreciation and amortization	1	93	11	—	105
Other operating expenses	—	158	9	(3)	164
(Gains) losses on property disposals, net	—	(2)	—	—	(2)
Acquisition charges	—	1	—	—	1
Total operating expenses	3	3,219	329	(10)	3,541
Operating income (loss)	(3)	207	22	—	226
Nonoperating (income) expenses:					
Interest expense	2	(5)	24	—	21
Other	—	78	(87)	10	1
Nonoperating (income) expenses, net	2	73	(63)	10	22
Income (loss) before income taxes	(5)	134	85	(10)	204
Income tax provision	—	50	28	—	78
Net income (loss)	$ (5)	$ 84	$ 57	$ (10)	$ 126

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Condensed Consolidating Statement of Cash Flows

For the six months ended June 30, 2005 (in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash provided by (used in) operating activities	$ (13)	$ (89)	$ 274	$ 13	$ 185
Investing activities:					
Acquisition of property and equipment	—	(20)	(101)	—	(121)
Proceeds from disposal of property and equipment	—	—	12	—	12
Acquisition of companies	43	(797)	—	—	(754)
Net cash used in investing activities	43	(817)	(89)	—	(863)
Financing activities:					
ABS borrowings, net	—	486	—	—	486
Issuance of long-term debt	—	150	—	—	150
Debt issuance costs	—	(3)	—	—	(3)
Proceeds from exercise of stock options	1	—	—	—	1
Intercompany advances / repayments	(31)	229	(185)	(13)	—
Net cash provided by (used in) financing activities	(30)	862	(185)	(13)	634
Net decrease in cash and cash equivalents	—	(44)	—	—	(44)
Cash and cash equivalents, beginning of period	—	82	24	—	106
Cash and cash equivalents, end of period	$ —	$ 38	$ 24	$ —	$ 62

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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," "expect," "believe," "estimate" 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, ability to capture cost synergies from acquisitions, changes in equity and debt markets, a downturn in general or regional economic activity, effects of a terrorist attack, and labor relations, including (without limitation), the impact of work rules, work stoppages, strikes or other disruptions, any obligations to multi-employer health, welfare and pension plans, wage requirements and employee satisfaction.

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 because the items are not related to the segments' core operations. Please refer to our Business Segments note for further discussion.

Yellow Transportation Results

Yellow Transportation represented approximately 41% and 47% of our consolidated revenue in the second quarter of 2005 and 2004, respectively, and 44% and 47% in the six months ended June 30, 2005 and 2004, respectively. The table below provides summary financial information for Yellow Transportation for the three and six months ended June 30:

	Three months			Six months		
(in millions)	**2005**	**2004**	**Percent Change**	**2005**	**2004**	**Percent Change**
Operating revenue	$851.1	$792.6	7.4%	$1,642.3	$1,527.1	7.5%
Operating income	68.5	45.7	49.9%	117.3	72.1	62.7%
Adjustments to operating income[(a)]	0.1	—	n/m	(2.5)	0.5	n/m[(b)]
Adjusted operating income [(d)]	68.6	45.7	50.1%	114.8	72.6	58.1%
Operating ratio	92.0%	94.2%	2.2pp	92.9%	95.3%	2.4pp[(c)]
Adjusted operating ratio	91.9%	94.2%	2.3pp	93.0%	95.2%	2.2pp

(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.
(d) This measurement is used for internal management purposes and should not be construed as a better measurement than operating income as defined by generally accepted accounting principles.

Three months ended June 30, 2005 compared to three months ended June 30, 2004

Yellow Transportation reported record second quarter 2005 revenue of $851.1 million, representing an increase of $58.5 million or 7.4% from the second quarter of 2004. The revenue increase resulted from improved yield, higher fuel surcharge revenue and a continued emphasis on premium services. The fuel surcharge, adjusted weekly and based on a national index, represents an amount charged to customers that adjusts for changing fuel prices and is common throughout the transportation industry. The increase in Yellow Transportation revenue is illustrated by the improvement in less-than-truckload ("LTL") revenue per hundred weight of 9.6% compared to the prior year quarter. In the second quarter of 2005, LTL shipments declined by 1.0% per day while LTL weight per shipment declined 0.9% compared to the second quarter of 2004.

The successful implementation of a new next day service offering in the first quarter of 2005 has continued to deliver excellent operational performance through the second quarter of 2005. Additionally, 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 sizable revenue growth. Premium services at Yellow Transportation include, among others, Exact Express®, an expedited and time-definite ground service with a 100% satisfaction guarantee. Total Exact Express revenue increased in the second quarter of 2005 by 14.7%.

Yellow Transportation operating income improved by $22.8 million or 49.9% in the second quarter of 2005 compared to the second quarter of 2004. Operating income increased due to higher revenue, including fuel surcharge revenue, synergy activities and our continued ability to effectively balance volume, price and service. In addition, the second quarter of 2004 included $3.5 million specifically accrued for claims arising out of serious highway accidents. Contractual wage and benefit rates increased expense as expected. Operating expenses as a percentage of revenue improved in the second quarter of 2005 by 2.2 percentage points compared to the second quarter of 2004, resulting in an operating ratio of 92.0%. 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 adjusted operating income divided by the change in revenue. The incremental margin at Yellow Transportation from the second quarter of 2004 to the second quarter of 2005 was 39.0%, which is above our 15 to 20% long-term goal. In any given quarter, our incremental margin may be above or below our targeted level of 15 to 20%. However, over the longer-term, our expectation is to average a 15 to 20% 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, 2005, adjustments to operating income were $0.1 million. There were no adjustments for the three months ended June 30, 2004.

Six months ended June 30, 2005 compared to six months ended June 30, 2004

Yellow Transportation revenue increased $115.2 million or 7.5% in the six months ended June 30, 2005 versus the year ago period. LTL revenue per hundred weight increased during the six months ended June 30, 2005 by 9.0% compared to the six months ended June 30, 2004. In the six months ended June 30, 2005, Yellow Transportation LTL shipments per day declined 1.1% while LTL weight per shipment declined 0.3%. Premium services revenue increased 15.8% in the six months ended June 30, 2005 versus the six months ended June 30, 2004.

Operating income for Yellow Transportation increased $45.2 million or 62.7% in the six months ended June 30, 2005 as compared to the six months ended June 30, 2004. As discussed above, the increase in operating income is related to the increased revenue, synergy activities and our continued success in negotiating appropriate prices for the related business volumes, as well as serious highway accident accruals in the prior year that did not recur in the current year. Our operating income was adversely impacted by wage and benefit increases. Despite the cost increases, operating expenses as a percentage of revenue decreased for the first six months of 2005 by 2.4 percentage points compared to the first six months of 2004, resulting in a year-to-date 2005 operating ratio of 92.9%.

Roadway Express Results

Roadway Express represented approximately 40% and 46% of our consolidated revenue in the second quarter of 2005 and 2004, respectively, and 42% and 46% in the six months ended June 30, 2005 and 2004, respectively. The table below provides summary financial information for Roadway Express for the three and six months ended June 30:

	Three months			Six months		
(in millions)	2005	2004	Percent Change	2005	2004	Percent Change
Operating revenue	$830.9	$768.2	8.2%	$1,597.6	$1,485.3	7.6%
Operating income	51.2	36.4	40.7%	88.3	51.4	71.8%
Adjustments to operating income[(a)]	1.0	(0.2)	n/m	0.5	(0.1)	n/m[(b)]
Adjusted operating income[(d)]	52.2	36.2	44.2%	88.8	51.3	73.1%
Operating ratio	93.8%	95.3%	1.5pp	94.5%	96.5%	2.0pp[(c)]
Adjusted operating ratio	93.7%	95.3%	1.6pp	94.4%	96.5%	2.1pp

(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.
(d) This measurement is used for internal management purposes and should not be construed as a better measurement than operating income as defined by generally accepted accounting principles.

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Three months ended June 30, 2005 compared to three months ended June 30, 2004

Roadway Express reported revenue of $830.9 million in the second quarter of 2005 compared to $768.2 million in the same quarter of 2004, an increase of 8.2%. The revenue increase was attributable to a 7.9% increase in overall revenue per hundred weight and a 7.9% increase in LTL revenue per hundred weight. Revenue also increased partly due to a 0.6% growth in tonnage per day, of which 0.8% is LTL. Premium services, Time Critical™ and Time Advantage™, which grew 27.4% compared to the second quarter of 2004, contributed to the increased revenue. Fuel surcharge revenue also increased compared to the second quarter of 2004.

Roadway Express reported operating income of $51.2 million for the second quarter, an improvement of 40.7%, or $14.8 million over the second quarter of 2004. Most expenses were in line with the increased volumes experienced during the quarter as compared to second quarter of 2004. Increases in yield, synergy activities, fuel surcharge revenue, and controlled operating expenses also contributed to the overall results. The segment has not fully attained expected productivity and tonnage per trip improvements related to certain organizational changes implemented during the quarter. The segment continued to see decreased incidents which have led to comparably favorable insurance claims and adjustments, despite higher than expected cargo claims. Roadway Express reported a second quarter operating ratio of 93.8%, a 1.5 percentage point improvement over the second quarter of 2004.

Six months ended June 30, 2005 compared to six months ended June 30, 2004

Roadway Express reported revenue of $1.6 billion in the first half of 2005 compared to $1.5 billion in the comparable period in 2004, an increase of 7.6%. The revenue increase was primarily due to a 7.2% increase in overall revenue per hundred weight and a 7.0% increase in LTL revenue per hundred weight. Tonnage per day grew 0.7% and LTL tonnage per day grew 0.6%, both of which contributed to the increase in revenue. Premium services, which also contributed to the revenue growth, grew 45.0% compared to the same period of 2004. Fuel surcharge also drove a portion of the increase in revenue compared to the first half of 2004.

For the first half of the year, Roadway Express reported operating income of $88.3 million, an improvement of 71.8%, or $36.9 million. The segment generally controlled total operating costs in line with the increase in volumes and continued to experience efficiencies due to synergy activity. The segment experienced lower efficiencies and tonnage per trip than expected related to inconsistent adjustments to volumes and the initial implementation of organizational changes. A reduction in rail usage and the price of fuel increased transportation costs. The segment also experienced higher cargo claims than were anticipated, but these claims were more than offset by favorable trends in insurance and other claims. Roadway Express reported an operating ratio of 94.5%, 2.0 percentage points better than the comparable period of 2004.

Regional Transportation Results

Regional Transportation represented approximately 15% and 4% of our consolidated revenue in the second quarter of 2005 and 2004, respectively, and 10% and 4% in the six months ended June 30, 2005 and 2004, respectively. This segment includes the results of New Penn and, effective May 25, 2005, the results of the LTL and truckload ("TL") operating companies of USF. The amounts presented below for 2004 include only the results of New Penn. The table below provides summary financial information for Regional Transportation for the three and six months ended June 30:

	Three months		Six months	
(in millions)	**2005**	**2004**	**2005**	**2004**
Operating revenue	$314.5	$64.3	$379.9	$120.4
Operating income	19.8	9.2	27.9	15.0
Adjustments to operating income[a]	0.4	—	0.4	(0.1)
Adjusted operating income [c]	20.2	9.2	28.3	14.9
Operating ratio	n/m[b]	85.7%	n/m[b]	87.6%
Adjusted operating ratio	n/m[b]	85.8%	n/m[b]	87.6%

(a) Represents charges that management excludes when evaluating segment performance to better understand our core operations (see discussion below).
(b) Not meaningful.
(c) This measurement is used for internal management purposes and should not be construed as a better measurement than operating income as defined by generally accepted accounting principles.

Three months ended June 30, 2005 compared to three months ended June 30, 2004

The segment had combined revenue of $314.5 million of which the USF LTL companies contributed $229.6 million during the period May 25, 2005 through June 30, 2005. Of the USF LTL companies, USF Dugan, which on June 20, 2005 announced plans to cease operations effective July 11, 2005, contributed $24.3 million of operating revenue. The majority of the markets that USF Dugan previously served are being transitioned to USF Holland and USF Bestway.

New Penn reported revenue of $72.8 million in the second quarter of 2005 compared to reported revenue of $64.3 million in the second quarter of 2004, an increase of 13.2%. The revenue improvement from the second quarter of 2004 to the second quarter of 2005 was driven by an 11.8% increase in LTL revenue per hundred weight and the May 24, 2004 closure of USF Red Star. Additionally, New Penn continued to leverage strong sales initiatives in a generally favorable economic environment in the Northeast region of the country.

The segment had combined operating income of $19.8 million of which the new USF LTL companies contributed $11.7 million during the period May 25, 2005 through June 30, 2005. Included in this amount is an operating loss of $2.6 million attributed to USF Dugan.

Operating income at New Penn was $11.0 million in the second quarter of 2005 compared to $9.2 million in the second quarter of 2004, an increase of 19.6%. New Penn's ability to manage costs in line with volumes, as well as increased revenue driven by sales initiatives, contributed to an operating ratio improvement of 0.8 percentage points over the prior year second quarter. New Penn reported an operating ratio of 84.9% for the second quarter of 2005.

Six months ended June 30, 2005 compared to six months ended June 30, 2004

As the acquisition of USF occurred May 24, 2005, the six month discussion below will only include New Penn information. The amounts presented in the discussion above related to the USF companies would also be included in our six month results.

New Penn reported revenue of $138.3 million in the six months ended June 30, 2005 compared to reported revenue of $120.4 million in the six months ended June 30, 2004, an increase of 14.9%. The revenue increase was partly attributable to a 8.2% growth in total revenue per hundred weight. LTL revenue per hundred weight grew 7.7%. Fuel surcharge also contributed to the increased revenue compared to the first six months of 2004. Strong sales growth initiatives played a key part in New Penn's ability to continue to increase revenue.

New Penn reported operating income of $19.1 million compared to $15.0 million for the same period in 2004. New Penn continued to have strong cost management which helped to improve the operating results. New Penn reported an operating ratio of 86.2%, 1.4 percentage points better than the comparable period from 2004.

Meridian IQ Results

Meridian IQ is our logistics segment that plans and coordinates the movement of goods throughout the world. Meridian IQ represented approximately 5% and 3% of our consolidated revenue in the second quarter of 2005 and 2004, respectively, and 4% and 3% in the six months ended June 30, 2005 and 2004, respectively. This segment includes the results of Meridian IQ and, effective May 25, 2005, the results of the USF Logistics group of entities ("USFL"). The amounts presented below for 2004 include only the results of Meridian IQ. The table below provides summary financial information for Meridian IQ for the three and six months ended June 30:

	Three months			Six months		
(in millions)	**2005**	**2004**	**Percent Change**	**2005**	**2004**	**Percent Change**
Operating revenue	$95.6	$50.6	88.9%	$152.1	$96.3	57.9%
Operating income	3.6	0.6	n/m	4.6	1.2	n/m

Three months ended June 30, 2005 compared to three months ended June 30, 2004

In the second quarter of 2005, Meridian IQ revenue increased by $45.0 million or 88.9% from the second quarter of 2004. The significant increase in revenue resulted from a combination of recent acquisitions with $25.9 million or 57.6% of the improvement attributable to USFL and strong organic growth within Meridian IQ existing services. Operating income also increased from $0.6 million in the second quarter of 2004 to $3.6 million in the second quarter of 2005. The improved operating results are reflective of the increased revenue and scalability. The USFL operations contributed $1.1 million of operating income for the quarter.

Six months ended June 30, 2005 compared to six months ended June 30, 2004

In the first half of 2005, Meridian IQ revenue increased by $55.8 million or 57.9% from the first half of 2004. As previously mentioned, the significant increase in revenue resulted from both strong organic growth and recent acquisitions, including $25.9 million in revenue attributable to USFL. Operating income also increased from $1.2 million in the first half of 2004 to $4.6 million in the first half of 2005, resulting from the strong revenue growth and scalability. USFL contributed $1.1 million of operating income for the six months ended June 30, 2005.

Consolidated Results

Our consolidated results for the three and six months ended June 30, 2005 and 2004 include the results of each of the operating segments previously discussed. The following discussion focuses on items that management evaluates on a consolidated basis, as segment results have been discussed previously.

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

	Three months			Six months		
(in millions)	**2005**	**2004**	**Percent Change**	**2005**	**2004**	**Percent Change**
Operating revenue	$2,088.8	$1,674.1	24.8%	$3,766.8	$3,226.3	16.8%
Operating income	135.8	88.2	54.0%	225.8	129.6	74.2%
Nonoperating expenses, net	12.9	12.0	7.5%	22.3	23.7	(5.9)%
Net income	$ 76.1	$ 46.9	62.3%	$ 126.0	$ 65.1	93.5%

Three months ended June 30, 2005 compared to three months ended June 30, 2004

Each of our operating segments contributed to the revenue growth, which resulted from a combination of favorable economic conditions, increased fuel surcharge revenue, increased premium services and the USF acquisition. Operating revenue increased by $414.7 million from second quarter 2004 to the second quarter of 2005 of which the USF companies contributed $267.5 million of operating revenue during the period May 25, 2005 through June 30, 2005.

Operating income increased $47.6 million for the three months ended June 30, 2005 versus the comparable year ago period, of which the USF companies contributed $9.9 million of operating income during the period May 25, 2005 through June 30, 2005. Operating income also benefited from increased revenue and the corresponding incremental margins at our pre-existing operating segments. Corporate expenses in the second quarter of 2005 increased by $2.5 million from the second quarter of 2004 due to increased salaries and benefits among corporate personnel and certain acquisition costs resulting from the USF acquisition, offset by corporate-allocated management fees.

Nonoperating expenses increased as a result of our increased debt level in turn increasing interest expense as compared to 2004.

Our effective tax rate for the second quarter of 2005 was 38.1% compared to 38.5% in the second quarter of 2004. As we record our tax provision based on our full year forecasted results, we expect this rate to remain unchanged 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.

Six months ended June 30, 2005 compared to six months ended June 30, 2004

Consolidated operating revenue increased by $540.5 million during the six months ended June 30, 2005 as compared to the year ago period. All of our operating companies contributed to the increase as did the USF acquisition which contributed $267.5 million of operating revenue.

Consolidated operating income increased by $96.2 million during the six months ended June 30, 2005 as compared to the year ago period, of which the USF companies contributed $9.9 million. Yellow Transportation, Roadway Express and New Penn had strong improvements in their operating ratio which led to the consolidated increased operating income. Corporate expenses for the six months ended June 30, 2005 increased as compared to the six months ended June 30, 2004 by $8.5 million due to salaries and benefits related to additional personnel within the corporate group to support our overall growth, increased professional services fees associated with the compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and certain acquisition costs, offset by corporate-allocated management fees.

Nonoperating expenses remained relatively flat in the six months ended June 30, 2005 versus the year ago period with the decreases in interest expense in the first quarter of 2005 versus the first quarter of 2004 due to lower borrowing levels being offset by the increased interest expense in the second quarter of 2005 related to the additional borrowings necessary to fund the USF acquisition and the assumption of $250 million of USF debt.

Our effective tax rate for the six months ended June 30, 2005 was 38.1% compared to 38.5% for the six months ended June 30, 2004. We expect our rate to remain at 38.1% for the remainder of 2005.

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. We also had specific liquidity needs during the current quarter to fund the USF acquisition. To provide short-term and longer-term liquidity, we maintain capacity under a $850 million unsecured credit agreement and a $650 million ABS agreement involving Yellow Transportation, Roadway Express, USF Holland and USF Reddaway accounts receivable. Each of these agreements are more fully described in the Notes to Consolidated Financial Statements. We believe these facilities provide adequate capacity to fund our current working capital and capital expenditure requirements.

The following table provides details of the outstanding components and available unused capacity under the current bank credit agreement and ABS agreement at each period end:

(in millions)	June 30, 2005	December 31, 2004
Capacity:		
Revolving loan	$ 850.0	$ 500.0
ABS facility	650.0	450.0
Total capacity	1,500.0	950.0
Amounts outstanding:		
Letters of credit	(415.0)	(275.4)
ABS facility	(486.0)	—
Total outstanding	(901.0)	(275.4)
Available unused capacity	$ 599.0	$ 674.6

Contingent Convertible Notes

On June 30, 2005, the conversion triggers with respect to the $250 million 5% contingent convertible senior notes had been met. Accordingly, as of June 30, 2005, our note holders had the right, at their option, to convert these notes, in whole or in part, into cash and shares of our common stock, subject to certain limitations. This conversion option, coupled with our obligation to settle any conversion by remitting to the note holder the accreted value of the note in cash, resulted in the classification of the $250 million contingent convertible senior notes as a current liability on the accompanying consolidated balance sheet as of June 30, 2005. The future balance sheet classification of each of these liabilities will be monitored at each quarterly reporting date, and will be determined based on an analysis of the various conversion rights described above. We believe the likelihood of a note holder presenting their notes for conversion to be remote.

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:

(in millions)	2005	2004
Net cash from operating activities	$ 184.6	$ 180.7
Net property and equipment additions	(108.1)	(103.3)
Proceeds from exercise of stock options	0.8	3.4
Free cash flow	$ 77.3	$ 80.8

The $3.5 million decrease in free cash flow from the first six months of 2004 to the first six months of 2005 resulted primarily from a decrease in other working capital items of $82.8 million and an increase in claims and other of $13.3 million all of which is offset by an increase in net income of $60.9 million, an increase in accounts receivable collections of $16.2 million and an increase in accounts payable of $16.1 million. Other working capital fluctuations primarily related to $37.4 million change in employee wage and benefit accruals, $22.6 million change in accrued taxes and $22.1 million change in prepaids.

Other items considered in evaluating free cash flow include net property and equipment additions and proceeds from the exercise of stock options. In the first six months of 2005, net property and equipment additions increased by $4.8 million compared to the first six months of 2004. Gross property and equipment additions for the first six months of 2005 were $120.5 million versus $107.0 million for the first six months of 2004. Our proceeds received from the exercise of employee and director stock options decreased by $2.6 million in the first six months of 2005 compared to the first six months of 2004 due to the decrease in the exercise of these options.

We had significant financing activity during the six months ended June 30, 2005, primarily as a result of the USF acquisition. This activity is described in detailed in footnote 5 in the notes to the consolidated financial statements.

Contractual Obligations and Other Commercial Commitments

The following tables provide aggregated information regarding our contractual obligations and commercial commitments as of June 30, 2005. Most of these obligations and commitments have been discussed in detail either in the preceding paragraphs or the notes to the financial statements. The tables do not include expected pension funding as disclosed separately in the previous section.

Contractual Cash Obligations

	Payments Due By Period				
(in millions)	**Less than 1 year**	**2-3 years**	**4-5 years**	**After 5 years**	**Total**
Balance sheet obligations:					
ABS borrowings	$ 486.0	$ —	$ —	$ —	$ 486.0
Long-term debt including interest	36.2	128.6	571.2	808.4	1,544.4
Off balance sheet obligations:					
Operating leases	73.2	126.0	42.9	16.7	258.8[a]
Capital expenditures	95.4	—	—	—	95.4
Total contractual obligations	$ 690.8	$ 254.6	$ 614.1	$ 825.1	$2,384.4

[a] The net present value of operating leases, using a discount rate of 10 percent, was $235.9 million at June 30, 2005.

Our consolidated balance sheet at June 30, 2005 reflects $250.0 million contingently convertible notes classified as a current liability as our note holders had the right, at their option, to convert their notes, in whole or in part, into cash and shares of common stock. However, we have reflected the obligation above based on the stated maturity as we believe the likelihood of a note holder presenting their notes for conversion to be remote.

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.

	Amount of Commitment Expiration Per Period				
(in millions)	Less than 1 year	2-3 years	4-5 years	After 5 years	Total
Available line of credit	$ —	$ —	$ 434.5	$ —	$434.5
Letters of credit	415.0	—	—	—	415.0
Lease guarantees	0.8	2.0	0.4	—	3.2
Surety bonds	61.5	8.9	1.3	—	71.7
Total commercial commitments	$ 477.3	$ 10.9	$ 436.2	$ —	$924.4

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 historically utilized both fixed rate and variable rate financial instruments with varying maturities. At June 30, 2005, we had approximately 60% of our outstanding debt at fixed rates.

The table below provides information regarding our interest rate risk related to fixed-rate debt as of June 30, 2005. Principal cash flows are stated in millions and weighted average interest rates are by contractual maturity. We estimate the fair value of our industrial development bonds by discounting the principal and interest payments at current rates available for debt of similar terms and maturity. The fair values of our senior notes due 2008, USF senior notes and contingent convertible senior notes have been calculated based on the quoted market prices at June 30, 2005. The market price for the contingent convertible senior notes reflects the combination of debt and equity components of the convertible instrument.

(in millions)	2005	2006	2007	2008	2009	Thereafter	Total	Fair Value
Fixed-rate debt	$ 4.4	$—	$—	$227.5	$101.0	$ 556.0	$888.9	$1,140.8
Average interest rate	5.25%	—	—	8.22%	6.5%	5.52%		

Foreign Exchange Rates

Revenue, operating expenses, assets and liabilities of our subsidiaries located in Asia, Canada, Mexico, Europe and Peru 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, 2005, we entered into a foreign currency hedge with a notional amount of $6.9 million and a maturity of September 30, 2005. This instrument is to effectively hedge our exposure to foreign currency fluctuations on certain intercompany debt with GPS Logistics (EU) Ltd., a wholly owned subsidiary.

Fuel Price Volatility

Yellow Transportation, Roadway Express and Regional Transportation 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.

Item 4. Controls and Procedures

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

There were no changes in the Company's internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II - OTHER INFORMATION

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

(a) Annual Meeting of Shareholders on May 19, 2005.

(b) The following directors were elected with the indicated number of votes set forth below.

Nominees	For	Withheld
Cassandra C. Carr	39,945,500	84,490
Howard M. Dean	39,243,063	786,927
Frank P. Doyle	39,931,524	98,466
John F. Fiedler	39,909,286	120,704
Dennis E. Foster	39,967,502	62,488
John C. McKelvey	39,398,304	631,686
Phillip J. Meek	39,963,184	66,806
William L. Trubeck	39,414,511	615,479
Carl W. Vogt	39,618,250	411,740
William D. Zollars	39,231,645	798,345

(c) Votes were cast with respect to the ratification of the appointment of KPMG LLP as independent public accountants of the Company for 2005.

For:	39,961,156	Against:	39,166	Abstain:	29,668

Item 6. Exhibits

10.1 Yellow Roadway Corporation 2004 Long-term Incentive and Equity Award Plan.

10.2 Form of Executive Severance Agreement.

10.3 Form of Yellow Roadway Corporation Share Unit Agreement.

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.

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.

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, 2005	/s/ William D. Zollars
	William D. Zollars Chairman of the Board of Directors, President & Chief Executive Officer
Date: August 9, 2005	/s/ Donald G. Barger, Jr.
	Donald G. Barger, Jr. Senior Vice President & Chief Financial Officer

Exhibit 10.1

YELLOW ROADWAY
2004 LONG-TERM INCENTIVE PLAN
(As amended with effect from April 21, 2005)

	Plan Provision
Performance Focus	Consolidated Yellow Roadway Corporation ("Company") performance
Eligibility	The Compensation Committee of the Board of Directors of the Company (the "Compensation Committee") shall determine who may participate in this plan. Generally, grades 120-126 may be eligible for the Compensation Committee's determination; however, the Compensation Committee may, in its sole discretion, omit those in those grade levels or add participants from outside of those grade levels. The Compensation Committee shall determine the payout target percentages by grade level. The Compensation Committee may remove any participant from further participation in this plan. For incomplete performance cycles upon termination of participation, the Compensation Committee may, in its sole discretion, determine to pay a terminating participant in both cash and Performance Share Units at the end of one or more relevant performance periods on a pro rata basis based on the length of time he or she was actively participating prior to termination during the performance period.
Performance Period	Overlapping three-year performance periods
Performance Criteria	Company performance measured against the S&P Mid Cap Index (400 companies) with target at the 50th percentile, threshold at the 25th percentile and maximum at the 75th percentile. In addition, the Compensation Committee may reduce any potential payment, under the Plan, based upon peer company performance relative to the Company or other performance factors that the Compensation Committee deems relevant.
Performance Measures and Weights	70% return on committed capital 30% net operating profit after taxes ("NOPAT") growth
Threshold and Maximum Payment	Threshold 25% of target and maximum 200% of target.
Plan Formula Form of Payment	50% cash and 50% Performance Share Units, awarded at the end of performance period. For grants after April 21, 2005, Performance Share Units are

	determined by dividing the cash value by the average daily closing share price for the 30-trading day period ending on the day immediately prior to the date of grant. Performance Share Units are converted to shares of stock and delivered to the participant upon becoming fully vested and all holding periods are fully satisfied. The Compensation Committee may, based upon an estimated calculation, pay out a percentage of any earned award (on both cash and equity portions) in the first quarter of the year following the performance period with the balance to be paid by the end of the 3rd quarter in that year once the final calculations can be made. The Compensation Committee, in its sole discretion, may determine the sample size of the comparison companies in the applicable S&P index.
Vesting of Performance Share Units	50% of the Performance Share Units vest after three years and the remaining 50% of the Performance Share Units vest after six years, in each case, from the date of grant. The participant will not receive any stock on the vesting of the first 50% until the holding period is satisfied on the 6th anniversary of the date of grant or termination of employment after vesting, whichever occurs earlier.
Termination of Employment	Vested Performance Share Units are converted to stock and delivered to the participant. Non-vested units are forfeited, and no payment is made for incomplete performance periods. The Compensation Committee, at its sole discretion, may determine to deliver non-vested Performance Share Units to the terminating participant based on the circumstances of his or her separation from the Company.
Retirement and Disability	If the participant is age 65 upon termination of employment or is deemed to be totally or permanently disabled, both vested and non-vested Performance Share Units are converted to stock and delivered to the participant. A participant shall be considered “permanently and totally disabled” if the participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months or is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of

	not less than three months under an accident and health plan covering employees of the participant's employer The existence of a permanent and total disability shall be evidenced by such medical certification as the Secretary of the Company shall require and as the Committee approves. If the participant terminates employment prior to age 65 and the participant is at least 55 years of age with the participant's age plus years of service equal to at least 75, the Performance Share Units shall continue to vest on the same schedule as if the participant remained employed until age 65, and upon age 65 after such retirement all remaining Performance Share Units shall become fully vested and convert to shares of stock; *provided*, that the participant does not breach the non-competition covenant contained in the Performance Share Award agreement. For incomplete performance cycles upon such retirement, the participant will be paid both cash and stock at the end of the performance period on a pro rata basis based on the length of time he or she was actively employed during the performance period.
Death	Vested and non-vested Performance Share Units are converted to stock and delivered to the person's estate. For incomplete performance cycles, the participant's estate will be paid both cash and stock at the end of the performance period on a pro rata basis based on the length of time he or she was employed during the performance period.
Change of Control of Yellow Roadway	Vested and non-vested Performance Share Units are converted to shares of stock and delivered to the participant in the event of a "Change of Control". For incomplete performance cycles, the participant will be paid both cash and stock on the date of the "Change of Control" on a pro rata basis based on the length of time he or she was actively employed during the performance period, assuming that the Company would meet a Target performance for each period. For the purposes of this Plan, "Change of Control" shall have the meaning that term is given in the Executive Severance Agreement between the participant and the Company, as it may be amended from time to time; or, if no such agreement exists, the meaning that term is given in the latest Executive Severance Agreement between the Company and its Chief Executive Officer.
New Participants	New participants in the plan will enter the plan at the effective date determined by the Compensation Committee and will have their target payment adjusted for partially completed performance periods.

Implementation of the revised Plan

Because of the impact of the Company's acquisition of Roadway Corporation ("Roadway") on the 2002-2004 and 2003-2005 performance cycles, Yellow Corporation ("Yellow") only performance, compared to the S&P Small Cap Index, will be used for 2002 and 2003 for Yellow participants and Roadway only performance, compared to the S&P Small Cap Index, will be used for 2002 and 2003 for Roadway participants. Yellow Roadway Corporation performance as compared to the S&P Mid Cap Index for 2004 and 2005 will be used for those years for all participants. This 2004 Long Term Incentive Plan amends and restates the Long Term Incentive Plan adopted in 2002 in its entirety.

Deferred Compensation

This Plan is intended to meet the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and may be administered in a manner that is intended to meet those requirements and shall be construed and interpreted in accordance with such intent. To the extent that an award or payment, or the settlement or deferral thereof, is subject to Section 409A of the Code, except as the Committee otherwise determines in writing, the award shall be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A of the Code, including regulations or other guidance issued with respect thereto, such that the grant, payment, settlement or deferral shall not be subject to the excise tax applicable under Section 409A of the Code. Any provision of this Plan that would cause the award or the payment, settlement or deferral thereof to fail to satisfy Section 409A of the Code shall be amended to comply with Section 409A of the Code on a timely basis, which may be made on a retroactive basis, in accordance with regulations and other guidance issued under Section 409A of the Code.

Exhibit 10.2

EXECUTIVE SEVERANCE AGREEMENT

THIS EXECUTIVE SEVERANCE AGREEMENT (this "**Agreement**") between Yellow Roadway Corporation, a Delaware corporation ("**Yellow**") and [name] (the "**Executive**"),

W I T N E S S E T H:

WHEREAS, the duly authorized Compensation Committee (the "**Committee**") of the Board of Directors (the "**Board**") of Yellow or the Board, has approved Yellow entering into revised severance agreements with key executives of Yellow and its Subsidiaries (collectively, the "**Corporation**");

WHEREAS, the duly authorized Committee or the Board has selected the Executive as a key executive of the Corporation; and

WHEREAS, should Yellow receive any proposal from a third person concerning a possible Business Combination (defined below) with, or acquisition of equity securities of, Yellow, the Board believes it important that the Corporation and the Board be able to rely upon the Executive to continue in his position, and that Yellow have the benefit of the Executive performing his duties without his being distracted by the personal uncertainties and risks created by such a proposal;

NOW, THEREFORE, the parties agree as follows:

1. Definitions. As used in this Agreement, the following capitalized terms shall have the meanings given the terms in this Section 1.

(a) "**Business Combination**" means any transaction that is referred to as such in the Certificate of Incorporation of Yellow, as amended.

(b) "**Cause**" means

(1) a conviction of a felony involving moral turpitude by a court of competent jurisdiction that is no longer subject to direct appeal,

(2) conduct that is materially and demonstrably injurious to Yellow, or

(3) the Executive's willful engagement in one or more acts of dishonesty resulting in material personal gain to the Executive at the expense of Yellow.

(c) “**Change of Control**,” for the purposes of this Agreement, shall be deemed to have taken place if:

(1) a third person, including a “group” as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), purchases or otherwise acquires shares of Yellow after the date of this Agreement that, together with stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the stock of Yellow;

(2) a third person, including a “group” as defined in Section 13(d)(3) of the Exchange Act purchases or otherwise acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) shares of Yellow after the date of this Agreement and as a result thereof becomes the beneficial owner of shares of Yellow having 35% or more of the total number of votes that may be cast for election of directors of Yellow; or

(3) as the result of, or in connection with any cash tender or exchange offer, merger or other Business Combination, or contested election, or any combination of the foregoing transactions, the Continuing Directors shall cease to constitute a majority of the Board of Directors of the Company or any successor to the Company during any 12-month period.

(d) “**Continuing Director**” means a director of Yellow who meets the definition of Continuing Director contained in the Certificate of Incorporation of Yellow, as amended.

(e) “**Normal Retirement Age**” means the last day of the calendar month in which the Executive’s 65th birthday occurs.

(f) “**Permanent Disability**” means, as determined in the reasonable discretion of the Board or the duly authorized Committee, Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months or is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Executive’s employer.

(g) “**Subsidiary**” means any domestic or foreign entity, of which Yellow or its Subsidiaries directly or indirectly owns a majority of the entity’s shares or other equity interests normally entitled to vote in electing directors or selecting management.

(h) “**Target Bonus**” means the incentive compensation that the Board or the duly authorized Committee set or approved, that the Corporation has targeted to pay the Executive if the Executive, the Corporation or a Subsidiary achieves certain specified objectives that the Board or the duly authorized Committee has outlined or approved. The term “**Target Bonus**” for the year of a Termination means the Target Bonus of the Executive calculated as if the Executive were entitled to receive 100% of the Target Bonus for the relevant period without regard to whether the specified objectives are actually achieved.

(i) **Construction & Interpretation.** As used in this Agreement, unless the context expressly requires the contrary, references to Sections shall mean the sections and subsections of this Agreement; references to "including" shall mean "including (without limitation)"; references to a "person" shall mean both legal entities and natural persons; references to the singular shall include the plural and *vice versa*; and references to the masculine shall include the feminine and neutral, and *vice versa*.

2. Services During Certain Events. If a third person begins a tender or exchange offer for the shares of the Corporation, circulates a proxy to shareholders of the Corporation, or takes other steps seeking to effect a Change of Control, the Executive agrees that the Executive will not voluntarily leave the employ of the Corporation without the consent of the Corporation and will render the services contemplated in the recitals to this Agreement, until the third person has abandoned or terminated the third person's efforts to effect a Change of Control or until 90 days after a Change of Control has occurred. If the Executive fails to comply with the provisions of this Section 2, the Corporation will suffer damages that are difficult, if not impossible, to ascertain. Accordingly, should the Executive fail to comply with the provisions of this Section 2, the Corporation shall retain the amounts that would otherwise be payable to the Executive (other than accrued salary under Section 4(a) and normal health, welfare and retirement benefits until the date of the Executive's termination) under this Agreement as fixed, agreed and liquidated damages but shall have no other recourse against the Executive.

3. Termination After or in Connection With a Change of Control. For purposes of this Agreement, the term "**Termination**" shall include the following in this Section 3:

(a) the Corporation's termination of the Executive's employment with the Corporation within two years after a Change of Control for any reason other than death, Permanent Disability, retirement at or after his Normal Retirement Age or Cause;

(b) the Corporation's termination of the employment of the Executive with the Corporation, for any reason other than death, Permanent Disability, retirement at or after his Normal Retirement Age or Cause, if the termination occurs at any time between:

(1) the date the Corporation enters into a definitive agreement or files a proxy statement, or the date a third person begins a tender or exchange offer, in each case, in connection with a transaction that would constitute a Change of Control, or the date the Corporation takes other steps seeking to effect a Change of Control, and

(2) the date the Change of Control transaction is either consummated, abandoned or terminated (for this purpose, the Board shall have the sole and absolute discretion to determine that a proposed transaction has been abandoned), or

(c) the resignation of the Executive after the occurrence of any of the following events within two years after a Change of Control:

(1) an adverse change of the Executive's title or a reduction or adverse change in the nature or scope of the Executive's authority or duties from those the Executive exercised and performed immediately prior to the Change of Control;

(2) a transfer of the Executive to a location that is more than 35 miles away from the location where the Executive was employed immediately prior to the Change of Control;

(3) a substantial increase occurs in the amount of time the Executive is required to spend traveling (for this purpose, a "substantial increase" will be deemed to occur if the Executive is required to travel in an amount greater than 30% more in any calendar year, measured in number of days, as compared to the average number of days the Executive was required to travel during the three preceding calendar years).

(4) any reduction in the rate of the Executive's annual salary below his rate of annual salary immediately prior to the Change of Control; or

(5) any reduction in the level of the Executive's fringe benefits or bonus below a level consistent with the Corporation's practice prior to the Change of Control, other than changes applicable to all similarly situated executives of the Corporation.

4. Termination Payments. In the event of a Termination, Yellow shall provide to the Executive the following benefits:

(a) Yellow shall pay to the Executive, in accordance with its normal payroll policies, the compensation and benefits that the Executive accrued through the date of Termination. This amount shall include the pro rata amount of the Executive's Target Bonus for the year that includes the date of Termination.

(b) Yellow shall pay to the Executive, on or before the Executive's last day of employment with the Corporation, as additional compensation for services rendered to the Corporation, a lump sum cash amount (subject to the minimum applicable federal, state or local lump sum withholding requirements, if any, unless the Executive requests that a greater amount be withheld) equal to two times the sum of:

(1) the Executive's current base salary, and

(2) the Executive's Target Bonus in effect for the year that includes the date of the Executive's Termination (or if no such Target Bonus has been set, the Target Bonus for the prior year).

If there are fewer than 120 whole or partial months remaining from the date of the Executive's Termination to his Normal Retirement Age, in lieu of the amount described above in this Section 4(b), Yellow shall pay to the Executive, on or before the Executive's last day of employment with the Corporation, as additional compensation for services rendered to the Corporation, a lump sum cash amount (subject to the minimum applicable federal, state or local lump sum withholding requirements, if any, unless the Executive requests that a greater amount be withheld) equal to three times the sum of:

(3) the Executive's current base salary, and

(4) the Executive's Target Bonus in effect for the year that includes the date of the Executive's Termination.

(c) During the "**Applicable Period**" (defined below), following the Executive's Termination, the Corporation shall arrange to provide the Executive with substantially similar benefits to the benefits the Executive would have received if the Executive had remained an employee of the Corporation, including the applicable medical, dental, life insurance, short-term disability, long-term disability and perquisite plans and programs covering key executives of the Corporation; *provided* that the Executive shall not be entitled to accrue any benefits after Termination under any 401(k) plan or defined benefit or contribution pension plan of the Corporation. "**Applicable Period**" means:

(1) if there are fewer than 120 whole or partial months remaining from the date of the Executive's Termination to his Normal Retirement Date, three years, or

(2) if Section 4(c)(1) above is not applicable, two years,

in each case, from the date of the Executive's termination.

(d) The Executive shall be entitled to the Gross-Up Payment, if any, described in Section 6.

5. Equity Grants and Awards. In the event of a Change of Control, all options to acquire shares of Yellow, all shares of restricted Yellow stock, all performance or share units and all other equity or phantom equity incentives that the Corporation granted the Executive under any plan of the Corporation, including Yellow's 1992, 1996, 1997 and 1999 Stock Option Plans, Yellow's 2002 Stock Option and Share Award Plan, Yellow's Executive Performance Plan, as amended, Yellow's 2004 Long-Term Incentive and Equity Award Plan, and the 2004 Long-Term Incentive Plan, as amended from time to time, shall become immediately vested, exercisable and non-forfeitable and all conditions of any grant or award (including any required holding periods) shall be deemed to have been satisfied. If the Executive is a participant in Yellow's 2004 Long-Term Incentive Plan or any similar or successor plan,

(a) for any incomplete performance period under the plan, the Corporation shall pay the Executive any cash or equity component upon the Change of Control that the plan provides only if the plan so provides, assuming that the Corporation would meet a Target performance for each period;

(b) for any completed performance period under the plan, to the extent the Executive has not received the grant for the period:

(i) if 75% or more of the data of the comparative companies necessary for completing the calculation is available, then the Executive shall receive the remaining portion of the grant upon the Change of Control based on the data available seven days prior to the Change of Control; otherwise

(ii) if less than 75% of the data of the comparative companies necessary for completing data is available, then the Executive shall receive the remaining portion of the grant upon the Change of Control, assuming that the Corporation would meet the Target performance for the period; *provided* that if the Executive had previously received a partial grant and that grant exceeded a grant for Target performance, the Executive shall not be required to return the prior grant;

and, in each case, any equity component shall be treated in accordance with the first sentence of this Section 5.

6. Additional Payments by Yellow.

(a) **Gross-Up Payment.** If it shall be determined that the Corporation’s payment or provision of any payment or benefit of any type to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (determined without regard to any additional payments required under this Section 6) (the “**Total Payments**”) would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the “**Code**”) (or any similar tax that may hereafter be imposed) or any interest or penalties with respect to the excise tax (the excise tax, together with any interest and penalties, are collectively referred to as the “**Excise Tax**”), then Yellow shall pay the Executive an additional payment (a “**Gross-Up Payment**”) in an amount such that after the Executive’s payment of all taxes (including all federal, state or local taxes and any interest or penalties imposed with respect to those taxes), including any Excise Tax, imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Total Payments. Yellow shall pay the Gross-Up Payment promptly following the Accounting Firm’s (defined below) determination described in Section 6(b) or in accordance with Section 6(c).

(b) **Accounting Firm Determination.** An independent accounting firm that Yellow retains (the “**Accounting Firm**”) shall make all determinations that this Section 6 requires, including whether a Gross-Up Payment is required and the amount of the Gross-Up Payment. Yellow shall cause the Accounting Firm provide detailed supporting calculations both to Yellow and the Executive within 15 business days of the date of Termination, if applicable, or such earlier time that Yellow requests. If the Accounting Firm determines that the Executive is not required to pay an Excise Tax, the Accounting Firm shall furnish the Executive with an opinion that the Executive has substantial authority not to report any Excise Tax on his federal income tax return. The Accounting Firm’s determination shall be binding upon Yellow and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the Accounting Firm’s initial determination, it is possible that Gross-Up Payments that Yellow will not have been made should have been made (“**Underpayment**”) consistent with the calculations that this Agreement requires. If Yellow exhausts its remedies pursuant to Section 6(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and Yellow shall pay the Underpayment promptly to or for the benefit of the Executive. Yellow shall promptly pay all expenses of the Accounting Firm.

(c) **Notification Required.** The Executive shall notify Yellow in writing of any Internal Revenue Service claim that, if successful, would require Yellow’s payment of the Gross-Up Payment.

The Executive shall give Yellow the notification as soon as practicable but no later than ten business days after the Executive knows of the claim and shall apprise Yellow of the nature of such claim and the date on which such claim is requested to be paid; *provided* that the Executive's failure to give the notice within the 10-day period shall only prejudice the Executive's rights pursuant to Section 6 to the extent that Yellow's ability to reduce the amount of the Gross-Up Payment have been prejudiced. The Executive shall not pay the claim prior to the expiration of the 30-day period following the date on which the Executive gives notice to Yellow (or such shorter period ending on the date that any payment of taxes with respect to the claim is due). If Yellow notifies the Executive in writing prior to the expiration of the period that it desires to contest the claim, the Executive shall:

(1) give Yellow any information that Yellow reasonably requests relating to the claim,

(2) take such action in connection with contesting the claim as Yellow shall reasonably request in writing from time to time, including, accepting legal representation with respect to the claim by an attorney that Yellow reasonably selects,

(3) cooperate with Yellow in good faith to effectively contest the claim,

(4) permit Yellow to participate in any proceedings relating to the claim; *provided*, that Yellow shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with the contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties, imposed as a result of the representation and payment of costs and expenses.

Without limitation on the foregoing provisions of this Section 6(c), Yellow shall control all proceedings taken in connection with the contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of a claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund, or contest the claim in any permissible manner. The Executive agrees to prosecute the contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Yellow shall determine; *provided*, that if Yellow directs the Executive to pay the claim and sue for a refund, Yellow shall advance the amount of the payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties, imposed with respect to the advance or with respect to any imputed income with respect to the advance; and *further provided* that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which the contested amount is claimed to be due is limited solely to the contested amount. Yellow's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable under this Agreement and the Executive shall be entitled to settle or contest, as the case may be, any other issue that the Internal Revenue Service or any other taxing authority raises.

(d) **Repayment.** If, after the Executive's receipt of an amount that Yellow paid or advanced pursuant to this Section 6, the Executive becomes entitled to receive a refund with respect to the claim, the Executive shall (subject to Yellow's complying with the requirements of this Section 6), promptly pay to Yellow the amount of the refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the Executive's receipt of an amount that Yellow paid or advanced pursuant to this Section 6, a determination is made that the Executive shall not be entitled to any refund with respect to the claim and Yellow does not notify the Executive in writing of its intent to contest the denial of refund prior to the expiration of 30 days after the determination, then the payment or advance shall be forgiven and shall not be required to be repaid and the amount of the payment or advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

7. General.

(a) **Confidentiality.** The Executive shall hold in a fiduciary capacity for the benefit of the Corporation all data, reports and other information relating to the business of the Corporation that comes into the possession of the Executive during the Executive's employment with the Corporation (collectively, "**Confidential Information**"). During the Executive's employment with the Corporation and after termination of the Executive's employment, the Executive agrees:

(i) to take all such precautions as may be reasonably necessary to prevent the disclosure to any third person of any of the Confidential Information;

(ii) not to use for the Executive's own benefit any of the Confidential Information; and

(iii) not to aid any other person in the use of the Confidential Information in competition with the Corporation; *provided* that nothing in this Agreement shall prohibit the Executive from disclosing or using any Confidential Information:

(A) in the performance of the Executive's duties as an employee of the Corporation,

(B) as required by applicable law,

(C) in connection with the enforcement of the Executive's rights under this Agreement or any other agreement with the Corporation,

(D) in connection with the defense or settlement of any claim, suit or action brought or threatened against the Executive by or in the right of the Corporation, or

(E) with the prior written consent of the Board.

Notwithstanding any provision contained herein to the contrary, the term “**Confidential Information**” shall not be deemed to include any general knowledge, skills or experience acquired by the Executive or any knowledge or information known or available to the public in general. The Executive further agrees that, within 90 days after termination of the Executive’s employment for any reason, the Executive will surrender to the Corporation all Confidential Information, and any copies of Confidential Information, in his possession and agrees that all the materials and copies, are at all times the property of the Corporation. Notwithstanding the foregoing, the Executive shall be permitted to retain copies of, or have access to, all Confidential Information relating to any disagreement, dispute or litigation (pending or threatened) involving the Executive.

(b) **Remedies.** In the event of a breach or threatened breach by the Executive of the provisions of Section 7(a), the Corporation shall be entitled to an injunction restraining the Executive from violating Section 7(a) without the necessity of posting a bond. Nothing herein shall be construed as prohibiting the Corporation from pursuing any other remedies available to it at law or in equity. The parties agree that the provisions of this Section 7(a) shall survive the termination of the Executive’s employment with the Corporation, as the continuation of this covenant is necessary for the protection of the Corporation.

(c) **Payment Obligations Absolute.** Yellow’s obligation to pay the Executive the compensation and to make the arrangements provided herein shall be absolute and unconditional and shall not be affected by any circumstance, including any setoff, counterclaim, recoupment, defense or other right that the Corporation may have against the Executive or anyone else, except as provided in Section 2 and except for any setoff, counterclaim, recoupment, defense or other right that the Corporation may have against the Executive for actions that the Executive may have taken that fall within the definition of Cause (in Section 1(b)) irrespective of whether the Corporation terminated the Executive for Cause or not. All amounts that Yellow owes under this Agreement shall be paid without notice or demand. Each and every payment that Yellow makes under this Agreement shall be final, and Yellow will not seek to recover all or any part of the payment from the Executive or from whosoever may be entitled to the payment, for any reason whatsoever. The Executive shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Agreement, and the obtaining of any such other employment shall in no event affect any reduction of Yellow’s obligations to make the payments that this Agreement requires.

(d) **Obligations to Pay Costs.** If the Corporation terminates the Executive, and if the Executive successfully asserts a claim, action or proceeding against the Corporation for benefits under this Agreement or any other agreement between the Executive and the Corporation, the Corporation shall promptly pay or reimburse the Executive for all costs and expenses, including court costs and attorneys’ fees, that the Executive incurs in connection with the claim, action or proceeding. For purposes of this Section 7(e), the Executive will be deemed to have successfully asserted a claim, action or proceeding against the Corporation if, as a result of the claim, action or proceeding, the Corporation pays to the Executive, under this Agreement or any other agreement between the Executive and the Corporation, any amounts in addition to the amounts the Executive would be entitled to receive upon a termination for Cause.

(e) **Successors.** This Agreement shall be binding upon and insure to the benefit of the Executive and his estate and the Corporation and any successor of the Corporation, but the Executive may neither assign nor pledge this Agreement or any rights arising under this Agreement.

(f) **Severability.** Any provision in this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to the jurisdiction, be ineffective only to the extent of the prohibition or unenforceability without invalidating or affecting the remaining provisions of this Agreement, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable the provision in any other jurisdiction.

(g) **Controlling Law.** The laws of the State of Delaware, without reference to its law on conflicts of law, shall govern this Agreement shall in all respects.

(h) **Termination.** A majority of the Continuing Directors may terminate this Agreement upon notifying the Executive; except that a termination shall not be made, and if made shall have no effect,

(1) within two years after the Change of Control in question, or

(2) during any period of time when Yellow has knowledge that any third person has taken steps reasonably calculated to effect a Change of Control until, in the opinion of a majority of the Continuing Directors the third person has abandoned or terminated his efforts to effect a Change of Control. Any decision by a majority of the Continuing Directors that the third person has abandoned or terminated his efforts to effect a Change of Control shall be conclusive and binding on the Executive.

(i) This Agreement amends, restates, replaces and supercedes that Executive Severance Agreement dated as of [date] between the Corporation and the Executive in its entirety.

(j) **Deferred Compensation.** This Agreement is intended to meet the requirements of Section 409A of the Code and may be administered in a manner that is intended to meet those requirements and shall be construed and interpreted in accordance with such intent. To the extent that an award or payment, or the settlement or deferral thereof, is subject to Section 409A of the Code, except as the Committee otherwise determines in writing, the award shall be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A of the Code, including regulations or other guidance issued with respect thereto, such that the grant, payment, settlement or deferral shall not be subject to the excise tax applicable under Section 409A of the Code. Any provision of this Agreement that would cause the award or the payment, settlement or deferral thereof to fail to satisfy Section 409A of the Code shall be amended to comply with Section 409A of the Code on a timely basis, which may be made on a retroactive basis, in accordance with regulations and other guidance issued under Section 409A of the Code.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the __ day of __________, 20__.

EXECUTIVE:	**YELLOW ROADWAY CORPORATION**
______________________________	By: /s/ Daniel J. Churay
[name]	Daniel J. Churay Vice President, General Counsel and Secretary

YELLOW ROADWAY CORPORATION
SHARE UNIT AGREEMENT

[NAME OF GRANTEE]
GRANTEE

DATE OF GRANT:

TOTAL NUMBER OF UNITS GRANTED:

VESTING SCHEDULE: **[Long-Term Incentive Program: 50% of the Units vest on the third anniversary of the date of grant (subject to the additional holding period described herein); and the remaining 50% of the Units vest on the sixth anniversary of the date of grant.**

The Company will not deliver any shares with respect to vested Units until the earlier of the sixth anniversary from the date of grant, termination of the Grantee's employment with the Company, retirement, death, disability or a Change of Control (as described in the terms and conditions)]

[Executive Share Program: 100% of the Units vest on the third anniversary of the date of grant]

[Roadway Express Transitional Incentive Plan: 40% of the Units vest on the first anniversary of the date of grant; an additional 30% of the Units vest on the second anniversary of the date of grant; and; and the remaining 30% of the Units vest on the sixth anniversary of the date of grant.]

GRANT OF SHARE UNITS

Pursuant to action taken by the Compensation Committee (the "Committee") of the Board of Directors of **YELLOW ROADWAY CORPORATION**, a Delaware corporation (the "Company"), for the purposes of administration of the Yellow Roadway Corporation [2002 Stock Option and Share Award Plan][2004 Long-Term Incentive and Equity Award Plan] or any successor thereto (the "Plan"), the above-named Grantee is hereby granted rights to receive the above number of shares of the Company's $1 par value per share common stock in accordance with the Vesting Schedule described above on a one share per one unit basis and subject to the other terms and conditions described in this Share Unit Agreement (this "Agreement").

By your acceptance of the Share Units (the "Units") represented by this Agreement, you agree that the Units are granted under and governed by the terms of the Plan, this Agreement and the Terms and Conditions of Share Agreements (April 21, 2005) attached to this Agreement; you acknowledge that you have received, reviewed and understand the Plan, including the provisions that the Committee's decision on any matter arising under the Plan is conclusive and binding; and you agree that this Agreement amends and supercedes any other agreement or statement, oral or written, in its entirety regarding the vesting or holding period of these Units.

YELLOW ROADWAY CORPORATION

____

Name:
Title:

Agreement agreed and accepted by:

____

Grantee Name: ______________________________

YELLOW ROADWAY CORPORATION

TERMS AND CONDITIONS

OF

SHARE UNIT AGREEMENTS

April 21, 2005

These Terms and Conditions are applicable to Share Units (the "Units") granted pursuant to the **Yellow Roadway Corporation [2002 Stock Option and Share Award Plan][2004 Long-Term Incentive and Equity Award Plan]** or any successor thereto (the "Plan").

1. **Acceleration of Vesting**. Notwithstanding the provisions of the vesting schedule provided in the Share Unit Agreement, the vesting of the underlying shares for each Unit shall be accelerated and all units shall vest upon the following circumstances:

1.1 Death or Permanent and Total Disability. If the Grantee dies or is deemed to be "permanently and totally disabled" (as defined herein) while in the employ of the Company or a subsidiary of the Company (a "Subsidiary") and prior to the time the Units vest, the Units shall become fully vested and convert to shares of Yellow Roadway Corporation common stock. For purposes of this Section, a Grantee shall be considered "permanently and totally disabled" if the Grantee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months or is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Grantee's employer The existence of a permanent and total disability shall be evidenced by such medical certification as the Secretary of the Company shall require and as the Committee approves.

1.2 Change of Control of the Company. If a "Change of Control" of the Company occurs while the Grantee is in the employ of the Company or a Subsidiary prior to the time the Units vest, the Units shall become fully vested and convert to shares of Yellow Roadway Corporation common stock. For the purposes of this Section, a "Change of Control" shall be deemed to have taken place if:

1.2.1 a third person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), purchases or otherwise acquires shares of the Company after the date of grant that, together with stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the stock of the Company;

1.2.2 a third person, including a "group" as defined in Section 13(d)(3) of the Exchange Act purchases or otherwise acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) shares of the Company after the date of grant and as a result thereof becomes the beneficial owner of shares of the Company having 35% or more of the total number of votes that may be cast for election of directors of the Company; or

1.2.3 as the result of, or in connection with any cash tender or exchange offer, merger or other Business Combination, or contested election, or any combination of the foregoing transactions, the Continuing Directors shall cease to constitute a majority of the Board of Directors of the Company or any successor to the Company during any 12-month period.

For the purposes of this Section, "Business Combination" means any transaction that is referred to in any one or more of clauses (a) through (e) of Section 1 of Subparagraph A of Article Seventh of the Certificate of Incorporation of the Company; and "Continuing Director" means a director of the Company who meets the definition of Continuing Director contained in Section 7 of Subparagraph C of Article Seventh of the Certificate of Incorporation of the Company.

1.3 Retirement. If the Grantee terminates employment with the Company and its Subsidiaries and is at least 65 years of age upon that termination, the Units shall become fully vested and convert to shares of Yellow Roadway Corporation common stock. If the Grantee terminates employment with the Company and its Subsidiaries prior to age 65 and the Grantee is at least 55 years of age with the Grantee's age plus years of service equal to at least 75, the Units shall continue to vest on the same schedule as if the Grantee remained employed with the Company and its Subsidiaries until age 65, and upon age 65 after such retirement all remaining Units shall become fully vested and convert to shares of Yellow Roadway Common stock; *provided*, that the Grantee does not breach the following covenant in Section 1.4.

1.4 Prohibited Activities. Notwithstanding any other provision of these Terms and Conditions and the Share Unit Agreement, if the Grantee engages in a "Prohibited Activity" (defined below) while in the employment of the Company or any of its subsidiaries or during the period from the date of retirement under Section 1.3 until all units vest pursuant to that section, then Grantee shall forfeit the right to any further vesting of the Grantee's units and shall not receive any undelivered shares of the Company's common stock pursuant to the Share Unit Agreement, and the Share Unit Agreement shall immediately thereupon wholly and completely terminate. If the Company receives an allegation of a Prohibited Activity, the Company, in its discretion, may suspend delivery of shares with respect to Units for up to three months to permit the investigation of the allegation. If the Company determines that the Grantee did not engage in any Prohibited Activities, the Company shall deliver shares with respect to any Units that have vested for which all restrictions have lapsed. A "Prohibited Activity" shall be deemed to have occurred, if the Grantee:

1.4.1 divulges any non-public, confidential or proprietary information of the Company or of its past or present subsidiaries (collectively, the "Company Group"), but excluding information that

1.4.1.1 becomes generally available to the public other than as a result of the Grantee's public use, disclosure, or fault, or

1.4.1.2 becomes available to the Grantee on a non-confidential basis after the Grantee's employment termination date from a source other than a member of the Company Group prior to the public use or disclosure by the Grantee; *provided* that the source is not bound by a confidentiality agreement or otherwise prohibited from transmitting the information by a contractual, legal or fiduciary obligation; or

1.4.2 directly or indirectly, consults or becomes affiliated with, conducts, participates or engages in, or becomes employed by, any business that is competitive with the business of any current member of the Company Group, wherever from time to time conducted throughout the world, including situations where the Grantee solicits or participates in or assists in any way in the solicitation or recruitment, directly or indirectly, of any employees of any current member of the Company Group.

2. Lapse of Rights upon Termination of Employment.

Except as provided above, upon termination of the Grantee's employment with the Company or any Subsidiary, the Grantee shall forfeit any unvested Unit.

3. Transfers of Employment; Authorized Leave.

3.1 Transfers of Employment. Transfers of employment between the Company and a Subsidiary, or between Subsidiaries, shall not constitute a termination of employment for purposes of the Unit.

3.2 Authorized Leave. Authorized leaves of absence from the Company shall not constitute a termination of employment for purposes of the Unit. For purposes of the Unit, an authorized leave of absence shall be an absence while the Grantee is on military leave, sick leave, or other bona fide leave of absence so long as the Grantee's right to employment with the Company is guaranteed by statute, a contract or Company policy.

5.3 Withholding. To the extent the Grantee has taxable income in connection with the grant or vesting of the Unit or the delivery of shares of Company common stock, the Company is authorized to withhold from any compensation payable to Grantee, including shares of common stock that the Company is to deliver to the Grantee, any taxes required to be withheld by foreign, federal, state, provincial or local law. By executing the Share Unit Agreement, the Grantee authorizes the Company to withhold any applicable taxes.

4. Non-transferability. No rights under the Share Unit Agreement shall be transferable otherwise than by will, the laws of descent and distribution or pursuant to a Qualified Domestic Relations Order ("QDRO"), and, except to the extent otherwise provided herein, the rights and the benefits of the Share Unit Agreement may be exercised and received, respectively, during the lifetime of the Grantee only by the Grantee or by the Grantee's guardian or legal representative or by an "alternate payee" pursuant to a QDRO.

5. Limitation of Liability. Under no circumstances will the Company be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan or the Company's role as Plan sponsor.

6. Units Subject to Plan. A copy of the Plan is included with the Share Unit Agreement. The provisions of the Plan as now in effect and as the Plan may be amended in the future (but only to the extent such amendments are allowed by the provisions of the Plan) are hereby incorporated in the Share Unit Agreement by reference as though fully set forth herein. Upon request to the Secretary of the Company, a Grantee may obtain a copy of the Plan and any amendments.

7. Definitions. Unless redefined herein, all terms defined in the Plan have the same meaning when used as capitalized terms in this Agreement.

8. Compliance with Regulatory Requirements. Notwithstanding anything else in the Plan, the shares received upon vesting of the Units may not be sold, pledged or hypothecated until such time as the Company complies with all regulatory requirements regarding registration of the Shares to be issued under the terms of the Plan.

9. **Deferred Compensation.** This Agreement is intended to meet the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and may be administered in a manner that is intended to meet those requirements and shall be construed and interpreted in accordance with such intent. To the extent that an award or payment, or the settlement or deferral thereof, is subject to Section 409A of the Code, except as the Committee otherwise determines in writing, the award shall be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A of the Code, including regulations or other guidance issued with respect thereto, such that the grant, payment, settlement or deferral shall not be subject to the excise tax applicable under Section 409A of the Code. Any provision of this Agreement that would cause the award or the payment, settlement or deferral thereof to fail to satisfy Section 409A of the Code shall be amended to comply with Section 409A of the Code on a timely basis, which may be made on a retroactive basis, in accordance with regulations and other guidance issued under Section 409A of the Code.

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
EXCHANGE ACT RULES 13A-14 AND 15D-14,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William D. Zollars, certify that:

(1) I have reviewed this report on Form 10-Q of Yellow Roadway Corporation ("registrant");

(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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; 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, 2005

/s/ William D. Zollars

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

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
EXCHANGE ACT RULES 13A-14 AND 15D-14,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Donald G. Barger, Jr., certify that:

(1) I have reviewed this report on Form 10-Q of Yellow Roadway Corporation (“registrant”);

(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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; 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, 2005

/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, 2005, 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, 2005

/s/ William D. Zollars

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

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Yellow Roadway Corporation on Form 10-Q for the period ended June 30, 2005, 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, 2005

/s/ Donald G. Barger, Jr.

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