

**CHARTER OF THE
COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS OF
YELLOW ROADWAY COMPANY
(October 19, 2004)**

The Board of Directors (the “Board”) of Yellow Roadway Company (together with its subsidiaries, the “Company”) has before this date established a Compensation Committee (the “Committee”). It is intended that this Charter and the composition of this Committee comply with applicable law and the rules of the NASDAQ National Stock Market. This document replaces and supercedes in its entirety all previous Charters of the Committee.

Purpose

The primary purposes of the Committee are to act on behalf of the Board to:

- A. set compensation, benefit and compensation-related policies for the Company and, pursuant to those policies, determine the compensation and benefits of the designated “executive officers” and other key officers of the Company other than the Chief Executive Officer;
- B. review and recommend for the full Board’s consideration the compensation and benefits of the Chief Executive Officer and directors of the Company;
- C. appoint health, welfare and retirement benefit plan administrators, trustees and other similarly required positions and monitor and provide oversight to these plans; and
- D. administer equity and other long-term compensation programs of the Company.

Membership

The Committee shall be comprised of two or more members of the Board of Directors. Each member of the Committee shall:

- be an “independent director” as independence is determined in accordance with applicable law and the NASDAQ Stock Market rules;
- qualify as a “non-employee” director under Rule 16b-3 of the Securities and Exchange Act of 1934, as amended; and
- qualify as an “outside director” under Section 162(m) of the Internal Revenue Code of 1986, as amended.

The Board of Directors shall appoint the members of the Committee. The Board shall designate one member of the Committee as the Chairman.

Responsibilities

The Committee's principal responsibilities are to act on behalf of the Board to do the following:

- A. Overall compensation policy.
- Periodically review the Company's overall compensation policy and strategy to align it with the Company's financial, operational and strategic goals
 - Set compensation to appropriately compensate chief executive officer and other senior executives without providing excessive compensation
 - Set compensation so that it is related to personal and corporate performance
 - Set compensation to attract and retain top executive competency
 - Select appropriate comparables for assessing the compensation structure of the Company's key executives
 - Oversee the development and implementation of the Company's compensation programs
- B. Executive officer compensation. For the Company's "executive officers," as executive officer is defined by the Securities Exchange Commission and the Internal Revenue Service and as the Board designates from time to time, review, set and approve:
- annual base salary
 - annual cash bonus opportunity level
 - long-term incentive compensation opportunity level
 - performance targets and criteria
 - equity-based compensation
 - perquisites and other forms of compensation
 - employment terms and agreements
 - severance arrangements
 - any change of control, indemnification or other employment or compensation-related agreements
- C. Key officer compensation. Review and establish the compensation of the Company's key officers other than the executive officers. Review the actions of the boards of directors of the Company's subsidiary companies with respect to compensation of the key officers of the subsidiaries to assess the financial impact to the shareholders.
- D. Director compensation. The Committee shall periodically review and make recommendations to the Board with respect to director compensation, including the terms and awards of equity-based compensation and the terms on which any compensation may be deferred.

- E. Executive succession planning. Provide for executive succession planning and review periodically the Company's succession plans for executive positions and its management development strategy.
- F. Compensation Committee Report. Annually, in the Company's proxy statement, report to the shareholders the basic compensation philosophy, compensation structure design and actions taken relative to executive compensation.
- G. Incentive compensation. With respect to incentive compensation:
1. annually review and provide oversight as to the design of the Company's incentive compensation plans, including equity-based plans;
 2. set and approve incentive compensation goals for the Company's executive officers;
 3. approve the creation or amendment of incentive compensation plans, subject, where appropriate, to applicable law and NASDAQ Stock Market, Securities and Exchange Commission and Internal Revenue Service rules and regulations requiring shareholder approval of such plans or amendments;
 4. assure that the Company's annual bonus and long-term incentive compensation plans are administered in a manner consistent with the Company's compensation philosophy and strategy; and
 5. interpret, administer and determine awards and grants under equity-based or incentive compensation plans for executive officers.
- H. Benefit plans. With respect to the Company's qualified and non-qualified benefit plans:
1. approve the termination, suspension, creation or amendment of Company-sponsored qualified or non-qualified retirement plans;
 2. review actuarial studies and the funding policy and annual contribution to the Company's defined benefit plans;
 3. monitor the investment performance of the assets of the qualified retirement plans and recommend any changes in investment policy;
 4. review the Company's financial performance and approve contributions (and the allocation of the contributions), if any, to the Company's defined contribution plans;
 5. review and approve any supplemental retirement arrangement for officers of the Company and review those arrangements for the subsidiary companies to assess the impact on the Company's shareholders; and
 6. take actions regarding benefit plans that the Committee determines are necessary or desirable.

- I. Equity Compensation Grants. Review, approve and set equity-compensation grants for “executive officers” and other key employees of the Company and approve the issuance or reservation of Company common stock to satisfy those grants upon vesting, the meeting of performance criteria or the lapse of applicable restrictions under the terms of those grants.
- J. Disclosure. Assure full disclosure of the Company’s compensation arrangements as the rules of the Securities and Exchange Commission may provide from time to time.
- K. Other responsibilities. The Committee shall have any other responsibilities as the Board may delegate to it from time to time. The Committee may perform any other functions and take other actions as it deems necessary or convenient to fulfill its responsibilities under this Charter.

Meetings and Procedures

The Compensation Committee shall meet at such times and places as the Compensation Committee shall determine, and generally, will meet at least four times in each fiscal year. The meetings shall be held in accordance with the provisions of the Company’s Bylaws, and the Committee shall maintain a record of its proceedings. The Committee shall report to the Board on a regular basis and shall make recommendations to the Board as it deems appropriate.

Advisors

The Committee may obtain advice from external or internal legal, accounting, compensation or other advisors. The Committee shall have the sole authority, and shall have appropriate funding from the Company, to select, retain, terminate and approve outside consultants, experts and other advisors as it deems appropriate to assist it in the performance of its responsibilities. The Committee shall have the sole authority to determine the terms of the engagement and the compensation of any advisors.

Evaluations

Annually, the Committee shall review and assess the adequacy of this Charter and conduct an evaluation of its own performance during the past year.