

## Edgar Filing: YELLOW ROADWAY CORP - Form 425

YELLOW ROADWAY CORP

Form 425

May 17, 2005

Filed by Yellow Roadway Corporation

Pursuant to Rule 425 under the Securities Act of 1933

Subject Company: Yellow Roadway Corporation

Commission File No.: 333-123760

### Forward-Looking Statements

The information presented in this communication may contain 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. Words such as expect(s), feel(s), believe(s), will, may, could, anticipate(s) and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to, statements regarding plans, objectives and expectations with respect to future operations, products and services; and statements regarding future performance. Such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of Yellow Roadway Corporation (Yellow Roadway) and USF Corporation (USF), that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include: those discussed and identified in public filings with the SEC by Yellow Roadway and USF; the parties' ability to consummate the proposed merger with, to achieve expected synergies and operating efficiencies in the merger within the expected time-frames or at all and to successfully integrate USF's operations into Yellow Roadway's operations; and the factors that generally affect the respective businesses of Yellow Roadway and USF as further outlined in Management's Discussion and Analysis of Financial Condition and Results of Operations in each of the companies' respective Annual Reports on Form 10-K. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Neither Yellow Roadway nor USF undertakes any obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are also urged to carefully review and consider the various disclosures in Yellow Roadway's and USF's various SEC reports, including, but not limited to, each party's Annual Report on Form 10-K for the year ended December 31, 2004.

### Additional Information

This communication may be deemed to be solicitation material in respect of the proposed merger of USF and Yellow Roadway. In connection with the proposed transaction, on May 5, 2005, Yellow Roadway filed Post Effective Amendment No. 1 to its Registration Statement on Form S-4, which contains an amended definitive proxy statement/prospectus relating to the proposed merger of Merger Sub with, and into, USF. Yellow Roadway and USF may file other relevant documents concerning the proposed transaction with the SEC. Investors are urged to read the amended proxy statement/prospectus dated May 5, 2005, and any other relevant documents filed with the SEC because they will contain important information. You will be able to obtain the documents free of charge at the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). In addition, you may obtain documents filed with the SEC by Yellow Roadway free of charge by requesting them in writing from Yellow Roadway or by telephone at (913) 696-6100. You may obtain documents filed with the SEC by USF free of charge by requesting them in writing from USF or by telephone at (773) 824-1000.

Yellow Roadway and USF, and their respective directors and executive officers, may be deemed to be participants in the solicitation of proxies from the stockholders of Yellow Roadway and USF in connection with the acquisition. Information about the directors and executive officers of Yellow Roadway and their ownership of Yellow Roadway stock is set forth in the proxy statement for the Yellow Roadway 2005 Annual Meetings of Stockholders. Information about the directors and executive officers of USF and their ownership of USF stock is set forth in USF's Annual Report on Form 10-K, as amended, for the year ended December 31, 2004. Investors may obtain additional information regarding the

interests of such participants by reading the proxy statement/prospectus.

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Yellow Roadway is seeking to raise, subject to market and other conditions, approximately \$250 million through a private offering of senior floating rate notes (the "notes"). Yellow Roadway previously announced that it had entered into an Agreement and Plan of Merger, dated as of February 27, 2005 and as amended as of May 1, 2005 (filed as Exhibit 1.1 to the Current Report on Form 8-K filed on May 2, 2005), with USF, and Yankee II LLC, a Delaware limited liability company and direct wholly owned subsidiary of the Company ("Merger Sub"), pursuant to which Merger Sub would merge with and into USF, resulting in USF becoming a wholly owned subsidiary of Yellow Roadway. Certain information, including pro forma information, related to the merger and currently contemplated related financings (including the offering of the notes) is filed herewith pursuant to Rule 425 under the Securities Act of 1933.

**Certain information provided by Yellow Roadway Corporation pursuant to Regulation FD**

As used in this document, references to Yellow Roadway, the company, we, our and us refer to Yellow Roadway Corporation and its subsidiaries, unless the context otherwise requires. The term USF refers to USF Corporation and its subsidiaries, unless the context otherwise requires. The term merger means the merger between USF and a subsidiary of Yellow Roadway pursuant to an Agreement and Plan of Merger, dated as of February 27, 2005, and as amended as of May 1, 2005, between Yellow Roadway, Yankee II LLC and USF. The term proposed notes offering refers to the proposed offering of \$250 million of Yellow Roadway's senior floating rate notes.

**Proposed Financings**

We currently have in place a \$450 million receivables financing facility secured by certain receivables of Yellow Transportation and Roadway Express (ABS Facility). We also have a \$500 million senior unsecured revolving credit facility, including a \$375 million letter of credit subfacility (Revolving Credit Facility). It is contemplated that at the effective time of the merger the aggregate amounts available under the ABS Facility and the Revolving Credit Facility will be increased to \$650 million and \$850 million, respectively. We expect that the cash portion of the merger consideration and our capital and liquidity needs (including refinancing of certain existing indebtedness of Yellow Roadway and USF) will be financed with a combination of proceeds from the proposed notes offering, borrowings under the ABS Facility and the Revolving Credit Facility and cash on hand.

In addition to the proposed financings, following consummation of the merger, USF and its subsidiaries will continue to be obligated on USF's \$150 million aggregate principal amount of 8.5% senior notes due April 15, 2010, and USF's \$100 million aggregate principal amount of 6.5% senior notes due May 1, 2009. Following consummation of the merger, Yellow Roadway will provide a parent guarantee of both series of notes.

**UNAUDITED CONDENSED COMBINED PRO FORMA FINANCIAL DATA**

The following unaudited condensed combined pro forma financial statements and explanatory notes have been prepared to give effect to the proposed merger and the related financing transactions, including the proposed notes offering. At the effective time of the proposed merger, Yankee II LLC, a newly formed wholly owned subsidiary of Yellow Roadway, will be merged with and into USF, with USF as the surviving entity. As a result of the merger, USF will become a wholly owned subsidiary of Yellow Roadway. The transaction is being accounted for as a purchase business combination.

Upon the effectiveness of the proposed merger, each share of USF stock (except those shares owned directly or indirectly by USF or Yellow Roadway and those shares held by dissenting stockholders) will be converted into the right to receive 0.31584 shares of Yellow Roadway common stock and \$29.25 in cash.

In accordance with Article 11 of Regulation S-X under the Securities Act of 1933, an unaudited condensed combined pro forma balance sheet as of March 31, 2005 and an unaudited condensed combined pro forma statement of operations for the three months ended March 31, 2005 and for the year ended December 31, 2004 have been prepared to reflect the proposed merger (treated as an acquisition of USF) and the consummation of the related financing transactions, including the proposed notes offering. The following unaudited condensed combined pro forma financial statements have been prepared based upon historical financial statements of Yellow Roadway and USF. The unaudited condensed combined pro forma financial statements reflect certain balance sheet and statement of operations reclassifications made to conform USF's presentations to those of Yellow Roadway. The unaudited condensed combined pro forma financial statements should be read in conjunction with:

Yellow Roadway's historical audited consolidated financial statements for the year ended December 31, 2004, and its unaudited condensed consolidated financial statements as of March 31, 2005 and for the three months ended March 31, 2005, included in Yellow Roadway's Annual Report on Form 10-K for the year ended December 31, 2004 and Yellow Roadway's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005; and

USF's historical audited consolidated financial statements for the year ended December 31, 2004 and its unaudited condensed consolidated financial statements as of April 2, 2005 and for the quarter ended April 2, 2005, included in USF's Annual Report on Form 10-K for the year ended December 31, 2004 and USF's Quarterly Report on Form 10-Q for the quarter ended April 2, 2005.

The unaudited condensed combined pro forma balance sheet was prepared by combining Yellow Roadway's historical unaudited consolidated balance sheet as of March 31, 2005 and USF's historical unaudited consolidated balance sheet as of April 2, 2005, adjusted to reflect the proposed merger and the consummation of the related financing transactions, including the proposed notes offering, as if each had occurred on March 31, 2005.

The unaudited condensed combined pro forma statement of operations was prepared using the historical consolidated statement of operations for both Yellow Roadway and USF assuming the proposed merger and related financing transactions, including the proposed notes offering, had each occurred on January 1, 2004. The unaudited condensed combined pro forma statement operations for the year ended December 31, 2004 was prepared by combining the historical audited consolidated statement of operations of Yellow Roadway and the historical audited consolidated statement of income of USF for the year ended December 31, 2004. The unaudited condensed combined pro forma statement of operations for the three months ended March 31, 2005 was prepared by combining the historical unaudited consolidated statement of operations of Yellow Roadway for the three months ended March 31, 2005 and the historical unaudited consolidated statement of income of USF for the quarter ended April 2, 2005. The unaudited condensed combined pro forma statements of operations give effect to the costs associated with financing the proposed merger, including interest expense and amortization of deferred financing costs associated with our currently contemplated financing transactions, including the proposed notes offering, related to the proposed merger, and the impact of other purchase accounting adjustments.



The unaudited condensed combined pro forma financial statements are prepared for illustrative purposes only, and do not purport to represent, and are not necessarily indicative of, the operating results or financial position that would have occurred if the merger transaction described above had been consummated at the beginning of the period or the date indicated, nor are they necessarily indicative of any future operating results or financial position. The unaudited condensed combined pro forma financial statements do not include any adjustments related to any restructuring charges, profit improvements, potential cost savings or one-time charges which may result from the proposed merger or the result of final valuations of tangible and intangible assets and liabilities.

The process of valuing USF's tangible and intangible assets and liabilities as well as evaluating accounting policies for conformity, including accounting policies related to claims and insurance accruals, 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. Following closing of the proposed merger, we will finalize the process of determining the fair value at the date of acquisition of the tangible and intangible assets and liabilities of USF. As a result of this process, we anticipate that a portion of the amount classified as goodwill in the unaudited condensed combined pro forma financial statements, which in accordance with Statement of Financial Accounting Standards No. 142 will not be amortized, will be reclassified to the tangible and identified intangible assets and liabilities acquired, based on their estimated fair values at the date of acquisition. These tangible and identified intangible assets will be depreciated and amortized over their estimated useful lives. As a result, the actual amount of depreciation and amortization expense may be materially different from that presented in the unaudited condensed combined pro forma statement of operations and the effects cannot be quantified at this time.

The merger and the related financing transactions, including the proposed notes offering, had not been consummated as of the preparation of these unaudited condensed combined pro forma financial statements.

## Unaudited Condensed Combined Pro Forma Balance Sheet

At March 31, 2005

	Historical		Pro Forma	
	Yellow		Adjustments	Combined
	Roadway	USF		
(in thousands)				
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 101,385	\$ 151,679	\$(834,322)(1)	\$ 27,642
			455,000(2)	
			250,000(3)	
			(96,100)(4)	
Accounts receivable, net	814,202	317,355		1,131,557
Prepaid expense and other	93,600	35,491	(1,053)(5)	128,038
Deferred income taxes	72,814	35,450		108,264
<b>Total current assets</b>	<b>1,082,001</b>	<b>539,975</b>	<b>(226,475)</b>	<b>1,395,501</b>
Property and equipment, at cost	2,671,736	1,462,611	19,000(6)	3,468,225
Less: accumulated depreciation	(1,256,731)	(685,122)	685,122(7)	(1,256,731)
<b>Net property and equipment</b>	<b>1,415,005</b>	<b>777,489</b>	<b>19,000</b>	<b>2,211,494</b>
Goodwill	634,364	99,551	(99,551)(8)	1,414,418
			780,054(1)	
Intangibles	464,975	185	(185)(8)	464,975
Other assets	49,629	33,803	(2,629)(5)	85,503
			4,700(4)	
<b>Total Assets</b>	<b>\$ 3,645,974</b>	<b>\$ 1,451,003</b>	<b>\$ 474,914</b>	<b>\$ 5,571,891</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>				
Current liabilities:				
Accounts payable	\$ 257,774	\$ 79,774	\$	\$ 337,548
Wages, vacations and employees' benefits	397,026	93,609		490,635
Other current and accrued liabilities	233,453	114,923		348,376
ABS borrowings			455,000(2)	455,000
Current maturities of long-term debt	404,400	65		404,465
<b>Total current liabilities</b>	<b>1,292,653</b>	<b>288,371</b>	<b>455,000</b>	<b>2,036,024</b>
Long-term liabilities:				
Long-term debt, less current portion	252,320	250,006	250,000(3)	779,448
			27,122(9)	
Claims and other liabilities	221,793	108,524		330,317
Accrued pension and postretirement health-care costs	289,242			289,242
Deferred income taxes	319,644	101,1087	(1,858)(10)	418,973



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Total long-term liabilities	<u>1,082,999</u>	<u>459,717</u>	<u>275,264</u>	<u>1,817,980</u>
Total shareholders equity	<u>1,270,322</u>	<u>702,915</u>	<u>(702,915)(11)</u> <u>447,565(1)</u>	<u>1,717,887</u>
<b>Total Liabilities and Shareholders Equity</b>	<b><u>\$ 3,645,974</u></b>	<b><u>\$ 1,451,003</u></b>	<b><u>\$ 474,914</u></b>	<b><u>\$ 5,571,891</u></b>



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**Unaudited Condensed Combined Pro Forma Statement of Operations**

**For the Three Months Ended March 31, 2005**

	<u>Historical</u>		<u>Pro Forma</u>	
	<u>Yellow</u>	<u>USF</u>	<u>Adjustments</u>	<u>Combined</u>
	<u>Roadway</u>			
	(in thousands, except per share data)			
Revenue	\$ 1,677,961	\$ 597,977	\$	