

YELLOW ROADWAY CORP  
Form S-4  
April 01, 2005  
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As filed with the Securities and Exchange Commission on April 1, 2005

Registration No. 333-

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## Form S-4

### REGISTRATION STATEMENT

*UNDER*

*THE SECURITIES ACT OF 1933*

## Yellow Roadway Corporation

(Exact name of registrant as specified in its charter)

<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>4213</b> (Primary Standard Industrial Classification Code Number) <b>10990 Roe Avenue</b>	<b>48-0948788</b> (I.R.S. Employer Identification No.)
--------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------	--------------------------------------------------------------

**Overland Park, Kansas 66211**

**(913) 696-6100**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Daniel J. Churay, Esq.**

**Yellow Roadway Corporation**

**Senior Vice President, General Counsel and Secretary**

**10990 Roe Avenue**

**Overland Park, Kansas 66211**

**(913) 696-6100**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*Copies to:*

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Charles L. Strauss, Esq.  
 Fulbright & Jaworski L.L.P.  
 1301 McKinney, Suite 5100  
 Houston, TX 77010  
 (713) 651-5151

Joseph B. Frumkin, Esq.  
 Sullivan & Cromwell LLP  
 125 Broad Street  
 New York, NY 10004  
 (212) 558-4000

**Approximate date of commencement of proposed sale to the public:** Upon consummation of the merger described herein.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, please check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Registered(1)	Proposed Maximum	Proposed Maximum	Amount of
		Offering Price	Aggregate	Registration
common stock, par value \$1.00 per share	13,500,000 shares	\$ 59.09	\$797,715,000	\$93,891.06

- (1) Represents shares of Yellow Roadway Corporation common stock, par value \$1.00 per share, issuable upon consummation of the merger described herein to holders of USF common stock.
- (2) Pursuant to Rule 457(f) under the Securities Act of 1933, the proposed maximum offering price is calculated as \$797,715,000 (representing 13,500,000 shares of Yellow Roadway Corporation common stock, par value \$1.00 per share, multiplied by \$59.09, which is the average of the high and low sales price for such stock on March 30, 2005, as reported on the Nasdaq National Market).

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrants shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.**

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The information in this joint proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/prospectus is not an offer to sell these securities, and we are not soliciting offers to buy these securities, in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED APRIL 1, 2005**

**JOINT PROXY STATEMENT/PROSPECTUS**

**PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT**

Yellow Roadway Corporation and USF Corporation have agreed on a merger transaction involving our two companies. Before we can complete the merger, we must obtain the approval of our companies' stockholders. We are sending you this joint proxy statement/prospectus to ask Yellow Roadway stockholders to approve the issuance of Yellow Roadway shares pursuant to the merger agreement and to ask USF stockholders to vote in favor of the adoption of the merger agreement.

In the merger, USF stockholders will be entitled to receive for each share of USF common stock that they own at the effective time of the merger 0.9024 shares of Yellow Roadway common stock or, upon a valid cash election, \$45.00 in cash, subject in each case to proration and allocation provisions that will require adjustment as described in this joint proxy statement/prospectus. The consideration that each USF stockholder will receive is subject to proration and allocation provisions, which are designed to operate so that approximately one-half of the outstanding USF shares receive cash and approximately one-half of outstanding USF shares receive Yellow Roadway common stock. Based on the number of USF shares outstanding on February 27, 2005, the aggregate cash consideration will be approximately \$639 million. Immediately following the merger, approximately 12.8 million shares of Yellow Roadway common stock, representing approximately 20.8% of the shares of Yellow Roadway common stock outstanding immediately after the merger, will be held by former holders of USF common stock. Each outstanding share of Yellow Roadway common stock will remain outstanding immediately after the merger. Shares of Yellow Roadway common stock, including shares issued to USF stockholders as a result of the merger, will continue to be quoted on the Nasdaq National Market under the trading symbol YELL. Shares of USF common stock, which are quoted on the Nasdaq National Market under the trading symbol USFC, will be delisted if the merger is consummated.

Each company will hold a special meeting of its stockholders to consider and vote on the proposals described in this joint proxy statement/prospectus. Completion of the merger requires Yellow Roadway stockholder approval of the stock issuance and USF stockholder adoption of the merger agreement. On the date of either the Yellow Roadway special meeting or the USF special meeting, as applicable, when you are asked to vote on these matters you may not know the exact number of shares of Yellow Roadway common stock that will be issued to USF stockholders because the consideration you receive will be subject to change based on the proration and allocation provisions described in this joint proxy statement/prospectus.

**YOUR VOTE IS VERY IMPORTANT.** Whether or not you plan to attend your special meeting, please take the time to vote by completing the enclosed proxy card and mailing it to us. If you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote FOR each of the proposals presented. If you do not return your card, or if you do not instruct your broker how to vote any shares held for you in street name, your shares will not be voted at your special meeting. In some cases, you may be able to exercise your proxy by telephone or the internet. See Voting by Proxy beginning on page 40.

This joint proxy statement/prospectus is being furnished to Yellow Roadway stockholders in connection with the solicitation of proxies by Yellow Roadway's board of directors for use at its special meeting of stockholders and to USF stockholders in

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connection with the solicitation of proxies by USF's board of directors for use at its special meeting of stockholders. The respective dates, times, and places of the special meetings are as follows:

**FOR YELLOW ROADWAY STOCKHOLDERS:**

, 2005  
:00 a.m., C.D.T.  
10990 Roe Avenue  
Overland Park, Kansas 66211

**FOR USF STOCKHOLDERS:**

, 2005  
:00 a.m., C.D.T.

This document is a prospectus relating to the issuance of shares of Yellow Roadway common stock in connection with the merger and a proxy statement for both Yellow Roadway and USF to use in soliciting proxies for our special meetings. This joint proxy statement/prospectus contains answers to frequently asked questions and a summary description of the merger (beginning on page 1), followed by a more detailed discussion of the merger and related matters. **You should also consider the matters discussed under Risk Factors beginning on page 27 of this joint proxy statement/prospectus.** We urge you to review carefully this entire document.

William D. Zollars

Chairman of the Board of Directors,

President and Chief Executive Officer of

Yellow Roadway Corporation

Paul J. Liska

Executive Chairman of the Board of

Directors of USF Corporation

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS JOINT PROXY STATEMENT/ PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

This joint proxy statement/prospectus is dated \_\_\_\_\_, 2005, and is first being mailed to Yellow Roadway and USF stockholders on or about \_\_\_\_\_, 2005.

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**REFERENCES TO ADDITIONAL INFORMATION**

This joint proxy statement/prospectus incorporates important business and financial information about Yellow Roadway and USF from documents that each company has filed with the Securities and Exchange Commission but that have not been included in or delivered with this joint proxy statement/prospectus. For a listing of documents incorporated by reference into this joint proxy statement/prospectus, please see the section entitled "Where You Can Find More Information" beginning on page 123 of this joint proxy statement/prospectus.

**Yellow Roadway will provide you with copies of this information relating to Yellow Roadway, without charge, if you request it in writing or by telephone from:**

YELLOW ROADWAY CORPORATION

Attention: Investor Relations

10990 Roe Avenue

Overland Park, Kansas 66211

(913) 696-6100

**For you to receive timely delivery of the documents in advance of the Yellow Roadway special meeting, Yellow Roadway should receive your request no later than \_\_\_\_\_, 2005.**

**USF will provide you with copies of this information relating to USF, without charge, if you request it in writing or by telephone from:**

USF CORPORATION

Attention: Investor Relations and Corporate Communications

8550 W. Bryn Mawr Ave., Ste. 700

Chicago, Illinois 60631

(773) 824-1000

**For you to receive timely delivery of the documents in advance of the USF special meeting, USF should receive your request no later than \_\_\_\_\_, 2005.**

*The Information Agent and Proxy Solicitor for the Merger is:*

## **Morrow & Co., Inc.**

You may obtain information regarding the transaction

from the Information Agent as follows:

445 Park Avenue, 5th Floor

New York, New York 10022

(212) 754-8000

**Stockholders Please Call Toll Free: (800) 607-0088**

**Banks and Brokers Call (800) 654-2468**

**E-mail: [yellow.info@morrowco.com](mailto:yellow.info@morrowco.com)**

Yellow Roadway has supplied all information contained in or incorporated by reference in this joint proxy statement/prospectus relating to Yellow Roadway, and USF has supplied all information contained in or incorporated by reference in this joint proxy statement/prospectus relating to USF. Yellow Roadway and USF have both contributed to information relating to the merger.

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**Yellow Roadway Corporation**

**10990 Roe Avenue**

**Overland Park, Kansas 66211**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD , 2005**

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of Yellow Roadway Corporation, a Delaware corporation ( Yellow Roadway ), will be held at :00 a.m., C.D.T., on , , 2005, at Yellow Roadway s corporate headquarters at 10990 Roe Avenue, Overland Park, Kansas 66211. As described in this joint proxy statement/prospectus, the special meeting will be held for the following purposes:

1. To consider and vote upon a proposal to approve the issuance of shares of Yellow Roadway common stock pursuant to the Agreement and Plan of Merger, dated as of February 27, 2005, by and among Yellow Roadway, Yankee II LLC, a wholly owned subsidiary of Yellow Roadway ( Sub ), and USF Corporation ( USF ). As further described in this joint proxy statement/prospectus, the merger agreement provides for the merger of USF with and into Sub pursuant to which each outstanding share of USF common stock (other than shares owned directly or indirectly by USF or Yellow Roadway and those shares held by dissenting stockholders) will be cancelled and converted into the right to receive 0.9024 shares of Yellow Roadway common stock or, upon a valid cash election, \$45.00 in cash, in each case subject to the proration and allocation provisions described below.

**The consideration to be received by each USF stockholder is subject to proration and allocation provisions, which are designed to operate so that approximately one-half of the outstanding USF shares receive cash and approximately one-half of the outstanding USF shares receive Yellow Roadway common stock. Based on the number of USF shares outstanding on February 27, 2005, the aggregate cash consideration will be approximately \$639 million. If the value of the Yellow Roadway common stock that Yellow Roadway would issue in the merger falls below 45% of the aggregate value of the total consideration, the proration and allocation provisions will require adjustments so that Yellow Roadway pays 45% of the total consideration in Yellow Roadway common stock and 55% of the total consideration in cash.** We anticipate that we will issue an aggregate of approximately 12.8 million shares of Yellow Roadway common stock to USF shareholders pursuant to the merger agreement, representing approximately 20.8% of the shares of Yellow Roadway common stock outstanding immediately after the merger.

2. To consider and vote upon a proposal to approve adjournments or postponements of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the above proposals.

**THE BOARD OF DIRECTORS OF YELLOW ROADWAY HAS UNANIMOUSLY APPROVED THE STOCK ISSUANCE AND UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR APPROVAL OF THE STOCK ISSUANCE.**

The Board of Directors of Yellow Roadway has fixed the close of business on , 2005 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Yellow Roadway special meeting or any reconvened meeting following an adjournment or

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postponement thereof. Only stockholders of record at the close of business on the record date are entitled to notice of and to vote at the meeting. A complete list of those stockholders will be available for examination at the Yellow Roadway special meeting and at Yellow Roadway's offices at 10990 Roe Avenue, Overland Park, Kansas 66211 during ordinary business hours, after \_\_\_\_\_, 2005, for examination by any Yellow Roadway stockholder for any purpose germane to the special meeting.

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**It is important that your stock be represented at the special meeting regardless of the number of shares you hold. Please promptly mark, date, sign and return the enclosed proxy in the accompanying envelope, whether or not you intend to be present at the special meeting. In some cases, you may be able to exercise your proxy by telephone or the internet. See Voting by Proxy beginning on page 40. The proxy is revocable at any time prior to its use at the special meeting.**

By order of the Board of Directors,

Daniel J. Churay

*Senior Vice President,*

*General Counsel and Secretary*

, 2005



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USF Corporation

8550 W. Bryn Mawr Ave., Ste. 700

Chicago, Illinois 60631

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD , 2005

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of USF Corporation, a Delaware corporation ( USF ), will be held at a.m., C.D.T., on , 2005, at . As described in this joint proxy statement/prospectus, the special meeting will be held for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of February 27, 2005, by and among Yellow Roadway Corporation ( Yellow Roadway ), Yankee II LLC, a wholly owned subsidiary of Yellow Roadway ( Sub ), and USF. As further described in this joint proxy statement/prospectus, the merger agreement provides for the merger of USF with and into Sub pursuant to which each outstanding share of USF common stock (other than shares owned directly or indirectly by USF or Yellow Roadway and those shares held by dissenting stockholders) will be cancelled and converted into 0.9024 shares of Yellow Roadway common stock or, upon a valid cash election, \$45.00 in cash, in each case subject to the proration and allocation provisions described below.

**The consideration to be received by each USF stockholder is subject to proration and allocation provisions, which are designed to operate so that approximately one-half of the outstanding USF shares receive cash and approximately one-half of the outstanding USF shares receive Yellow Roadway common stock. Based on the number of USF shares outstanding on February 27, 2005, the aggregate cash consideration will be approximately \$639 million. If the value of the Yellow Roadway common stock that Yellow Roadway would issue in the merger falls below 45% of the aggregate value of the total consideration, the proration and allocation provisions will require adjustments so that Yellow Roadway pays 45% of the total consideration in Yellow Roadway common stock and 55% of the total consideration in cash.** We anticipate that Yellow Roadway will issue an aggregate of approximately 12.8 million shares of Yellow Roadway common stock to USF shareholders pursuant to the merger agreement, representing approximately 20.8% of the shares of Yellow Roadway common stock outstanding immediately after the merger.

2. To consider and vote upon a proposal to approve adjournments or postponements of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the above proposal.

**THE BOARD OF DIRECTORS OF USF HAS UNANIMOUSLY APPROVED THE MERGER AGREEMENT, HAS UNANIMOUSLY DETERMINED THAT THE MERGER AGREEMENT IS ADVISABLE AND UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR ADOPTION OF THE MERGER AGREEMENT.**

The Board of Directors of USF has fixed the close of business on , 2005 as the record date for the determination of stockholders entitled to notice of, and to vote at, the USF special meeting or any reconvened meeting following an adjournment or postponement thereof. Only stockholders of record at the close of business on the record date are entitled to notice of and to vote at the meeting. A complete list of such

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stockholders will be available for examination at the USF special meeting and at USF's offices at 8550 W. Bryn Mawr Ave., Ste. 700, Chicago, Illinois 60631, during ordinary business hours, after \_\_\_\_\_, 2005, for examination by any USF stockholder for any purpose germane to the special meeting.

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**It is important that your stock be represented at the special meeting regardless of the number of shares you hold. Please promptly mark, date, sign and return the enclosed proxy in the accompanying envelope, whether or not you intend to be present at the special meeting. In some cases, you may be able to exercise your proxy by telephone or the internet. See Voting by Proxy beginning on page 40. The proxy is revocable at any time prior to its use at the special meeting.**

**You should not send certificates for USF common stock with the enclosed proxy. You should forward your stock certificates with your cash election and transmittal form (according to the instructions in the form) or, following the merger, after you have received written instructions from the exchange agent.**

By order of the Board of Directors,

Richard C. Pagano

*Senior Vice President,*

*General Counsel and Secretary*

, 2005

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**ANNEXES**

Annex A	Agreement and Plan of Merger, dated as of February 27, 2005, by and among Yellow Roadway Corporation, Yankee II LLC and USF Corporation
Annex B	Opinion of IFL Capital LLC, dated February 27, 2005
Annex C	Opinion of Morgan Stanley & Co. Incorporated, dated February 27, 2005
Annex D	Appraisal and Dissenters' Rights under the Delaware General Corporation Law

**No person is authorized to give any information or to make any representation with respect to the matters that this joint proxy statement/prospectus describes other than those contained in this joint proxy statement/prospectus or in the documents this joint proxy statement/prospectus incorporates by reference and, if given or made, such information or representation must not be relied upon as having been authorized by Yellow Roadway or USF. This joint proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy the securities this joint proxy statement/prospectus offers or a solicitation of a proxy in any jurisdiction where, or to any person whom, it is unlawful to make such an offer or solicitation. Neither the delivery of this joint proxy statement/prospectus nor any distribution of securities made under this joint proxy statement/prospectus shall, under any circumstances, create an implication that there has been no change in the affairs of Yellow Roadway or USF since the date of this joint proxy statement/prospectus or that the information contained or incorporated by reference in this joint proxy statement/prospectus is correct as of any time subsequent to the date of this joint proxy statement/prospectus.**

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**QUESTIONS AND ANSWERS ABOUT THE MERGER**

*The following questions and answers briefly address some commonly asked questions about the special meetings and the merger. They may not include all the information that is important to you. We urge you to read carefully this entire joint proxy statement/prospectus, including the annexes and the other documents we refer to in this joint proxy statement/prospectus.*

**Frequently Used Terms**

We have generally avoided the use of technical defined terms in this joint proxy statement/prospectus but a few frequently used terms may be helpful for you to have in mind at the outset. We refer to:

Yellow Roadway Corporation, a Delaware corporation, as Yellow Roadway ;

USF Corporation, a Delaware corporation, as USF ;

Yankee II LLC, a newly formed Delaware limited liability company and a wholly owned subsidiary of Yellow Roadway, as Sub ;

the merger of USF into Sub and the cancellation and conversion of shares of USF common stock into the right to receive shares of Yellow Roadway common stock or, upon a valid cash election, cash (subject in either case to proration and adjustment as this joint proxy statement/prospectus describes) as the merger ;

the agreement and plan of merger among Yellow Roadway, Sub and USF as the merger agreement ;

the special meeting of holders of common stock of Yellow Roadway described on page 38 as the Yellow Roadway special meeting ;

the special meeting of holders of common stock of USF described on page 38 as the USF special meeting ;

the common stock, par value \$1.00 per share, of Yellow Roadway as shares of Yellow Roadway common stock , Yellow Roadway shares or Yellow Roadway common stock ;

the common stock, par value \$0.01 per share, of USF as shares of USF common stock , USF shares or USF common stock ;

the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, as the HSR Act or the Hart-Scott-Rodino Act ; and

the General Corporation Law of the State of Delaware as the DGCL .

*The Merger*

**Q1: Will Yellow Roadway's name be changed in connection with the merger?**

A1: No, it will remain Yellow Roadway Corporation .

**Q2: Why are Yellow Roadway and USF proposing the merger?**

A2: Our companies are proposing the merger for several reasons, including the following:

the merger will provide the combined company with the increased scale, strong financial base and market reach that are necessary to increase stockholder value and enhance customer service;

the merger has the potential to accelerate Yellow Roadway's strategy of offering a broad range of services for business to business transportation decision makers;

Yellow Roadway and USF have significant complementary aspects in their service bases;

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the merger provides the opportunity for both Yellow Roadway and USF to more effectively compete against the industry's leading integrated service providers, numerous less-than-truckload ( LTL ) competitors and other competitors;

Yellow Roadway and USF expect significant combination benefits, including cost savings; and

the near-term and long-term earnings per share and cash flow of the combined entity are favorable compared to the companies near-term and long-term earnings per share and cash flow on a stand-alone basis.

In addition, the Yellow Roadway board of directors considered a number of other factors in reaching its decision to approve the merger agreement. See *The Merger Yellow Roadway's Reasons for the Merger* for a more detailed discussion of certain factors the Yellow Roadway board considered in reaching its decision to approve the merger agreement. The USF board of directors also considered a number of other factors in reaching its decision to approve the merger agreement, including the amount and form of the consideration that USF's stockholders will receive and in particular that the value of the merger consideration as of the last trading day prior to the announcement of the merger and the last trading day prior to news reports of merger discussions represented substantial premiums to the recent trading prices of USF common stock. See *The Merger USF's Reasons for the Merger* for a more detailed discussion of certain factors the USF board considered in reaching its decision to approve the merger agreement.

**Q3: What will happen in the merger?**

A3: The proposed merger will combine the businesses of Yellow Roadway and USF. As a result of the merger, USF will merge into a Yellow Roadway subsidiary, and Yellow Roadway will continue as a public company. USF stockholders will receive, in the aggregate, approximately \$639 million in cash (based on the number of USF shares outstanding as of February 27, 2005) and approximately 12.8 million shares of Yellow Roadway common stock, which shares represent approximately 20.8% of the shares of Yellow Roadway common stock outstanding immediately after the merger. The merger agreement is attached to this joint proxy statement/prospectus as *Annex A*. You should read the merger agreement carefully in its entirety. The merger agreement is the legal document setting forth the parties' rights with respect to the merger.

**Q4: What will I receive in the merger?**

A4: At the effective time of the merger, each outstanding share of USF common stock (other than any shares owned directly or indirectly by USF or Yellow Roadway and those shares held by dissenting stockholders) will be cancelled and converted into the right to receive 0.9024 shares of Yellow Roadway common stock. You may elect to receive \$45.00 in cash in lieu of shares of Yellow Roadway common stock for each share of USF common stock you own at the effective time of the merger. You may make a cash election for any whole number of shares of USF common stock you own, but fractional elections are not permitted. (See *How do I elect to receive cash instead of Yellow Roadway common stock?* below.) **The merger consideration to be received by each USF stockholder, however, is subject to proration and allocation provisions, which are designed to operate so that approximately one-half of the outstanding USF shares receive cash and approximately one-half of the outstanding USF shares receive Yellow Roadway common stock. Based on the number of USF shares outstanding on February 27, 2005, the aggregate cash consideration will be approximately \$639 million. If the value of the Yellow Roadway common stock that Yellow Roadway would issue in the merger falls below 45% of the aggregate value of the total consideration, the proration and allocation provisions will require adjustments so that Yellow Roadway pays 45% of the total consideration in Yellow Roadway common stock and 55% of the total consideration in cash.**

**Q5: How do I elect to receive cash instead of Yellow Roadway common stock?**

A5: You may elect to receive cash instead of Yellow Roadway common stock for any whole number of your shares of USF common stock by signing, dating and completing the cash election and transmittal form and





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mailing it to the exchange agent with your corresponding stock certificates or a guarantee of delivery or faxing the cash election and transmittal form with a guarantee of delivery to the exchange agent for receipt by 4:00 p.m., New York, New York time, on the fourth trading day prior to the merger's closing date. This deadline is known as the cash election deadline. You have the right to make a cash election from the time you receive your cash election form until the cash election deadline. *As soon as practicable after the closing date is determined, Yellow Roadway and USF each will issue a press release, which will be available on each company's website (see Where You Can Find More Information on page 123), announcing the date of the cash election deadline.* You still will not, however, be able to determine every factor that may cause the proration and allocation procedures to apply, and, therefore, your estimate of the consideration you will receive based on your election may not be accurate. **PLEASE DO NOT SEND YOUR CASH ELECTION AND TRANSMITTAL FORM WITH YOUR PROXY CARD.** If you are a holder of record of USF shares, you will need to follow the procedures on the transmittal form to validly effect a cash election. If your stock is held in street name, you will need to contact your broker and follow the procedures that your broker describes to elect to receive cash for your shares.

**Q6: What are the proration and allocation provisions and how do they operate?**

A6: Notwithstanding the individual elections of the USF stockholders, 50% of the USF shares will be converted into cash. If more than 50% of the USF shares elect to receive cash, those stockholders that elect to receive cash will receive proportionately less cash and more stock such that 50% of the shares outstanding will receive cash and 50% will receive stock. If fewer than 50% of the shares elect to receive cash, the stockholders not electing to receive cash will receive proportionately less Yellow Roadway common stock and more cash such that 50% of the USF shares outstanding will receive cash and 50% will receive stock. As a result of these elections and adjustments, the aggregate consideration will consist of approximately \$639 million in cash (based on the number of USF shares outstanding as of February 27, 2005) and the balance will be paid in Yellow Roadway common stock. Assuming all stockholders elect to receive 50% cash and 50% Yellow Roadway common stock, each stockholder will receive \$22.50 per share in cash and 0.4512 Yellow Roadway shares (which is one half of the exchange ratio).

Because the aggregate cash component of the consideration is limited, you may not receive the exact consideration you elected on your cash election and transmittal form. In addition to the adjustments described above, the merger agreement requires that at least 45% of the value of the aggregate consideration consists of shares of Yellow Roadway common stock. Various events and circumstances have a bearing on whether this requirement can be satisfied, including:

whether there is a significant decline in the price of Yellow Roadway common stock as compared to its price as of the close of trading on February 22, 2005;

the amount of cash deemed to be paid for dissenting shares;

the amount of cash to be paid in lieu of fractional shares; and

a redemption by USF of a large number of shares of its common stock (which would require the consent of Yellow Roadway under the merger agreement), or the acquisition by Yellow Roadway or any parties related to either Yellow Roadway or USF of a large number of shares of USF common stock for consideration other than Yellow Roadway common stock prior to or as part of the merger.

If, after considering the above factors and any other events and circumstances relevant to determining the cash component of the aggregate consideration, the aggregate value of Yellow Roadway common stock to be issued to USF shareholders in the merger is less than 45% of the aggregate consideration, then the cash component of the merger consideration will be reduced and the number of shares of Yellow Roadway common stock to be issued to USF stockholders will be increased so that:

the aggregate increase in the value of the shares of Yellow Roadway common stock to be issued in the merger, based on the average of the high and low trading prices of the Yellow Roadway common stock on the day before the closing of the merger, equals the

aggregate decrease in the cash merger consideration; and

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the value of the Yellow Roadway common stock to be issued in the merger is equal to 45% of the value of the total merger consideration as measured on the day before the closing date.

See page 78 of this joint proxy statement/prospectus for a discussion of how the proration and allocation provisions operate.

**Q7: Can I change my mind about receiving cash?**

A7: Yes. You have the right to change or revoke your cash election at any time, provided that the exchange agent receives written notice of your revocation before 4:00 p.m., New York, New York time, on the fourth trading day prior to the merger's closing date. You will be notified of the specific date of the cash election deadline in the manner specified in Question and Answer 5 above as soon as practicable after the closing date of the merger is determined. If a cash election and transmittal form is revoked, it will be treated as if no cash election had been made, and you will receive solely Yellow Roadway common stock, subject to proration and allocation provisions.

**Q8: Do I have to return the cash election and transmittal form?**

A8: No, but if you do not, your USF shares will be exchanged solely for Yellow Roadway common stock in the merger, subject to proration and allocation.

**Q9: Am I entitled to exercise dissenters' appraisal rights?**

A9: Yes, if you are a USF stockholder. Under the General Corporation Law of the State of Delaware, any USF stockholder who does not wish to accept the merger consideration has the right to dissent from the merger and to seek an appraisal of, and to be paid the fair value (exclusive of any element of value arising from the accomplishment or expectation of the merger) for, the stockholder's shares of USF common stock; provided that the stockholder complies with the provisions of Section 262 of the DGCL. To review your dissenters' rights of appraisal under Delaware law, see pages 69 through 71 of this joint proxy statement/prospectus.

**Q10: Will the rights of a USF stockholder change as a result of the merger?**

A10: Yes. Until the effective time of the merger, USF's certificate of incorporation and bylaws will continue to govern USF stockholder rights. Upon completion of the merger, USF stockholders who receive Yellow Roadway shares in the transaction will become Yellow Roadway stockholders and Yellow Roadway's certificate of incorporation and bylaws will then govern their rights. Please read carefully the summary of the material differences between the rights of Yellow Roadway stockholders and USF stockholders under "Comparison of Stockholders' Rights" beginning on page 115 of this joint proxy statement/prospectus.

**Q11: What will happen to shares of Yellow Roadway common stock upon the merger?**

A11: Each outstanding share of Yellow Roadway common stock will remain outstanding.

**Q12: Are there risks associated with the merger that I should consider in deciding how to vote?**

A12: Yes. There are risks associated with all business combinations, including the merger of our two companies. In particular, you should be aware that the number of shares of Yellow Roadway common stock that USF stockholders will receive for each share of USF common stock they own is fixed, subject to proration and allocation, and will not change as the market prices of USF common stock and Yellow Roadway common stock fluctuate in the period before the merger. Accordingly, the value of the Yellow Roadway common stock that

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USF stockholders will receive in return for their USF common stock may be less than or more than the value of the Yellow Roadway common stock as of the date of the merger agreement, the date of this joint proxy statement/prospectus or the date of the USF special meeting. There are a number of other risks that are discussed in this document and in other documents incorporated by reference in this document. **Please read with particular care the more detailed description of the risks associated with the merger discussed under Risk Factors beginning on page 27 of this joint proxy statement/prospectus.**

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**Q13: When do you expect to complete the merger?**

A13: Yellow Roadway and USF currently expect to complete the merger in the summer of 2005. However, we do not know how long after the special meetings the closing of the merger will take place because fulfilling some of the conditions to the merger is not entirely within our control. Yellow Roadway and USF hope to have the significant conditions, including the expiration or termination of the waiting period under the HSR Act, satisfied so that the closing can occur one business day after the special meetings. However, there can be no assurance that such timing will occur or that the merger will be completed in summer 2005 as currently expected.

**Q14: Will USF stockholders be able to trade the Yellow Roadway common stock that they receive in the merger?**

A14: The shares of Yellow Roadway common stock issued in connection with the merger will be freely tradable, unless you are an affiliate of USF, and the prices for those shares will be quoted on the Nasdaq National Market under the symbol YELL. Generally, persons who are deemed to be affiliates (generally directors, executive officers and controlling stockholders) of USF must comply with Rule 145 under the Securities Act of 1933, as amended, if they wish to sell or otherwise transfer any of the shares of Yellow Roadway common stock they receive in the merger.

**Q15: What are material federal income tax consequences of the merger?**

A15: The parties to the merger agreement intend that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code).

It is a condition to the closing of the merger that tax counsel to Yellow Roadway and tax counsel to USF each deliver opinions to Yellow Roadway and USF, respectively, to the effect that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

Assuming the merger qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, USF stockholders who exchange all their USF shares for Yellow Roadway shares will recognize neither gain nor loss, while USF stockholders who exchange some or all of their USF shares for cash will generally recognize gain (but not loss) in an amount equal to the lesser of:

the amount of cash received pursuant to the merger, and

the amount, if any, by which the sum of the fair market value of the Yellow Roadway shares as of the effective time of the merger and the amount of cash received pursuant to the merger exceeds the U.S. holder's adjusted tax basis in the USF shares.

If the U.S. holder holds USF shares as a capital asset, gain recognized upon the exchange generally will be capital gain, and any recognized capital gain will be long-term capital gain if the U.S. holder has held the USF shares for more than one year. See Material United States Federal Income Tax Consequences beginning on page 72 of this joint proxy statement/prospectus.

The summary of material United States federal income tax consequences contained in this joint proxy statement/prospectus is not a substitute for an individual analysis of the tax consequences of the merger to you. You are urged to consult a tax advisor regarding the particular federal, state, local and foreign tax consequences of the merger in light of your own situation.

Tax matters are complicated, and the federal income tax consequences described above may not apply to some of USF's stockholders. The tax consequences of the proposed transactions to you will depend on the facts of your own situation. You should consult your own tax advisors for a full understanding of the tax consequences to you as a result of the merger.



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**Q16: Where can I find the voting results of the meetings?**

A16: The preliminary voting results of each special meeting will be announced at that special meeting. The final results will be published in a press release issued by Yellow Roadway upon consummation of the merger and in Yellow Roadway's Quarterly Report on Form 10-Q for the quarter ending \_\_\_\_\_, 2005.

***Special Meetings; Votes Required***

**Q17: When are the special meetings?**

A17: Yellow Roadway's special meeting of stockholders will take place on \_\_\_\_\_, 2005 at \_\_\_\_\_ a.m. C.D.T. USF's special meeting of stockholders will take place on \_\_\_\_\_, 2005 at \_\_\_\_\_ a.m. C.D.T. The location of each special meeting is specified on the cover page of this document.

**Q18: What will happen at the special meetings?**

A18: At the USF special meeting, USF stockholders will vote on a proposal to adopt the merger agreement, and on a proposal to approve adjournments or postponements of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the merger proposal. At the Yellow Roadway special meeting, Yellow Roadway stockholders will vote on the issuance of Yellow Roadway common stock to USF stockholders pursuant to the merger agreement and will vote on a proposal to approve adjournments or postponements of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the stock issuance proposal. We cannot complete the merger unless, among other things, USF's stockholders adopt the merger agreement and Yellow Roadway's stockholders approve the stock issuance.

**Q19: Who is entitled to vote at the special meetings?**

A19: Yellow Roadway stockholders of record as of the close of business on \_\_\_\_\_, 2005 will be entitled to notice of and to vote at the Yellow Roadway special meeting or any reconvened meeting after any adjournments or postponements of the meeting. USF stockholders of record as of the close of business on \_\_\_\_\_, 2005 will be entitled to notice of and to vote at the USF special meeting or any reconvened meeting after any adjournments or postponements of the meeting.

**Q20: What is a quorum?**

A20: A quorum is the number of shares that must be present to hold the meeting. The quorum requirement for each of the special meetings is the holders of a majority of the outstanding shares of common stock that the company had as of the record date, present in person or represented by proxy and entitled to vote at the special meeting. A proxy submitted by a stockholder may indicate that all or a portion of the shares represented by the proxy are not being voted with respect to a particular matter. Proxies that are marked "abstain" or for which votes have otherwise been withheld and proxies relating to "street name" shares that are returned to the relevant company but not voted will be treated as shares present for purposes of determining the presence of a quorum on all matters.

**Q21: How many shares can vote?**

A21:



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On the record date, Yellow Roadway had outstanding \_\_\_\_\_ shares of common stock, which constitute Yellow Roadway's only outstanding voting securities. Each Yellow Roadway stockholder is entitled to one vote on each proposal for each share of Yellow Roadway common stock held as of the record date. On the record date, USF had outstanding \_\_\_\_\_ shares of common stock, which constitute USF's only outstanding voting securities. Each USF stockholder is entitled to one vote on each proposal for each share of USF common stock held as of the record date.

**Q22: What vote is required?**

A22: The affirmative vote of the holders of a majority of the outstanding shares of USF common stock entitled to vote at the USF special meeting is required to adopt the merger agreement. The approval of the share

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issuance requires the affirmative vote of the holders of a majority of the total votes cast at the Yellow Roadway special meeting on this proposal in person or by proxy. For each company, approval of a proposal to adjourn or postpone the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the other proposal(s) requires the vote of a majority of shares present in person or by proxy at the special meeting and actually voted at that special meeting.

If a quorum is not present at the Yellow Roadway special meeting, the officers of the company or the holders of a majority of the shares entitled to vote who are present in person or by proxy at the meeting may adjourn or postpone the meeting. If a quorum is not present at the USF special meeting, the holders of a majority of the shares entitled to vote who are present in person or by proxy at the meeting may adjourn the meeting.

Even if the votes set forth above are obtained at the special meetings, we cannot assure you that the merger will be completed, because the completion of the merger is subject to the satisfaction or waiver of other conditions discussed in this joint proxy statement/prospectus.

### **Q23: What do I need to do to vote?**

A23: Mail your completed and signed proxy card in the enclosed return envelope as soon as possible so that your shares may be represented at your special meeting. To assure that we obtain your vote, please vote as instructed on your proxy card even if you currently plan to attend your special meeting in person. In some cases, you may be able to exercise your proxy by telephone or the internet. See Voting by Proxy beginning on page 40.

**The members of the USF board of directors unanimously recommend that USF stockholders vote FOR the adoption of the merger agreement.**

**The members of the Yellow Roadway board of directors unanimously recommend that Yellow Roadway stockholders vote FOR the issuance of the Yellow Roadway shares pursuant to the merger agreement.**

The enclosed proxy card contains instructions for voting by mail. Please follow these instructions carefully. The proxies identified on the proxy card will vote the shares of which you are stockholder of record in accordance with your instructions. If you sign, date and return your proxy without giving specific voting instructions, the proxies will vote your shares FOR the proposals. If you do not return your proxy, your shares will not be voted at your special meeting.

### **Q24: How do I vote my shares if my shares are held in street name ?**

A24: You should vote this proxy in accordance with the instructions that your bank, broker or nominee provides to you. If your shares are held in a stock brokerage account, your broker will not vote your shares unless the broker receives appropriate instructions from you.

A number of banks and brokerage firms participate in a program that also permits stockholders whose shares are held in street name to direct their vote by the internet or telephone. This option, if available, will be reflected in the voting instructions from the bank or brokerage firm that accompany this joint proxy statement/prospectus. If your shares are held in an account at a bank or brokerage firm that participates in such a program, you may direct the vote of these shares by the internet or telephone by following the voting instructions enclosed with the proxy from the bank or brokerage firm. Votes directed by the internet or telephone through such a program must be received by 11:59 p.m., New York, New York time, on \_\_\_\_\_, 2005. Directing the voting of your shares will not affect your right to vote in person if you decide to attend the meeting; however, you must first obtain a signed and properly executed proxy from your bank, broker or nominee in order to vote your shares held in street name at the special meeting. Requesting a proxy prior to the deadlines described above will automatically cancel any voting directions you have



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previously given by the internet or by telephone with respect to your shares. The internet and telephone proxy procedures are designed to authenticate stockholders' identities, to allow stockholders to give their proxy instructions and to confirm that those instructions have been properly recorded.

### **Q25: May I change my vote even after returning a proxy?**

A25: Yes. If you are a USF stockholder and want to change your vote, you may do so at any time before the USF special meeting by sending to the Secretary of USF a properly executed and signed proxy with a later date. Alternatively, you may revoke your proxy by delivering to the Secretary of USF a written revocation prior to the USF special meeting or by voting in person at the USF special meeting. Similarly, if you are a Yellow Roadway stockholder and want to change your vote, you may do so at any time before the Yellow Roadway special meeting by sending to the Secretary of Yellow Roadway a properly executed and signed proxy with a later date. Alternatively, you may revoke your proxy by delivering to the Secretary of Yellow Roadway a written revocation prior to the Yellow Roadway special meeting or by voting in person at the Yellow Roadway special meeting. For telephone and internet voting only, you may revoke your proxy by submitting a valid, later dated proxy prior to the telephone and internet voting deadline. USF stockholders that require assistance in changing or revoking a proxy should contact Computershare Investor Services, L.L.C., USF's transfer agent, at (800) 810-7514. Yellow Roadway stockholders that require assistance in changing or revoking a proxy should contact UMB Bank, N.A., Yellow Roadway's transfer agent, at (800) 884-4225. Simply attending the applicable special meeting without voting will not revoke your proxy.

### **Q26: How will the proxies vote on any other business properly brought up at the special meetings?**

A26: By submitting your proxy, you authorize the persons named on the proxy card to use their judgment to determine how to vote on any other matter properly brought before the special meeting. The proxies will vote your shares in accordance with your instructions. If you sign, date and return your proxy without giving specific voting instructions, the proxies will vote your shares FOR the proposals. If you do not return your proxy, or if your shares are held in street name and you do not instruct your bank, broker or nominee on how to vote, your shares will not be voted at your special meeting.

The boards of directors of Yellow Roadway and USF do not intend to bring any other business before the meeting and, pursuant to the terms of USF's and Yellow Roadway's respective by-laws, only the business that is specified in the Notice of Special Meeting of Stockholders may be presented at the special meetings.

### **Q27: What is a broker non-vote?**

A27: A broker non-vote occurs when a bank, broker or other nominee submits a proxy that indicates that the broker does not vote for some or all of the proposals, because the broker has not received instructions from the beneficial owners on how to vote on these proposals and does not have discretionary authority to vote in the absence of instructions.

### **Q28: Will broker non-votes or abstentions affect the results?**

A28: If you are a Yellow Roadway stockholder, broker non-votes and abstentions will have no effect on the outcome of the proposal relating to the stock issuance or adjournments or postponements of the special meeting, if necessary, to permit further solicitation of proxies. If you are a USF stockholder, broker non-votes and abstentions will have the same effect as a vote against the proposal to adopt the merger agreement and approve the merger and the other transactions contemplated by the merger agreement, but will have no effect on the outcome of the proposal relating to adjournments or postponements of the special meeting, if necessary, to permit further solicitation of proxies. If your shares are held in street name, we urge you to instruct your bank, broker or nominee on how to vote your shares for those proposals on which you are entitled to vote.



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**Q29: What happens if I choose not to submit a proxy or to vote?**

A29: If a USF stockholder does not submit a proxy or vote at the USF special meeting, it will have the same effect as a vote against the proposal to adopt the merger agreement, but, so long as a quorum is present, will have no effect on the outcome of the proposal relating to adjournments or postponements of the special meeting, if necessary, to permit further solicitation of proxies. If a Yellow Roadway stockholder does not submit a proxy or vote at the Yellow Roadway special meeting, it will have no effect on the outcome of the proposals relating to the stock issuance and adjournments or postponements of the special meeting, if necessary, to permit further solicitation of proxies.

***General***

**Q30: Should I send in my USF stock certificates now?**

A30: If you elect to receive cash in the merger, you should complete the cash election and transmittal form that will be sent to you and send in your USF stock certificates now. If you want to receive Yellow Roadway common stock, Yellow Roadway would prefer that you complete the cash election and transmittal form and send in your stock certificates now. However, if you do not complete the cash election and transmittal form and you do not send your stock certificates now, you will be sent written instructions after the merger is completed for sending in your USF stock certificates. If you send in your stock certificates now and the merger agreement is terminated, your stock certificates will be returned to you as soon as practicable after the date of termination.

**Q31: What does it mean if I get more than one proxy card?**

A31: Your shares are probably registered in more than one account. You should vote each proxy card you receive.

**Q32: If I have more questions about the merger or the two companies, where can I find answers?**

A32: In addition to reading this document, its annexes, and the documents we have incorporated in this document by reference, you can find more information about the merger or about the two companies in our companies' filings with the Securities and Exchange Commission and with the Nasdaq National Market. Please see page 123 of this joint proxy statement/prospectus. If you have any questions about the merger or how to submit your proxy, or if you need additional copies of this joint proxy statement/prospectus or the enclosed proxy card or voting instructions, you should contact:

if you are a Yellow Roadway stockholder:

YELLOW ROADWAY CORPORATION

Attention: Investor Relations

10990 Roe Avenue

Overland Park, Kansas 66211

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Telephone: (913) 696-6100

if you are a USF stockholder:

USF CORPORATION

Attention: Investor Relations and Corporate Communications

8550 W. Bryn Mawr Ave., Ste. 700

Chicago, Illinois 60631

Telephone: (773) 824-1000

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*The Information Agent and Proxy Solicitor for the Merger is:*

**Morrow & Co., Inc.**

You may obtain information regarding the transaction

from the Information Agent as follows:

445 Park Avenue, 5th Floor

New York, New York 10022

(212) 754-8000

**Stockholders Please Call Toll Free: (800) 607-0088**

**Banks and Brokers Call (800) 654-2468**

**E-mail: [yellow.info@morrowco.com](mailto:yellow.info@morrowco.com)**



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**SUMMARY**

*This summary highlights selected information from this joint proxy statement/prospectus, including material terms of the merger, and may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the legal terms of the merger, you should carefully read this entire document and the documents to which we refer you. See **Where You Can Find More Information** beginning on page 123 of this joint proxy statement/prospectus.*

**The Companies (page 94 for Yellow Roadway and page 103 for USF)**

**Yellow Roadway Corporation**

10990 Roe Avenue

Overland Park, Kansas 66211

(913) 696-6100

Yellow Roadway Corporation is one of the largest transportation service providers in the world. Through its subsidiaries, including Yellow Transportation, Roadway Express, New Penn Motor Express, Reimer Express and Meridian IQ, Yellow Roadway provides a wide range of asset and non-asset-based transportation services integrated by technology. The Yellow Roadway portfolio of brands provided through Yellow Roadway Corporation subsidiaries represents a comprehensive array of services for the shipment of industrial, commercial and retail goods domestically and internationally.

Yellow Roadway employs over 50,000 people and its principal executive offices are located at 10990 Roe Avenue, Overland Park, Kansas 66211.

**USF Corporation**

8550 W. Bryn Mawr Ave., Ste. 700

Chicago, Illinois 60631

(773) 824-1000

USF Corporation provides comprehensive supply chain management services in four business segments through its operating subsidiaries. In the less-than-truckload segment, carriers provide regional and inter-regional delivery throughout the United States, certain areas of Canada and throughout Mexico. USF's truckload segment offers premium regional and national truckload services. USF's logistics segment provides dedicated fleet, cross-dock operations, supply chain management, contractual warehousing and domestic ocean freight forwarding services throughout the United States, Canada and Mexico. USF's corporate and other segment performs support activities for its business segments including executive, information technology, corporate sales and various financial management functions. Principal subsidiaries in USF's less-than-truckload segment are USF Holland Inc., USF Bestway Inc., USF Reddaway Inc. and USF Dugan Inc. USF Glen Moore Inc. is USF's

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truckload carrier. Logistics consists of USF Logistics Services Inc.

In December 2003, USF began offering transportation and logistics services in Mexico and across the United States/Mexico border through a joint venture with the shareholders of Autolineas Mexicanas S.A. de C.V. ( ALMEX ). ALMEX, a nationwide less-than-truckload carrier in Mexico, has a network of 52 terminals providing service to virtually the entire country.

In May 2004, USF shut down USF Red Star, USF's former Northeast carrier. Subsequent to the closure of Red Star, USF announced plans to expand USF Holland's operations into the Northeast.

On February 25, 2005, USF sold 100% of the stock of USF Processors Inc. for \$4.5 million in cash to Carolina Logistic Services Inc. USF Processors Inc. was USF's food and pharmaceutical reverse logistics operation and was previously included in USF's Logistics segment. USF Processors Inc. had revenue of \$33 million in 2004.

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USF employs approximately 20,000 people and its principal executive offices are located at 8550 West Bryn Mawr Ave., Ste. 700, Chicago, Illinois 60631.

### **The Merger (page 43)**

#### *General*

On February 27, 2005, the companies agreed to the merger between USF and Sub under the terms of the merger agreement described in this joint proxy statement/prospectus and attached in *Annex A*. The merger agreement is the legal document that governs the merger, and we urge you to read that agreement.

At the effective time of the merger, USF will merge with and into Sub. Sub will be the surviving company and remain a wholly owned subsidiary of Yellow Roadway. The separate corporate existence of USF will cease at the effective time of the merger. Sub will fully assume all of the assets, rights and obligations of USF.

#### *Exchange of USF Shares (pages 76-80)*

At the effective time of the merger, each outstanding share of USF common stock (other than any shares owned directly or indirectly by USF or Yellow Roadway and those shares held by dissenting stockholders) will be cancelled and converted into the right to receive 0.9024 shares of Yellow Roadway common stock. You may elect to receive \$45.00 in cash in lieu of shares of Yellow Roadway common stock for each share of USF common stock you own at the effective time of the merger. See *The Merger Agreement Merger Consideration* beginning on page 76 of this joint proxy statement/prospectus. You may make a cash election for any whole number of shares of USF common stock you own, but fractional elections are not permitted. (See *How do I elect to receive cash instead of Yellow Roadway common stock?* below.) However, the merger consideration to be received by each USF stockholder is subject to proration and allocation provisions, which are designed to operate so that approximately one-half of the outstanding USF shares receive cash (resulting in aggregate cash consideration of approximately \$639 million based on the number of shares of USF common stock outstanding on February 27, 2005) and approximately one-half of the outstanding USF shares receive Yellow Roadway common stock, as described below.

Notwithstanding your election:

if you elect to receive some portion of your merger consideration in cash and more than 50% of the USF shares elect to receive cash, you and the other stockholders that elect to receive cash will receive proportionately less cash and more Yellow Roadway common stock so that 50% of the USF shares outstanding will receive cash and 50% will receive stock;

if you elect to receive some portion of your merger consideration in stock and fewer than 50% of the USF shares elect to receive cash, you and the other stockholders that did not elect to receive only cash will receive proportionately less Yellow Roadway common stock and more cash such that 50% of the USF shares outstanding will receive cash and 50% will receive stock; and

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the merger agreement requires that at least 45% of the value of the aggregate consideration to be paid to USF stockholders in the merger as measured on the day before the closing date consists of shares of Yellow Roadway common stock and, if this condition is not satisfied, the cash component will be reduced and the number of shares of Yellow Roadway common stock to be issued to USF stockholders will be increased so that:

the aggregate increase in the value of the shares of Yellow Roadway common stock, based on the average of its high and low trading prices on the day before the closing of the merger, equals the aggregate decrease in the cash merger consideration; and

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the value of the Yellow Roadway common stock to be issued in the merger is equal to 45% of the value of the total consideration as measured on the day before the closing date.

You will not be able to determine every factor that may cause the proration and allocation procedures to apply and, therefore, your estimate of the consideration you will receive based on your election may not be accurate. See The Merger Agreement Merger Consideration and The Merger Agreement Proration and Allocation .

The following table shows the per share value you will receive in cash or Yellow Roadway common stock (based on assumed prices of each share of Yellow Roadway common stock as of the closing date) resulting from the merger based on whether you elect to receive 0.9024 shares of Yellow Roadway common stock or \$45.00 in cash for one share of USF stock, subject to the proration and allocation provisions described above. This table is provided for illustrative purposes only and the Yellow Roadway common stock closing price may be less or more than the illustrative amounts.

Consideration Elected with Respect to	Value of Yellow Roadway common stock					
	Cash	Based on assumed \$45.00 price on closing date	Based on assumed \$50.00 price on closing date	Based on assumed \$55.00 price on closing date	Based on assumed \$60.00 price on closing date	Based on assumed \$65.00 price on closing date
<b>One Share of USF Common Stock</b>						
<b>(SUBJECT TO PRORATION AND ALLOCATION PROVISIONS)*</b>						
0.9024 shares of Yellow Roadway common stock		\$ 40.61	\$ 45.12	\$ 49.63	\$ 54.14	\$ 58.66
\$45.00 in cash	45.00					

\* The merger consideration that each USF stockholder will receive is subject to proration and allocation provisions described on pages 78 and 79. In addition, no fractional shares of Yellow Roadway common stock will be issued in the merger. All Yellow Roadway shares that a USF stockholder is entitled to receive will be aggregated and any fractional Yellow Roadway shares resulting from this aggregation will be paid in cash, as described below.

Cash elections may be made only for whole shares, and fractional elections are not permitted. However, you can elect to receive Yellow Roadway common stock for a portion of your USF shares and cash for a portion of your USF shares. As described further under The Merger Agreement Merger Consideration , notwithstanding the individual elections of the USF stockholders, 50% of the USF shares will be converted into cash. The following examples assume a closing price for Yellow Roadway common stock on the closing date of the merger of \$55.00 per share, which may be more or less than the actual closing price on such date.

If you own 100 shares of USF common stock, you may elect to receive 0.9024 shares of Yellow Roadway common stock with respect to 50 of those shares and \$45.00 in cash with respect to 50 of those shares, in which case you would receive 45 shares of Yellow Roadway common stock and \$2,256.60 in cash (including, at a \$55.00 closing price for Yellow Roadway s common stock, \$6.60 in lieu of fractional shares), subject to proration and allocation.

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If more than 50% of the USF shares elect to receive cash, those USF stockholders electing to receive cash will receive proportionately less cash and more Yellow Roadway common stock such that 50% of the USF shares outstanding will receive cash and 50% will receive stock. For example, if 75% of the USF shares were to elect cash, an additional 25% of all USF shares would be converted into Yellow Roadway common stock. Under these circumstances, if you own 100 shares of USF common stock and elect to receive cash with respect to all of such shares, you would receive \$45.00 in cash with respect to 75 of such shares (totaling \$3,375.00 in cash) and 0.9024 shares of Yellow Roadway common stock with respect to 25 of such shares, which, after adjustment for fractional shares, would result in \$3,405.80 in cash and 22 shares of Yellow Roadway common stock.

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If fewer than 50% of the USF shares elect to receive cash, those USF stockholders electing not to receive cash will receive proportionately less Yellow Roadway common stock and more cash such that 50% of the USF shares outstanding will receive cash and 50% will receive stock. For example, if 75% of the USF shares were to elect Yellow Roadway common stock, an additional 25% of all USF shares would be converted into cash. Under these circumstances, if you own 100 shares of USF common stock and elect to receive Yellow Roadway common stock with respect to all of such shares, you would receive \$45.00 in cash with respect to 25 of such shares (totaling \$1,125.00 in cash) and 0.9024 shares of Yellow Roadway common stock with respect to 75 of such shares, which, after adjustment for fractional shares, would result in \$1,162.40 in cash and 67 shares of Yellow Roadway common stock.

The effects of the adjustments described above will be spread as nearly pro rata as possible among all affected USF stockholders, but fractional shares of Yellow Roadway common stock will not be issued. Further, if less than 45% of the value of the aggregate consideration to be paid to USF stockholders in the merger as measured on the day before the closing date consists of Yellow Roadway common stock, USF stockholders electing to receive cash with respect to some or all of such shares may instead receive Yellow Roadway common stock with respect to some or all of such shares. See The Merger Agreement Proration and Allocation .

No fractional shares of Yellow Roadway common stock will be issued in the merger. All Yellow Roadway shares that a USF stockholder is entitled to receive will be aggregated. Any fractional Yellow Roadway shares resulting from this aggregation will be paid in cash, without interest, in an amount equal to the fraction multiplied by the market value of a Yellow Roadway share, determined using the average of the high and low trading prices of Yellow Roadway common stock on the day before the closing as reported on the Nasdaq National Market, rounded to the nearest cent.

*Treatment of USF Stock Options (page 87)*

Each USF stock option that USF issued will be cancelled as of the effective time of the merger and, to the extent the exercise price of the applicable option is lower than the deemed per share merger consideration, the holder of such option will receive a cash payment. For purposes of discussing the treatment of USF stock options and USF phantom stock units, the deemed per share merger consideration will be equal to (x) \$22.50 plus (y) the product of (A) 0.4512 and (B) the average of the high and low prices of Yellow Roadway common stock on the date before the closing, as reported on the Nasdaq National Market. Holders of USF stock options with an exercise price less than the deemed per share merger consideration will receive cash in an amount equal to:

the deemed

( per share exercise price of the USF stock option) x number of USF shares subject to the USF stock option

merger consideration

A holder of USF stock options with an exercise price that is equal to or greater than the deemed per share merger consideration will be cancelled, and the holder of the USF stock option shall not be entitled to receive any consideration for the USF stock option.

*Recommendations of the Boards of Directors to Stockholders (pages 48 and 56)*

Yellow Roadway s board of directors has unanimously approved the merger agreement and unanimously recommends that Yellow Roadway stockholders approve the issuance of Yellow Roadway common stock pursuant to the merger agreement.

USF's board of directors has unanimously approved the merger agreement, has unanimously determined that the merger agreement is advisable and unanimously recommends that USF stockholders vote FOR the adoption of the merger agreement.



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### *Opinion of Yellow Roadway's Financial Advisor (page 48)*

Yellow Roadway's board of directors received a written opinion from one of its financial advisors, IFL Capital LLC (IFL), to the effect that, as of the date of the opinion and subject to the factors, assumptions, qualifications and limitations set forth therein, the merger consideration that Yellow Roadway will pay pursuant to the merger agreement was fair to Yellow Roadway from a financial point of view. The full text of IFL's written opinion, dated February 27, 2005, is attached to this joint proxy statement/prospectus as *Annex B*. We encourage you to read this opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken. **IFL's opinion was provided to Yellow Roadway's board of directors in connection with its evaluation of the merger consideration, does not address any other aspect of the proposed merger and does not constitute a recommendation to any stockholder as to how to vote with respect to the merger agreement, the issuance of Yellow Roadway common stock pursuant to the merger agreement.**

### *Opinion of USF's Financial Advisor (page 56)*

In connection with the proposed merger, USF's financial advisor, Morgan Stanley & Co. Incorporated, delivered a written opinion to USF's board of directors as to the fairness, from a financial point of view, of the merger consideration pursuant to the merger agreement to the holders of USF common stock. The full text of Morgan Stanley's written opinion, dated February 27, 2005, is attached to this joint proxy statement/prospectus as *Annex C*. We encourage you to read this opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken. **Morgan Stanley's opinion was provided to USF's board of directors in connection with its evaluation of the merger consideration, does not address any other aspect of the proposed merger and does not constitute a recommendation to any stockholder as to any matters relating to the merger or the form of merger consideration, if any, to be elected by any stockholder.**

### **Board of Directors of Yellow Roadway Following the Merger (page 69)**

Immediately following the merger, the Yellow Roadway board will increase from ten directors to eleven directors. The Yellow Roadway board will then elect one of the existing USF directors to fill the newly created vacancy. Such director will serve until the Yellow Roadway 2006 annual meeting of stockholders or until he dies, resigns or his successor is elected and qualified.

### **Share Ownership of Directors and Executive Officers of Yellow Roadway and USF (page 67)**

At the close of business on the record date for the Yellow Roadway special meeting, directors and executive officers of Yellow Roadway and their affiliates were entitled to vote approximately % of the shares of Yellow Roadway common stock outstanding on that date.

At the close of business on the record date for the USF special meeting, directors and executive officers of USF and their affiliates were entitled to vote approximately % of the shares of USF common stock outstanding on that date.

**Interests of Certain Persons in the Merger (page 63)**

In considering the recommendation of the USF board of directors with respect to the merger, you should be aware that certain members of USF's management and the USF board of directors have interests in the transaction that are or may be different from, or in addition to, your interests as a USF stockholder. These interests include, among other things, the following:

Pursuant to the terms of the merger agreement, one of the seven members of the USF board will be appointed as a director of Yellow Roadway.

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Under the terms of the severance protection agreements entered into between USF and certain of its officers, if an officer's employment with USF (or its successor) is terminated other than for cause during the severance period or the officer resigns for good reason (as each such term is defined in the officer's severance protection agreement), that officer is entitled to severance benefits, including excise tax gross-up payments for excess parachute payments received in connection with the merger.

Subject to the terms of the executive retention program, USF will make retention payments in an aggregate amount of \$4.7 million to certain executive officers of USF. USF will pay a retention payment to the applicable executive if either:

the executive is employed on the effective date of the merger and on the 12-month anniversary thereof or

if the executive is involuntarily terminated without cause, resigns for good reason (as each such term is defined in the executive retention program), becomes disabled or dies before the 12-month anniversary of the merger.

Pursuant to a letter agreement entered into between USF and Paul J. Liska, Executive Chairman of USF, dated February 27, 2005, USF will pay Mr. Liska at the effective time of the merger a transaction fee in the amount of \$2.19 million if USF completes the merger, provided that Mr. Liska has not voluntarily resigned as Executive Chairman prior to that time.

Each option to purchase USF shares granted under a USF stock plan that is outstanding immediately prior to the effective time of the merger will become fully vested and fully exercisable at the effective time and, depending on the exercise price of the option, the holders of certain options may receive a cash payment in exchange for the cancellation and termination of such unexercised options.

Each share of restricted USF stock granted under a USF stock plan that is outstanding immediately prior to the effective time of the merger will become fully vested and all restrictions relating to such USF shares shall lapse at the effective time.

Each phantom stock unit granted under a USF stock plan or under another agreement (each, a PSU) will become fully vested and USF will be required to pay the holder of such PSU a cash payment in exchange for the cancellation and, termination of the PSU.

Under the merger agreement, Yellow Roadway has agreed to indemnify and hold harmless all past and present officers and directors of USF for certain liabilities arising both before and, in some cases, after the merger.

For a period of six years after the effective time of the merger, Yellow Roadway has agreed that it will provide USF's current officers and directors certain liability insurance.

The Yellow Roadway and USF boards of directors were aware of these arrangements during their respective deliberations on the merits of the merger and in deciding to recommend that you vote FOR the approval of their respective proposals.

## **Covenant to Use Reasonable Best Efforts to Obtain All Necessary Regulatory Approvals**

The parties are required to use their respective reasonable best efforts to take all actions necessary to consummate the merger, including obtaining and making all necessary regulatory approvals and filings. However, Yellow Roadway is not obligated to agree to any divestitures or take any other action at the government's request if the action would reasonably be expected to have a material adverse effect on the financial condition, properties, business or results of operations of Yellow Roadway, USF and their respective subsidiaries, taken as a whole, after the merger.



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**Conditions to Completion of the Merger (page 90)**

Completion of the merger depends on a number of conditions being satisfied or waived. These conditions include the following:

adoption of the merger agreement by the holders of at least a majority of the outstanding USF shares entitled to vote at the USF special meeting;

approval of the issuance of Yellow Roadway common stock pursuant to the merger agreement by the holders of a majority of the votes cast at the Yellow Roadway special meeting;

receipt of all authorizations, consents, orders, or approvals of governmental entities, including expiration or early termination of the waiting period under the Hart-Scott-Rodino Act, required to be obtained prior to the effective time of the merger except where the failure to obtain them would not have a material adverse effect (as defined in the merger agreement) on USF or Yellow Roadway;

absence of any statute, rule, regulation, decree, order, or injunction in effect restraining, enjoining or otherwise prohibiting consummation of the merger or the other transactions contemplated by the merger agreement;

receipt of opinions by Yellow Roadway and USF from their respective tax counsel that the merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

approval for listing of the Yellow Roadway shares to be issued in the merger on the Nasdaq National Market, upon official notice of issuance;

continued effectiveness of the registration statement of which this document is a part and the absence of a stop order by the Securities and Exchange Commission suspending the effectiveness of the registration statement;

accuracy of each party's representations and warranties in the merger agreement, except as would not have a material adverse effect (as defined in the merger agreement) on the party making the representations or, to the extent that the breach is with respect to a party's representations concerning its capital structure, the breach renders such representations inaccurate in any material respect; and

compliance in all material respects by each party with its covenants in the merger agreement.

**Termination of the Merger Agreement (page 91)**

The merger agreement may be terminated:

by mutual written consent of Yellow Roadway and USF by mutual action of their respective boards of directors.

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by either Yellow Roadway or USF if:

the parties fail to consummate the merger on or before December 31, 2005, unless the failure is the result of a material breach of the merger agreement by the party seeking the termination;

approval by the USF stockholders of the merger agreement is not obtained at a duly convened special meeting of USF stockholders or at any reconvened meeting following an adjournment or postponement thereof;

approval by the Yellow Roadway stockholders of the issuance of shares of Yellow Roadway common stock pursuant to the merger agreement is not obtained at a duly convened special meeting of Yellow Roadway stockholders or at any reconvened meeting following an adjournment or postponement thereof; or

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any court or other governmental entity has issued a final and nonappealable order, decree or ruling or has taken any other final and nonappealable action that enjoins, restrains or prohibits the consummation of the merger.

by USF if:

its board of directors authorizes USF, subject to complying with the terms of the merger agreement, to enter into a binding written agreement concerning a transaction that constitutes a superior proposal;

Yellow Roadway does not make, within the time period specified under Covenants and Agreements - No Solicitation, an offer that the USF board of directors determined, in good faith after consultation with its financial advisors, is at least as favorable, from a financial point of view, to the stockholders of USF as the superior proposal; and

USF has paid a \$26 million termination fee to Yellow Roadway.

by USF within 20 business days following the date on which Yellow Roadway's board of directors withdraws or modifies, in any manner adverse to USF, its recommendation of the share issuance.

by USF if:

there has been a breach of any representation or warranty made by Yellow Roadway or Sub in the merger agreement, or any such representation or warranty shall have become untrue;

the failure of such representations and warranties to be so true and correct has had, or is reasonably likely to have, individually or in the aggregate, a material adverse effect (as defined in the merger agreement) on Yellow Roadway or, to the extent the breach is with respect to Yellow Roadway's representations and warranties concerning its capital structure, the breach renders such representations and warranties inaccurate in any material respect; and

such breach or condition is not curable or, if curable, is not cured within 30 calendar days after written notice thereof is given by USF to Yellow Roadway.

by USF if:

there has been a breach of any covenant or agreement made by Yellow Roadway or Sub in the merger agreement such that Yellow Roadway and Sub will not have performed in all material respects all obligations required to be performed by them under the merger agreement on or prior to the closing of the merger; and

such breach or condition is not curable or, if curable, is not cured within 30 calendar days after written notice thereof is given by USF to Yellow Roadway.

by Yellow Roadway within 20 business days following the date on which USF's board of directors withdraws or modifies, in any manner adverse to Yellow Roadway, its approval or recommendation of the merger agreement, or if USF's board of directors approves or recommends any superior proposal (as defined in the merger agreement) made or received after February 27, 2005.

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by Yellow Roadway if:

there has been a breach of any representation or warranty made by USF in the merger agreement, or any such representation or warranty shall have become untrue;

the failure of such representations and warranties to be so true and correct has had, or is reasonably likely to have, individually or in the aggregate, a material adverse effect (as defined in the merger agreement) on USF or, to the extent the breach is with respect to USF's representations and warranties concerning its capital structure, the breach renders such representations and warranties inaccurate in any material respect; and



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such breach or condition is not curable or, if curable, is not cured within 30 calendar days after written notice thereof is given by Yellow Roadway to USF.

by Yellow Roadway if:

there has been a breach of any covenant or agreement made by USF in the merger agreement such that USF will not have performed in all material respects all obligations required to be performed by it under the merger agreement on or prior to the closing of the merger; and

such breach or condition is not curable or, if curable, is not cured within 30 calendar days after written notice thereof is given by Yellow Roadway to USF.

**Termination Fees and Expenses (page 93)**

USF must pay a termination fee of \$26 million to Yellow Roadway if the merger agreement is terminated:

by Yellow Roadway or USF, if:

the approval of the USF stockholders has not been obtained at a duly convened special meeting of USF stockholders or at any reconvened meeting following an adjournment or postponement thereof,

after February 27, 2005 and prior to the USF special meeting, a third party has made a bona fide written acquisition proposal that has been publicly disclosed and not publicly withdrawn prior to the USF special meeting, and

within nine months of the termination of the merger agreement, USF or any of its subsidiaries enters into any acquisition agreement pertaining to, or consummates, a merger or other business combination or a third party acquires more than 50% of the equity or assets of USF;

by USF because it seeks to accept a superior proposal, subject to satisfaction of certain conditions described above; or

by Yellow Roadway because USF's board of directors withdraws or modifies, in any manner adverse to Yellow Roadway, its recommendation of the merger agreement.

Yellow Roadway must pay a termination fee of \$26 million to USF if the merger agreement is terminated:

by Yellow Roadway or USF because the approval of the Yellow Roadway stockholders has not been obtained at a duly convened special meeting of Yellow Roadway stockholders or at any reconvened meeting following an adjournment or postponement thereof; or

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by USF because Yellow Roadway's board of directors withdraws or modifies, in any manner adverse to USF, its recommendation or approval of the share issuance.

In general, each of Yellow Roadway, Sub and USF will bear its own expenses in connection with the merger agreement and the related transactions except that Yellow Roadway and USF will share equally the costs and expenses in connection with printing and mailing of this joint proxy statement/prospectus.

### **No Solicitation by USF (page 85)**

The merger agreement generally restricts the ability of USF to solicit or engage in discussions or negotiations with a third party regarding a proposal to acquire a significant interest in USF. However, if:

USF receives an acquisition proposal from a third party that is more favorable, from a financial point of view, to USF stockholders than the terms of the merger agreement or an acquisition proposal that the USF board determines in good faith could lead to such a superior proposal and

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USF complies with specified procedures contained in the merger agreement,

then USF may furnish nonpublic information to that third party and engage in negotiations regarding an acquisition proposal with that third party, subject to specified conditions.

### **Accounting Treatment (page 67)**

The merger will be accounted for as a business combination using the purchase method of accounting. Yellow Roadway will be the acquiror for financial accounting purposes.

### **Certain Differences in the Rights of Stockholders (page 115)**

As a result of the merger, the holders of USF shares will become holders of Yellow Roadway shares. Although both USF and Yellow Roadway are Delaware corporations that the DGCL governs, the certificate of incorporation and bylaws of USF currently govern the rights of USF stockholders and the certificate of incorporation and bylaws of Yellow Roadway currently govern the rights of Yellow Roadway stockholders.

See page 115 for summaries of material differences between the rights of USF stockholders and Yellow Roadway stockholders arising because of differences in the certificates of incorporation and bylaws.

### **Regulatory Approvals (page 68)**

The merger is subject to antitrust laws. Under the Hart-Scott-Rodino Act, the parties cannot complete the merger until they have notified and furnished information to the Federal Trade Commission ( FTC ) and the Antitrust Division of the United States Department of Justice ( DOJ ) and specified waiting periods expire or are terminated. Yellow Roadway filed the information required under the HSR Act on March 14, 2005, and USF filed the information required under the HSR Act on March 15, 2005. Unless earlier terminated or extended by a request for additional information, the waiting period will expire at 11:59 P.M. on April 14, 2005. If extended by a request for additional information, the waiting period will, unless earlier terminated, expire 30 days after substantial compliance by both parties with respect to the request for additional information, or on the next regular business day if the 30th day falls on a Saturday, Sunday or legal public holiday.

At any time before or after completion of the merger, the Antitrust Division of the DOJ or the FTC may, however, challenge the merger on antitrust grounds. Private parties could take action under the antitrust laws, including seeking an injunction prohibiting or delaying the merger, divestiture or damages under certain circumstances. Additionally, at any time before or after the completion of the merger, notwithstanding expiration of the applicable waiting period, any state could take action under its antitrust laws as it deems necessary or desirable in the public interest. There can be no assurance that a challenge to the merger will not be made or that, if a challenge is made, USF and Yellow Roadway will prevail.

**Comparative Market Value Information (page 26)**

Yellow Roadway shares are traded on the Nasdaq National Market under the ticker symbol YELL , and USF shares are traded on the Nasdaq National Market under the ticker symbol USFC . On February 25, 2005, the last full trading day prior to public announcement of the merger, Yellow Roadway shares closed at \$61.31 per share and USF shares closed at \$38.82 per share. On \_\_\_\_\_, 2005, the most recent practicable date prior to the date of this joint proxy statement/prospectus, the closing price of each of the Yellow Roadway shares and the USF shares was \$ \_\_\_\_\_ and \$ \_\_\_\_\_, respectively. Even though the exchange ratio is fixed, the market price of Yellow Roadway shares will fluctuate prior to and after the merger. We urge you to obtain current market quotations prior to making any decision with respect to the merger.

**Table of Contents****SELECTED HISTORICAL AND UNAUDITED PRO FORMA FINANCIAL INFORMATION****Selected Yellow Roadway Historical Financial Data**

Yellow Roadway derived the following historical information from its audited consolidated financial statements for the years ended December 31, 2000, 2001, 2002, 2003 and 2004. You should read this information in conjunction with Yellow Roadway's Management's Discussion and Analysis of Financial Condition and Results of Operations and Yellow Roadway's consolidated financial statements and the notes thereto included in Yellow Roadway's Annual Report on Form 10-K incorporated by reference in this joint proxy statement/prospectus.

	Year Ended December 31,				
	2000*	2001*	2002*	2003**	2004**
	(in thousands except per share data)				
<b>Results of Operations:</b>					
Revenue	\$ 2,799,131	\$ 2,505,070	\$ 2,624,148	\$ 3,068,616	\$ 6,767,485
Operating expenses:					
Salaries, wages and employees' benefits	1,767,926	1,638,662	1,717,382	1,970,440	4,172,144
Operating expenses and supplies	431,336	398,054	385,522	449,825	1,011,864
Operating taxes and licenses	81,259	75,637	75,737	83,548	169,374
Claims and insurance	61,535	56,999	57,197	67,670	132,793
Depreciation and amortization	78,587	76,977	79,334	87,398	171,468
Purchased transportation	266,113	215,131	253,677	318,176	752,788
(Gains) losses on property disposals, net	(14,372)	(186)	425	(167)	(4,547)
Acquisition, spin-off and reorganization charges		5,601	8,010	3,124	
Total operating expenses	2,672,384	2,466,875	2,577,284	2,980,014	6,405,884
Operating income	126,747	38,195	46,864	88,602	361,601
Income from continuing operations before income taxes	105,127	17,359	37,586	66,814	297,663
Income from continuing operations	61,605	10,589	23,973	40,683	184,327
Net income (loss)	68,018	15,301	(93,902)(1)	40,683	184,327
Diluted earnings per share from continuing operations	2.49	0.43	0.84	1.33	3.75
Average diluted shares outstanding	24,787	24,679	28,371	30,655	49,174
Cash dividends declared per common share	\$	\$	\$	\$	\$

	At December 31,				
	2000	2001	2002	2003	2004
	(in thousands)				
<b>Balance Sheet Data:</b>					
Cash and cash equivalents (2)	\$ 20,877	\$ 19,214	\$ 28,714	\$ 75,166	\$ 106,489
Total assets (3)	1,308,477	1,285,777	1,042,985	3,463,229	3,627,169
Total debt (3)	205,437	220,026	124,285	909,339	657,935
Total liabilities, other than debt	643,264	574,762	558,742	1,551,805	1,755,043
Total shareholders' equity	459,776	490,989	359,958	1,002,085	1,214,191

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- \* In 2002, Yellow Roadway completed the spin-off of SCS Transportation, Inc. ( SCST ). The data shown above has been reclassified to reflect SCST as discontinued operations for the periods prior to the spin-off.
  - \*\* Includes Roadway Corporation and its subsidiaries following their acquisition on December 11, 2003.

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- (1) The net losses in 2002 are largely due to a first quarter 2002 non-cash charge of \$75.2 million for the impairment of goodwill related to Jevic Transportation, Inc. (a subsidiary of SCST) and a third quarter 2002 non-cash charge of \$52.6 million for the difference between the carrying value of SCST and the fair value, as determined by the market capitalization of SCST at the spin-off date.
- (2) Excludes amounts related to discontinued operations.
- (3) The accounting for Yellow Roadway's asset backed securitization ( ABS ) facility has changed during the periods presented above. Prior to December 31, 2002, activity under the ABS facility was treated as a sale of assets for financial reporting purposes. As a result, Yellow Roadway did not reflect the receivables sold and the related ABS obligations on its Consolidated Balance Sheets, and ABS facility charges were shown as a separate line in the nonoperating expenses section of its Statements of Consolidated Operations. On December 31, 2002, Yellow Roadway amended the ABS agreement to, among other things, provide Yellow Roadway the right to repurchase 100% of the receivable interests. Because of this amendment, ABS borrowings and related receivables are included on Yellow Roadway's Consolidated Balance Sheets as of December 31, 2002. Starting in 2003, ABS facility charges are included in the interest expense line of Yellow Roadway's Statements of Consolidated Operations.

This change in the accounting for Yellow Roadway's ABS facility affects the comparability of the total assets and total debt lines shown above.

The following is a summary of Yellow Roadway's ABS facility history since 2000:

	<b>At December 31,</b>				
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>(in thousands)</b>				
Total debt	\$ 205,437	\$ 220,026	\$ 124,285	\$ 909,339	\$ 657,935
ABS obligations not included on the balance sheet	177,000	141,500			
<b>Total debt plus ABS obligations not included on the balance sheet</b>	<b>\$ 382,437</b>	<b>\$ 361,526</b>	<b>\$ 124,285</b>	<b>\$ 909,339</b>	<b>\$ 657,935</b>

**Table of Contents****Selected USF Historical Financial Data**

USF derived the following historical information from its audited consolidated financial statements for the years ended December 31, 2000, 2001, 2002, 2003 and 2004. You should read this information in conjunction with USF's Management's Discussion and Analysis of Financial Condition and Results of Operations and USF's consolidated financial statements and the notes thereto included in USF's Annual Report on Form 10-K incorporated by reference in this joint proxy statement/prospectus.

	Year Ended December 31,				
	2000	2001	2002	2003	2004
	(in thousands, except per share data)				
<b>Results of Operations:</b>					
Revenue	\$ 2,288,613	\$ 2,220,974	\$ 2,250,526	\$ 2,292,139	\$ 2,394,579
Operating expenses	2,105,940	2,117,638	2,169,672	2,196,547	2,330,834
Operating income from continuing operations	182,673	103,336	80,854	95,592	63,745
Income from continuing operations before income taxes	163,003	83,051	61,992	75,285	43,858
Income from continuing operations	98,041	49,977	33,268	44,101	23,795
Net income	96,798	38,388	(66,971)	42,296	23,795
Diluted earnings per share from continuing operations	3.65	1.87	1.22	1.61	0.85
Average diluted shares outstanding	26,828	26,766	27,332	27,349	27,982
Cash dividends declared per common share	\$ 0.37	\$ 0.37	\$ 0.37	\$ 0.37	\$ 0.37
	At December 31,				
	2000	2001	2002	2003	2004
	(in thousands)				
<b>Balance Sheet Data (1):</b>					
Cash and cash equivalents	\$ 5,248	\$ 72,105	\$ 54,158	\$ 121,659	\$ 150,798
Total assets	1,209,245	1,235,439	1,295,271	1,358,088	1,441,195
Total debt	289,008	253,538	252,496	250,147	250,087
Total liabilities, other than debt	285,061	294,249	423,644	433,152	488,130
Total shareholders' equity	635,176	687,652	619,131	664,789	702,978

(1) Excludes amounts related to discontinued operations.



**Table of Contents****Selected Unaudited Condensed Combined Pro Forma Financial Data**

We derived the following unaudited condensed combined pro forma financial data from Yellow Roadway's audited consolidated financial statements for the year ended December 31, 2004 and USF's audited consolidated financial statements for the year ended December 31, 2004. The financial data has been prepared as if the proposed merger and the consummation of Yellow Roadway's currently contemplated financing transactions related to the proposed merger had occurred on January 1, 2004 for the operating data and as of December 31, 2004 for the balance sheet data. The process of valuing USF's tangible and intangible assets and liabilities as well as evaluating accounting policies for conformity is still in the preliminary stages. Material revisions to our current estimates could be necessary as the valuation process and accounting policy review are finalized. The unaudited pro forma operating data set forth below is not necessarily indicative of the results that actually would have been achieved had the proposed merger and the currently contemplated financing transactions related to the merger been consummated on January 1, 2004, or that may be achieved in the future. The unaudited pro forma financial statements do not reflect any benefits from potential cost savings or revenue changes resulting from the proposed merger. You should read this information in conjunction with Yellow Roadway's Management's Discussion and Analysis of Financial Condition and Results of Operations, Yellow Roadway's consolidated financial statements and the notes thereto, USF's Management's Discussion and Analysis of Financial Condition and Results of Operations, USF's consolidated financial statements and notes thereto and the Unaudited Condensed Combined Pro Forma Financial Data included in this joint proxy statement/prospectus or included in Yellow Roadway's and USF's Annual Reports on Form 10-K incorporated by reference in this joint proxy statement/prospectus.

	<b>Year Ended December 31, 2004</b>
	<b>(in thousands except per share data)</b>
<b>Results of Operations:</b>	
Revenue	\$ 9,162,064
Total operating expenses	8,738,231
Operating income	423,333
Income from continuing operations	197,291
Diluted earnings per share from continuing operations	3.18
Average diluted shares outstanding	61,979
	<b>At December 31, 2004</b>
	<b>(in thousands)</b>
<b>Balance Sheet Data:</b>	
Cash and cash equivalents	\$ 89,540
Total assets	5,725,030
Total debt	1,506,355
Total liabilities, other than debt	2,240,154
Total shareholders' equity	1,978,521

**Table of Contents****COMPARATIVE PER SHARE INFORMATION**

The following table presents income from continuing operations and book value per common share data separately for Yellow Roadway and USF on a historical basis, Yellow Roadway and USF on an unaudited pro forma combined basis per Yellow Roadway share and unaudited pro forma combined basis per USF equivalent share. The unaudited pro forma earnings per share data for the year ended December 31, 2004 reflects the assumption that the merger was effective as of January 1, 2004. The unaudited pro forma per share data gives effect to the proposed merger as a purchase under generally accepted accounting principles in the United States.

The unaudited pro forma Yellow Roadway income per share data is based upon the historical weighted average number of shares of Yellow Roadway common stock outstanding, adjusted to include the number of shares of Yellow Roadway common stock that would be issued in the proposed merger based upon the exchange ratio of 0.9024 and the assumption that 50% of the shares of USF common stock had been converted into shares of Yellow Roadway common stock. We have based the unaudited equivalent pro forma per share data for USF on the unaudited pro forma Yellow Roadway amounts per share, multiplied by 0.9024.

You should read the information below together with the historical financial statements and related notes of Yellow Roadway and USF contained in each company's periodic filings with the Securities and Exchange Commission and incorporated in this joint proxy statement/prospectus by reference. See *Where You Can Find More Information* beginning on page 123 of this joint proxy statement/prospectus. The unaudited pro forma combined data below is presented for illustrative purposes only. The companies may have performed differently had they actually been combined during the periods presented below. You should not rely on this information as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that the combined company will experience after the proposed merger.

	<b>Yellow Roadway Historical Per Share Data</b>	<b>USF Historical Per Share Data</b>	<b>Unaudited Pro Forma Combined Data Per Yellow Roadway Share (1)</b>	<b>Unaudited Pro Forma Combined Data Per USF Equivalent Share (1)(2)</b>
<b>For the Year Ended December 31, 2004:</b>				
Income from continuing operations per common share:				
Basic (3)	\$ 3.83	\$ 0.86	\$ 3.24	\$ 3.25
Diluted (4)	3.75	0.85	3.18	3.19
Cash dividends declared per share		0.37		
Book value per common share (5)	23.67	24.84	32.46	32.60

- (1) Please read *Unaudited Condensed Combined Pro Forma Financial Data*.
- (2) Based on the applicable unaudited pro forma Yellow Roadway amount per share multiplied by 0.9024. Per USF equivalent share data presented only for those USF shares converted into Yellow Roadway shares. Approximately one-half of the outstanding USF shares will receive cash and approximately one-half of the outstanding USF shares will receive Yellow Roadway common stock pursuant to the merger.
- (3) Based on the weighted average number of common shares outstanding for Yellow Roadway and USF, as the case may be, for the year ended December 31, 2004, which aggregate amount was 48,149,474 for Yellow Roadway and 27,805,307 for USF.
- (4) Based on the weighted average number of common shares outstanding for Yellow Roadway and USF, as the case may be, for the year ended December 31, 2004, plus the number of shares that would have been outstanding in respect of such entity's common stock assuming the issuance of shares of common stock for all dilutive potential shares of common stock for such year, which aggregate amount was 49,173,856 for Yellow Roadway and 27,982,302 for USF.
- (5) Based on 51,302,574 shares of Yellow Roadway common stock and 28,305,456 shares of USF common stock, in each case, outstanding at December 31, 2004.



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**COMPARATIVE MARKET VALUE INFORMATION**

The following table presents:

the closing prices per share and aggregate market value of shares of Yellow Roadway common stock and USF common stock, in each case based on closing prices for these shares on the Nasdaq National Market on February 25, 2005, the last trading day prior to the public announcement of the proposed merger, and on \_\_\_\_\_, 2005, the last trading day for which this information could be calculated prior to the date of this joint proxy statement/prospectus; and

the equivalent price per share and equivalent market value of shares of USF common stock, based on the amount equal to:

\$22.50 (representing 50% of the \$45.00 per share cash consideration), plus

the product of:

- 0.4512 (representing 50% of the 0.9024 exchange ratio) and
- the closing price for Yellow Roadway common stock on the Nasdaq National Market on February 25, 2005 (the last trading day prior to the public announcement of the proposed merger) or on \_\_\_\_\_, 2005 (the last trading day for which this information could be calculated prior to the date of this joint proxy statement/prospectus), as applicable.

	<b>Yellow Roadway Historical</b>	<b>USF Historical</b>	<b>USF Equivalent</b>
<b>February 25, 2005:</b>			
Closing price per share	\$ 61.31	\$ 38.82	\$ 50.16
Market value of shares (in thousands) (1)	3,147,200	1,102,063	1,423,994
<b>_____, 2005:</b>			
Closing price per share			
Market value of shares (in thousands) (2)			

(1) Based on 51,332,577 shares of Yellow Roadway common stock and 28,389,043 shares of USF common stock outstanding as of February 25, 2005.

(2) Based on \_\_\_\_\_ shares of Yellow Roadway common stock and \_\_\_\_\_ shares of USF common stock outstanding as of \_\_\_\_\_, 2005.

**USF shareholders are urged to obtain current market quotations for Yellow Roadway common stock and USF common stock before making a decision with respect to the merger and before making any cash election.**

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**RISK FACTORS**

In deciding whether to approve the merger, you should carefully consider all of the information we have included in this document and its annexes and all of the information we have included in the documents we have incorporated by reference. See **Where You Can Find More Information** beginning on page 123 of this joint proxy statement/prospectus. In addition, you should pay particular attention to the following risks related to the merger and the business of the combined company:

**Risks of the Merger**

**The merger is subject to certain conditions to closing that, if not satisfied or waived, will result in the merger not being completed.**

The merger is subject to customary conditions to closing, as set forth in the merger agreement. The conditions to the merger include, among others, the receipt of required approvals from Yellow Roadway's stockholders and USF's stockholders. If any of the conditions to the merger is not satisfied or, if waiver is permissible, not waived, the merger will not be completed. In addition, under circumstances specified in the merger agreement, Yellow Roadway or USF may terminate the merger agreement. As a result, we cannot assure you that we will complete the merger or that we will complete it without effecting some divestitures or other changes to our respective business, assets or operations. If we do not complete the merger, the price of Yellow Roadway common stock or USF common stock may decline to the extent that the current market price of both Yellow Roadway common stock and USF common stock reflect a market assumption that the merger will be completed. Furthermore, our respective businesses may be harmed to the extent that customers, suppliers and others believe that Yellow Roadway and USF cannot effectively compete in the marketplace without the merger, or otherwise remain uncertain about either of us. Yellow Roadway and USF will also be obligated to pay certain investment banking, financing, legal and accounting fees in connection with the merger, whether or not the merger is completed. Moreover, under specified circumstances, Yellow Roadway and USF may be required to pay a termination fee of \$26 million to the other in connection with the termination of the merger agreement. See **The Merger Agreement** beginning on page 76 of this joint proxy statement/prospectus for a further description of the terms of the merger agreement, conditions to the merger, including approval of the Department of Justice or expiration of the waiting period under the HSR Act, and termination fees and expenses.

**We may face difficulties in achieving the expected benefits of the merger.**

Yellow Roadway and USF currently operate as separate companies. Management has no experience running the combined business, and we may not be able to realize all of the operating efficiencies, synergies, cost savings or other benefits expected from the merger. In addition, the costs we incur in implementing synergies, including our ability to terminate, amend or renegotiate prior contractual commitments of Yellow Roadway and USF, may be greater than expected. We also may suffer a loss of employees, customers or suppliers, a loss of revenues, or an increase in operating or other costs or other difficulties relating to the merger.

**Certain directors and executive officers of USF have interests and arrangements that are different from USF's stockholders and that may influence or have influenced their decision to support or approve the merger.**

When considering the recommendation of USF's board of directors with respect to the merger, holders of USF common stock should be aware that certain of USF's directors and executive officers have interests in the merger that are different from, or in addition to, their interests as USF stockholders and the interests of USF stockholders generally. These interests include, among other things, the following:

Pursuant to the terms of the merger agreement, one of the seven members of the USF board will be appointed as a director of Yellow Roadway.

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Under the terms of the severance protection agreements entered into between USF and certain of its officers, if an officer's employment with USF (or its successor) is terminated other than for cause during the severance period or the officer resigns for good reason (as each such term is defined in the officer's severance protection agreement), that officer is entitled to severance benefits, including excise tax gross-up payments for excess parachute payments received in connection with the merger.

Subject to the terms of the executive retention program, USF will make retention payments in an aggregate amount of \$4.7 million to certain executive officers of USF. USF will pay a retention payment to the applicable executive if either:

the executive is employed on the effective date of the merger and on the 12-month anniversary thereof or

if the executive is involuntarily terminated without cause, resigns for good reason (as each such term is defined in the executive retention program), becomes disabled or dies before the 12-month anniversary of the merger.

Pursuant to a letter agreement entered into between USF and Paul J. Liska, Executive Chairman of USF, dated February 27, 2005, USF will pay Mr. Liska at the effective time of the merger a transaction fee in the amount of \$2.19 million if USF completes the merger, provided that Mr. Liska has not voluntarily resigned as Executive Chairman prior to that time.

Each option to purchase USF shares granted under a USF stock plan that is outstanding immediately prior to the effective time of the merger will become fully vested and fully exercisable at the effective time and, depending on the exercise price of the options, the holders of certain options may receive a cash payment in exchange for the cancellation and termination of such unexercised options.

Each share of restricted USF stock granted under a USF stock plan that is outstanding immediately prior to the effective time of the merger will become fully vested and all restrictions relating to such USF shares shall lapse at the effective time.

Each phantom stock unit granted under a USF stock plan or under another agreement (each, a PSU) will become fully vested and USF will be required to pay the holder of such PSU a cash payment in exchange for the cancellation, and termination of the PSU.

Under the merger agreement, Yellow Roadway has agreed to indemnify and hold harmless all past and present officers and directors of USF for certain liabilities arising both before and, in some cases, after the merger.

For a period of six years after the effective time of the merger, Yellow Roadway has agreed that it will provide USF's current officers and directors certain liability insurance.

As a result, these directors and executive officers may be more likely to support and to vote to approve the merger than if they did not have these interests. Holders of USF common stock should consider whether these interests may have influenced these directors and officers to support or recommend approval of the merger. As of the close of business on the record date for the USF special meeting, these directors and executive officers were entitled to vote approximately % of the shares of USF common stock outstanding on that date. These and additional interests of certain directors and executive officers of USF are more fully described in the sections entitled Interests of Certain Persons in the Merger beginning on page 63 and Board of Directors and Management of Yellow Roadway Following the Merger beginning on page 69 of this joint proxy statement/prospectus.

**The market value of shares of Yellow Roadway common stock that USF stockholders will receive in the merger will vary because the exchange ratio is fixed, potentially resulting in USF's stockholders receiving a lower dollar value of Yellow Roadway common stock at the time of completion of the merger.**

The exchange ratio is a fixed ratio and will not be adjusted as a result of an increase or decrease in the price per share of Yellow Roadway common stock or for any increase or decrease in the price per share of USF



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common stock. The prices of Yellow Roadway common stock and USF common stock at the time the merger is completed may be higher or lower than their price on the date of this document or on the date of the special meetings of Yellow Roadway stockholders and USF stockholders. Changes in the business, operations or prospects of Yellow Roadway or USF, market assessments of the benefits of the merger and of the likelihood that the merger will be completed, regulatory considerations, general market and economic conditions, or other factors may affect the prices of Yellow Roadway common stock or USF common stock. Most of these factors are beyond our control.

Because the merger will be completed only after the special meetings of our respective stockholders are held, there is no way to be sure that the price of the Yellow Roadway common stock now, or on the date of the special meetings, will be indicative of its price at the time the merger is completed. We urge you to obtain current market quotations for shares of both Yellow Roadway common stock and USF common stock. Neither Yellow Roadway nor USF has a right to terminate the merger agreement based upon changes in the market price of either USF common stock or Yellow Roadway common stock.

**Because of the proration and allocation provisions of the merger agreement, you may not receive the exact consideration you elect in the merger.**

Notwithstanding the individual elections of the USF stockholders, 50% of the USF shares will be converted into cash. If more than 50% of the USF shares elect to receive cash, those stockholders that elect to receive cash will receive proportionately less cash and more stock such that 50% of the shares outstanding will receive cash, and 50% will receive stock. If fewer than 50% of the shares elect to receive cash, the stockholders not electing to receive cash will receive proportionately less Yellow Roadway stock and more cash such that 50% of the USF shares outstanding will receive cash and 50% will receive stock. As a result of these elections and adjustments, the aggregate consideration will consist of approximately \$639 million in cash (based on the number of shares of USF common stock outstanding as of February 27, 2005) and the balance will be paid in Yellow Roadway common stock. In addition, the merger agreement requires that at least 45% of the value of the aggregate consideration consists of shares of Yellow Roadway common stock. Various events and circumstances have a bearing on whether a reallocation among cash and Yellow Roadway common stock is necessary so that 45% of the value of the aggregate consideration consists of Yellow Roadway common stock. Because the aggregate cash component of the consideration is limited and you will not be able to determine every factor that may cause the proration and allocation procedures to apply, you may not receive the exact consideration elected on your cash election and transmittal form and your estimate of the consideration you will receive based on your election may not be accurate.

**The pro forma financial data included in this joint proxy statement/prospectus is preliminary and our actual financial position and results of operations may differ significantly and adversely from the pro forma amounts included in this joint proxy statement/prospectus.**

Because of the proximity of this joint proxy statement/prospectus to the date of the announcement of the proposed merger, the process of valuing USF's tangible and intangible assets and liabilities, as well as evaluating USF's accounting policies for conformity is still in the very preliminary stages. Material revisions to current estimates could be necessary as the valuation process and accounting policy review are finalized.

The unaudited pro forma operating data contained in this joint proxy statement/prospectus is not necessarily indicative of the results that actually would have been achieved had the proposed merger and Yellow Roadway's other currently contemplated financing transactions related to the merger been consummated on January 1, 2004, or that may be achieved in the future. We can provide no assurances as to how the operations and assets of both companies would have been run if they had been combined, or how they will be run in the future, which, together with other factors, could have a significant effect on the results of operations and financial position of the combined company.



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**Yellow Roadway will have higher levels of indebtedness than either Yellow Roadway or USF had before the merger.**

You should consider that following the merger Yellow Roadway will have higher levels of debt and interest expense than either company had immediately prior to the merger on a stand-alone basis. As of December 31, 2004, after giving effect to the merger and other currently contemplated related financings, the combined company and its subsidiaries would have had approximately \$1.5 billion of indebtedness outstanding. The significant level of combined indebtedness after the merger may have an effect on our future operations, including:

limiting our ability to obtain additional financing on satisfactory terms to fund our working capital requirements, capital expenditures, acquisitions, investments, debt service requirements and other general corporate requirements;

increasing our vulnerability to general economic downturns, competition and industry conditions, which could place us at a competitive disadvantage compared to our competitors that are less leveraged;

increasing our exposure to rising interest rates because a portion of our borrowings will be at variable interest rates;

reducing the availability of our cash flow to fund our working capital requirements, capital expenditures, acquisitions, investments and other general corporate requirements because we will be required to use a substantial portion of our cash flow to service debt obligations; and

limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate.

See Proposed Financings on page 121 of this joint proxy statement/prospectus.

**Risks of Yellow Roadway Following the Merger**

**We are subject to general economic factors that are largely out of our control, any of which could significantly reduce our operating margins and income.**

Our business is subject to a number of general economic factors that may significantly reduce our operating margins and income, many of which are largely out of our control. These include recessionary economic cycles and downturns in customers' business cycles and changes in their business practices, particularly in market segments and industries, such as retail and manufacturing, where we have a significant concentration of customers. Economic conditions may adversely affect our customers' business levels, the amount of transportation services they need and their ability to pay for our services. Customers encountering adverse economic conditions represent a greater potential for loss, and we may be required to increase our reserve for bad-debt losses.

**The transportation industry is affected by business risks that are largely out of our control, any of which could significantly reduce our operating margins and income.**

Businesses operating in the transportation industry are affected by risks that are largely out of our control, any of which could significantly reduce our operating margins and income. These factors include weather, excess capacity in the transportation industry, interest rates, fuel prices and taxes, terrorist attacks, license and registration fees, and insurance premiums and self-insurance levels. Our results of operations may also be affected by seasonal factors.

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**We operate in a highly competitive industry, and our business will suffer if we are unable to adequately address potential downward pricing pressures and other factors that may adversely affect our operations and significantly reduce our operating margins and income.**

Numerous competitive factors could impair our ability to maintain our current profitability. These factors include the following:

We compete with many other transportation service providers of varying sizes, some of which have a lower cost structure, more equipment and greater capital resources than we do or have other competitive advantages.

Some of our competitors periodically reduce their prices to gain business, especially during times of reduced growth rates in the economy, which limits our ability to maintain or increase prices or maintain significant growth in our business.

Our customers may negotiate rates or contracts that minimize or eliminate our ability to continue to hedge fuel price increases through a fuel surcharge on our customers.

Many customers reduce the number of carriers they use by selecting so-called "core carriers" as approved transportation service providers, and in some instances we may not be selected.

Many customers periodically accept bids from multiple carriers for their shipping needs, and this process may depress prices or result in the loss of some business to competitors.

The trend towards consolidation in the ground transportation industry may create other large carriers with greater financial resources and other competitive advantages relating to their size.

Advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher prices to cover the cost of these investments.

Competition from non-asset-based logistics and freight brokerage companies may adversely affect our customer relationships and prices.

**If our relationship with our employees were to deteriorate, we may be faced with labor disruptions or stoppages, which could adversely affect our business and reduce our operating margins and income and place us at a disadvantage relative to non-union competitors.**

Yellow Transportation, Roadway Express, New Penn Motor Express and Reimer Express, all operating subsidiaries of Yellow Roadway, have employees who are represented by the International Brotherhood of Teamsters (the "IBT"). These employees represent approximately 80% of Yellow Roadway's workforce. USF Holland, USF Reddaway, USF Bestway, USF Dugan and USF Logistics, all operating subsidiaries of USF, also have employees who are represented by the IBT. These employees represent approximately 55% of USF's LTL workforce and approximately 43% of USF's overall workforce.

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USF Reddaway's collective bargaining agreement with the IBT expired on December 31, 2004. USF Reddaway and the IBT currently are operating under a temporary extension to such agreement and currently are engaged in negotiations concerning a new collective bargaining agreement. USF can provide no assurance that a new collective bargaining agreement will be entered into by USF Reddaway or, if entered into, that the terms of such agreement will not be materially less favorable to USF than the terms of the expired collective bargaining agreement.

USF Bestway's collective bargaining agreement with the IBT will expire on December 31, 2005. USF can provide no assurance that a new collective bargaining agreement will be entered into by USF Bestway or, if entered into, that the terms of such agreement will not be materially less favorable to USF than the terms of the current collective bargaining agreement.

Each of Yellow Transportation, Roadway Express and USF Holland employ most of their unionized employees under the terms of a common national master agreement as supplemented by additional regional

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supplements and local agreements. This current five-year agreement will expire on March 31, 2008. Other unionized employees are employed pursuant to more localized agreements. The IBT represents relatively a number of employees at USF Reddaway, USF Bestway and USF Logistics under these localized agreements, which have wages, benefit contributions and other terms and conditions that better fit the cost structure and operating models of these business units.

USF is regularly subject to a variety of actions by unions and individuals acting on behalf of unions that can adversely affect USF's assets and business operations. These actions may include, among other things, efforts to organize non-union employees and actions relating to already organized employees with respect to wages, work rules and other matters covered by existing or to-be-agreed-upon labor agreements.

USF has been subject to IBT efforts to seek union representation for employees at USF Dugan and its former operating unit, USF Red Star. The IBT has focused its organizing efforts on employees at USF Dugan and has been successful in winning representation elections at three of the six USF Dugan terminals where elections were held in 2004. Prior to these elections, the IBT did not represent any USF Dugan employees. In 2004, the IBT also attempted to organize certain employees at USF Red Star's Philadelphia terminal. On May 21, 2004, unionized employees commenced a strike against all USF Red Star terminals. On May 23, 2004, USF shut down USF Red Star's operations as a result of the economic damage caused, or expected to be caused, by the strike. There are now a number of outstanding lawsuits by employees against USF Red Star seeking back pay claiming that USF Red Star failed to provide adequate notice of the shut down as required by the Worker Adjustment and Retraining Notification (WARN) Act. The IBT also has brought an action against USF and USF Red Star claiming that the shutdown was a breach of collective bargaining agreements and the National Labor Relations Act. USF and USF Red Star have countersued the IBT, claiming the strike against USF Red Star was a breach of these agreements. The IBT also has requested the National Labor Relations Board to bring an unfair labor practice charge against USF and USF Red Star for these alleged breaches.

USF and its subsidiaries also are regularly subject to grievances, arbitration proceedings and other claims concerning alleged past and current non-compliance with applicable labor law and collective bargaining agreements.

Neither USF nor Yellow Roadway nor any of their respective subsidiaries can predict the outcome of any of the actions, activities or claims discussed above. These actions, activities and claims, if resolved in a manner unfavorable to USF, could have a material adverse effect on the financial condition, businesses and results of operations of USF.

After the acquisition, the operating units of Yellow Roadway, including the USF operating units, will seek to address with their employees and the IBT leadership the various issues, lawsuits and charge requests arising from the IBT organizing efforts at USF. In addition, the differences among the wages, benefit contributions and work rules in the various localized contracts and the national master agreement could become a point of issue at one or more of the operating units.

If the combined company is unsuccessful in addressing these labor issues to the satisfaction of its employees and the IBT, it is possible that the combined company could become subject to work stoppages or other labor disturbances, any of which could reduce its operating margins and income. Similarly, any failure to negotiate a new labor agreement to replace an expiring agreement might result in a work stoppage that could reduce its operating margins and income and place the combined company at a disadvantage relative to non-union competitors. Finally, any new labor agreement could have disadvantageous wages, benefit contributions or work rules, that could reduce the combined company's operating margins and income and make it more difficult to compete against non-union competitors.

**Ongoing insurance and claims expenses could significantly reduce our income.**

Our future insurance and claims expenses might exceed historical levels, which could significantly reduce our earnings. Yellow Roadway currently self-insures for a portion of its claims exposure resulting from cargo



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loss, personal injury, property damage and workers' compensation. If the number or severity of claims for which we are self-insured increases, our earnings could be significantly reduced. Yellow Roadway also maintains insurance with licensed insurance companies above the amounts for which Yellow Roadway self-insures.

### **We will have significant ongoing capital requirements that could reduce our income if we are unable to generate sufficient cash from operations.**

The transportation industry is very capital intensive. If we are unable to generate sufficient cash from operations in the future, we may have to limit our growth, enter into additional financing arrangements, or operate our revenue equipment for longer periods, any of which could reduce our income. Revenue equipment includes, among other things, tractors and trailers. Our ability to incur additional indebtedness could be adversely affected by any increase in requirements that we post letters of credit in support of our insurance policies. See Ongoing insurance and claims expenses could significantly reduce our income. Lack of availability of surety bonds in the future could result in our having to post additional letters of credit, which would in turn reduce borrowing availability under our credit agreement. If needed, additional indebtedness may not be available on terms acceptable to us.

### **We operate in a highly regulated industry, and costs of compliance with, or liability for violation of, existing or future regulations could significantly increase our costs of doing business.**

The U.S. Department of Transportation and various state and federal agencies exercise broad powers over our business, generally governing such activities as authorization to engage in motor carrier operations and safety. We may also become subject to new or more restrictive regulations imposed by the Department of Transportation, the Occupational Safety and Health Administration or other authorities relating to engine exhaust emissions, the hours of service that our drivers may provide in any one time period, security and other matters. Compliance with these regulations could substantially impair equipment productivity and increase our costs.

The Environmental Protection Agency has issued regulations that require progressive reductions in exhaust emissions from diesel engines through 2007. These reductions began with diesel engines manufactured late in 2002. The regulations currently include subsequent reductions in the sulfur content of diesel fuel in 2006 and the introduction of emissions after-treatment devices on newly manufactured engines in 2007. These regulations could result in higher prices for tractors and increased fuel and maintenance costs.

### **We are subject to various environmental laws and regulations, and costs of compliance with, or liabilities for violations of, existing or future regulations could significantly increase our costs of doing business.**

Our operations are subject to environmental laws and regulations dealing with, among other things, the handling of hazardous materials, underground fuel storage tanks and discharge and retention of stormwater. We operate in industrial areas, where truck terminals and other industrial activities are located, and where groundwater or other forms of environmental contamination may have occurred. Our operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. If we are involved in a spill or other accident involving hazardous substances, or if we are found to be in violation of applicable laws or regulations, it could significantly increase our cost of doing business. Under specific environmental laws, we could be held responsible for all of the costs relating to any contamination at our past or present terminals and at third party waste disposal sites. If we fail to comply with applicable environmental regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

**The IRS may issue an adverse tax determination concerning a deduction taken by USF in connection with its disposition of USF Worldwide.**

On October 30, 2002, USF disposed of the stock of USF Worldwide, Inc., a wholly owned subsidiary of USF at such time, and other interests for no consideration. In connection with this disposition, USF claimed a

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worthless stock deduction with respect to such stock on USF's U.S. federal tax return for the tax year ended December 31, 2002, and established a reserve on USF's financial accounts in light of the possibility that the IRS might not agree with USF's tax position on this matter. USF is currently under tax audit for the 2002 tax year and, as part of such audit, the IRS is reviewing the USF Worldwide worthless stock deduction. The IRS may determine that USF was not entitled to an ordinary deduction as a result of the USF Worldwide disposition, but rather that USF should have claimed a capital loss deduction as a result of such disposition. In the event of such a determination, USF estimates that it could have additional tax liability of up to \$48,000,000 (net of the benefit of offsetting capital gains realized within the capital loss carryover period to date, but not including (i) interest and penalties, if any, or (ii) offsetting capital gain, if any, that might be generated within the remaining carryover period). USF would be required to pay the amount of such additional tax liability to the IRS upon final adjudication of the dispute.

**We may be obligated to make additional contributions to multi-employer pension plans.**

Yellow Transportation, Roadway Express and New Penn Motor Express contribute to approximately 90 separate multi-employer health, welfare and pension plans for employees covered by collective bargaining agreements (approximately 80% of total Yellow Roadway employees). Similarly, USF Holland and USF Reddaway contribute to approximately 24 separate multi-employer health, welfare and pension plans for employees covered by collective bargaining agreements (approximately 38% of total USF employees). The largest of these plans, the Central States Southeast and Southwest Areas Pension Plan (the Central States Plan), provides retirement benefits to approximately 53% of Yellow Roadway's total employees and 31% of USF's total employees. The amounts of these contributions are determined by contract and established in the agreements. The health and welfare plans provide health care and disability benefits to active employees and retirees. The pension plans provide defined benefits to retired participants. We recognize as net pension cost the required contribution for the period and recognize as a liability any contributions due and unpaid.

Yellow Transportation, Roadway Express, New Penn Motor Express, 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 and related regulations establish minimum funding requirements for these plans. Under recent legislation, qualified multi-employer plans are permitted to exclude certain recent investment losses from the minimum funding formula through 2005. The Central States Plan, in particular, has informed the Company that its recent investment performance has adversely affected its funding levels and that the fund is seeking corrective measures to address its funding. During the benefit period of the recent legislation, the Central States Plan is expected to meet the minimum funding requirements. In the unlikely event that the Central States Plan does not elect to receive the benefit of the legislation, the Company believes that the plan would not meet the minimum funding requirements that the Code and related regulations require. If any of these plans, including the Central States Plan, fails to meet minimum funding requirements and the trustees of such a plan are unable to obtain a waiver of the requirements or certain changes in how the applicable plan calculates its funding level from the IRS or reduce pension benefits to a level where the requirements are met, the IRS could impose an excise tax on all employers participating in these plans and contributions in excess of our contractually agreed upon rates could be required to correct the funding deficiency. If an excise tax were imposed on the participating employers and additional contributions required, it could have a material adverse impact on the financial results of Yellow Roadway.

Due to the shutdown of USF Red Star, USF is subject to withdrawal liability for up to 11 multi-employer pension plans. While we cannot estimate the final amount of USF's withdrawal liability, in 2004, USF made payments of \$4,988,000 to certain of these funds under the Multi-Employer Pension Plan Amendment Act of 1980 (MEPPA), and USF accrued a contingent liability of \$2,083,000 for two plans. However, USF is entitled to review and contest liability assessments that various funds provided as well as determine the mitigating effect of USF Holland's expansion into certain of the geographic areas that USF Red Star previously covered. USF continues to gather information to determine the extent of the withdrawal liability from each of the plans. Given the lack of current information, complexity of the calculations and the expected mitigation relative to the USF

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Holland expansion, the final withdrawal liability, which may be material to our financial position, cannot currently be estimated for the remaining nine plans, and therefore USF has not accrued any costs related to these nine plans. USF believes the process to determine withdrawal liability will likely take at least several months, but it could extend to a year or more for the following reasons: the time it will take to obtain information from the pension plans and analyze such information; substantial negotiations with these pension plans over withdrawal liability; and any potential arbitration of the issues, other legal proceedings, and the unknown mitigating effect of the USF Holland expansion.

### **Our management team is an important part of our business and loss of key personnel could impair our success.**

We benefit from the leadership and experience of our senior management team and depend on their continued services to successfully implement our business strategy. Other than our Chief Executive Officer, William D. Zollars, and James D. Staley, President and Chief Executive Officer of Roadway LLC, Yellow Roadway has not entered into employment agreements for a fixed period with members of our current management. The loss of key personnel could have a material adverse effect on our operating results, business or financial condition. USF has entered into retention agreements with certain executives, which are intended in part to make the services of these executives available through the completion of the merger and for one year after the closing of the merger.

### **Our business may be harmed by anti-terrorism measures.**

In the aftermath of the terrorist attacks on the United States, federal, state and municipal authorities have implemented and are implementing various security measures, including checkpoints and travel restrictions on large trucks. Although many companies will be adversely affected by any slowdown in the availability of freight transportation, the negative impact could affect our business disproportionately. For example, we offer specialized services that guarantee on-time delivery. If the new security measures disrupt or impede the timing of our deliveries, we may fail to meet the needs of our customers, or may incur increased expenses to do so. We cannot assure you that these measures will not significantly increase our costs and reduce our operating margins and income.

### **Yellow Roadway's stock price may be volatile in the future, which could cause you to lose a significant portion of your investment.**

The market price of Yellow Roadway common stock could be subject to significant fluctuations in response to certain factors, such as variations in our anticipated or actual results of operations, the operating results of other companies in the transportation industry, changes in conditions affecting the economy generally, including incidents of terrorism, analyst reports, general trends in the industry, sales of common stock by insiders, as well as other factors unrelated to our operating results. Volatility in the market price of Yellow Roadway common stock may prevent you from being able to sell your shares at or above the price you paid for them.

### **We may face difficulties in achieving certain expected benefits of the December 2003 acquisition of Roadway Corporation.**

Prior to December 11, 2003, when we acquired Roadway Corporation through the merger of Roadway Corporation with and into one of our subsidiaries, Yellow Roadway Corporation and Roadway Corporation operated as separate companies. We may not be able to continue to realize all of the operating efficiencies, synergies, cost savings or other benefits that we expect from that merger. In addition, the costs we incur in implementing further synergies, including our ability to terminate, amend or renegotiate prior contractual commitments of Yellow Roadway and Roadway, may be greater than expected.

**Yellow Roadway's contingent convertible notes may result in dilution to our common stockholders.**

Yellow Roadway has \$250 million of 5.0% contingent convertible senior notes and \$150 million of 3.375% contingent convertible senior notes maturing on August 8, 2023 and November 19, 2023, respectively. Most of

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these notes have a net share settlement feature that will require settlement of any conversions for a combination of cash for the accreted value of the notes and shares for the conversion premium; the remaining notes are required to be settled in shares. The issuance of shares resulting from the conversion of these notes, or pursuant to the change in control feature of the notes, could cause holders of our common stock to experience dilution. Furthermore, the trading price of our common stock could suffer from significant downward pressure as note holders convert these notes or these shares are issued and such holders sell such shares of common stock, encouraging short sales by the holders of such notes or other stockholders.

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**FORWARD-LOOKING STATEMENTS**

This joint proxy statement/prospectus, including the documents incorporated by reference, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "expect", "will", "look forward to" and similar expressions are intended to identify forward-looking statements.

The expectations set forth in this joint proxy statement/prospectus and the documents incorporated by reference regarding, among other things, accretion, returns on invested capital, achievement of annual savings and synergies, achievement of strong cash flow, sufficiency of cash flow to fund capital expenditures and achievement of debt reduction targets are only the parties' expectations regarding these matters. Actual results could differ materially from these expectations depending on factors such as:

the factors described under "Risk Factors" beginning on page 27 of this joint proxy statement/prospectus;

the factors that generally affect Yellow Roadway's and USF's businesses as further outlined in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the companies' Annual Reports on Form 10-K for the year ended December 31, 2004, and this joint proxy statement/prospectus, including inflation, labor relations (*i.e.*, disruptions, strikes or work stoppages), inclement weather, availability of fuel and the price of fuel as it affects the general economy, competitor pricing activity and the general impact of competition, expense volatility, capacity levels in the freight transportation industry, changes in and customer acceptance of new technology, changes in equity and debt markets, our ability to control costs and uncertainties concerning the impact terrorist activities may have on the economy and the freight transportation industry, the state of international, national and regional economies and the success or failure of our operating plans, including our ability to manage growth; and

the fact that, following the merger, the actual results of the combined company could differ materially from the expectations set forth in this joint proxy statement/prospectus and the documents incorporated by reference depending on additional factors such as:

the combined company's cost of capital;

the ability of the combined company to identify and implement cost savings, synergies and efficiencies in the time frame needed to achieve these expectations;

any loss of customers or suppliers that the combined company may suffer as a result of the merger;

any loss of employees or increased operating costs related to USF's non-union employees and labor activities or the merger;

the combined company's actual capital needs, the absence of any material incident of property damage or other hazard that could affect the need to effect capital expenditures and any currently unforeseen merger or acquisition opportunities that could affect capital needs; and

the costs incurred in implementing synergies including, but not limited to, our ability to terminate, amend or renegotiate prior contractual commitments of Yellow Roadway and USF.

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Yellow Roadway's plans regarding the maintenance of the separate Yellow Roadway and USF brands and networks, the focus on administrative and back office synergies and workforce rationalizations are only its current plans and intentions regarding these matters. Actual actions that the combined company may take may differ from time to time as the combined company may deem necessary or advisable in the best interest of the combined company and its stockholders to attempt to achieve the successful integration of the companies, the synergies needed to make the transaction a financial success and to react to the economy and the combined company's market for its transportation services.



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**THE SPECIAL MEETINGS**

**Information about the Special Meetings and Voting**

The Yellow Roadway board of directors is using this document to solicit proxies from Yellow Roadway stockholders for use at the Yellow Roadway special meeting of stockholders. The USF board of directors is using this document to solicit proxies from USF stockholders for use at the USF special meeting of stockholders.

**Matters Relating to the Special Meetings**

***Date, Time and Place of the Special Meetings***

**Yellow Roadway Special Meeting**

, 2005

a.m., C.D.T.

10990 Roe Avenue

Overland Park, Kansas 66211

***Purpose of the Special Meetings***

**Yellow Roadway Special Meeting**

To vote on a proposal to approve the issuance of shares of Yellow Roadway common stock pursuant to the merger agreement.

To vote on any proposal to approve adjournments or postponements of the Yellow Roadway special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Yellow Roadway special meeting to approve the merger proposal.

***Record Date of the Special Meetings***

**Yellow Roadway Special Meeting**

Holders of record of Yellow Roadway common stock at the close of business on \_\_\_\_\_, 2005 will be entitled to notice of and to vote at the Yellow Roadway special meeting.

***Outstanding Shares***

**Yellow Roadway Special Meeting**

As of the record date, there were \_\_\_\_\_ shares outstanding of Yellow Roadway common stock that are entitled to vote at the Yellow

**USF Special Meeting**

, 2005

a.m., C.D.T.

**USF Special Meeting**

To vote on a proposal to adopt the merger agreement.

To vote upon a proposal to approve adjournments or postponements of the USF special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the USF special meeting to approve the above proposal.

**USF Special Meeting**

Holders of record of USF common stock at the close of business on \_\_\_\_\_, 2005 will be entitled to notice of and to vote at the USF special meeting.

**USF Special Meeting**

As of the record date, there were \_\_\_\_\_ shares outstanding of USF common stock that are entitled to vote at the USF special

Roadway special meeting.

meeting.

*Shares Entitled to Vote at the Special Meetings*

**Yellow Roadway Special Meeting**

Each share of Yellow Roadway common stock that you own as of the record date entitles you to one vote on each proposal.

Shares of Yellow Roadway common stock deemed beneficially held by Yellow Roadway or its subsidiaries will not be voted.

**USF Special Meeting**

Each share of USF common stock that you own as of the record date entitles you to one vote on each proposal.

Shares of USF common stock deemed beneficially held by USF or its subsidiaries will not be voted.

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***Quorum Requirements for the Special Meetings***

**Yellow Roadway Special Meeting**

A quorum of Yellow Roadway stockholders is necessary to hold a valid Yellow Roadway special meeting.

The presence in person or by proxy at the Yellow Roadway special meeting of holders of a majority of the outstanding shares of Yellow Roadway common stock as of the record date and entitled to vote at the Yellow Roadway special meeting is necessary for a quorum. Abstentions and broker non-votes count as present for establishing a quorum. Shares of common stock held by Yellow Roadway or its subsidiaries do not count toward a quorum. A broker non-vote occurs with respect to a proposal when a broker is not permitted to vote on that proposal without instruction from the beneficial owner of the shares of Yellow Roadway common stock and no instruction is given.

***Shares Owned by Yellow Roadway and USF Directors and Executive Officers as of the Record Date***

**Yellow Roadway Special Meeting**

Yellow Roadway directors and officers have the right to vote approximately \_\_\_\_\_ shares of Yellow Roadway common stock. These shares represent approximately \_\_\_\_\_ % of the Yellow Roadway common stock outstanding as of the record date. These individuals have indicated that they intend to vote their Yellow Roadway shares in favor of the Yellow Roadway proposals.

***Vote Necessary at the Special Meetings to Approve Yellow Roadway and USF Proposals***

**Yellow Roadway Special Meeting**

The approval of the Yellow Roadway stock issuance requires the affirmative vote of the holders of a majority of the total votes cast on this proposal in person or by proxy at the Yellow Roadway special meeting.

Approval of adjournments or postponements of the Yellow Roadway special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Yellow Roadway special meeting to approve the above proposals requires the affirmative vote of a majority of shares present in person or by proxy at the Yellow Roadway special meeting and actually voted on this proposal.

Abstentions and broker non-votes will have no effect on the outcome of proposal to issue Yellow Roadway common stock in the merger or the outcome of the proposal relating to adjournments or postponements of the Yellow Roadway special meeting, if necessary, to permit further solicitation of proxies.

**USF Special Meeting**

A quorum of USF stockholders is necessary to hold a valid USF special meeting.

The presence in person or by proxy at the USF special meeting of holders of a majority of the outstanding shares of USF common stock as of the record date and entitled to vote at the USF special meeting is necessary for a quorum. Abstentions and broker non-votes count as present for establishing a quorum. Shares of common stock held by USF or its subsidiaries do not count toward a quorum. A broker non-vote occurs with respect to a proposal when a broker is not permitted to vote on that proposal without instruction from the beneficial owner of the shares of USF common stock and no instruction is given.

**USF Special Meeting**

USF directors and officers have the right to vote approximately \_\_\_\_\_ shares of USF common stock. These shares represent approximately \_\_\_\_\_ % of the USF common stock outstanding as of the record date. These individuals have indicated that they intend to vote their USF shares in favor of the USF proposals.

**USF Special Meeting**

Adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of USF common stock entitled to vote at the special meeting.

Approval of adjournments or postponements of the USF special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the USF special meeting to approve the above proposal requires the affirmative vote of a majority of shares present in person or by proxy at the USF special meeting and actually voted on this proposal.

Abstentions and broker non-votes will have the same effect as votes against the proposal to adopt the merger agreement, but will have no effect on the outcome of the proposal relating to adjournments or postponements of the USF special meeting, if necessary, to permit further solicitation of proxies.

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**VOTING BY PROXY**

**Voting Your Proxy.** You may vote in person at your special meeting or by proxy. We recommend you vote by proxy even if you plan to attend your special meeting. You can always change your vote at your special meeting.

You may vote by proxy card, by completing and mailing the enclosed proxy card. If you properly submit your proxy card, in time to vote, one of the individuals named as your proxy will vote your shares of common stock as you have directed. You may vote for or against the proposals submitted at your special meeting or you may abstain from voting.

**How to Vote\***

**Yellow Roadway Special Meeting**

Complete, sign, date and return your proxy card in the enclosed envelope. You also may authorize a proxy by the internet at the following internet address:  
<http://www.eproxyvote.com/yell>, or by telephone at 1-800-758-6973. Proxies submitted through UMB Bank, N.A., Yellow Roadway's transfer agent, by the internet or telephone must be received by 11:59 p.m., New York, New York time, on \_\_\_\_\_, 2005.

**USF Special Meeting**

Complete, sign, date and return your proxy card in the enclosed envelope. You also may authorize a proxy by the internet at the following internet address:  
<http://www.computershare.com/us/proxy/USF>, or by telephone at 1-800-745-6808. Proxies submitted through Computershare Investor Services, L.L.C., USF's transfer agent, by the internet or telephone must be received by 11:59 p.m., New York, New York time, on \_\_\_\_\_, 2005.

\* If you hold shares of Yellow Roadway or USF common stock through a broker or other custodian, please follow the voting instructions that firm provides. If you do not return your proxy card, or if your shares are held in a stock brokerage account or held by a bank, broker or nominee, or, in other words, in street name and you do not instruct your bank, broker or nominee on how to vote those shares, those shares will not be voted at your special meeting.

A number of banks and brokerage firms participate in a program that also permits stockholders whose shares are held in street name to direct their vote by the internet or telephone. This option, if available, will be reflected in the voting instructions from the bank or brokerage firm that accompany this joint proxy statement/prospectus. If your shares are held in an account at a bank or brokerage firm that participates in such a program, you may direct the vote of these shares by the internet or telephone by following the voting instructions enclosed with the proxy from the bank or brokerage firm. The internet and telephone proxy procedures are designed to authenticate stockholders' identities, to allow stockholders to give their proxy voting instructions and to confirm that those instructions have been properly recorded. Votes directed by the internet or telephone through such a program must be received by 11:59 p.m., New York, New York time, on \_\_\_\_\_, 2005. Requesting a proxy prior to the deadline described above will automatically cancel any voting directions you have previously given by the internet or by telephone with respect to your shares. Directing the voting of your shares will not affect your right to vote in person if you decide to attend the meeting; however, you must first obtain a signed and properly executed proxy from your bank, broker or nominee to vote your shares held in street name at the special meeting.

If you submit your proxy but do not make specific choices, your proxy will be voted FOR each of the proposals presented.

**The Yellow Roadway Board of Directors unanimously recommends that you vote FOR the issuance of shares of Yellow Roadway common stock pursuant to the merger agreement.**

**The USF Board of Directors unanimously recommends that you vote FOR adoption of the merger agreement.**

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**Approval by Yellow Roadway stockholders of the stock issuance pursuant to, the merger agreement and adoption by USF stockholders of the merger agreement are conditions to consummation of the merger.**

***Revoking Your Proxy.*** You may revoke your proxy before it is voted by:

submitting a new proxy with a later date;

notifying your company's Secretary in writing before your special meeting that you have revoked your proxy; or

voting in person at your special meeting.

USF stockholders that require assistance in changing or revoking a proxy should contact Computershare Investor Services, L.L.C., USF's transfer agent, at (800) 810-7514. Yellow Roadway stockholders that require assistance in changing or revoking a proxy should contact UMB Bank, N.A., Yellow Roadway's transfer agent, at (800) 884-4225.

## **Other Voting Matters**

***Voting in Person.*** If you plan to attend your special meeting and wish to vote in person, we will give you a ballot at your special meeting. However, if your shares of common stock are held in street name, you must first obtain a proxy authorizing you to vote the shares in person.

***People with Disabilities.*** We can provide reasonable assistance to help you participate in your special meeting if you tell us about your disability and how you plan to attend. Please call or write the Secretary of your company at least two weeks before your special meeting at the number or address provided on the inside front cover page of this joint proxy statement/prospectus.

***Proxy Solicitations.*** We will each pay our own costs of soliciting proxies.

In addition to this mailing, Yellow Roadway and USF directors, officers and employees (who will not receive any additional compensation for such services) may solicit proxies personally, electronically or by telephone. Yellow Roadway and USF will each bear its own costs and expenses in soliciting the proxies. Yellow Roadway and USF have also jointly engaged Morrow & Co., Inc. to assist in the solicitation of proxies. Each of Yellow Roadway and USF will pay this firm \$ \_\_\_\_\_ plus certain other customary fees and expenses. Each of Yellow Roadway and USF will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses for sending proxy materials to the beneficial owners of Yellow Roadway's common stock and USF's common stock, respectively.

The extent to which these proxy-soliciting efforts will be necessary depends upon how promptly proxies are submitted. You should submit your proxy without delay by mail. We also will reimburse brokers and other nominees for their expenses in sending these materials to you and getting your voting instructions.

Stockholders authorizing proxies or directing the voting of shares by the internet or telephone should understand that there may be costs associated with electronic access, such as usage charges from internet access providers and telephone companies, and those costs must be borne by the stockholder.

**DO NOT SEND IN ANY USF STOCK CERTIFICATES OR YOUR CASH ELECTION AND TRANSMITTAL FORM WITH YOUR PROXY CARDS. You may return the enclosed cash election and transmittal form to the exchange agent with your stock certificates or, if you fail to include your stock certificates, the exchange agent will mail transmittal forms with instructions for the surrender of stock certificates for USF common stock as soon as practicable after the completion of the merger.** If you send in your stock certificates now and the merger agreement is terminated, your stock certificates will be returned to you as soon as practicable after the date of termination.

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**Other Business, Adjournment and Postponements**

Pursuant to the terms of USF's and Yellow Roadway's respective by-laws, only the business that is specified in the Notice of Special Meeting of Stockholders may be presented at the special meetings and no other matters may properly be brought before the special meetings.

Any adjournment may be made from time to time by approval of the holders of common stock representing a majority of the votes present in person or by proxy at the special meeting, whether or not a quorum exists, without further notice other than by an announcement made at the special meeting. If a quorum is not present at either the Yellow Roadway or USF special meeting, holders of common stock of the relevant company may be asked to vote on a proposal to adjourn or postpone the relevant special meeting to solicit additional proxies. If a quorum is not present at the Yellow Roadway special meeting, the officers of the company or the holders of a majority of the shares entitled to vote who are present in person or by proxy at the meeting may adjourn or postpone the meeting. If a quorum is not present at the USF special meeting, the holders of a majority of the shares entitled to vote who are present in person or by proxy may adjourn the meeting. If a quorum is present at either of the special meetings but there are not sufficient votes at the time of the special meeting to approve the other proposal(s), holders of the common stock of the relevant company may also be asked to vote on a proposal to approve the adjournment or postponement of the special meeting to permit further solicitation of proxies.



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### THE MERGER

#### Background of the Merger

Yellow Roadway and USF each continually evaluate strategic opportunities as a part of their ongoing evaluation of the commercial transportation marketplace. In December 2003, Yellow Roadway (then known as Yellow Corporation) closed its acquisition of Roadway Corporation. Since the closing of that transaction, Yellow Roadway has successfully executed its stated objectives of maintaining the distinct brands of Yellow Transportation, Roadway Express, New Penn Motor Express, Reimer Express and Meridian IQ in the transportation marketplace, while at the same time successfully realizing many of the cost savings and operational synergies that the companies had identified during their discussions leading up to the transaction. That strategy has allowed Yellow Roadway to maintain customer loyalty and achieve improved financial results in what remains the very competitive and fractured transportation industry. The successes that Yellow Roadway has realized by successfully executing the company's Roadway strategy are helping it to achieve one of its primary strategic goals of providing a full portfolio of highly efficient transportation services to all of its customers.

Since the late 1990s, Yellow Roadway has focused on expanding its portfolio of services to include both asset and non-asset transportation services. In addition to their basic less-than-truckload service offerings, Yellow Transportation and Roadway Express have penetrated their respective customer bases with sales of premium branded, asset-based services such as Exact Express<sup>®</sup>, Yellow Transportation's expedited and time-definite service, Time Critical, Roadway Express's expedited and time-definite service, Definite Deliver<sup>®</sup>, Yellow Transportation's guaranteed transit time service, Time Advantage, Roadway Express's guaranteed transit time service, and the tradeshow businesses of both Roadway Express and Yellow Transportation.

New Penn Motor Express maintains excellent brand identity for its regional next-day less-than-truckload service offering in the northeastern United States. Recently, Yellow Transportation launched its first next-day service through its Standard Ground service offering in an area extending from Wisconsin through upstate New York and from northern Michigan into Tennessee. Expansion of next-day service capabilities is a growing segment of the heavyweight ground transportation industry, and a segment that has traditionally been served by the many regional trucking companies including USF Holland Inc. (Holland), USF Bestway Inc. (Bestway), USF Reddaway Inc. (Reddaway) and USF Dugan Inc. (Dugan).

Meridian IQ, Yellow Roadway's non-asset-based transportation service offering continues to grow at a rapid pace and is establishing brand recognition throughout the marketplace. These offerings include, among other things, transportation management, international freight forwarding, domestic guaranteed freight forwarding, truckload brokerage and customs brokerage. The expansion of these non-asset branded services has significantly broadened the overall service portfolio for the customers of Yellow Roadway's portfolio of companies.

During the summer of 2004, USF management conducted an evaluation of USF's businesses, capital structure and strategic opportunities. In connection with this evaluation, USF engaged Morgan Stanley & Co. Incorporated (Morgan Stanley) as its financial advisor, which was subsequently confirmed in an engagement letter with USF dated August 11, 2004. During the second and third quarters of 2004, USF management, with the assistance of Morgan Stanley, among others, and reporting to the USF board of directors, considered the possibility and implications of effecting a variety of possible transactions and operating strategies. Among the transactions considered at that time were business combination transactions with a variety of potential partners, including Yellow Roadway. At the time, Yellow Roadway was viewed as one of the companies for whom USF might be a good fit, but USF believed that Yellow Roadway would likely not be interested in a transaction with USF until Yellow Roadway completed the integration of its December 2003 merger with Roadway. After considering the full range of alternatives, the USF board of directors decided in July 2004 to pursue a business plan focused on improving the profitability of USF's existing businesses while remaining alert to the possibility of effecting a significant value-increasing transaction.



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During the fall of 2004, Yellow Roadway's management publicly stated that it was looking at several opportunities to accelerate its business strategy of offering a broad portfolio of asset-based and non-asset-based transportation services to its customer base, including through acquisitions. Concurrently, in early November 2004, following changes in the management of USF, William D. Zollars, Chairman of the Board, President and Chief Executive Officer of Yellow Roadway, contacted Paul Liska, Executive Chairman of the Board of USF, by telephone in order to gauge his interest in exploring potential strategic transactions between the two companies. Mr. Liska informed USF's other directors about Yellow Roadway's contact. Mr. Liska did not immediately respond to Mr. Zollars.

In mid-December 2004, Mr. Zollars contacted Mr. Liska again and expressed an interest in some form of business combination. Mr. Zollars and Mr. Liska then agreed to meet on January 7, 2005, to discuss the potential transaction in further detail.

On January 7, 2005, Mr. Zollars, Stephen Bruffett, Senior Vice President of Corporate Development and Investor Relations of Yellow Roadway, and Donald G. Barger, Senior Vice President and Chief Financial Officer of Yellow Roadway, met with Mr. Liska and Thomas Bergmann, interim Chief Executive Officer of USF, to discuss in greater detail the structure of a potential transaction and the potential synergies that the parties could achieve in a business combination. During this meeting, Mr. Zollars and Mr. Liska also discussed the potential complementary fit of USF's regional next-day offerings with Yellow Roadway's subsidiaries' long-haul less-than-truckload offerings, as well as the potential opportunities that could be realized by joining Meridian IQ and USF Logistics. Following those conversations, Mr. Zollars directed members of his senior management team and IFL, which had been retained as Yellow Roadway's financial advisor pursuant to an engagement letter dated December 7, 2004 (which was supplemented on February 27, 2005), to prepare financial analyses to help Yellow Roadway determine the feasibility of an acquisition of USF.

On January 10, 2005, USF's board met telephonically to discuss the potential transaction. Mr. Liska updated the board regarding recent discussions with Yellow Roadway. After discussion of the potential merits of the possible transaction, the board authorized Mr. Liska and Mr. Bergmann to continue their discussions with Yellow Roadway and to proceed with the proposed due diligence process.

During the week of January 10, 2005, Mr. Zollars and Mr. Liska each instructed additional members of his respective senior management team to begin compiling key documents about each company's respective operations that the other party would need to review as part of a legal and financial due diligence process and to take the steps necessary to begin negotiating the terms of a transaction.

On January 12, 2005, USF and Morgan Stanley modified their engagement letter by entering into an addendum pertaining to a potential transaction with Yellow Roadway.

After entering into a mutual confidentiality arrangement, the parties agreed that during the next several weeks, they would each begin gathering documents for inclusion in secure, electronic data sites that would be available for review by the first week of February. As part of the due diligence process, each company's financial and legal representatives provided detailed due diligence requests for documents to be included in the data sites.

On January 19, 2005, Mr. Zollars, Mr. Bruffett and Mr. Barger participated on a telephone conference call with Mr. Liska and Mr. Bergmann to provide Yellow Roadway with financial information, including information as to USF's financial outlook and potential transaction synergies, to allow Yellow Roadway to express an indicative valuation range for the acquisition of all of the outstanding shares of USF by way of merger.

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On January 25, 2005, Mr. Zollars and Mr. Liska met in person in New York, New York and discussed, among other things, a range of prices per share that Yellow Roadway would consider paying to USF shareholders for all of USF's outstanding capital stock and the importance of completing any agreed transaction. They discussed a price per share between \$45 and \$50 at this meeting, which would be paid in an approximately 50% cash and 50% stock transaction.

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On February 1, 2005, USF's board held a regularly scheduled meeting during which it discussed the potential transaction with Yellow Roadway. Mr. Liska discussed with the board the strategic rationale of the potential transaction and updated the other directors regarding the status of discussions with Yellow Roadway, including the possible terms and proposed timing of providing Yellow Roadway with access to USF due diligence materials. At this meeting, Morgan Stanley reviewed with the USF board certain financial issues and updates to its preliminary analyses that had previously been discussed with the board in the summer of 2004 regarding, among other things, industry trends, including consolidation, USF continuing as a stand-alone company, USF engaging in strategic alternatives other than a transaction with Yellow Roadway and USF engaging in a potential transaction with Yellow Roadway. Sullivan & Cromwell reviewed with the USF board their fiduciary duties under Delaware law. During the discussion, the USF board assessed the risks and opportunities associated with conducting an auction with other potential transaction partners. The USF board, after consultation with outside financial and legal advisors, determined at that time that the risks outweighed the possible benefits of an auction, particularly in light of the proposed financial terms and material legal terms discussed with Yellow Roadway. The USF board directed management and its outside advisors to seek to minimize impediments to receiving and accepting a superior proposal if one should emerge after signing a merger agreement with Yellow Roadway. The USF board authorized the continued exploration of a potential transaction with Yellow Roadway, including the delivery of due diligence materials and preparation of a draft merger agreement.

On February 3, 2005, Yellow Roadway's board held a special meeting to discuss, among other things, the potential acquisition of USF. Mr. Zollars provided the other directors with a profile of USF, including a description of its four regional less-than-truckload companies, its truckload company and its logistics business, and described the strategic rationale of a combination of USF and Yellow Roadway, including the potential fit of USF's regional businesses with New Penn Motor Express's business, the potential fit of USF's truckload business with Meridian IQ's truckload brokerage business and the potential fit of USF's logistics business with Meridian IQ. Also at this meeting, Messrs. Bruffett and Barger of Yellow Roadway and James Hamilton of IFL described the economics behind the possible transaction including possible synergies, a range of potential purchase prices and possible financing scenarios.

After this board meeting, Credit Suisse First Boston and JP Morgan Chase were also retained to provide various financial advisory services in connection with a possible transaction with USF to complement the services of IFL.

During the following week, each party's legal advisors began drafting and negotiating written documentation for a possible transaction and reviewing materials that the other party had placed in its respective electronic data site. Review of the documents continued until the parties signed the merger agreement.

On February 11 and 12, 2005, a team from Yellow Roadway's senior management and outside financial and legal advisors traveled to Chicago to discuss with USF's senior management and outside financial and legal advisors a broad range of business, operating, legal and financial matters that had emerged from initial review of the documents made available in USF's electronic data site. Among matters that the parties discussed were details about USF and its subsidiaries' operational and organizational structure, contingent liabilities, labor relations, financial plan, strategic plan and potential synergies. Additionally, USF's senior management and legal and financial advisors discussed a number of matters that had emerged from its review of documents that Yellow Roadway had made available in Yellow Roadway's electronic data site.

During the week following the February 11 and 12, 2005 meetings, the parties began negotiating a merger agreement. On February 15, 2005, Mr. Zollars, Mr. Hamilton, Mr. Liska and Mr. Bergmann again met in person in Naples, Florida to continue discussing the structure of the possible transaction, including the price and form of consideration that Yellow Roadway would pay to USF stockholders.

On February 18, 2005, Mr. Barger, Mr. Bruffett, Mr. Staley and Mike Smid, President of Enterprise Services for Yellow Roadway, together with Yellow Roadway's outside financial advisors, traveled to Chicago to hold



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additional talks with USF's interim CEO Thomas Bergmann, his senior management team and USF's outside financial advisors on potential synergy savings that the parties could realize through a business combination.

On February 21, 2005, Mr. Zollars and Mr. Liska again met in person in Chicago, Illinois to continue discussing the structure and terms of the possible transaction, including the price that Yellow Roadway would pay to USF stockholders.

Negotiations continued through the following week, and the parties completed a significant portion of their due diligence review. On February 23, 2005, a national business newspaper published an article that stated that USF and Yellow Roadway were involved in negotiations. This article prompted other speculative investment research and news stories, but the parties made no comment on these rumors.

On February 24, 2005, USF's board of directors met to discuss the status of negotiations with Yellow Roadway. Mr. Liska briefed the board on the status of the potential transaction with Yellow Roadway, including the expected receipt on February 26, 2005, of Yellow Roadway's final proposal on economic terms and other material transaction terms. Sullivan & Cromwell reviewed with the board their fiduciary duties under Delaware law regarding the potential transaction. During the meeting, USF's board discussed, among other things, the proposed terms of the potential transaction and the likely risks and opportunities presented by the potential transaction and by maintaining USF as a stand-alone entity. The USF board again considered whether to delay negotiations with Yellow Roadway to conduct an auction of USF and concluded that, in light of the risks discussed at the USF board's previous meeting and given that the rumors in the press of a potential transaction with Yellow Roadway had not resulted in any expressions of interest from any third party regarding an alternative transaction, the risks associated with conducting an auction outweighed any likely benefits. Morgan Stanley then reviewed its preliminary analysis of the proposed financial terms of the potential merger based on the consideration expected to be offered to USF shareholders by Yellow Roadway, as well as certain preliminary analyses associated with maintaining USF as a stand-alone entity and pursuing other strategic alternatives. Sullivan & Cromwell then presented to the USF board the material terms of the draft merger agreement, including a comparison of such terms with the 2003 Yellow Corporation/Roadway Corporation transaction. The USF board then received a presentation from Deloitte & Touche LLP (D&T) concerning certain compensation and benefits arrangements contemplated to be entered into with Mr. Liska, certain executive officers of USF and other employees of USF, in connection with the proposed transaction with Yellow Roadway (see Certain Interests of Persons in the Merger), which arrangements had previously been discussed at a compensation committee meeting of the USF board. D&T discussed the material terms of the compensation and benefits arrangements with the USF board and compared the arrangements with arrangements entered into by public companies in recent merger transactions. The USF board then authorized management, subject to receiving a final proposal from Yellow Roadway on terms discussed at the board meeting and receipt of USF board approval, to seek to finalize the terms of the merger agreement and the related compensation and benefits arrangements. No other action was taken by the USF board at this meeting.

On February 26, 2005, Yellow Roadway's board met to discuss the status of the negotiations with USF. During this meeting, Yellow Roadway's board discussed, among other things, the terms of the proposed transaction, other strategic alternatives under consideration and the impact that an acquisition of USF would have on those potential alternatives. IFL reviewed its financial analysis of the merger agreement and the merger consideration and rendered to Yellow Roadway's board an oral opinion, which opinion was confirmed by delivery of a written opinion dated February 27, 2005, that the consideration to be paid by Yellow Roadway to the USF stockholders in the merger was fair from a financial point of view to Yellow Roadway. Yellow Roadway's board unanimously approved the acquisition at this meeting, subject to satisfactory completion of the negotiation of the definitive merger agreement, and authorized the officers of Yellow Roadway to make a proposal to USF that would offer USF shareholders for each USF share owned either 0.9024 shares (a fixed exchange ratio) of Yellow Roadway common stock or, upon a valid cash election, \$45.00 in cash, subject in either case to proration and adjustment, as described in further detail in this joint proxy statement/prospectus. Yellow Roadway's board also unanimously recommended that Yellow Roadway's stockholders vote for approval of the issuance of Yellow Roadway shares pursuant to, and in accordance with, the merger agreement.

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On February 27, 2005, USF's board of directors met telephonically to discuss the terms of Yellow Roadway's proposal and the negotiations regarding the merger agreement and other aspects of the proposed transaction. Mr. Liska updated the other members of the USF board as to the negotiations with Yellow Roadway since February 24, 2005, particularly regarding the merger consideration, and communicated to the other members of the USF board the proposal presented by Yellow Roadway. Sullivan & Cromwell reviewed with the USF board the status of the negotiations of the terms of the merger agreement. Morgan Stanley reviewed its financial analysis of the merger consideration with the board and rendered to USF's board an oral opinion, confirmed later that day in writing, to the effect that as of February 27, 2005 and based on and subject to the considerations, assumptions and limitations in its opinion, the merger consideration pursuant to the merger agreement was fair, from a financial point of view, to the holders of USF common stock. After discussion, the USF board, acting unanimously, approved the merger agreement and the related compensation and benefits arrangements, authorized USF to enter into such agreement and arrangements, declared the merger agreement's advisability, determined to recommend the merger agreement to USF stockholders for adoption and recommended that USF stockholders adopt the merger agreement at the USF special meeting of stockholders.

Following the USF board meeting, Yellow Roadway and USF completed negotiations on the merger agreement, signed it and issued a joint press release announcing the execution of the merger agreement on Sunday, February 27, 2005.

### **Yellow Roadway's Reasons for the Merger**

The Yellow Roadway board has unanimously approved the merger agreement and the merger and unanimously recommends that Yellow Roadway stockholders vote **FOR** approval of the Yellow Roadway proposal.

In reaching its conclusion, the Yellow Roadway board considered among other factors:

The complementary operations and capabilities of the combined company with the increased scale (including expected combined revenue in excess of \$9 billion per year), strong financial base and market reach necessary to increase stockholder value and enhance customer service. Specifically, the merger would allow the combined company to:

enhance its position in the highly competitive domestic and global transportation marketplace;

continue to invest and grow the brands of both companies;

implement best practices over a broader customer base;

leverage service capabilities and technologies for the benefit of customers, allowing the costs of improvements to spread out over a larger revenue base for the benefit of customers; and

introduce additional non-asset-based transportation management services and next-day less-than-truckload services to a broader customer base.

The potential for the merger to accelerate the portfolio strategy of offering a broad range of services for business to business transportation decision makers.



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The significant complementary aspects of the Yellow Roadway service base with the USF service base.

The opportunity to allow each company to more effectively compete against the industry's leading integrated service providers, specifically United Parcel Service, Inc., FedEx Corporation, DHL, CNF Inc., Overnite Corporation and Arkansas Best Corporation.

The opportunity to compete more effectively with numerous less-than-truckload competitors.

The creation of a more competitive position against other competitors, such as third party logistics providers, freight forwarders/consolidators and truckload competitors.

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The financial performance and condition, business operations and prospects of each of Yellow Roadway and USF.

The opportunity for Yellow Roadway, whose operating units have had relatively good relations with their employees who are represented by the IBT, to address the more difficult labor relations experienced by several of the operating units of USF.

The structure of the transaction and terms and conditions of the merger agreement and the financing arrangements for the cash portion of the merger consideration to be paid to USF stockholders. See *The Merger Agreement* beginning on page 76 of this joint proxy statement/prospectus.

Expected combination benefits, including cost savings. Yellow Roadway expects to realize approximately \$40 million in net synergies within the twelve months following the merger, along with run rate annual synergies of \$80 million after the first twelve months with the possibility of additional cost synergies, as well as revenue synergies, in the longer-term. See *Forward-Looking Statements* beginning page 37 of this joint proxy statement/prospectus.

The near-term and long-term earnings per share and cash flow of the combined entity compared to Yellow Roadway on a standalone basis. Yellow Roadway expects the transaction to be accretive to earnings per share within 12 months after closing and provide a return in excess of its weighted average cost of capital on a consolidated basis in the second year. See *Forward-Looking Statements* beginning on page 37 of this joint proxy statement/prospectus.

The relative market capitalizations of Yellow Roadway and USF, and the expected capital structure of the combined entity after the merger, including the availability of financing for the transaction at relatively low interest rates.

The opinion of IFL described below, including IFL's conclusion that the merger consideration was fair, from a financial point of view, to Yellow Roadway as of the date of its opinion. The IFL opinion is based upon and subject to the factors and assumptions, qualifications and limitations set forth therein.

The compatibility of the corporate cultures of the management teams and employees of both companies, the willingness of the leadership team of USF's operating units to continue serving the combined company and the willingness of one USF director to join the board of Yellow Roadway.

The Yellow Roadway board considered the factors above as a whole and did not assign specific or relative weights to those factors. The Yellow Roadway board believes that the merger is an opportunity for Yellow Roadway stockholders to participate in a combined, more successful enterprise that has significantly greater business and financial resources than Yellow Roadway would have absent the merger.

## **Recommendation of the Yellow Roadway Board of Directors**

After consideration of the factors discussed above, and without weight to any specific factor, the members of Yellow Roadway's board of directors voting on the merger have approved the merger agreement and the issuance of Yellow Roadway common stock pursuant to the merger agreement.

**The Yellow Roadway board recommends that Yellow Roadway stockholders vote at the Yellow Roadway special meeting FOR the approval of the issuance of Yellow Roadway common stock pursuant to the merger agreement.**

**Opinion of IFL Capital LLC, Financial Advisor to Yellow Roadway Corporation**

IFL acted as financial advisor to Yellow Roadway in connection with the proposed merger. At the February 26, 2005 meeting of Yellow Roadway's board of directors, IFL delivered to the board its oral opinion, subsequently confirmed in writing, that as of February 27, 2005, the merger consideration that Yellow Roadway will pay in the merger was fair, from a financial point of view, to Yellow Roadway.

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**The full text of IFL's written opinion, dated February 27, 2005, which discusses, among other things, the assumptions made, matters considered and limits on the review undertaken by IFL in connection with its opinion, is attached as *Annex B* to this joint proxy statement/prospectus and is incorporated herein by reference. Stockholders are urged to read IFL's opinion in its entirety. The following summary, which is qualified in its entirety by reference to the full text of IFL's opinion, discusses the material terms of the opinion. IFL's opinion does not constitute a recommendation to any stockholder as to how to vote with respect to the merger agreement, the stock issuance or any other matter.**

In connection with IFL's role as financial advisor to Yellow Roadway, and in arriving at its opinion, IFL, among other things, reviewed publicly available business and financial information concerning Yellow Roadway and USF and the industries in which they operate and internal financial analyses, forecasts and other information prepared by Yellow Roadway and USF. IFL also held discussions with the management of Yellow Roadway and USF regarding the past and current business operations of Yellow Roadway and USF, the financial condition and operations and future prospects of Yellow Roadway and USF, the effects of the merger on the financial condition and future prospects of Yellow Roadway and certain other matters IFL believed necessary or appropriate. In addition, IFL:

reviewed the merger agreement and certain related documents;

reviewed the current and historical market prices of the common stock of each of Yellow Roadway and USF and certain publicly traded securities of other companies IFL deemed relevant;

compared the financial and operating performance of Yellow Roadway and USF with publicly available information concerning certain other companies IFL deemed relevant;

compared the proposed financial terms of the merger with the publicly available financial terms of certain transactions involving companies IFL deemed relevant and the consideration paid for such companies;

reviewed certain internal financial analyses and forecasts for Yellow Roadway and USF prepared by the managements of Yellow Roadway and USF, as well as the estimated amount and timing of the cost savings, revenue generation and related expenses expected to result from the merger (referred to in this section as the synergies);

analyzed the pro forma impact of the merger, before and after giving effect to the synergies, on, among other things, Yellow Roadway's earnings per share, consolidated capitalization and financial ratios; and

performed such other financial studies and analyses, and considered other information, as IFL deemed appropriate.

In preparing its opinion, IFL relied upon and assumed, without independent verification, the accuracy and completeness of all information that was publicly available or Yellow Roadway or USF furnished to IFL or IFL otherwise reviewed, and IFL did not assume any responsibility or liability therefor. IFL did not conduct any valuations or appraisals of any assets or liabilities. No such valuations or appraisals were provided to IFL. In relying on financial analyses and forecasts provided to IFL, including the synergies, IFL assumed that they had been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by the managements of Yellow Roadway and USF as to their expected future results of operations and financial condition to which such analyses or forecasts relate. IFL expressed no view as to such forecasts, including the synergies, or the assumptions on which they were based. IFL also assumed that the merger will qualify as a reorganization for United States federal income tax purposes. IFL relied upon, without assuming any responsibility for independent verification or liability for, the assessment of Yellow Roadway's legal, tax and regulatory advisors with respect to the legal, tax and regulatory matters relating to the merger. IFL's opinion was necessarily based upon economic, market and other conditions as in effect on, and the information made available to IFL as of February 27, 2005, the date of its opinion.



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IFL was not authorized to and did not solicit any expressions of interest from any other parties with respect to any alternative transaction to the merger, and IFL expressed no opinion as to whether any alternative transaction might be more favorable to Yellow Roadway than the merger.

In rendering its opinion, IFL assumed that, in all respects material to its analysis:

the merger and the other transactions contemplated by the merger agreement will be consummated as described in the merger agreement;

the representations and warranties of Yellow Roadway and USF contained in the merger agreement are true and correct;

Yellow Roadway and USF will each perform all of the covenants and agreements to be performed by it under the merger agreement without any consents or waivers of the other parties to the merger agreement;

all conditions to the obligation of each of Yellow Roadway and USF to consummate the merger will be satisfied without any waiver of such conditions; and

all material governmental, regulatory or other approvals and consents necessary in connection with the consummation of the merger will be obtained without any adverse effect on Yellow Roadway or USF or on the contemplated benefits of the merger.

Below is a summary of the material financial analyses performed by IFL in connection with its opinion.

*Historical Stock Performance.* IFL reviewed and analyzed recent and historical market prices and trading volume for Yellow Roadway common stock and USF common stock and compared these market prices to certain stock market indices.

*Analysis of Selected Publicly Traded Companies.* IFL compared financial information and commonly used valuation measurements for USF to corresponding information and measurements for a group of eight publicly traded companies in the LTL industry (referred to in this section as the selected companies ):

Arkansas Best Corporation

Central Freight Lines, Inc.

CNF Inc.

Old Dominion Freight Line, Inc.

Overnite Corporation

SCS Transportation, Inc.

Vitran Corporation Inc.

Yellow Roadway Corporation

The financial information and valuation measurements that IFL compared included, among other things:

diluted equity market valuation,

operating performance,

ratios of diluted equity market value as adjusted for debt and cash, or enterprise value, to:

revenue,

earnings before interest expense, income taxes and depreciation and amortization (or EBITDA ) and

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earnings before interest expense and income taxes (or EBIT ) and

ratios of common equity market prices per share, to earnings per share, based on the fully-diluted number of shares.

To calculate the trading multiples for USF and the selected companies, IFL used publicly available information concerning historical and projected financial performance, including published historical financial information and revenue, EBITDA, EBIT and earnings estimates as reported by Multex. Multex is a data service that Reuters owns and operates, which monitors and publishes compilations of financial estimates by selected research analysts with respect to companies that have securities that trade in U.S. and foreign markets.

In each case assuming a notional merger consideration of \$45.00 to \$48.00 per USF share, IFL calculated that, on a trailing twelve month basis:

the multiple range of enterprise value to revenue was 0.60x to 0.64x for USF, compared to a range of 0.4x to 1.1x, with a median of 0.5x, for the selected companies;

the multiple range of enterprise value to EBITDA was 6.6x to 7.1x for USF, compared to a range of 4.8x to 8.1x, with a median of 5.8x, for the selected companies; and

the multiple range of enterprise value to EBIT was 12.4x to 13.2x for USF, compared to a range of 7.8x to 13.3x, with a median of 9.1x, for the selected companies.

None of the companies used as a comparison is identical to USF. Accordingly, IFL believes the analysis of publicly traded comparable companies is not simply mathematical, but rather it involves complex considerations and qualitative judgments, reflected in IFL's opinion, concerning differences in financial and operating characteristics of the selected companies and other factors that could affect the public trading value of the selected companies.

*Analysis of Selected Precedent Transactions.* IFL reviewed the financial terms, to the extent publicly available, of seven mergers and acquisition transactions with enterprise values greater than \$100 million since 1992 involving companies in the less-than-truckload industry (referred to in this section as the selected transactions ). IFL calculated various financial multiples and premiums over market value based on certain publicly available information for each of the selected transactions and compared them to corresponding financial multiples and premiums over market value for the merger. The transactions reviewed were:

<u>Date announced</u>	<u>Target</u>	<u>Acquiror</u>
November 1992	Preston Corporation	Yellow Corporation
November 1992	Central Freight Lines, Inc.	Roadway Services
July 1995	Worldway Corporation	Arkansas Best Corporation
June 1999	Jevic Transportation, Inc.	Yellow Corporation
November 2000	American Freightways Corporation	FedEx Corporation
August 2001	Arnold Industries, Inc.	Roadway Corporation
July 2003	Roadway Corporation	Yellow Corporation

In each case assuming a notional merger consideration of \$45.00 to \$48.00 per USF share, IFL calculated that:



the multiple range of enterprise value to trailing twelve month revenue was 0.60x to 0.64x for the merger compared to a range of 0.2x to 1.1x, with a median of 0.5x, for the selected transactions;

the multiple range of enterprise value to trailing twelve month EBITDA was 6.6x to 7.1x for the merger compared to a range of 5.6x to 7.8x, with a median of 6.4x, for the selected transactions; and

the multiple range of enterprise value to trailing twelve month EBIT was 12.4x to 13.2x for the merger compared to a range of 8.9x to 11.1x, with a median of 10.2x, for the selected transactions.

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IFL calculated that the selected transactions were effected at a premium to the acquired companies' per share market price five days prior to the announcement of the transaction ranging from 5.5% to 80.0% (with a median of 45.0%), compared to a premium of 31.6% to 40.4% for the merger, based on a notional merger consideration of \$45.00 to \$48.00 per USF share and USF's per share price five days prior to February 22, 2005 (the last trading day prior to reports in the press regarding a potential transaction between Yellow Roadway and USF). IFL also calculated that the selected transactions were effected at a premium to the acquired companies' per share market price 30 days prior to the announcement of the transaction ranging from 16.2% to 93.0% (with a median of 39.5%), compared to a premium of 35.3% to 44.3% for the merger, based on a notional merger consideration of \$45.00 to \$48.00 per USF share and USF's per share price 30 days prior to February 22, 2005.

All multiples for the selected transactions were based on public information available at the time of announcement of that transaction, without taking into account differing market and other conditions during the twelve-year period during which the selected transactions occurred.

Because the reasons for, and circumstances surrounding, each of the precedent transactions analyzed were so diverse, and due to the inherent differences between the operations and financial conditions of USF and the companies involved in the selected transactions, IFL believes that a comparable transaction analysis is not simply mathematical. Rather, it involves complex considerations and qualitative judgments, reflected in IFL's opinion, concerning differences between the characteristics of these transactions and the merger that could affect the value of the subject companies and businesses and USF and Yellow Roadway.

*Discounted Cash Flow Analysis.* IFL performed a discounted cash flow analysis for USF. IFL calculated the discounted cash flow values for USF as the sum of the net present values of:

the estimated future cash flow that USF will generate for the years 2005 through 2009, plus

the value of USF at the end of that period.

The estimated future cash flows were based on the financial projections for USF for the years 2005 through 2009 prepared by Yellow Roadway's management. The terminal values of USF were calculated based on projected EBITDA for 2009 and a range of multiples of 5.3x and 6.3x. IFL used discount rates ranging from 7.0% to 9.0%. IFL used these discount rates based on its judgment of the estimated weighted average cost of capital of USF, and used these multiples based on its review of the trading characteristics of the common stock of the selected companies as well as the transaction multiples implied by the selected transactions. This analysis indicated a range of values of \$32.19 to \$47.27 per share, excluding synergies. IFL also calculated the discounted cash flow values of the synergies. The estimated future cash flows associated with synergies were based on projected synergies for the years 2005 through 2009 prepared by Yellow Roadway's management. The terminal values of the synergies were calculated based on projected 2009 synergies and a range of multiples of 5.3x and 6.3x. IFL used discount rates ranging from 7.0% to 9.0%. This analysis indicated a range of synergy values of \$31.34 to \$38.17 per share.

*Pro Forma Combined Earnings Analysis and Credit Statistics.* IFL analyzed certain pro forma effects of the merger on the combined earnings of Yellow Roadway and USF. Based on this analysis, IFL computed the resulting dilution/accretion to the combined company's earnings per share estimates for the fiscal years ending 2005 and 2006, before and after taking into account any synergies identified by Yellow Roadway management and before non-recurring costs relating to the merger. IFL noted that, based on a \$47.00 notional merger consideration comprised of equal portions of cash and Yellow Roadway's stock, Yellow Roadway's earnings per share as estimated by Yellow Roadway's management, combined on a pro forma basis with USF's estimated earnings for the fiscal years ending 2005 and 2006, the merger would be dilutive by approximately 5.4% and 4.2% to the combined company's earnings per share for the fiscal years ending 2005 and 2006, respectively. IFL also noted that after taking into account the synergies for the fiscal years ending 2005 and 2006, respectively, the merger would be accretive by approximately 1.8% and 14.8% to the combined company's earnings per share for the fiscal years ending 2005 and 2006, respectively.



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IFL also noted that the ratio of net debt to EBITDA for Yellow Roadway for the trailing twelve months was 1.0x as compared with a ratio of 1.9x for the same period on a combined basis. On a pro forma basis for the merger, and using Yellow Roadway's earnings per share as estimated by Yellow Roadway's management, combined with USF's estimated earnings for the fiscal years ending 2005 and 2006, the ratio of net debt to EBITDA for the combined company would be 1.3x and 1.0x for the fiscal years ending 2005 and 2006, respectively.

The preceding summary describes all analyses and factors that IFL deemed material in its presentation to Yellow Roadway's board of directors, but is not a comprehensive description of all analyses performed and factors considered by IFL in connection with preparing its opinion. The preparation of a fairness opinion is a complex process involving the application of subjective business judgment in determining the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, is not readily susceptible to summary description. IFL believes that its analyses must be considered as a whole and that considering any portion of its analyses and of the factors considered without considering all analyses and factors could create a misleading view of the process underlying the opinion. In arriving at its fairness determination, IFL did not assign specific weights to any particular analyses.

In conducting its analyses and arriving at its opinion, IFL used a variety of generally accepted valuation methods. The analyses were prepared solely for the purpose of enabling IFL to provide its opinion to the Yellow Roadway board of directors as to the fairness from a financial point of view to Yellow Roadway of the consideration to be paid by Yellow Roadway to the USF stockholders in the merger and do not purport to be appraisals or necessarily to reflect the prices at which businesses or securities actually may be sold, which are inherently subject to uncertainty. In connection with its analyses, IFL made, and was provided by Yellow Roadway management with, numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond Yellow Roadway's or USF's control. Analyses based on estimates or forecasts of future results are not necessarily indicative of actual past or future values or results, which may be significantly more or less favorable than those suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of Yellow Roadway, USF or their respective advisors, neither Yellow Roadway nor IFL nor any other person assumes responsibility if future results or actual values are materially different from these forecasts or assumptions.

The terms of the merger were determined through negotiations between Yellow Roadway and USF and were approved by the Yellow Roadway board of directors. Although IFL provided advice to Yellow Roadway during the course of these negotiations, the decision to enter into the merger was solely that of the Yellow Roadway board of directors. IFL expressed no opinion as to the underlying business decision by the management or board of directors of Yellow Roadway to engage in the merger. As described above, the opinion and presentation of IFL to the Yellow Roadway board of directors were only one of a number of factors taken into consideration by the Yellow Roadway board of directors in making its determination to approve the merger. IFL's opinion was provided to the Yellow Roadway board of directors to assist it in connection with its consideration of the merger and does not constitute a recommendation to any stockholder as to how to vote with respect to the merger, the stock issuance or any other matter.

Yellow Roadway selected IFL as a financial advisor in connection with the merger based on IFL's knowledge of Yellow Roadway and its industry and IFL's qualifications, expertise, reputation and professional experience in mergers and acquisitions generally. Yellow Roadway retained IFL as a financial advisor with respect to a potential transaction with USF pursuant to an engagement letter dated February 27, 2005, supplementing a general engagement letter dated December 7, 2004. As compensation for IFL's services in connection with the merger, Yellow Roadway agreed to pay IFL a fee payable as described below:

\$2,000,000 upon public announcement of the transaction;

\$2,000,000 upon receipt of all material governmental consents or approvals required to be obtained in order to consummate the transaction;



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\$2,000,000 upon consummation of the transaction;

minus any retainer fees paid by Yellow Roadway to IFL pursuant to the general engagement letter up to and including the transaction consummation date. The retainer fee payable to IFL pursuant to the general engagement letter is \$50,000 per calendar quarter beginning with the fourth quarter of 2004.

Regardless of whether the merger is consummated, Yellow Roadway has agreed to reimburse IFL for reasonable fees and disbursements of IFL's counsel and all of IFL's reasonable travel and other out-of-pocket expenses incurred by IFL in performing its engagement in connection with the merger, up to \$100,000 in the aggregate.

Yellow Roadway has also agreed to indemnify IFL and certain related persons to the full extent lawful against certain liabilities, including certain liabilities under the federal securities laws arising out of its engagement or the merger.

IFL is an investment banking firm whose professionals are experienced in providing advice in connection with mergers and acquisitions and related transactions. IFL and its affiliates have, from time to time, provided investment banking services to Yellow Roadway or its affiliates for which they have received compensation. Pursuant to the general engagement letter dated December 7, 2004 between Yellow Roadway and IFL, IFL has been retained to advise Yellow Roadway on various strategic, business and financial matters for which IFL receives compensation. IFL and its affiliates may actively trade securities of Yellow Roadway or USF for their own account or the account of their customers and, accordingly, may from time to time hold a long or short position in such securities.

**USF's Reasons for the Merger**

In the course of reaching its decision to approve the merger agreement, the USF board of directors consulted with USF's management, as well as with its financial advisor and outside legal counsel, and considered a number of factors, including:

The amount and form of the consideration to be received by USF's stockholders, and in particular that:

The value of the merger consideration as of the last trading day before the announcement of the merger and the last trading day prior to news reports of merger discussions represented substantial premiums to the recent trading prices of USF common stock.

The consideration consisted of a combination of cash and stock, with the stock portion of the merger consideration having a fixed exchange ratio, thus fixing the value in cash for 50% of the USF common stock and providing the opportunity (and corresponding risk) to share in the stock price performance of Yellow Roadway for the remainder of the USF common stock.

The fact that the merger is structured to permit the tax free exchange of shares of USF common stock for Yellow Roadway common stock in the merger.

The USF board of directors' belief, based in part upon due diligence by USF management and its financial advisor, including due diligence about Yellow Roadway's performance in integrating the 2003 combination of Yellow and Roadway, that Yellow Roadway

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was well managed and well perceived by investors and as a result that its chances of meeting or exceeding operational and financial expectations, including synergy expectations for the merger, were good and that meeting or exceeding those expectations could translate into continued strong stock price performance relative to its peer companies.

The results of a 2004 examination of USF's strategic alternatives, during which the USF board of directors considered a variety of transactions available to USF as an independent company and continuing to execute its existing business plan, as well as the possible sale of USF to a variety of potential purchasers.

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The opinion of Morgan Stanley to the USF board of directors that, as of February 27, 2005, and based upon and subject to the assumptions, considerations and limitations set forth in the opinion, the merger consideration to be received by holders of USF common stock pursuant to the merger agreement was fair, from a financial point of view, to those holders. See *Opinion of Morgan Stanley & Co. Incorporated, Financial Advisor to USF Corporation* beginning on page 56 of this joint proxy statement/prospectus.

The likelihood of completion of the merger, given the conditions and regulatory approvals necessary to complete the merger and the terms and conditions of the merger agreement.

The terms and conditions of the merger agreement, including the parties' representations, warranties, covenants and conditions to their respective obligations, including, among others:

the exclusion from the definition of a material adverse effect of any adverse effects resulting from or arising out of labor or union activities after the date of the merger agreement as well as the other exclusions from the definition of material adverse effect;

Yellow Roadway's contractual commitment to use reasonable best efforts to obtain promptly all regulatory approvals (as described in detail in this joint proxy statement/prospectus in *The Merger Agreement Covenants and Agreements Covenant to Use Reasonable Best Efforts to Obtain All Necessary Regulatory Approvals* );

the absence of any financing condition;

the ability of USF's board of directors to consider unsolicited, superior acquisition proposals from third parties, subject to compliance with the terms of the merger agreement; and

the size of the termination fee provided in the merger agreement and the circumstances in which it is payable, which the USF board of directors believes would not reasonably be expected to discourage competing business combination proposals from third parties.

The fact that some directors and officers have interests in the merger as individuals in addition to, and that may be different from, their interests as stockholders. See *Interests of Certain Persons in the Merger* beginning on page 63 of this joint proxy statement/prospectus.

In addition to the above factors, in the course of its meetings, the USF board of directors reviewed and considered a wide variety of information relevant to the merger, including:

information concerning USF's and Yellow Roadway's businesses, historical financial performance and condition, operations, properties, assets, customers, competitive positions, prospects and management;

the current industry, economic and market conditions and trends; and

historical market prices, volatility and trading information with respect to USF common stock and Yellow Roadway common stock.



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The USF board of directors also considered countervailing factors in its deliberations concerning the merger, including:

the possibility that the merger might not be completed, or that completion might be unduly delayed, and the potential adverse consequences to USF's business as a result of the pendency of the merger and attendant operational disruption and customer concerns;

the fact that USF did not conduct an auction prior to entering into the merger agreement;

the fact that Yellow Roadway requires the approval of its stockholders to issue the Yellow Roadway common stock in the merger;

the fact that the trading price of Yellow Roadway common stock had increased by more than 160% since February 2004 and the possibility that this rate of increase could increase the risk of a stock price decline in the event of any failure to meet operational or earnings expectations;

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the risk that the potential benefits sought in the merger might not be fully realized, recognizing the many management challenges associated with successfully combining the USF and Yellow Roadway businesses;

the risk that, because of potential proration, USF stockholders may receive a form of consideration in the merger different from that which they elected to receive; and

various other risks associated with the merger and the businesses of USF, Yellow Roadway and the combined company described in the section entitled "Risk Factors" beginning on page 27 of this joint proxy statement/prospectus.

The USF board of directors recognized that there can be no assurance about future results, including results expected or considered in the factors listed above. The USF board of directors concluded, however, that the potential advantages outweighed the potential risk of completing the transaction.

The foregoing discussion of the information and factors considered by the USF board of directors is not exhaustive, but includes all material factors considered by the USF board of directors. In view of the wide variety of factors, both positive and negative, considered by the USF board of directors, the USF board of directors did not consider it practical to, nor did it attempt to, quantify, rank or otherwise seek to assign relative weights to the specific factors that it considered in reaching its decision. In considering the factors described above, individual members of the USF board of directors may have given different weight to different factors and may have applied different analysis to each of the material factors considered by the USF board of directors.

## **Recommendation of the USF Board of Directors**

After consideration of the factors discussed above, including the terms of the merger agreement and the merger, and without weight to any specific factor, the members of USF's board of directors have unanimously approved the merger agreement and declared it advisable.

**The USF board of directors unanimously recommends that USF stockholders vote FOR the adoption of the merger agreement at the USF special meeting of stockholders.**

## **Opinion of Morgan Stanley & Co. Incorporated, Financial Advisor to USF Corporation**

Morgan Stanley has acted as sole financial advisor to USF in connection with the merger. USF's board of directors selected Morgan Stanley to act as its financial advisor based on Morgan Stanley's qualifications, expertise and reputation and its knowledge of the business of USF. At the meeting of USF's board of directors on February 27, 2005, Morgan Stanley rendered its oral opinion, which was subsequently confirmed in writing on the same date, that based upon and subject to the assumptions, considerations and limitations set forth in its opinion, the consideration to be received by the holders of USF common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

**The full text of Morgan Stanley's opinion, dated February 27, 2005, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations of the reviews undertaken in rendering its opinion, is attached as Annex C to this joint proxy statement/prospectus. The summary of Morgan Stanley's fairness opinion set forth in this joint**

proxy statement/prospectus is qualified in its entirety by reference to the full text of its opinion. USF stockholders should read this opinion carefully and in its entirety. Morgan Stanley's opinion is directed to the board of directors of USF, addresses only the fairness from a financial point of view of the consideration to be received by holders of USF common stock, pursuant to the merger agreement, and does not address any other aspect of the merger. Morgan Stanley's opinion does not constitute a recommendation to any stockholders of USF as to how such stockholders should vote with respect to the proposed transaction or what election they should make with respect to the consideration offered.

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In connection with rendering its opinion, Morgan Stanley, among other things:

reviewed certain publicly available financial statements and other information of USF and Yellow Roadway;

reviewed certain internal financial statements and other financial and operating data concerning USF and Yellow Roadway prepared by the management of each of USF and Yellow Roadway;

reviewed certain financial projections prepared by the management of each of USF and Yellow Roadway;

discussed the past and current operations and financial condition and the prospects of each of USF and Yellow Roadway, including information relating to certain strategic, financial and operational benefits anticipated from the merger, with senior executives of USF and Yellow Roadway, respectively;

reviewed the pro forma impact of the merger on Yellow Roadway's earnings per share and other financial ratios;

reviewed the reported prices and trading activity for each of the USF common stock and the Yellow Roadway common stock;

compared the financial performance of each of USF and Yellow Roadway and the prices and trading activity of USF common stock and Yellow Roadway common stock with that of certain other comparable publicly-traded companies and their securities;

reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;

participated in discussions and negotiations among representatives of USF, Yellow Roadway and their respective financial and legal advisors;

reviewed the draft merger agreement;

reviewed certain documents and correspondence related to certain audit related matters involving both USF and Yellow Roadway and discussed such information with management of USF and Yellow Roadway and their advisors; and

performed such other analyses and considered such other factors as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon without independent verification the accuracy and completeness of the information reviewed by Morgan Stanley for the purposes of its opinion. With respect to the financial projections of USF and Yellow Roadway, including information relating to certain strategic, financial and operational benefits anticipated from the merger, Morgan Stanley assumed that they were reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of USF and Yellow Roadway. In addition, Morgan Stanley assumed that the merger would be consummated in accordance with the terms set forth in the merger agreement, without any waiver, amendment or delay of any terms and conditions, including, among other things, that the merger will be treated as a tax-free reorganization, pursuant to the Internal Revenue Code. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of USF, nor was it furnished with any such appraisals. Morgan Stanley is a financial advisor only and it relied upon, without independent verification, the assessment of Yellow Roadway and USF and their legal, tax, regulatory or accounting advisors with

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respect to such matters. Morgan Stanley's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of, February 27, 2005. Events occurring after such date may affect Morgan Stanley's opinion and the assumptions used in preparing it, and Morgan Stanley does not assume any obligation to update, revise or reaffirm its opinion.

In arriving at its opinion, Morgan Stanley was not authorized to solicit, and did not solicit, interest with respect to a business combination involving USF, nor did Morgan Stanley negotiate with any parties, other than Yellow Roadway, with respect to a business combination involving USF.

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The following is a summary of the material financial analyses performed by Morgan Stanley in connection with its opinion of February 27, 2005. Although each financial analysis was provided to the USF board, in connection with arriving at its opinion, Morgan Stanley considered all of its analyses as a whole and did not attribute any particular weight to any analysis described below. Some of these summaries include information in tabular format. In order to understand fully the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the analyses.

In arriving at its opinion regarding the fairness of the consideration to be paid to holders of USF common stock, Morgan Stanley calculated the implied blended merger consideration. This calculation was made on the basis that, in the aggregate, USF stockholders would receive 0.4512 shares of Yellow Roadway common stock plus \$22.50 in cash for each USF share they hold at the time of closing. As a result, Morgan Stanley calculated that the implied blended merger consideration was \$47.47 per share of USF common stock as of February 22, 2005, which was the sum of \$22.50 in cash plus \$24.97 (which equals 0.4512 multiplied by \$55.35, the closing price of Yellow Roadway common stock on February 22, 2005, the last trading day prior to reports in the press regarding a potential transaction between USF and Yellow Roadway).

**Historical Share Price Analysis**

Morgan Stanley performed an historical share price analysis to obtain background information and perspective with respect to the relative historical share prices of USF common stock and Yellow Roadway common stock. Consequently, Morgan Stanley reviewed the historical price performance of USF common stock from February 22, 2004 through February 22, 2005. For the one-year period ended February 22, 2005, the closing prices per share of USF common stock ranged from approximately \$28.00 to \$39.00. Morgan Stanley noted that the closing price of USF common stock on February 22, 2005 was \$33.36 per share and the closing price of Yellow Roadway common stock was \$55.35 per share. Morgan Stanley also noted that the implied blended merger consideration was \$47.47 as of February 22, 2005.

The following table displays the implied percentage premium of the \$47.47 implied blended merger consideration as of February 22, 2005 as compared to USF common stock prices over various periods. The following analysis was performed to provide perspective on the historical trading price of USF common stock versus the implied merger consideration.

Consideration	Implied Blended Merger Consideration as Compared to USF's Common Stock Price for Period Ending 2/22/05				
	2/22/05	30 Day Average	60 Day Average	6 Mo. Average	1 Yr. Average
Value as of 2/22/05					
\$47.47	42%	42%	36%	33%	37%

**Analyst Price Targets**

Morgan Stanley analyzed the analyst price targets for USF to derive an implied value for USF. Morgan Stanley gathered the publicly available 12-month price targets for USF from Wall Street equity research analysts available as of February 22, 2005. To estimate the current value of USF's common stock, Morgan Stanley discounted the high and low end of these targets by an estimated cost of equity of 11%, yielding a range of prices of approximately \$29.00 to \$35.00 per share of USF common stock. Morgan Stanley noted that the implied blended merger consideration for USF common stock was \$47.47 per share as of February 22, 2005.

*Comparable Companies Analysis*

Morgan Stanley performed a comparable company analysis, which attempts to provide an implied value for Yellow Roadway and USF by comparing them to similar companies. For purposes of its analysis, Morgan

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Stanley reviewed certain public market trading multiples for the following six public companies which, based on its experience with companies in the trucking industry, Morgan Stanley considered similar to USF in size and business mix:

Arkansas Best Corporation

CNF Inc.

Old Dominion Freight Line, Inc.

Overnite Corporation

SCS Transportation, Inc.

Vitrin Corporation Inc.

Morgan Stanley reviewed the following selected multiples for USF, Yellow Roadway and each of the comparable companies:

the per share price divided by 2004 actual and 2005 estimated earnings per share; and

the aggregate market value (defined as public equity market value plus total book value of debt, total book value of preferred stock and minority interest, less cash and other short term investments, and sometimes referred to as the aggregate value ) divided by earnings before interest, taxes, depreciation and amortization, or EBITDA , for 2004 actual and 2005 estimated.

Morgan Stanley calculated these financial multiples and ratios based on publicly available financial data as of February 18, 2005. The earnings per share and EBITDA estimates were based on actual figures for 2004 and I/B/E/S consensus estimates for 2005. For USF, the 2005 figures are based on the financial projections provided by USF for this period.

A summary of the range of market trading multiples of the comparable companies and those multiples calculated for USF is set forth below:

<u>Metric</u>	<u>Comparable Companies Range of Multiples</u>	<u>Median Multiple for Comparable Companies</u>	<u>USF</u>
Price / 2004 Earnings	13.5x-22.3x	16.7x	17.4x
Price / 2005 Earnings	12.4x-17.2x	12.4x	13.3x
Aggregate Value / 2004 EBITDA	5.2x-20.6x	6.3x	4.9x
Aggregate Value / 2005 EBITDA	4.3x- 6.6x	5.0x	4.2x



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Morgan Stanley noted that for purposes of its analysis, the ranges of multiples for the comparable company group were quite large and, if such ranges were used, would lead to large implied valuation ranges for USF. Based on its review of the multiple ranges for the comparable companies, Morgan Stanley selected for its comparable company analysis on USF, a representative multiple range based on (i) the per share price divided by 2004 earnings of 14.0x to 17.5x and (ii) the per share price divided by estimated 2005 earnings of 11.5x to 15.5x.

Based upon and subject to the foregoing, Morgan Stanley calculated an implied valuation range for USF common stock of approximately \$28.00 to \$37.00 per share based on an average of (i) the USF share price divided by the 2004 earnings multiple range and (ii) the USF share price divided by the estimated 2005 earnings multiple range. Morgan Stanley calculated the per share implied valuation range based on the multiple range for price to USF's 2004 and estimated 2005 earnings, respectively, by multiplying the low and high ends of the multiple range by USF's 2004 and estimated 2005 earnings, respectively, and then dividing the resulting product by the number of shares of USF common stock outstanding. Morgan Stanley noted that the implied blended merger consideration was \$47.47 per share as of February 22, 2004.

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Although the comparable companies in this analysis were compared to USF for purposes of this analysis, Morgan Stanley noted that no company utilized in this analysis is identical to USF because of differences between the business mix, labor/union relations, regulatory environment, operations and other characteristics of USF and the comparable companies. In evaluating the comparable companies and in selecting the multiple ranges it used in its analysis, Morgan Stanley necessarily made judgments and assumptions with regard to industry performance, general business, economic, regulatory, market and financial conditions and other matters, many of which are beyond the control of USF, such as the impact of competition on the business of USF and on the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of USF or the industry or in the markets generally. Mathematical analysis (such as determining the average or median) is not in itself a meaningful method of using comparable company data.

***Discounted Equity Value Analysis***

Morgan Stanley analyzed USF by discounting future estimates of the USF share price. For its discounted equity value analysis, Morgan Stanley estimated the USF share price in 2007 by applying a multiple of earnings to the 2007 earnings per share estimates from two financial forecasts: (i) estimates provided by USF management for fiscal years 2005 through 2008 and (ii) a Moderate Case reflecting projected growth rates and operating ratios consistent with the past financial performance of USF. The multiple of earnings applied in this analysis was the same as the range used in the comparable company analysis, or 11.5x to 15.5x estimated 2007 earnings per share. Morgan Stanley discounted the 2007 share price estimate using an 11.0% cost of equity, yielding a range of prices from approximately \$34.00 to \$45.00 per share. Morgan Stanley also conducted this analysis using the Moderate Case, which yielded a range of prices from approximately \$24.00 to \$32.00 per share. Morgan Stanley noted that the implied blended merger consideration for USF common stock was \$47.47 per share as of February 22, 2005.

***Precedent transactions analysis***

Morgan Stanley analyzed USF relative to the values that have been paid in precedent transactions using two approaches: precedent purchase price multiples and premiums paid in precedent transactions.

***Precedent purchase price multiples***

Using publicly available information, Morgan Stanley reviewed the implied enterprise values and purchase price multiples in the following five selected transactions involving less-than-truckload carriers in the trucking industry:

<u>Acquiror</u>	<u>Target</u>
Yellow Corporation	Roadway Corporation
Overnite Corporation	Motor Cargo Industries, Inc.
Roadway Corporation	Arnold Industries, Inc.
FedEx Corporation	American Freightways Corporation
FedEx Corporation	Caliber System, Inc.

All multiples for the selected transactions were based on publicly available financial information. Financial data for USF was based on USF's public filings. Morgan Stanley reviewed enterprise values in the selected transactions as a multiple of the latest 12 months EBITDA. Morgan Stanley then applied a range of selected multiples of the latest 12 months EBITDA derived from the selected transactions to corresponding

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financial data for USF. This analysis indicated an implied per share equity reference range for USF of approximately \$42.00 to \$53.00 per share. Morgan Stanley noted the implied blended merger consideration was approximately \$47.47 per share as of February 22, 2005.

### *Premiums paid in precedent transactions*

Morgan Stanley also analyzed the implied value of USF by analyzing the average premium paid for U.S. public targets over the past 15 years. Using data from Thomson Financial, Morgan Stanley estimated that for

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transactions with an aggregate value of over \$100 million, the average premium paid was 41.1%. Morgan Stanley applied this precedent transaction premium to the range of values derived from the comparable company analysis (\$28.00 to \$37.00 per share). Morgan Stanley calculated an implied valuation range for USF common stock of approximately \$40.00 to \$52.00 per share based on this valuation methodology. Morgan Stanley noted that the implied blended merger consideration was \$47.47 per share as of February 22, 2005.

### ***USF Discounted Cash Flow Analysis***

Morgan Stanley also analyzed USF using a discounted cash flow analysis. This type of analysis is designed to provide insight into the value of a company as a function of its future cash flows and expenditures. This analysis of USF was a four-year discounted after-tax unlevered free cash flow, calculated as of June 30, 2005 and was based on the same financial cases described above. Morgan Stanley estimated a range of terminal values calculated in 2008 based on a last twelve months EBITDA multiple of 4.5x-5.5x. Terminal value refers to the value of all future cash flows from an asset at a particular point in time. Morgan Stanley discounted the unlevered free cash flow streams and the estimated terminal value to a present value based on a discount rate of 10%. Morgan Stanley chose the discount rate utilized in this analysis based upon an analysis of the weighted average cost of capital of USF and other comparable companies. Based on these projections and assumptions, the discounted cash flow analysis of USF yielded an implied valuation range of USF common stock of approximately \$45.00 to \$54.00 per share based on USF's financial projections and approximately \$34.00 to \$41.00 per share under the Moderate Case. These share prices were calculated by dividing the resulting value of USF's future cash flow streams less net debt by the number of shares of USF common stock outstanding. Morgan Stanley noted that the implied blended merger consideration for USF common stock was \$47.47 per share as of February 22, 2005.

### ***Leveraged Buyout Analysis***

Morgan Stanley also analyzed USF from the perspective of a potential purchaser that was not a trucking company, but rather was primarily a financial buyer that would effect a leveraged buyout of USF. This analysis, calculated as of June 30, 2005, assumed a leveraged buyout of USF's consolidated businesses, based on the same financial forecasts described above. For purposes of an investor's desired internal rates of return, Morgan Stanley assumed a range of purchase prices of \$34.00 to \$54.00 per share of USF common stock and an exit multiple range of last twelve months EBITDA equal to the multiple paid at the time of the leveraged buyout. Morgan Stanley also calculated sensitivities on an investor's desired potential internal rate of return assuming a range of purchase prices of \$34.00 to \$54.00 per share of USF common stock, sensitivities on the projections provided by USF management and an exit multiple of 4.5x to 6.5x trailing EBITDA in 2009. Based on these projections and assumptions, Morgan Stanley calculated an implied valuation range of USF common stock of \$39.00 to \$42.00 using USF's financial projections and \$32.00 to \$36.00 per share under the Moderate Case. Morgan Stanley noted that the implied blended merger consideration for USF common stock was \$47.47 per share as of February 22, 2005.

### ***Pro Forma Analysis***

Morgan Stanley analyzed the pro forma impact of the merger on Yellow Roadway's pro forma earnings per share and its impact on the pro forma credit profile of the combined companies. Morgan Stanley based this analysis on 2005 and 2006 earnings projections provided by USF and Yellow Roadway management and financial projections by Wall Street research analysts. Morgan Stanley also assumed for purposes of this analysis that the implied blended merger consideration was \$47.50 per share, which was intended to reflect the approximate value, on a per share basis, of the aggregate merger consideration based on the closing price of Yellow Roadway common stock on February 22, 2005 (the last trading day prior to the publication of rumors concerning the proposed transaction). Based on this analysis and using the management projections for both companies, and assuming half a year of USF contribution to Yellow Roadway's fiscal year 2005 operating results, as well as other assumptions that may vary from actual results, Morgan Stanley observed that the merger



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would result in earnings per share dilution for Yellow Roadway stockholders of 12.9% in fiscal year 2005 and 7.7% in fiscal year 2006, before taking into account any one-time charges or synergies. According to this analysis and not reflective on actual projected synergies, Morgan Stanley observed that the pretax synergies required for the combined entity to realize no earnings dilution in fiscal year 2005 was \$73 million and in fiscal year 2006 was \$56 million. Including realizable pretax synergies of \$110 million in fiscal year 2006, before taking into account any one-time charges, the merger would result in earnings per share accretion for Yellow Roadway stockholders of 7.9%.

Morgan Stanley performed a variety of financial and comparable analyses for purposes of rendering its opinion. The preparation of a fairness opinion is a complex process and is not susceptible to partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor considered. Furthermore, Morgan Stanley believes that the summary provided and the analyses described above must be considered as a whole and that selecting any portion of the analyses, without considering all of them, would create an incomplete view of the process underlying Morgan Stanley's analysis and opinion. As a result, the ranges of valuations resulting from any particular analysis or combination of analyses described above should not be taken to be the view of Morgan Stanley with respect to the actual value of USF or Yellow Roadway or their common stock.

In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business, regulatory and economic conditions and other matters, many of which are beyond the control of Morgan Stanley, USF or Yellow Roadway. Any estimates contained in the analysis of Morgan Stanley are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates. The analyses performed were prepared solely as part of the analyses of Morgan Stanley of the fairness from a financial point of view of the consideration to be received by holders of shares of USF common stock pursuant to the merger agreement and were prepared in connection with the delivery by Morgan Stanley of its opinion on February 27, 2005 to USF's board of directors. These analyses do not purport to be appraisals or to reflect the prices at which shares of Yellow Roadway or USF common stock might actually trade.

The merger consideration was determined through arm's-length negotiations between USF and Yellow Roadway and was approved by USF's board of directors. Morgan Stanley provided advice to USF during these negotiations. Morgan Stanley did not, however, recommend any specific merger consideration to USF or that any specific consideration constituted the only appropriate consideration for the merger.

The opinion of Morgan Stanley was one of the many factors taken into consideration by the USF board of directors in making its determination to approve the proposed transaction. Consequently, the analyses as described above should not be viewed as determinative of the opinion of USF's board of directors with respect to the merger consideration or of whether USF's board of directors would have been willing to agree to a different consideration. The foregoing summary does not purport to be a complete description of the analyses performed by Morgan Stanley.

Morgan Stanley is an internationally recognized investment banking and advisory firm. Morgan Stanley, as part of its investment banking business, is continuously engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate, estate and other purposes. In the ordinary course of its business, Morgan Stanley and its affiliates may from time to time trade in the securities or the indebtedness of USF, Yellow Roadway and their affiliates for its own account, the accounts of investment funds and other clients under the management of Morgan Stanley and for the accounts of its customers and accordingly, may at any time hold a long or short position in such securities or indebtedness for any such account. In the past, Morgan Stanley and its affiliates have provided financial advisory and financing services to USF and have received fees for rendering of these services. Specifically, during the past two years, Morgan Stanley has received from USF approximately \$0.1 million in connection with its investment banking activities, exclusive of any fees related to this transaction. In addition, Morgan Stanley may provide, or seek to provide, financial advice and financing services to the combined company.

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Pursuant to an engagement letter dated as of August 11, 2004 and the addendum dated January 12, 2005, USF has agreed to pay Morgan Stanley a transaction fee based on the aggregate transaction value of USF at the time of closing. If calculated based on the March 30, 2005 closing price of Yellow Roadway common stock, Morgan Stanley's transaction fee would be approximately \$8.56 million, \$2.5 million of which became payable upon the announcement of the merger and the remainder of which is contingent upon the consummation of the merger. USF has also agreed to reimburse Morgan Stanley for its fees and expenses incurred in performing its services. In addition, USF has agreed to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under the federal securities laws, related to or arising out of Morgan Stanley's engagement and any related transactions.

## **Interests of Certain Persons in the Merger**

### ***USF Directors and Officers.***

In considering the recommendation of the USF board of directors with respect to the merger, USF's directors and executive officers have interests in the merger as individuals in addition to, and that may be different from, USF stockholders generally. The USF board of directors was aware of these interests of USF directors and executive officers and considered them in its decision to approve and adopt the merger agreement.

*Executive Retention Pool.* USF adopted an executive retention program that, subject to the terms and conditions therein, authorizes the making of retention payments to certain executive officers of USF in an aggregate amount of \$4.7 million. Executive officers in the executive retention program (and the amount of retention payment allocated to such person) include, among others, Mr. Bergmann (\$1.5 million), Steven Caddy (\$500,000), Edward R. Fitzgerald (\$400,000) and Douglas R. Waggoner (\$400,000). The executive retention program will provide a retention payment if either: (A) the executive is employed on the effective date of the merger and on the 12-month anniversary thereof or (B) if the executive is involuntarily terminated without cause (as defined in the executive retention program), resigns for good reason (as defined in the executive retention program), becomes disabled or dies before the 12-month anniversary of the merger. To the extent the executive is a party to a severance protection agreement with USF, USF is obligated to reimburse the executive for any additional tax liability incurred as a result of excise taxes imposed or payments deemed to be attributed to the merger.

*Agreements with Paul J. Liska.* On February 7, 2005, USF and Paul J. Liska entered into a letter agreement, which represented the culmination of discussions that began in November 2004, that sets forth the terms of Mr. Liska's service as USF's Executive Chairman (which service began in November 2004), including terms related to, among other things, the period of service, duties, compensation and indemnification. As part of his compensation package, Mr. Liska receives both cash in the amount of \$45,000 per month of service and a number of PSUs for each calendar month of service equal to the quotient of \$45,000 divided by the average of the closing prices of USF common stock on the last five trading days of such month.

Under the terms of the letter agreement, should Mr. Liska be terminated other than for cause (as defined in the letter agreement) with less than 90 days notice, he is to receive (i) a lump sum payment in cash of \$90,000 per month prorated for the unexpired balance of the 90-day notice period and (ii) \$90,000 per month for each of the six months following such termination. Consequently, upon the consummation of the merger, Mr. Liska will be entitled to a lump sum cash payment equal to such amounts (\$810,000) and a lump sum cash payment equal to the value of his unpaid PSUs. Mr. Liska also is entitled to receive reimbursement for any additional tax liability incurred as a result of excise taxes imposed on all payments deemed to be attributable to the merger.

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Pursuant to a separate agreement entered into between USF and Mr. Liska, USF will pay Mr. Liska at the effective time of the merger a transaction fee in the amount of \$2.19 million if USF completes the merger, provided that Mr. Liska has not voluntarily resigned as Executive Chairman prior thereto.



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*Severance Protection Agreements*

Upon the consummation of the merger, if the employment of an officer who is party to a severance protection agreement with USF is terminated on or before the second anniversary of a change in control (as defined in the severance protection agreement) for any reason other than for cause (as defined in his severance protection agreement) or if the officer terminates his employment for good reason (as defined in his severance protection agreement), the officer will be entitled to severance compensation as follows:

a lump sum payment in an amount equal to one or two times the sum of his base salary (as determined under the severance protection agreement), plus his target bonus amount (equal to the greater of (i) such employee's target bonus amount on the date of the change in control and (ii) such employee's target bonus amount on the date of termination of employment);

for either 12 or 18 months following his termination date, life insurance coverage substantially similar to those that he was receiving or entitled to receive immediately prior to the termination and, if the officer elects continuation coverage as mandated under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), payment of the full cost of such coverage during the 12- or 18-month period, or, if shorter, until the officer is no longer eligible for COBRA continuation coverage;

full vesting of all equity awards;

reasonable fees for outplacement services, at the expense of USF, for up to six months following such termination of employment;

reimbursement for any additional tax liability incurred as a result of excise taxes imposed or payments deemed to be attributable to the change in control; and

payment of any and all reasonable legal fees incurred as a result of efforts to enforce his severance protection agreement, which, for the severance protection agreements of certain officers, is payable only if such employee prevails on at least one material issue in dispute.

As condition to receiving such benefits, the officer must deliver an effective waiver and release of any claims against USF. Certain of the severance protection agreements (including those with Messrs. Caddy and Fitzgerald) also impose one-year customer non-solicitation and employee non-solicitation/no hire restrictions and a perpetual confidentiality restriction.

For purposes of the severance protection agreements, a merger (including the merger with Yellow Roadway) shall not constitute a change in control of USF for purposes of the applicable severance protection agreement until such merger is consummated.

The severance protection agreements expire on December 31, 2005, with annual evergreen provisions beginning in January 2006, subject to 90 days prior notice of non-renewal; provided, that the severance protection agreements automatically extend until the second anniversary of a change in control.

The following table sets forth the estimated amount of severance and other benefits that USF's named executive officers will receive if the merger occurs (including required excise tax gross-up payments for excess parachute payments received in connection with the merger),

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assuming that such executive officers became entitled to severance benefits (as described above). The estimates are based on the number of USF stock options, restricted stock and PSUs each such person owned as of March 15, 2005 (except in the case of the number of PSUs owned by Mr. Liska, which number has been calculated assuming additional grants through June 30, 2005) and certain assumptions, including that (i) the merger occurs on June 30, 2005, (ii) the USF stock options, restricted stock and PSUs are held through the effective time of the merger, (iii) the holders of restricted USF

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stock make a valid election for \$45.00 in cash (without proration or allocation) and (iv) the deemed per share merger consideration is equal to \$45.00.

	<u>Paul J. Liska</u>	<u>Thomas E. Bergmann</u>	<u>Steven Caddy</u>	<u>Edward R. Fitzgerald</u>	<u>Douglas R. Waggoner</u>
Severance Payment		\$ 2,200,000	\$ 1,203,200	\$ 1,116,000	\$ 1,062,000
Retention Bonus		1,500,000	500,000	400,000	400,000
Pro Rata Bonus		272,740	139,643	122,981	117,030
Transaction Fee	\$ 2,190,000				
Contractual Payment	810,000				
CAP Plan		88,450	96,861	147,521	84,895
Stock Options	269,900	628,500	254,258	166,000	436,148
Restricted Stock		1,575,000	450,000	382,500	382,500
PSUs*	400,080				
Benefits Continuation		32,250	31,500	31,500	31,500
Outplacement		25,000	16,000	16,000	16,000
Gross-Up Adjustment	1,475,530	1,971,861	860,433	862,859	625,426
Reimbursement of Excise Taxes	893,433	1,193,962	514,840	488,810	378,695

\* Based on 4,891 PSUs granted to Mr. Liska as of March 1, 2005 and, for purposes of calculating the number of PSUs to be granted to Mr. Liska during the period from March 1, 2005 to June 30, 2005, assuming a closing price of USF common stock of \$45.00 per share throughout such period.

The following table sets forth the change in value of the USF stock options, restricted stock and PSUs owned by each of the persons named in the table above and the resulting additional gross-up adjustment and reimbursement of excise taxes for each \$1.00 change in the deemed per share merger consideration of \$45.00.

**Change in value for each \$1.00 change in the deemed per share merger consideration of \$45.00**

	<u>Paul J. Liska</u>	<u>Thomas E. Bergmann</u>	<u>Steven Caddy</u>	<u>Edward R. Fitzgerald</u>	<u>Douglas R. Waggoner</u>
Stock Options*	+/- \$ 15,000	+/- \$ 50,000	+/- \$ 19,600	+/- \$ 11,000	+/- \$ 32,000
Restricted Stock**					
PSUs***	+/- \$ 4,891				
Gross-Up Adjustment	+/- \$ 1,334	+/- \$ 6,475	+/- \$ 1,184	+/- \$ 626	+/- \$ 1,580
Reimbursement of Excise Taxes	+/- \$ 808	+/- \$ 3,921	+/- \$ 708	+/- \$ 354	+/- \$ 957

\* Assumes that the deemed per share merger consideration is greater than the average exercise price of such options.

\*\* Value does not change because persons are assumed to have made a valid cash election.

\*\*\* Based on 4,891 PSUs granted to Mr. Liska as of March 1, 2005 and, for purposes of calculating the number of PSUs to be granted to Mr. Liska during the period from March 1, 2005 to June 30, 2005, using a base closing price of USF common stock of \$45.00 per share, adjusted to reflect the change in value in the deemed per share merger consideration, throughout such period.

*Funding under the USF Grantor Trust Agreement*

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Upon announcement of the merger, a lump sum contribution of the present value of certain employees' remaining accrued benefits under the USF Corporation Supplemental Executive Retirement Plan and the USF Corporation Non-Qualified Deferred Compensation Plan was mandated under the terms of a rabbi trust. Upon consummation of the merger, such persons will be entitled to receive the distribution in accordance with the terms of the applicable agreement.

**Table of Contents***Treatment of Stock Options, Restricted USF Shares and Phantom Stock Units*

Each option to purchase USF shares granted under a USF stock plan that is outstanding immediately prior to the effective time of the merger will become fully vested and fully exercisable at the effective time. At such time, each such unexercised USF option with an exercise price that is less than the deemed per share merger consideration will be cancelled and the holder of such option will be entitled to receive cash from USF in an amount equal to (i) the deemed per share merger consideration minus the exercise price per USF share under the applicable option, multiplied by (ii) the number of USF shares subject to such option. The deemed per share merger consideration is defined as (x) \$22.50 plus (y) 0.4512 multiplied by the Yellow Roadway closing price on the trading day immediately prior to the effective time. Each such unexercised USF option with an exercise price that is equal to or greater than the deemed per share merger consideration will be cancelled and the holder of such option shall not be entitled to receive any consideration for such option.

Each share of restricted USF stock granted under a USF stock plan that is outstanding immediately prior to the effective time will become fully vested and all restrictions relating to such USF shares shall lapse at the effective time. Each PSU granted under a USF stock plan or under another agreement will become fully vested and USF will be required to pay the holder of such PSU a cash amount equal to the deemed per share merger consideration multiplied by the number of USF shares credited under the applicable PSU.

The following table sets forth the amounts that USF's named executive officers and directors will receive pursuant to the merger in respect of USF stock options, restricted stock and PSUs each such person owned as of March 15, 2005 (except in the case of the numbers of PSUs owned by Messrs. Liska and Koffman, which numbers have been calculated assuming additional grants through June 30, 2005) and is based on the assumptions that (i) such USF stock options, restricted stock and PSUs are held through the effective time of the merger, (ii) the holders of restricted USF stock make a valid election for \$45.00 in cash (without allocation or proration) and (iii) the deemed per share merger consideration is equal to \$45.00.

Name	Options (# of shares)	Amount to be received in respect of Options	Restricted Stock (# of shares)	Amount to be	
				received in respect of Restricted Stock	received in respect of PSUs (# of shares represented)
<i>Executive Officers</i>					
Paul J. Liska	15,000	\$ 269,900			8,891* \$ 400,080*
Thomas E. Bergmann	50,000	628,500	35,000	\$ 1,575,000	
Edward R. Fitzgerald	11,000	166,000	8,500	382,500	
Steven Caddy	19,600	254,258	10,000	450,000	
Douglas R. Waggoner	32,000	436,148	8,500	382,500	
<i>Directors</i>					
Morley Koffman	70,000	\$ 1,363,910			1,575* \$ 70,875
Stephen W. Lilienthal	15,000	164,900			
Anthony J. Paoni	29,000	403,293			
Michael L. Thompson	10,000	109,400			
Neil A. Springer	45,000	729,535			
Glenn R. Richter	10,000	117,300			

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- \* Based on 4,891 PSUs and 1,572 PSUs granted to Messrs. Liska and Koffman, respectively, as of March 1, 2005 and, for purposes of calculating the number of PSUs to be granted to each such person during the period from March 1, 2005 to June 30, 2005, assuming a closing price of USF common stock of \$45.00 per share throughout such period.

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The following table sets forth the change in value of the USF stock options, restricted stock and PSUs owned by each of the directors named in the table above for each \$1.00 change in the deemed per share merger consideration of \$45.00.

**Change in value for each \$1.00 change in the deemed per share merger consideration of \$45.00**

	<b>Morley</b>	<b>Stephen W.</b>	<b>Anthony J.</b>	<b>Michael L.</b>	<b>Neil A.</b>	<b>Glenn R.</b>
	<b>Koffman</b>	<b>Lilienthal</b>	<b>Paoni</b>	<b>Thompson</b>	<b>Springer</b>	<b>Richter</b>
Stock Options*	+/- \$ 70,000	+/- \$ 15,000	+/- \$ 29,000	+/- \$ 10,000	+/- \$ 45,000	+/- \$ 10,000
Restricted Stock**						
PSUs***	+/- \$ 1,575					

\* Assumes that the deemed per share merger consideration is greater than the average exercise price of such options.

\*\* Value does not change because persons are assumed to have made a valid cash election.

\*\*\* Based on 1,572 PSUs granted to Mr. Koffman as of March 1, 2005 and, for purposes of calculating the number of PSUs to be granted to Mr. Koffman during the period from March 1, 2005 to June 30, 2005, using a base closing price of USF common stock of \$45.00 per share, adjusted to reflect the change in value in the deemed per share merger consideration, throughout such period.

***USF Directors and Executive Officers***

Pursuant to the terms of the merger agreement, one of the seven members of the USF board will be appointed as a director of Yellow Roadway. See Board of Directors and Management of Yellow Roadway Following the Merger .

Under the merger agreement, Yellow Roadway has agreed to indemnify and hold harmless all past and present officers and directors of USF for acts or omissions occurring at and prior to the effective time of the merger and to promptly advance reasonable litigation expenses incurred by these officers and directors in connection with investigating, preparing and defending any action arising out of these acts or omissions. See The Merger Agreement Indemnification and Insurance .

For a period of six years after the effective time of the merger, Yellow Roadway has agreed that it will provide USF's current officers and directors with an insurance and indemnification policy that provides for coverage of events occurring prior to the effective time and that is no less favorable than the existing policy or, if substantially equivalent insurance coverage is unavailable, the best available coverage. However, Yellow Roadway will not be required to pay an annual premium for this insurance in excess of \$2,250,000 (three times the most recent aggregate annual premium paid by USF prior to the date of the merger agreement). See The Merger Agreement Indemnification and Insurance .

USF directors and officers beneficially owned, as of the record date, approximately % of the outstanding USF common stock, including those shares of USF common stock underlying outstanding stock options.

***Yellow Roadway Directors and Executive Officers.***

The Yellow Roadway directors and executive officers beneficially owned, as of the record date, approximately % of the outstanding shares of Yellow Roadway common stock, including those shares of Yellow Roadway common stock underlying outstanding stock options.

### **Accounting Treatment**

The merger will be accounted for as a business combination using the purchase method of accounting. Yellow Roadway will be the acquiror for financial accounting purposes.



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**Opinions that the Merger Constitutes a Reorganization under Section 368(a) of the Internal Revenue Code**

The completion of the merger is conditioned on, among other things, the receipt of opinions from tax counsel for each of Yellow Roadway and USF that the merger will qualify as a reorganization under Section 368(a) of the Internal Revenue Code. These opinions will be delivered only if, among other things, the USF stockholders receive in the merger, in the aggregate, Yellow Roadway shares with an aggregate value equal to at least 45% of the combined value of the total consideration paid for all USF shares, taking into account, among other things, the amount of cash paid or deemed paid to USF stockholders in connection with the merger (including cash received by USF stockholders who perfect their dissenters' rights and cash received in lieu of fractional Yellow Roadway shares).

As described further under "The Merger Agreement - Proration and Allocation" on page 78 of this joint proxy statement/prospectus, the value of Yellow Roadway shares for purposes of determining the combined value of the total consideration paid by Yellow Roadway for all USF shares, will be valued at the average of the high and low trading prices of the Yellow Roadway shares on the day before the closing date of the merger. If the aggregate value of the Yellow Roadway shares received by stockholders of USF in the merger would be equal to less than 45% of the aggregate value of the total consideration paid or deemed paid for all USF shares, the adjustment described further under "The Merger Agreement - Proration and Allocation" will apply to the extent necessary so that the value of the Yellow Roadway shares will equal 45% of the value of the total consideration.

None of USF, Yellow Roadway or any corporation related to USF or Yellow Roadway has redeemed or purchased, or has any plan or intention to redeem or purchase, any USF shares in connection with the merger. Neither Yellow Roadway or any corporation related to Yellow Roadway has any plan or intention to repurchase any of the Yellow Roadway common stock to be issued in the merger.

**Regulatory Matters**

Under the Hart-Scott-Rodino Act, the merger may not be completed unless Yellow Roadway and USF file premerger notification and report forms with the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice and the waiting period under the HSR Act expires or is terminated. On March 14 and 15, 2005, Yellow Roadway and USF, respectively, submitted the regulatory filings to the Federal Trade Commission and the Antitrust Division and unless earlier terminated or extended by a request for additional information, the waiting period will expire at 11:59 p.m. on April 14, 2005. If extended by a request for additional information, the waiting period will, unless earlier terminated, expire 30 days after substantial compliance by both parties with request for additional information, or on the next regular business day if the 30<sup>th</sup> day falls on a Saturday, Sunday or legal public holiday.

At any time before the effective time of the merger, the Federal Trade Commission, the Antitrust Division, a state or non-U.S. governmental authority or a private person or an entity could seek under the antitrust laws, among other things, to enjoin the merger or to cause Yellow Roadway or USF to divest assets or businesses as a condition to completion of the merger. If a challenge to the merger is made, Yellow Roadway and USF may not prevail. The obligations of Yellow Roadway and USF to consummate the merger are subject to the condition that there be no order or injunction of a U.S. or non-U.S. court of competent jurisdiction or other governmental authority that prohibits the consummation of the merger. While the parties have agreed to use their reasonable best efforts with respect to antitrust matters, neither Yellow Roadway nor USF is under any obligation to defend any litigation relating to the merger under federal or state antitrust laws or sell or dispose of any of their assets.

Yellow Roadway and USF believe that they will obtain all material required regulatory approvals prior to the special meetings. It is not certain, however, that all approvals will be received by that time, or at all, and governmental authorities may impose unfavorable conditions for granting

the required approvals.

Other than as we describe in this document, the merger does not require the approval of any other U.S. federal or state or foreign agency.

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### **Board of Directors and Management of Yellow Roadway Following the Merger**

Immediately following the merger, the Yellow Roadway board will increase from ten directors to eleven directors. The Yellow Roadway board will then elect an existing USF director, to fill the newly created vacancy. The eleven board members will serve until the Yellow Roadway 2006 annual meeting of stockholders or until their successors are elected and qualified. Following the merger, William D. Zollars, currently Chairman, President and Chief Executive Officer of Yellow Roadway, will remain in these positions in Yellow Roadway.

### **Appraisal and Dissenters Rights**

Under the DGCL, any USF stockholder who does not wish to accept the merger consideration has the right to dissent from the merger and to seek an appraisal of, and to be paid the fair value (exclusive of any element of value arising from the accomplishment or expectation of the merger) for his or her shares of USF common stock, so long as the stockholder complies with the provisions of Section 262 of the DGCL.

Holders of record of USF common stock who do not vote in favor of the merger agreement and who otherwise comply with the applicable statutory procedures summarized in this joint proxy statement/prospectus will be entitled to appraisal rights under Section 262 of the DGCL. A person having a beneficial interest in shares of USF common stock held of record in the name of another person, such as a broker or nominee, must act promptly to cause the record holder to follow the steps summarized below properly and in a timely manner to perfect appraisal rights.

**THE FOLLOWING DISCUSSION IS NOT A COMPLETE STATEMENT OF THE LAW PERTAINING TO APPRAISAL RIGHTS UNDER THE DGCL AND IS QUALIFIED IN ITS ENTIRETY BY THE FULL TEXT OF SECTION 262 OF THE DGCL, WHICH IS REPRINTED IN ITS ENTIRETY AS ANNEX D. ALL REFERENCES IN SECTION 262 OF THE DGCL AND IN THIS SUMMARY TO A STOCKHOLDER OR HOLDER ARE TO THE RECORD HOLDER OF THE SHARES OF COMMON STOCK AS TO WHICH APPRAISAL RIGHTS ARE ASSERTED.**

Under Section 262 of the DGCL, holders of shares of USF common stock who follow the procedures set forth in Section 262 of the DGCL will be entitled to have their USF common stock appraised by the Delaware Chancery Court and to receive payment in cash of the fair value of these USF shares, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, as determined by that court.

Under Section 262 of the DGCL, when a proposed merger is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, must notify each of its stockholders who was a stockholder on the record date for this meeting with respect to shares for which appraisal rights are available, that appraisal rights are so available, and must include in this required notice a copy of Section 262 of the DGCL.

This joint proxy statement/prospectus constitutes the required notice to the holders of these USF shares and the applicable statutory provisions of the DGCL are attached to this joint proxy statement/prospectus as *Annex D*. Any stockholder who wishes to exercise his or her appraisal rights or who wishes to preserve his or her right to do so should review the following discussion and *Annex D* carefully, because failure to timely and properly comply with the procedures specified in *Annex D* will result in the loss of appraisal rights under the DGCL.

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A holder of USF shares wishing to exercise his or her appraisal rights (a) must not vote in favor of the merger agreement and (b) must deliver to USF prior to the vote on the merger agreement at the USF special meeting, a written demand for appraisal of his or her USF shares. This written demand for appraisal must be in addition to and separate from any proxy or vote abstaining from or against the merger. This demand must reasonably inform USF of the identity of the stockholder and of the stockholder's intent thereby to demand appraisal of his or her shares. A holder of USF common stock wishing to exercise his or her holder's appraisal rights must be the record holder of these USF shares on the date the written demand for appraisal is made and must continue to hold these USF shares until the consummation of the merger. Accordingly, a holder of USF common stock who is the record holder of USF common stock on the date the written demand for appraisal is

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made, but who thereafter transfers these USF shares prior to consummation of the merger, will lose any right to appraisal in respect of these USF shares.

Only a holder of record of USF common stock is entitled to assert appraisal rights for the USF shares registered in that holder's name. A demand for appraisal should be executed by or on behalf of the holder of record, fully and correctly, as the holder's name appears on the holder's stock certificates. If the USF shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of the demand should be made in that capacity, and if the USF common stock is owned of record by more than one owner as in a joint tenancy or tenancy in common, the demand should be executed by or on behalf of all joint owners. An authorized agent, including one or more joint owners, may execute a demand for appraisal on behalf of a holder of record. The agent, however, must identify the record owner or owners and expressly disclose the fact that, in executing the demand, the agent is agent for the owner or owners. A record holder such as a broker who holds USF common stock as nominee for several beneficial owners may exercise appraisal rights with respect to the USF shares held for one or more beneficial owners while not exercising appraisal rights with respect to the USF common stock held for other beneficial owners. In this case, the written demand should set forth the number of USF shares as to which appraisal is sought. When no number of USF shares is expressly mentioned, the demand will be presumed to cover all USF common stock in brokerage accounts or other nominee forms, and those who wish to exercise appraisal rights under Section 262 of the DGCL are urged to consult with their brokers to determine the appropriate procedures for the making of a demand for appraisal by such a nominee.

**ALL WRITTEN DEMANDS FOR APPRAISAL SHOULD BE SENT OR DELIVERED TO USF CORPORATION, 8550 W. BRYN MAWR AVE., STE. 700, CHICAGO, IL 60631, ATTENTION: SECRETARY.**

Within ten days after the consummation of the merger, the surviving company will notify each stockholder who has properly asserted appraisal rights under Section 262 of the DGCL and has not voted in favor of the merger agreement of the date the merger became effective.

Within 120 days after the consummation of the merger, but not thereafter, the surviving company or any stockholder who has complied with the statutory requirements summarized above may file a petition in the Delaware Chancery Court demanding a determination of the fair value of the USF common stock. None of Yellow Roadway, Sub or USF is under any obligation to and none of them has any present intention to file a petition with respect to the appraisal of the fair value of the USF shares. Accordingly, it is the obligation of stockholders wishing to assert appraisal rights to initiate all necessary action to perfect their appraisal rights within the time prescribed in Section 262 of the DGCL.

Within 120 days after the consummation of the merger, any stockholder who has complied with the requirements for exercise of appraisal rights will be entitled, upon written request, to receive from the surviving company a statement setting forth the aggregate number of USF shares not voted in favor of adoption of the merger agreement and with respect to which demands for appraisal have been received and the aggregate number of holders of these USF shares. These statements must be mailed within ten days after a written request therefor has been received by the surviving company.

If a petition for an appraisal is filed timely, after a hearing on the petition, the Delaware Chancery Court will determine the stockholders entitled to appraisal rights and will appraise the fair value of their USF shares, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. Stockholders considering seeking appraisal should be aware that the fair value of their USF shares as determined under Section 262 of the DGCL could be more than, the same as or less than the value of the consideration they would receive pursuant to the merger agreement if they did not seek appraisal of their USF shares and that investment banking opinions as to fairness from a financial point of view are not necessarily opinions as to fair value under Section 262 of the DGCL. The Delaware Supreme Court has stated that proof of value by any techniques or methods which are



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generally considered acceptable in the financial community and otherwise admissible in court should be considered in the appraisal proceedings.

The Delaware Chancery Court will determine the amount of interest, if any, to be paid upon the amounts to be received by stockholders whose USF shares have been appraised. The costs of the action may be determined by the Delaware Chancery Court and taxed upon the parties as the Delaware Chancery Court deems equitable. The Delaware Chancery Court may also order that all or a portion of the expenses incurred by any stockholder in connection with an appraisal, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts used in the appraisal proceeding, be charged pro rata against the value of all of the USF shares entitled to appraisal.

Any holder of USF common stock who has duly demanded an appraisal in compliance with Section 262 of the DGCL will not, after the consummation of the merger, be entitled to vote the USF shares subject to this demand for any purpose or be entitled to the payment of dividends or other distributions on those USF shares (except dividends or other distributions payable to holders of record of USF common stock as of a record date prior to the consummation of the merger).

If any stockholder who properly demands appraisal of his or her USF common stock under Section 262 of the DGCL fails to perfect, or effectively withdraws or loses, his or her right to appraisal, as provided in Section 262 of the DGCL, the USF shares of that stockholder will be converted into the right to receive the consideration receivable with respect to these USF shares in accordance with the merger agreement. A stockholder will fail to perfect, or effectively lose or withdraw, his or her right to appraisal if, among other things, no petition for appraisal is filed within 120 days after the consummation of the merger, or if the stockholder delivers to USF or the surviving company, as the case may be, a written withdrawal of his or her demand for appraisal. Any attempt to withdraw an appraisal demand in this matter more than 60 days after the consummation of the merger will require the written approval of the surviving company.

Failure to follow the steps required by Section 262 of the DGCL for perfecting appraisal rights may result in the loss of these rights, in which event a stockholder will be entitled to receive the consideration receivable with respect to his or her USF shares in accordance with the merger agreement.

## **Delisting and Deregistration of USF Common Stock**

If the merger is completed, the shares of USF common stock will be delisted from the Nasdaq National Market and will be deregistered under the Securities Exchange Act of 1934. The stockholders of USF will become stockholders of Yellow Roadway and their rights as stockholders will be governed by Yellow Roadway's certificate of incorporation and bylaws and by the laws of the State of Delaware. See Comparison of Stockholders' Rights beginning on page 115 of this joint proxy statement/prospectus.

## **Federal Securities Laws Consequences; Resale Restrictions**

All shares of Yellow Roadway common stock that will be distributed to USF stockholders in the merger will be freely transferable, except for restrictions applicable to affiliates of USF. Persons who are deemed to be affiliates of USF may resell Yellow Roadway shares received by them only in transactions permitted by the resale provisions of Rule 145 or as otherwise permitted under the Securities Act of 1933. Persons who may be deemed to be affiliates of USF generally include executive officers, directors and controlling stockholders of USF. The merger agreement requires USF to use its reasonable best efforts to cause each of its directors and executive officers who USF believes may be deemed to be affiliates of USF to execute a written agreement to the effect that those persons will not sell, assign or transfer any of the Yellow Roadway

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shares issued to them in the merger unless that sale, assignment or transfer has been registered under the Securities Act of 1933, is in conformity with Rule 145 or is otherwise exempt from the registration requirements under the Securities Act of 1933.

This joint proxy statement/prospectus does not cover any resales of the Yellow Roadway shares to be received by USF's stockholders in the merger, and no person is authorized to make any use of this joint proxy statement/prospectus in connection with any resale.



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**MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES**

The following discussion summarizes material U.S. federal income tax consequences of the merger to U.S. holders. This discussion is based upon the Internal Revenue Code of 1986, as amended, Treasury Regulations promulgated under the Internal Revenue Code, court decisions, published positions of the Internal Revenue Service and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations, possibly with retroactive effect. This discussion is limited to holders who hold USF shares as capital assets for U.S. federal income tax purposes (generally, assets held for investment). This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of their particular circumstances or to holders who may be subject to special treatment under U.S. federal income tax laws, such as tax exempt organizations, foreign persons or entities, financial institutions, insurance companies, broker-dealers, holders who hold USF shares as part of a hedge, straddle, wash sale, synthetic security, conversion transaction, or other integrated investment comprised of USF shares and one or more investments, holders with a functional currency (as defined in the Internal Revenue Code) other than the U.S. dollar, and persons who acquired USF shares in compensatory transactions. Further, this discussion does not address any aspect of state, local or foreign taxation. No ruling has been or will be obtained from the Internal Revenue Service regarding any matter relating to the merger and no assurance can be given that the Internal Revenue Service will not assert, or that a court will not sustain, a position contrary to any of the tax aspects described below. Holders are urged to consult their own tax advisors as to the U.S. federal income tax consequences of the merger, as well as the effects of state, local and foreign tax laws.

As used in this summary, a U.S. holder includes:

an individual U.S. citizen or resident alien;

a corporation, partnership or other entity created or organized under U.S. law (federal or state);

an estate whose worldwide income is subject to U.S. federal income tax; or

a trust if a court within the United States of America is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of USF shares, the tax treatment of a partner in that partnership will generally depend on the status of the partner and the activities of the partnership. Holders of USF shares that are partnerships and partners in these partnerships are urged to consult their tax advisors regarding the U.S. federal income tax consequences of owning and disposing of USF shares in the merger.

**THIS SUMMARY IS NOT A SUBSTITUTE FOR AN INDIVIDUAL ANALYSIS OF THE TAX CONSEQUENCES OF THE MERGER TO YOU. WE URGE YOU TO CONSULT A TAX ADVISOR REGARDING THE PARTICULAR FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE MERGER IN LIGHT OF YOUR OWN SITUATION.**

It is a condition to the closing of the merger that Fulbright & Jaworski L.L.P. and Sullivan & Cromwell LLP deliver opinions, dated as of the closing date of the merger, to Yellow Roadway and USF, respectively, to the effect that, if the merger is consummated in accordance with the merger agreement, the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, and that each of Yellow Roadway and USF will be a party to the merger within the meaning of Section 368(a) of the Internal Revenue Code. If certain events, some of which are described below, occur between the date of this joint proxy statement/prospectus

and the closing of the merger, each counsel may be unable to issue its opinion.

The opinions of Fulbright & Jaworski L.L.P., counsel to Yellow Roadway, and Sullivan & Cromwell LLP, counsel to USF, which are required as a condition to closing the merger, are and will be based on U.S. federal

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income tax law in effect as of the date of these opinions. An opinion of counsel is not binding on the Internal Revenue Service or any court. In rendering the opinions, Fulbright & Jaworski L.L.P. and Sullivan & Cromwell will rely on certain assumptions, including assumptions regarding the absence of changes in existing facts and the completion of the merger strictly in accordance with the merger agreement and this joint proxy statement/prospectus. The opinions will also rely upon certain representations and covenants of the management of Yellow Roadway and USF and will assume that these representations are true, correct and complete without regard to any knowledge limitation, and that these covenants will be complied with. If any of these assumptions or representations are inaccurate in any way, or any of the covenants are not complied with, the opinions could be adversely affected.

### **Tax Consequences of the Merger to U.S. Holders of USF Common Stock**

#### ***The Merger***

Assuming the merger qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, USF stockholders who exchange all their USF shares for Yellow Roadway shares will recognize neither gain nor loss, while USF stockholders who exchange some or all of their USF shares for cash will generally recognize gain (but not loss) in an amount generally equal to the lesser of:

the amount of cash received pursuant to the merger (excluding any cash received in lieu of fractional shares of Yellow Roadway),  
and

the amount, if any, by which the sum of the fair market value of the Yellow Roadway shares as of the effective time of the merger and the amount of cash received pursuant to the merger for these USF shares exceeds the U.S. holder's adjusted tax basis in these USF shares.

Gain recognized upon the exchange generally will be capital gain, unless the receipt of cash by a U.S. holder has the effect of a distribution of a dividend, in which case the gain will be treated as dividend income to the extent of the U.S. holder's ratable share of USF's accumulated earnings and profits as calculated for U.S. federal income tax purposes. In determining whether or not the receipt of cash has the effect of a distribution of a dividend, certain constructive ownership rules must be taken into account. Any recognized capital gain will be long-term capital gain if the U.S. holder has held USF shares for more than one year.

If a U.S. holder receives cash in lieu of a fractional share of Yellow Roadway shares, he or she will generally recognize capital gain or loss equal to the difference between the cash received in lieu of this fractional share and the portion of his or her adjusted tax basis in USF shares surrendered that is allocable to this fractional share. The capital gain or loss will be long-term capital gain or loss if the holding period for USF shares exchanged for cash in lieu of the fractional share of Yellow Roadway common stock is more than one year as of the date of the merger.

A U.S. holder will have an aggregate tax basis in shares of Yellow Roadway shares received in the merger equal to the aggregate adjusted tax basis in USF shares surrendered in the merger,

reduced by:

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the portion of his or her adjusted tax basis in those USF shares that is allocable to a fractional share of Yellow Roadway shares for which cash is received, and

the amount of cash received by him or her for these USF shares in the merger (but not any cash received in lieu of a fractional share of Yellow Roadway shares pursuant to the merger), and

increased by the amount of gain (including the portion of this gain that is treated as a dividend as described above) recognized by him or her in the exchange (but not by any gain recognized upon the receipt of cash in lieu of a fractional share of Yellow Roadway shares pursuant to the merger).

The holding period of the Yellow Roadway shares received by a USF stockholder pursuant to the merger will include the holding period of USF shares surrendered in exchange for these Yellow Roadway shares, if these USF shares are held as capital assets as of the effective time of the merger.

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One of the requirements that must be satisfied in order for the merger to qualify as a reorganization under the Section 368(a) of the Internal Revenue Code is the continuity of interest requirement. This requirement will be satisfied if the stockholders of USF exchange a substantial portion of the value of their proprietary interest in USF for proprietary interests in Yellow Roadway. In the opinion of Fulbright & Jaworski L.L.P. and of Sullivan & Cromwell LLP, the continuity of interest requirement will be satisfied if the value of the Yellow Roadway shares received in connection with the merger by the stockholders of USF equals or exceeds 45% of the total consideration paid or deemed paid in exchange for all USF shares, taking into account, among other things, the amount of cash paid or deemed paid to holders of USF shares in connection with the merger and cash to be paid to USF stockholders who perfect their dissenters' rights. If the aggregate value of the Yellow Roadway shares received by stockholders of USF in the merger would be equal to less than 45% of the aggregate value of the total consideration paid or deemed paid for all USF shares, the adjustment described further under "The Merger Agreement Proration and Allocation" will apply to the extent necessary so that the value of the Yellow Roadway shares will equal 45% of the total consideration.

None of USF, Yellow Roadway or any corporation related to USF or Yellow Roadway has redeemed or purchased, or has any plan or intention to redeem or purchase, any USF shares in connection with the merger. Neither Yellow Roadway or any corporation related to Yellow Roadway has any plan or intention to repurchase any of the Yellow Roadway common stock to be issued in the merger.

Under proposed U.S. Treasury regulations intended to clarify the time at which the shares of an acquiring corporation would be valued for purposes of determining whether the continuity of interest requirement is satisfied, the determination of whether the value of the Yellow Roadway shares received by the stockholders of USF in the merger would satisfy the continuity of interest requirement is made based on the value of the Yellow Roadway shares as of the end of the last business day before Yellow Roadway and USF entered into the merger agreement. As of that date, the value of the Yellow Roadway shares that will be issued in the merger exceeded 45% of the aggregate value of the total consideration paid or deemed paid for all USF shares. However, the proposed regulations have not been adopted and there can be no assurance that they will be adopted or, if adopted, that they will either apply to the merger or be adopted in their current form.

Holders of USF shares are entitled to dissenters' rights under Delaware law in connection with the merger. If a U.S. holder receives cash pursuant to the exercise of dissenters' rights, that U.S. holder generally will recognize gain or loss measured by the difference between the cash received and his or her adjusted tax basis in his or her USF shares. This gain should be long-term capital gain or loss if the U.S. holder held USF shares for more than one year. Any holder of USF shares that plans to exercise dissenters' rights in connection with the merger is urged to consult a tax advisor to determine the related tax consequences.

If the merger is not treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, then each U.S. holder would recognize gain or loss equal to the difference between the sum of the fair market value of the Yellow Roadway shares and the amount of cash received in the merger (including cash received in lieu of fractional shares of Yellow Roadway shares) and his or her tax basis in USF shares surrendered in exchange therefor. Further, if the merger is not treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, USF would be subject to tax on the deemed sale of its assets to Yellow Roadway with gain or loss for this purpose measured by the difference between USF's tax basis in its assets and the fair market value of the consideration deemed to be received therefor, or, in other words, the cash and Yellow Roadway shares. This gain or loss would be reported on USF's final tax return, subject to the effect of any tax carryovers and the effect of its other income or loss for that period, and Yellow Roadway would become liable for any such tax liability by virtue of the merger.

### ***Backup Withholding***

United States federal income tax law requires that a holder of USF shares provide the exchange agent with his or her correct taxpayer identification number, which is, in the case of a U.S. holder who is an individual, a



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social security number, or, in the alternative, establish a basis for exemption from backup withholding. Exempt holders, including, among others, corporations and some foreign individuals, are not subject to backup withholding and reporting requirements. If the correct taxpayer identification number or an adequate basis for exemption is not provided, a holder will be subject to backup withholding on any reportable payment. Any amounts withheld under the backup withholding rules from a payment to a U.S. holder will be allowed as a credit against that U.S. holder's U.S. federal income tax and may entitle the U.S. holder to a refund, if the required information is furnished to the Internal Revenue Service.

To prevent backup withholding, each holder of USF shares must complete the Substitute Form W-9 which will be provided by the exchange agent with the transmittal letter and certify under penalties of perjury that

the taxpayer identification number provided is correct or that the holder is awaiting a taxpayer identification number, and

the holder is not subject to backup withholding because:

the holder is exempt from backup withholding,

the holder has not been notified by the Internal Revenue Service that he is subject to backup withholding as a result of the failure to report all interest or dividends, or

the Internal Revenue Service has notified the holder that he is no longer subject to backup withholding.

The Substitute Form W-9 must be completed, signed and returned to the exchange agent.

***Information Reporting***

Stockholders of USF receiving Yellow Roadway shares in the merger should file a statement with their U.S. federal income tax return setting forth their adjusted tax basis in USF shares exchanged in the merger, as well as the fair market value of the Yellow Roadway shares and the amount of cash received in the merger. In addition, stockholders of USF will be required to retain permanent records of these facts relating to the merger.

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### **THE MERGER AGREEMENT**

The following is a summary of the material provisions of the merger agreement, a copy of which is attached as *Annex A* to this document and is incorporated in this joint proxy statement/prospectus by reference. You should read the merger agreement because it, and not this document, is the legal document that governs the merger.

You should not rely upon the representations and warranties in the merger agreement or the description of them in this joint proxy statement/prospectus as statements of factual information about either Yellow Roadway or USF. These representations and warranties were made by the parties only for purposes of the merger agreement, were made solely to each other as of the date of the merger agreement and are subject to modification or qualification by other disclosures made in connection with the merger agreement. The representations and warranties are reproduced and summarized in this joint proxy statement/prospectus solely to provide information regarding the terms of the merger agreement and not to provide you with any other information regarding Yellow Roadway or USF. Such information about Yellow Roadway and USF can be found elsewhere in this joint proxy statement/prospectus and in other public filings we make with the SEC.

#### **The Merger**

Upon the terms and subject to the conditions of the merger agreement, and in accordance with the DGCL and the Delaware Limited Liability Company Act, at the effective time of the merger, USF will merge with and into Yankee II LLC, a wholly owned subsidiary of Yellow Roadway, which we refer to as Sub. Sub will continue as the surviving company and a wholly owned subsidiary of Yellow Roadway operating under the name USF LLC. Yellow Roadway will continue under its existing name.

The closing date of the merger will occur no later than the first business day following the date on which all conditions to the merger, other than those conditions that by their nature are to be satisfied at the closing, have been satisfied or waived, unless the parties agree on another time. Yellow Roadway and USF expect to complete the merger during the summer of 2005. However, we do not know how long after the special meetings the closing of the merger will take place.

Contemporaneously with the closing of the merger, Sub and USF will file a certificate of merger with the Secretary of State of the State of Delaware. The effective time of the merger will be the time Sub and USF file the certificate of merger with the Secretary of State of the State of Delaware or at a later time as we may agree and specify in the certificate of merger.

As a result of the merger, USF will be merged with and into Sub and the separate corporate existence of USF will cease.

#### **Merger Consideration**

Upon the effectiveness of the merger, each share of USF common stock (other than any shares owned directly or indirectly by USF and Yellow Roadway and those shares held by dissenting stockholders) will be converted into the right to receive 0.9024 shares of Yellow Roadway common stock. At their election, each USF stockholder may elect to receive \$45.00 in cash in lieu of shares of Yellow Roadway common stock



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for each share of USF common stock they own at the effective time of the merger.

Notwithstanding the individual elections of the USF stockholders, 50% of the USF shares will be converted into cash. If more than 50% of the USF shares elect to receive cash, those stockholders that elect to receive cash will receive proportionately less cash and more stock such that 50% of the USF shares outstanding will receive cash, and 50% will receive stock. If fewer than 50% of the USF shares elect to receive cash, the stockholders not electing to receive cash will receive proportionately less Yellow Roadway stock and more cash such that 50% of the USF shares outstanding will receive cash and 50% will receive stock. As a result of these elections and

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adjustments, the aggregate consideration will consist of approximately 50% cash and 50% Yellow Roadway common stock. As a result of these elections and adjustments, the aggregate consideration will consist of approximately \$639 million in cash (based on the number of shares of USF common stock outstanding as of February 27, 2005) and the balance will be paid in Yellow Roadway common stock. Assuming all stockholders elect to receive 50% cash and 50% Yellow Roadway common stock, each stockholder will receive \$22.50 per share in cash and 0.4512 shares (or one half of the exchange ratio) of Yellow Roadway common stock for each USF share, subject to the proration and allocation provisions described above.

No fractional shares of Yellow Roadway common stock will be issued in the merger. All Yellow Roadway shares that a USF stockholder is entitled to receive will be aggregated. Any fractional Yellow Roadway shares resulting from this aggregation will be paid cash, without interest, in an amount equal to the fraction multiplied by the market value of a Yellow Roadway share, determined using the average of the high and low trading prices of Yellow Roadway common stock on the day before the closing as reported on the Nasdaq National Market, rounded to the nearest cent.

Yellow Roadway anticipates issuing approximately 12.8 million shares of Yellow Roadway common stock to USF shareholders pursuant to the merger agreement, representing approximately 20.8% of the shares of Yellow Roadway common stock outstanding immediately after the merger.

## **Election Procedures**

A cash election and transmittal form will be sent to you. Each cash election and transmittal form permits the holder to indicate an election to receive cash with respect to all or a portion of the holder's shares of USF common stock, subject to the proration and allocation procedures described below.

The deadline for submitting cash election and transmittal forms will be 4:00 p.m., New York, New York time, on the fourth trading day prior to the merger's closing date; this deadline is known as the cash election deadline. You will have the right to make a cash election from the time you receive your cash election form until the cash election deadline. ***As soon as practicable after the closing date of the merger is determined, Yellow Roadway and USF each will issue a press release, which will be available on each company's website (see [Where You Can Find More Information](#) on page 123), containing the specific date of the cash election deadline.*** You will not be able to determine every factor that may cause the proration and allocation procedures to apply and, therefore, your estimate of the consideration you will receive based on the announced exchange ratio may not be accurate. Any shares of USF common stock for which a properly completed cash election and transmittal form is not submitted will be converted into Yellow Roadway common stock upon the completion of the merger, subject to the proration and allocation procedures described below. If you fail to submit a cash election and transmittal form by the election deadline, you will receive Yellow Roadway common stock in the merger, subject to the proration and allocation procedures described below.

Elections are properly made only if the exchange agent actually receives a properly completed cash election and transmittal form by the election deadline, accompanied by the certificate representing the shares of USF common stock as to which the cash election is being made or, in the case of USF stockholders whose shares are held in book-entry form, you must instruct your broker, dealer, bank or other financial institution that holds the shares to make an election on your behalf by transferring the shares to an account established by the exchange agent for this purpose at Depository Trust Company, or DTC, and transmitting a message through DTC to the exchange agent setting forth your election with respect to your shares of USF common stock. You have the right to change or revoke your election anytime before 4:00 p.m., New York, New York time, on the election deadline. To change your election, you should submit to the exchange agent a properly completed and signed revised cash election and transmittal form or if your shares are held in book-entry form, you should cause a new message with revised election information to be transferred through DTC to the exchange agent for receipt by the exchange agent prior to the election deadline. To revoke your election, you should submit to the exchange agent written notice of revocation or cause a new message to be transmitted through DTC to the exchange agent

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withdrawing shares previously deposited and specifying the name and number of the account at DTC to be credited for receipt

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by the exchange agent prior to the election deadline. If a cash election and transmittal form is revoked, it will be treated as if no cash election had been made. A cash election and transmittal form received and not changed or revoked by 4:00 p.m., New York, New York time, on the election deadline will be binding and irrevocable.

If your share certificates are not immediately available, or if you cannot deliver your share certificates and other required documents to the exchange agent prior to the election deadline, or if you cannot comply with the book-entry transfer procedures on a timely basis, you may satisfy the cash election requirements by properly completing a guarantee of delivery under the guaranteed delivery procedures in the cash election and transmittal form. Under this procedure, the properly completed cash election and transmittal form, including the guarantee of delivery, must be received prior to the election deadline, and share certificates must be received by the exchange agent within three trading days thereafter.

Yellow Roadway will have the power, which it may delegate to the exchange agent, to determine, in its good faith reasonable judgment, whether any election has been properly or timely made and to disregard immaterial defects in cash election and transmittal forms. Any decision by Yellow Roadway or the exchange agent regarding these matters will be conclusive and binding.

If you send in your stock certificates now and the merger agreement is terminated, your stock certificates will be returned to you as soon as practicable after the date of termination.

## **Proration and Allocation**

Since the aggregate cash component of the consideration is limited, a USF stockholder may not receive the exact consideration elected on his or her cash election and transmittal form. In addition to the adjustments described above, the merger agreement requires that at least 45% of the value of the aggregate consideration consists of shares of Yellow Roadway common stock. Various events and circumstances have a bearing on whether this requirement can be satisfied, including:

whether there is a significant decline in the price of Yellow Roadway common stock as compared to its price as of the close of trading on February 22, 2005;

the amount of cash deemed to be paid for dissenting shares;

the amount of cash to be paid in lieu of fractional shares; and

a redemption by USF of a large number of shares of its common stock (which would require the consent of Yellow Roadway under the merger agreement), or the acquisition by Yellow Roadway or any parties related to either Yellow Roadway or USF of a large number of shares of USF common stock for consideration other than Yellow Roadway common stock prior to or as part of the merger.

If, after considering the above factors and any other events and circumstances relevant to determining the cash component of the aggregate consideration, the aggregate value of Yellow Roadway common stock to be issued to USF shareholders in the merger is less than 45% of the aggregate consideration, then the cash component of the merger consideration will be reduced and the number of shares of Yellow Roadway common stock to be issued to USF stockholders will be increased so that:

the aggregate increase in the value of the shares of Yellow Roadway common stock to be issued in the merger, based on the average of the high and low trading prices of the Yellow Roadway common stock on the day before the closing of the merger, equals the aggregate decrease in the cash merger consideration; and

the value of the Yellow Roadway common stock to be issued in the merger is equal to 45% of the value of the total merger consideration as measured on the day before the closing date.

As stated above, if the aggregate value of the Yellow Roadway common stock to be issued in the merger is less than 45% of the total consideration, the allocation of the total consideration would be subject to adjustment.

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For purposes of the following example, assume that cash elections have been made by all USF stockholders with respect to all of their USF shares and assume that the average of the high and low prices of the Yellow Roadway common stock on the day before the closing date is \$35.00, which would represent a significant drop from price of the Yellow Roadway common stock used to determine the exchange ratio. Based on these assumptions, the aggregate value of the consideration to be received by USF stockholders on the closing date for each share of USF common stock would be \$38.29, consisting of \$22.50 cash and \$15.79 of stock (\$35.00 multiplied by 50% of the 0.9024 exchange ratio, or 0.4512). This would result in an allocation of 58.76% cash and 41.24% stock. Consequently, the stock and cash included in the merger consideration would require reallocation to the extent necessary to result in an allocation of the total consideration of 45% stock and 55% cash. This reallocation would result in the value of the Yellow Roadway common stock consideration being equal to \$17.23 (\$38.29 multiplied by 45%) and cash of \$21.06 (\$38.29 multiplied by 55%). This example does not take into account various factors other than the cash election and the average of the high and low trading prices on the day before closing necessary to determine the proper proration and allocation of the cash and stock components of the aggregate consideration, which will not be known or determinable until the closing date, such as the number of shares with respect to which USF stockholders will exercise dissenters' rights, the aggregate amount of cash paid in lieu of fractional shares and the number of shares of USF common stock redeemed by USF (which would require the consent of Yellow Roadway under the merger agreement) or transferred or sold to Yellow Roadway or any parties related to either Yellow Roadway or USF for consideration other than Yellow Roadway common stock prior to or as part of the merger. As a result of the numerous variables, assumptions and uncertainties involved in the determination of the final allocation amounts, Yellow Roadway and USF can not provide any assurances regarding the final allocation amounts if an adjustment on the bases described above is required. It is unlikely that this example will be an accurate summary of the actual situation at closing, and it is likely that the reallocation, if any, will affect the USF stockholders differently depending on the percentages of cash and stock that such stockholders would originally be entitled to receive in the merger prior to any reallocation.

## **Exchange Procedures**

At the effective time of the merger, Sub will deposit with the exchange agent, for the benefit of the holders of USF common stock, an amount in cash and certificates representing shares of Yellow Roadway common stock sufficient to effect the conversion of USF common stock into the cash and stock consideration to be paid in the merger. Yellow Roadway or Sub will also make funds available to the exchange agent from time to time after the effective time of the merger as needed to pay any cash instead of fractional shares or any dividends or other distributions declared by Yellow Roadway on shares of Yellow Roadway common stock with a record date before or after the effective time of the merger and a payment date on or before the date the relevant USF stock certificate was surrendered.

At the effective time of the merger, the stock transfer books of USF will be closed and no further issuances or transfers of USF common stock will be made. If, after the effective time, valid USF stock certificates are presented to the surviving company for any reason, they will be cancelled and exchanged as described above to the extent allowed by applicable law.

## **Exchange of Shares**

As soon as reasonably practicable after the effective time of the merger, if you have not completed a valid cash election and transmittal form, the exchange agent will mail to each holder of record of USF shares a transmittal letter and instructions explaining how to surrender your certificates to the exchange agent. If you hold shares of USF common stock in street name, you will need to contact your broker and follow the procedures described by your broker to elect to receive cash for your shares.

The exchange agent will deliver to Yellow Roadway any (i) shares of Yellow Roadway common stock to be issued in the merger or funds set aside by Yellow Roadway to pay the cash consideration, (ii) cash in lieu of fractional shares in connection with the merger or to pay dividends or (iii) other distributions, in each case on Yellow Roadway shares to be issued in the merger that are not claimed by former USF stockholders within one



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year after the effective time of the merger. Thereafter, Yellow Roadway will act as the exchange agent and former USF stockholders may look only to Yellow Roadway for payment of their shares of Yellow Roadway common stock, cash consideration, cash in lieu of fractional shares and unpaid dividends and distributions. None of Yellow Roadway, the surviving company, the exchange agent or any other person will be liable to any former USF stockholder for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

If any certificates for shares of Yellow Roadway common stock are to be issued in a name other than that in which the USF stock certificate surrendered in exchange for these shares is registered, the person requesting the exchange must:

pay any transfer or other taxes required because the Yellow Roadway stock certificates must be issued in a name other than that of the registered holder of the certificate surrendered or

establish to the satisfaction of Yellow Roadway or the exchange agent that this tax has been paid or is not applicable.

**USF STOCK CERTIFICATES SHOULD NOT BE RETURNED WITH THE ENCLOSED PROXY CARD. USF STOCK CERTIFICATES SHOULD BE RETURNED WITH A VALIDLY EXECUTED CASH ELECTION AND TRANSMITTAL FORM OR THE TRANSMITTAL LETTER AND ACCOMPANYING INSTRUCTIONS WILL BE PROVIDED TO ANY REMAINING USF STOCKHOLDERS FOLLOWING THE EFFECTIVE TIME OF THE MERGER.**

## **Managers and Officers of the Surviving Company After the Merger**

Under the merger agreement, certain specified officers of Yellow Roadway will be the managers of the surviving company at and after the merger, and certain specified officers of Yellow Roadway, its subsidiaries or USF will be the officers of the surviving company at and after the merger.

## **Representations and Warranties**

The merger agreement contains customary and substantially reciprocal representations and warranties made by each party to the other. These representations and warranties relate to, among other things:

corporate organization, qualification and good standing and ownership of subsidiaries;

capitalization;

corporate power and authority to enter into the merger agreement, and due execution, delivery and enforceability of the merger agreement;



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required vote of stockholders to approve the merger;

opinions of financial advisors;

absence of a breach of charter documents, bylaws, material agreements, orders, decrees, licenses or permits as a result of the merger;

authorizations, consents, approvals and filings required to enter into the merger agreement or to complete the transactions contemplated by the merger agreement;

timely and accurate filings with the Securities and Exchange Commission in compliance with applicable rules and regulations;

absence of undisclosed liabilities;

environmental matters;

employee benefits and ERISA compliance;

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absence of specified adverse changes or events;

material litigation, material judgments or injunctions and absence of undisclosed investigations or litigation;

tax matters;

insurance matters;

intellectual property matters;

labor and employee matters;

title to owned and leased properties;

compliance with laws and government licenses and permits; and

brokers and finders' fees.

The merger agreement also contains additional representations and warranties of Yellow Roadway relating to, among other things:

having sufficient funds available to perform all of Yellow Roadway's obligations under the merger agreement, including its obligation to pay the aggregate cash consideration; and

ownership of Sub common shares.

Many of the representations and warranties of USF and Yellow Roadway are qualified by a material adverse effect standard. A material adverse effect, with respect to each of USF and Yellow Roadway, is defined in the merger agreement as a material adverse effect on the financial condition, properties, business or results of operations of such party and its subsidiaries, taken as a whole, excluding any effects resulting from or arising in connection with:

changes in the party's relationships with its employees or with any labor organization or other representative of such employees, or any adverse change, effect or circumstance resulting from or arising in connection with any union certification or decertification petition, union authorization campaign, grievance or arbitration proceeding or other labor-related proceeding or litigation, labor strike, slowdown, work stoppage or other labor controversy that is threatened to occur or occurs after February 27, 2005,

any adverse change, effect or circumstance resulting from entering into the merger agreement or the announcement thereof or the pendency or consummation of the transactions contemplated thereby,

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changes that are the result of general economic, capital market, regulatory, political or business conditions or acts of war or terrorism,

changes that are the result of factors generally affecting the industries or markets in which such party operates to the extent such changes do not disproportionately affect such party as compared to the typical company operating in such industry or market,

changes in applicable law, rule or regulations or generally accepted accounting principles or the interpretation thereof after February 27, 2005, or

any out of pocket expenses (including filing fees and legal expenses specifically with respect to any litigation arising from the transactions contemplated by the merger agreement) directly incurred by such party in connection with the transactions contemplated by the merger agreement and in accordance with its terms.

All of the representations and warranties in the merger agreement were required to be made by each party on the signing date of the merger agreement and will be required to be made again by each party on the closing date of the transaction, except that the representations and warranties concerning labor and employees matters were only required to be made as of the signing date of the merger agreement.

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The representations and warranties contained in the merger agreement will not survive the merger, but they form the basis of specified conditions to our obligations to complete the merger. Some agreements in the merger agreement will survive the effective time of the merger.

## **Covenants and Agreements**

### ***Operating Covenants USF***

Prior to the effective time of the merger USF has agreed that it and its subsidiaries will conduct their operations in the ordinary course in substantially the same manner as previously conducted and to use their reasonable best efforts to preserve intact their business organization and goodwill. Prior to the effective time of the merger, and unless Yellow Roadway and Sub consent otherwise in writing (which consent may not be unreasonably withheld or conditioned), with certain exceptions USF and its subsidiaries have agreed not to:

other than regularly scheduled quarterly dividends not to exceed \$0.093333 per share of common stock per fiscal quarter, declare, set aside or pay dividends on, or make any other distributions in respect of, any of its capital stock; split, combine or reclassify any of its capital stock; or redeem, purchase or otherwise acquire any shares of its capital stock;

issue, deliver, sell, pledge, dispose of or otherwise encumber any of its capital stock or any securities convertible into, or any rights, warrants or options to acquire, any such capital stock or voting debt (as defined in the merger agreement);

amend USF's certificate of incorporation or bylaws;

acquire or agree to acquire any business, entity or assets that would be material to USF, except purchases of supplies and inventory in the ordinary course of business consistent with past practice;

sell, lease, mortgage, pledge, grant a lien on or otherwise encumber or dispose of any of its properties or assets, except:

in the ordinary course of business and

other transactions involving not in excess of \$1,000,000 in the aggregate;

incur any indebtedness for borrowed money, except:

under working capital borrowings and letters of credit under revolving credit facilities incurred in the ordinary course of business;

indebtedness incurred to refund, refinance or replace indebtedness for borrowed money outstanding on the date of the merger agreement; and

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indebtedness existing solely between USF and its wholly owned subsidiaries or between such subsidiaries;

guarantee any indebtedness, issue any debt securities or warrants or rights to acquire any debt securities or guarantee any debt securities of others;

make any loans, advances or capital contributions to, or investments in, any other person, other than the advancement of travel and relocation expenses to employees of USF and its subsidiaries in the ordinary course of business consistent with past practice;

except for capital expenditures in compliance with the amounts and timing included in USF's written capital expenditure plan, make or incur any capital expenditure, except in the ordinary course of business or involving the expenditure in excess of no more than \$1,000,000 individually or in the aggregate;

make any material election relating to taxes or settle or compromise any material tax liability;

except as permitted under the exceptions to the non-solicitation provisions (see "No Solicitation" below) waive the benefits of, or agree to modify in any manner, any confidentiality, standstill or similar agreement to which it is a party;

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restructure, recapitalize, reorganize or completely or partially liquidate or adopt a plan of complete or partial liquidation or adopt resolutions providing for or authorizing any of the foregoing;

enter into any new collective bargaining agreement, including any collective bargaining agreement involving unions in more than one state, except that USF and its subsidiaries may:

enter into collective bargaining agreements that replace or renew collective bargaining agreements that existed as of December 31, 2004 so long as the terms and conditions of any such replacement or renewal agreement do not materially deviate from the terms and conditions of such existing agreement; and

enter into collective bargaining agreements for USF or subsidiary business locations that have had union elections prior to February 27, 2005 but for which no collective bargaining agreements existed as of such date, provided that USF and its subsidiaries negotiate such agreements in good faith and the final agreements contain commercially reasonable terms;

change any accounting principle used by it, except as required by applicable law or generally accepted accounting practices;

settle or compromise:

any litigation, administrative proceeding, claim or charge before or with the National Labor Relations Board or any other litigation, administrative proceeding, claim or charge that reasonably could be expected to have a significant impact on the labor relations of USF or any of its subsidiaries; or

any other claim, grievance, charge, litigation or proceeding in excess of \$2 million;

except in the ordinary course of business or as otherwise required pursuant to contracts existing on or prior to February 27, 2005, pay, discharge or satisfy any material claims, liabilities or obligations; provided, however, that USF and its subsidiaries may settle or compromise automobile and accident liability litigation in an individual amount not to exceed USF's self-insurance retention amounts;

enter into any new, or amend any existing, retention or severance agreement or arrangement, deferred compensation arrangement or employment agreement with any officer, director or employee whose annual base salary exceeds \$150,000;

enter into any employment agreement, retention or severance agreement or arrangement or deferred compensation arrangement with any director, officer or employee, except for:

agreements or arrangements with individuals hired or promoted to fill vacant positions on terms not more favorable in any material respect than those applicable to the person that previously held the vacant position;

severance agreements for new hires on terms providing net severance payments not greater than six months in base salary and target bonus; and

other severance commitments that are not in excess of \$50,000 for any individual; provided, however, that the severance payments and commitments in this bullet and the immediately preceding bullet shall not exceed \$2,000,000 in the aggregate;

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adopt any new incentive, retirement or welfare benefit arrangements, plans or programs for the benefit of current, former or retired employees or amend any existing USF benefit plan (other than amendments required by law or to maintain the tax qualified status of such plans under the internal revenue code);

grant any increases in employee compensation, other than in the ordinary course or pursuant to promotions, in each case consistent with past practice;

grant any stock options or stock awards; or

take any action or omit to take any action that could reasonably be expected to cause any of its representations and warranties in the merger agreement to become untrue in any material respect.

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*Operating Covenants Yellow Roadway*

Prior to the effective time of the merger Yellow Roadway has agreed that it and its subsidiaries will conduct their operations in the ordinary course in substantially the same manner as previously conducted and to use their reasonable best efforts to preserve intact their business organization and goodwill. Prior to the effective time of the merger, and unless USF consents otherwise in writing (which consent may not be unreasonably withheld or conditioned), with certain exceptions Yellow Roadway and its subsidiaries have agreed not to:

declare, set aside or pay dividends on, or make any other distributions in respect of, any of its capital stock or split, combine or reclassify any of its capital stock;

issue, deliver, sell, pledge, dispose of or otherwise encumber any of its capital stock or any securities convertible into, or any rights, warrants or options to acquire, any such capital stock or voting debt (as defined in the merger agreement) other than:

the issuance of shares upon the exercise of outstanding options or other stock awards outstanding as of February 27, 2005; or