

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2019

OR

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

For the transition period from _____ to _____

Commission file number: 0-12255

YRC Worldwide Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

10990 Roe Avenue, Overland Park, Kansas

(Address of principal executive offices)

48-0948788

(I.R.S. Employer
Identification No.)

66211

(Zip Code)

(913) 696-6100

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	YRCW	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files)

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 28, 2019, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$134.0 million based on the closing price as reported on the NASDAQ Global Select Market.

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

<u>Class</u>	<u>Outstanding at March 6, 2020</u>
Common Stock, \$0.01 par value per share	36,081,170 shares

DOCUMENTS INCORPORATED BY REFERENCE

Pursuant to General Instruction G to Form 10-K, information required by Part III of this Form 10-K, either is incorporated herein by reference to a definitive proxy statement filed with the SEC no later than 120 days after the end of the fiscal year covered by this Form 10-K or will be included in an amendment to this Form 10-K filed with the SEC no later than 120 days after the end of the fiscal year covered by this Form 10-K.

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Note on Forward-Looking Statements

This entire report, including (among other items) Item 1, “Business,” Item 1A, “Risk Factors,” and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and other documents incorporated herein by reference includes forward-looking statements (each a “forward-looking statement”) within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements include those preceded by, followed by or including the words “will,” “may,” “should,” “expect,” “intend,” “anticipate,” “believe,” “project,” “forecast,” “propose,” “plan,” “designed,” “estimate,” “enable” and similar expressions. Those forward-looking statements speak only as of the date of this report. We disclaim any obligation to update those statements, except as applicable law may require us to do so, and we caution you not to rely unduly on them. We have based those forward-looking statements on our current expectations and assumptions about future events, which may prove to be inaccurate. While our management considers those expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory (including environmental), legal and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those we discuss in this report under the section entitled “Risk Factors” in Item 1A and the section entitled “Liquidity and Capital Resources” in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and in other reports we file with the Securities and Exchange Commission (the “SEC”). The factors we discuss in this report are not necessarily all the important factors that could affect us. Unpredictable or unknown factors we have not discussed in this report also could have material adverse effects on actual results of matters that are the subject of our forward-looking statements. We do not intend to update our description of important factors each time a potentially important factor arises. We advise our existing and potential security holders that they should (1) be aware that important factors to which we do not refer in this report could affect the accuracy of our forward-looking statements and (2) use caution and common sense when considering our forward-looking statements.

PART I

Item 1. Business

General Description of the Business

YRC Worldwide Inc. (also referred to as “YRC Worldwide,” the “Company,” “we,” “us” or “our”) is a holding company that, through its operating subsidiaries, offers its customers a wide range of transportation services. We have one of the largest, most comprehensive less-than-truckload (“LTL”) networks in North America with local, regional, national and international capabilities. Through our team of experienced service professionals, we offer expertise in LTL shipments and flexible supply chain solutions, ensuring customers can ship industrial, commercial and retail goods with confidence. Our reporting segments include the following:

- YRC Freight is the reporting segment that focuses on longer haul business opportunities with national, regional and international services. YRC Freight provides for the movement of industrial, commercial and retail goods. This reporting segment includes LTL subsidiaries YRC Inc. and YRC Freight Canada Company (both doing business as, and herein referred to as, “YRC Freight”) and HENRY Logistics, Inc. (“HENRY Logistics”), our customer-specific logistics solutions provider, specializing in truckload, residential, and warehouse solutions. In addition to the United States and Canada, YRC Freight also serves parts of Mexico and Puerto Rico.
- Regional Transportation is the reporting segment for our transportation service providers focused on business opportunities in the regional and next-day delivery markets. Regional Transportation is comprised of USF Holland LLC (“Holland”), New Penn Motor Express LLC (“New Penn”) and USF Reddaway Inc. (“Reddaway”). These companies each provide regional, next-day ground services in their respective regions through a network of facilities located across the United States, Canada, and Puerto Rico.

Incorporated in Delaware in 1983 and headquartered in Overland Park, Kansas, we employed approximately 29,000 people as of December 31, 2019. The mailing address of our headquarters is 10990 Roe Avenue, Overland Park, Kansas 66211, and our telephone number is (913) 696-6100. Our website is www.yrcw.com. Through the “SEC Filings” link on our website, we make available the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the SEC: our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. All of these filings may be viewed or printed from our website free of charge.

Narrative Description of the Business

YRC Freight

YRC Freight offers a full range of services for the transportation of industrial, commercial and retail goods in national, regional and international markets, primarily through the operation of owned or leased equipment in its North American ground distribution network. Transportation services are provided for various categories of goods, which may include (among others) apparel, appliances, automotive parts, chemicals, food, furniture, glass, machinery, metal, metal products, non-bulk petroleum products, rubber, textiles, wood and other manufactured products or components. YRC Freight provides both LTL services, which combine shipments from multiple customers on a single trailer and truckload services. Deliveries are predominately LTL shipments with truckload services offered to maximize equipment utilization and reduce empty miles (the distance empty or partially full trailers travel to balance the network). YRC Freight also provides higher-margin specialized services, including guaranteed expedited services, time-specific deliveries, cross-border services, coast-to-coast air delivery, product returns, temperature-sensitive shipment protection and government material shipments.

YRC Freight serves manufacturing, wholesale, retail and government customers throughout North America. YRC Freight’s approximate 18,000 employees are dedicated to operating its extensive network which supports approximately 9.6 million shipments annually. YRC Freight shipments have an average shipment size of approximately 1,100 pounds and travel an average distance of roughly 1,240 miles. Operations research and engineering teams coordinate the equipment, routing, sequencing and timing necessary to efficiently transport shipments through our distribution network. On December 31, 2019, YRC Freight’s revenue fleet was comprised of approximately 7,700 tractors, including approximately 5,500 owned tractors and 2,200 leased tractors, and approximately 29,800 trailers, including approximately 21,500 owned trailers and 8,300 leased trailers. The YRC Freight network includes 241 strategically located service facilities including 123 owned facilities with approximately 7,600 doors and 118 leased facilities with approximately 6,000 doors, in addition to 5 warehouses managed by our logistics solution provider, HENRY.

YRC Freight provides services throughout North America, has one of the largest networks of LTL service centers, equipment and transportation professionals and provides flexible and efficient supply chain solutions including:

- **Standard LTL:** one-stop shopping for all big-shipment national LTL freight needs with centralized customer service for LTL shipping among the countries of North America. YRC Freight offers flexibility, convenience and reliability that comes with one national freight shipping provider.
- **Guaranteed Standard:** services moving on our Standard network, with guaranteed on-time delivery by a specific day or within a multi-day window. Our guaranteed multiple-day window service is designed to meet retail industry needs to reduce chargeback fees.
- **Accelerated:** a faster option to our Standard service that moves through YRC Freight's faster network to increase our customers' speed to market.
- **Time-Critical:** for expedited and specialized shipments including emergency and window deliveries via ground or air anywhere in North America with shipment arrival timed to the hour or day, proactive notification and a 100% on-time guarantee.
- **Logistics Solutions:** includes a variety of services to meet industry and customer-specific needs with offerings such as custom projects, consolidation and distribution, reverse logistics, residential white glove, and exhibit services. These services are provided under HNRYS Logistics.
- **yrcreight.com and HNRYSLogistics.com:** secure e-commerce websites offering online resources for supply chain visibility and shipment management in real time.

YRC Freight includes the operations of its wholly owned Canadian subsidiary, YRC Freight Canada, and wholly owned logistics solutions subsidiary, HNRYS Logistics. Founded in 1952, YRC Freight Canada offers Canadian shippers a selection of direct connections within Canada and throughout North America. YRC Freight Canada's operating network and information systems are completely integrated with those of YRC Freight, enabling YRC Freight Canada to provide seamless cross-border services between Canada, Mexico and the United States and markets overseas. Formed in 2018, HNRYS Logistics is a coast-to-coast logistics brokerage company utilizing the YRC Worldwide portfolio of LTL companies to provide a full suite of logistics solutions to our customers.

YRC Freight represented 63% of our consolidated operating revenue in 2019, 2018 and 2017.

Regional Transportation

Regional Transportation is comprised of Holland, New Penn and Reddaway:

- **Holland:** headquartered in Holland, Michigan, provides next-day, regional and expedited services through a network located in 21 states in the Central, Midwestern and Southeastern portions of the United States. Holland also provides service to and from the provinces of Ontario and Quebec, Canada.
- **New Penn:** headquartered in Overland Park, Kansas, provides next-day, day-definite, and time-definite services through a network located in the Northeastern United States; Eastern Canada; and Puerto Rico.
- **Reddaway:** headquartered in Tualatin, Oregon, provides next-day, regional and expedited services through a network located in 12 western states spanning California, the Pacific Northwest, the Rocky Mountain States and the Southwest. Additionally, Reddaway provides services to and from Alaska, Hawaii and the province of British Columbia, Canada.

Together, the Regional Transportation companies deliver services in the standard, next-day, second-day and time-sensitive markets, which are among the fastest-growing transportation segments. The Regional Transportation service portfolio includes:

- **Regional delivery:** including next-day and second-day services; consolidation/distribution services; protect-from-freezing and hazardous materials handling; truckload and a variety of other specialized offerings.
- **Guaranteed and expedited delivery:** including day-definite, hour-definite and time-definite capabilities.
- **Interregional delivery:** combining our best-in-class regional networks, Regional Transportation provides reliable, high-value services between our regional operations.
- **Cross-border delivery:** through strategic partnerships, the Regional Transportation companies provide full-service capabilities between the United States, Canada, and Puerto Rico.
- **hollandregional.com, newpenn.com, and reddawayregional.com:** our e-commerce websites offering secure and customized online resources to manage transportation activity.

The approximate 11,000 employees of our Regional Transportation companies serve and support manufacturing, wholesale, retail and government customers throughout North America and transport approximately 9.2 million shipments annually. Regional Transportation shipments have an average shipment size of approximately 1,400 pounds and travel an average distance of roughly 360 miles. As of December 31, 2019, the Regional Transportation revenue fleet includes approximately 6,400 tractors including approximately 4,800 owned and 1,600 leased and approximately 13,900 trailers including approximately 9,800 owned and 4,100 leased. The Regional Transportation network includes 110 service facilities including 59 owned facilities with approximately 3,700 doors and 51 leased facilities with approximately 3,000 doors.

The Regional Transportation companies accounted for 37% of our consolidated operating revenue in 2019, 2018 and 2017.

Parent Company

YRC Worldwide, headquartered in Overland Park, Kansas, has approximately 525 employees. The parent company provides centrally-managed support to our operating companies that spans a variety of functions, including information technology, finance and accounting, legal, revenue management, risk management, procurement, and security. On January 1, 2020 all sales, marketing, and sales operations personnel were transferred to the parent company due to the reorganization towards an enterprise-wide sales force during 2019.

Each of our shared services organizations charges the operating companies for their services, either based upon usage or on an overhead allocation basis.

Competition

Our companies operate in a highly competitive environment. Our competitors include global, integrated freight transportation services providers, global freight forwarders, national freight services providers (including intermodal providers), regional or interregional carriers, third-party logistics providers, and small, intraregional transportation companies. The entire trucking industry also faces emerging competition from online technology firms that specialize in load-matching services and large customers that may use their significant scale advantages to offer transportation solutions to their suppliers and customers.

Our companies also have competitors within several different modes of transportation including: LTL, truckload, air and ocean cargo, intermodal rail, parcel and package companies, transportation consolidators, reverse logistics firms, and privately-owned fleets.

Ground-based transportation includes private fleets and “for-hire” provider groups. The private provider segment consists of fleets owned by companies that move their own goods and materials. The “for-hire” groups are classified based on the typical shipment sizes that they handle. Truckload refers to providers transporting shipments that generally fill an entire van, and LTL refers to providers transporting goods from multiple shippers in a single trailer.

LTL transportation providers consolidate numerous shipments (generally ranging from 100 to 20,000 pounds) from varying businesses at service centers within close proximity to where those shipments originated. Utilizing expansive networks of pickup and delivery operations around local service centers, shipments are moved between origin and destination using distribution centers when necessary, where consolidation and deconsolidation of shipments occur. Depending on the distance shipped, LTL carriers are often classified into one of four sub-groups:

- Regional - Average distance is typically fewer than 500 miles with a focus on one- and two-day delivery times. Regional transportation companies can move shipments directly to their respective destination centers, which increases service reliability and avoids costs associated with intermediate handling.
- Interregional - Average distance is usually between 500 and 1,000 miles with a focus on two- and three-day delivery times. There is a competitive overlap between regional and national providers in this category, as each group sees the interregional segment as a growth opportunity, and few providers focus exclusively on this sector.
- National - Average distance is typically in excess of 1,000 miles with focus on two- to five-day delivery times. National providers rely on intermediate shipment handling through a network of facilities, which require numerous satellite service centers, multiple distribution centers and a relay network. To gain service and cost advantages, they often ship directly between service centers, minimizing intermediate handling.
- Global - Providing freight forwarding and final-mile delivery services to companies shipping to and from multiple regions around the world. This service can be offered through a combination of owned assets or through a purchased transportation model and may involve just one leg of a shipment’s movement between countries.

YRC Freight provides services in all four sub-groups in North America. Holland, New Penn and Reddaway directly compete in the regional market and use intracompany and external interline relationships to provide service to the interregional and national transportation marketplace. HENRY Logistics is a non-asset-based provider of transportation solutions and competes with asset-based carriers, third-party logistics (“3PL”) firms, forwarders and global integrated freight transportation service

providers. Each brand competes against a number of providers in these markets, from small firms with one or two vehicles to global competitors with thousands of physical assets and non-asset-based logistics solutions. While we have competitors with a similar multi-dimensional approach, there are few in the traditional LTL segment with as comprehensive an offering in those categories as our family of companies provides.

Asset-based LTL carriers utilize 3PL firms. These asset-light service providers are both our customers and competitors. As customers, these firms aggregate truck shipment demand and distribute that demand across the transportation sector. Asset-based LTL carriers are the providers of shipping capacity to 3PL companies and thus our LTL offerings can benefit from the relationships with 3PL firms. As competitors, 3PLs often control shipper relationships and can shift shipment volumes away from specific carriers. Certain 3PLs have completed purchases of asset-based LTL carriers and certain LTL carriers have completed purchases of 3PLs, both which have and will continue to alter the competitive landscape in the future.

Several technology firms have introduced, or are in the process of introducing, load-matching technologies for heavyweight freight. Whereas these firms operate similar to a third-party logistics firm, they allow any carrier, of any size, to bid on specific shipment opportunities. They aggregate independent operators into streamlined solutions, giving shippers an easier means of engaging what has been a highly fragmented segment of trucking. Successfully winning a bid opportunity could be based on a truck's proximity to the pick-up location, price, or other factors. Just as in the 3PL scenario, we view these as potential opportunities as well as a competitive risk.

Large shippers with significant freight volume scale and advanced technologies offer transportation management services to their suppliers and customers. These companies often operate their own private fleets and can merge asset and non-asset based transportation solutions to create a competitive, market-facing offer.

Competitive cost of entry into the asset-based LTL sector on a small scale, within a limited service area, is relatively low (although more so than in other sectors of the transportation industry). The larger the service area, the greater the barriers to entry, due primarily to the need for additional equipment and facilities associated with broader geographic service coverage. Broader market coverage in the competitive transportation landscape also requires increased technology investment and the ability to capture cost efficiencies from shipment density (scale), making entry on a national basis more difficult.

Technological investments to improve network efficiency and optimize asset utilization can provide carriers with cost advantages. Further development of density-based pricing strategies require carriers to continue to make investments in scanning and measuring technologies. We have already taken significant steps toward implementing these various types of technologies, and other competitors in our industry are also making investments in these technologies at varying speeds.

Regulation

Our operating companies and other interstate motor carriers were substantially deregulated following the enactment of the Motor Carrier Act of 1980, the Trucking Industry Regulatory Reform Act of 1994, the Federal Aviation Administration Authorization of 1994 and the ICC Termination Act of 1995. Prices and services are now largely free of regulatory controls, although states retain the right to require compliance with safety and insurance requirements, and interstate motor carriers remain subject to regulatory controls imposed by agencies within the U.S. Department of Transportation.

Our companies are subject to regulatory and legislative changes, which can affect our economics and those of our competitors. Various federal and state agencies regulate us and our operations are also subject to various federal, foreign, state, provincial and local environmental laws and regulations dealing with transportation, storage, presence, use, disposal and handling of hazardous materials, emissions related to the use of petroleum-based fuels, fuel efficiency, discharge of storm-water and underground fuel storage tanks. Our drivers and facility employees are protected by occupational safety and health regulations and our drivers are subject to hours of service regulations. Some regulatory changes could potentially impact the pool of available drivers. We are also subject to security regulations intended to combat terrorism imposed by the U.S. Department of Homeland Security and other federal and state agencies. See the Risk Factors section related to our compliance with laws and regulations in Item 1A of this report.

Environmental Matters

Our operations are subject to U.S. federal, foreign, state, provincial and local regulations with regard to air and water quality and other environmental matters. We believe that we are in substantial compliance with these regulations. Regulation in this area continues to evolve and changes in standards of enforcement of existing regulations, as well as the enactment and enforcement of new legislation or regulation, may require us and our customers to modify, supplement or replace equipment or facilities or to change or discontinue present methods of operation.

Our operating companies store fuel and lubricating oils for use in our revenue equipment in approximately 212 underground storage tanks ("USTs") located throughout the United States. Maintenance of such USTs is regulated at the federal and, in some cases, state level. The USTs are required to have leak detection systems and are required to be extracted upon our exiting the property.

During 2019, we spent approximately \$8.9 million to comply with U.S. federal, state and local provisions regulating the discharge of materials into the environment or otherwise relating to the protection of the environment (collectively, “Environmental Regulations”). In 2020, we expect to spend approximately \$9.0 million to comply with the Environmental Regulations. Based upon current information, we believe that our compliance with Environmental Regulations will not have a material adverse effect upon our capital expenditures, results of operations and competitive position because we have either made adequate reserves for such compliance expenditures or the cost for such compliance is expected to be small in comparison with our overall expenses.

The Comprehensive Environmental Response, Compensation and Liability Act (known as the “Superfund Act”) imposes liability for the release of a “hazardous substance” into the environment. Superfund liability is imposed without regard to fault and even if the waste disposal was in compliance with then-current laws and regulations. With the joint and several liabilities imposed under the Superfund Act, a potentially responsible party (“PRP”) may be required to pay more than its proportional share of any required environmental remediation. Several of our subsidiaries have been identified as PRPs at various sites discussed below. The U.S. Environmental Protection Agency (the “EPA”) and appropriate state agencies are supervising investigative and cleanup activities at these sites.

The former Yellow Transportation (now a part of YRC Freight) has been alleged to be a PRP for two locations: Angeles Chemical Co., Santa Fe Springs, CA and Alburn Incinerator, Inc., Chicago, IL, which is included in the Lake Calumet Cluster Site. The EPA has issued YRC Freight a Request for Information (“RFI”) regarding Omega Chemical Corporation Superfund Site – Operable Unit 2, Santa Fe Springs, CA. With respect to these sites, there is little, if any evidence that YRC Freight contributed to any contamination and these allegations are not believed to present material exposure, but YRC Freight has entered into a tolling agreement with the Omega Chemical PRP Organized Group.

The former Roadway Express (now a part of YRC Freight) has been alleged to be a PRP for three locations: Ward Transformer, Raleigh, NC, Roosevelt Irrigation District, Phoenix, AZ and Berry’s Creek, Carlstadt, NJ. There is scant evidence connecting YRC Freight with either the Ward Transformer site or to the Roosevelt Irrigation District’s contaminated groundwater wells and any potential exposure is believed to be immaterial. The EPA and a number of potentially responsible parties have performed a Remedial Investigation and Feasibility Study (“RI/FS”) and the EPA has issued a record of decision for an interim remedy for the Berry’s Creek Study Area (“BCSA”). The EPA has requested that YRC Freight participate in designing the remedy (“Remedial Design”) for the BCSA. YRC Freight does not believe that it is a PRP for the BCSA and has, therefore, declined to participate in the Remedial Design.

The EPA has issued YRC Worldwide an RFI regarding current and former Yellow Transportation and Roadway Express (now YRC Freight) facilities adjacent to or in close proximity of Newtown Creek, NY and its tributaries. None of YRC Worldwide’s operating companies have been named as a PRP in this matter, but YRC Freight has entered into a tolling agreement with the Newtown Creek Group (“NCG”). The NCG is comprised of five companies and the City of New York who, per Consent Order, have agreed to perform a RI/FS under the supervision of the EPA. The EPA’s website regarding this matter provides status updates of site investigations and study.

USF RedStar LLC, a non-operating subsidiary, has been alleged to be a PRP at three locations: Booth Oil, N. Tonawanda, NY and two separate landfills in Byron, NY, and Moira, NY. Holland has been alleged to be a PRP in an RFI for one location, Horton Sales Piedmont Site, Greenville County, SC.

Although the outcome of any legal matter is subject to uncertainties, based on our current knowledge, we believe the potential combined costs at all of the above sites will not be significant and we believe we have made adequate reserves for complying with future EPA demands at such sites.

While PRPs in Superfund actions have joint and several liabilities for all costs of remediation, it is not possible at this time to quantify our ultimate exposure because the projects are either in the investigative or early remediation stage. Based upon current information, we do not believe that probable or reasonably possible expenditures in connection with the sites described above are likely to have a material adverse effect on our financial condition or results of operations because:

- To the extent necessary, we have established adequate reserves to cover the estimate we presently believe will be our liability with respect to the matter;
- We and our subsidiaries have only limited or de minimis involvement in the sites based upon volumetric calculations;
- Other PRPs involved in the sites have substantial assets and may reasonably be expected to pay a larger share of the cost of remediation; and
- We believe that our ultimate liability is relatively small compared with our overall expenses.

We are subject to various other governmental proceedings and regulations, including foreign regulations, relating to environmental matters, and are investigating potential violations of Environmental Regulations with respect to certain sites, but we do not believe that any of these matters or investigations is likely to have a material adverse effect on our business, financial condition, liquidity or results of operations.

Economic Factors and Seasonality

Our business is subject to a number of general economic factors that may have a material adverse effect on the results of our operations, many of which are largely out of our control. These include the impact of recessionary economic cycles and downturns in our customers' business cycles, 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. We operate in a highly price-sensitive and competitive industry, making industry pricing actions, quality of customer service, effective asset utilization and cost control major competitive factors.

As of the date of this filing, the impact of the coronavirus outbreak has not had a significant impact on our 2020 financials. The extent to which the coronavirus may impact our future results is uncertain and we will monitor evolving trends and make necessary adjustments as facts and circumstances dictate.

All of our revenues are subject to seasonal variations which are common in the trucking industry. Customers tend to reduce shipments just prior to and after the winter holiday season. Operating expenses as a percent of revenue tend to be higher, and operating cash flows as a percent of revenue tend to be lower in the winter months, primarily due to colder weather and seasonally lower levels of shipments and the seasonal timing of expenditures. Generally, most of the first quarter and the latter part of the fourth quarter are the seasonally weakest while the second and third quarters are the seasonally strongest. The availability and cost of labor and other operating cost inputs, such as fuel, equipment maintenance and equipment replacements, can significantly impact our overall cost, competitive position within our industry and our resulting earnings and cash flows.

Item 1A. Risk Factors

In addition to the risks and uncertainties described elsewhere in this report or in our other SEC filings, the following risk factors should be considered carefully in evaluating us. These risks could have a material adverse effect on our business, financial condition and results of operations.

Business Risks

If our relationship with our employees and unions were to deteriorate, we may be faced with labor disruptions or stoppages or general uncertainty by our customers, which could have a material adverse effect on our business, financial condition and results of operations, result in a loss of customers, and place us at a disadvantage relative to non-union competitors.

Each of our operating subsidiaries has employees who are represented by the International Brotherhood of Teamsters ("IBT"). These employees represent 79% of our workforce at December 31, 2019. Salaries, wages and employee benefits for both union and non-union employees compose over half of our operating costs. Each of our YRC Freight, New Penn and Holland subsidiaries employ most of their unionized employees under the terms of a common master collective bargaining agreement and related supplemental agreements that remain in effect through March 31, 2024, and Reddaway employs most of their unionized employees under a collective bargaining agreement that expires March 31, 2021. The IBT also represents a number of employees at YRC Freight in Canada under more localized agreements, which have wages, benefit contributions and other terms and conditions that we believe better fit the cost structure and operating models of this entity.

Our subsidiaries 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. We cannot predict the outcome of any of these matters. These matters, if resolved in a manner unfavorable to us, could have a material adverse effect on our business, financial condition, liquidity and results of operations.

We are subject to general economic factors that are largely out of our control, any of which could have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to a number of general economic factors, including the health of the industrial economy, global trade tensions, global or national health epidemics such as the recent coronavirus outbreak, among others that may adversely affect our business, financial condition and results of operations, many of which are largely out of our control. These factors 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. Because a portion of our costs are fixed, it may be difficult for us to quickly adjust our cost structure proportionally with fluctuations in volume levels. Customers encountering adverse economic conditions represent a greater potential for loss, and we may be required to increase our reserve for bad debt losses. Further, we depend on our suppliers for equipment, parts and services that are critical to our business. A disruption in the availability of these supplies or a material increase in their cost due to adverse economic conditions or financial constraints of our suppliers could adversely impact our business, results of operations and liquidity.

We are subject to business risks and increasing costs associated with the transportation industry that are largely out of our control, any of which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to business risks and increasing costs associated with the transportation industry that are largely out of our control, any of which could adversely affect our business, financial condition and results of operations. The factors contributing to these risks and costs include increasing equipment and operational costs, weather, fuel prices, interest rates, insurance premiums, self-insurance levels, letters of credit required to support outstanding claims, license and registration fees, and excess capacity in the transportation industry, as well as the other factors discussed in this risk factor section. Further, we periodically need to upgrade or change our technology systems, which may be costly and could disrupt or reduce the efficiency of our operations.

We operate in a highly competitive industry, and our business will suffer if we are unable to adapt to competitive pressures which could have a material adverse effect on our business, financial condition and results of operations.

Numerous competitive factors could adversely affect our business, financial condition and results of operations. These factors include the following:

- We compete with many other transportation service providers of varying sizes and types, many of which have a lower cost structure, more and/or newer 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 or grow our business;
- Our customers may negotiate rates or contracts that minimize or eliminate our ability to offset fuel prices through fuel surcharges;
- 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, which 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; and
- As a union carrier, we may have a competitive disadvantage compared to non-union carriers with lower costs and greater operating flexibility.

Our pension expense could increase significantly and have a material adverse effect on our business, financial condition and results of operations.

Our subsidiaries began making contributions to most of the multi-employer pension funds (the "funds") beginning June 1, 2011 at the rate of 25% of the contribution rate in effect on July 1, 2009. Any fund that did not allow our subsidiaries to begin making contributions at a reduced rate elected to either (i) apply the amount of the contributions toward paying down previously deferred contributions under our Contribution Deferral Agreement, or (ii) have the amount of the contributions placed in escrow until such time when the fund is able to accept re-entry at the reduced rate.

If contributions to the funds do not reach certain goals (including those required not to enter endangered or critical status or those required by a fund's funding improvement or rehabilitation plan), our pension expenses and required cash contributions could further increase upon the expiration of our collective bargaining agreements and, as a result, could materially adversely affect our business, financial condition and results of operations. Decreases in investment returns that are not offset by contributions could also increase our obligations under such plans.

YRC Freight, Holland, Reddaway and New Penn also contribute to various separate multi-employer health and welfare plans for employees that are covered by our collective bargaining agreements.

Based on information obtained from public filings and from plan administrators and trustees, we believe our portion of the contingent liability in the case of a full withdrawal from or termination of all of the multi-employer pension plans would be an estimated \$8 billion on a pre-tax basis. If we were subject to withdrawal liability with respect to a multi-employer plan, the Employment Retirement Income Security Act of 1974, as amended (“ERISA”), provides that a withdrawing employer can pay the obligation in a lump sum or over time based upon an annual payment that is the highest contribution rate to the relevant plan multiplied by the average of the three highest consecutive years measured in contribution base units, which, in some cases, could be up to 20 years. Even so, our applicable subsidiaries have no current intention of taking any action that would subject us to payment of material withdrawal obligations; however, we cannot provide any assurance that such obligations will not arise in the future which would have a material adverse effect on our business, financial condition, liquidity and results of operations.

Ongoing self-insurance and claims expenses could have a material adverse effect on our business, financial condition and results of operations.

Our future insurance and claims expenses might exceed historical levels. We currently self-insure for a majority of our claims exposure resulting from workers’ compensation, third-party liability claims, and cargo, supplemented by high deductible purchased insurance. If the number or severity of claims for which we are self-insured increases, our business, financial condition and results of operations could be adversely affected, and we may have to post additional letters of credit or cash collateral to state workers’ compensation authorities or insurers to support our insurance policies, which may adversely affect our liquidity. Although we have significantly reduced our letter of credit expense in recent years, there is no assurance this trend will continue. If we lose our ability to self-insure or have to increase retention limits to offset rising insurance premium costs our insurance costs could materially increase, and we may find it difficult to obtain adequate levels of insurance coverage.

Our self-insured retention limits can make our insurance and claims expense higher and/or more volatile. We accrue for the costs of the uninsured portion of pending claims based on the nature and severity of individual claims and historical claims development trends. Estimating the number and severity of claims, as well as related judgment or settlement amounts is inherently difficult. This, along with legal expenses associated with claims, incurred but not reported claims, and other uncertainties can cause unfavorable differences between actual self-insurance costs and our reserve estimates.

In general, our insurance coverage with respect to each of workers’ compensation, property damage and liability claims, and cargo claims is subject to policy limits. Although we believe our aggregate insurance policy limits are sufficient to cover reasonably expected claims, it is possible that one or more claims could exceed those limits. In this case, we would bear the excess expense, in addition to the amount of our self-insurance retention. Our insurance and claims expense could increase, or we could find it necessary to raise our self-insured retention or decrease our aggregate coverage limits when our policies are renewed or replaced.

We have significant ongoing capital expenditure requirements that could have a material adverse effect on our business, financial condition and results of operations if we are unable to generate sufficient cash from operations.

Our business is capital intensive. For 2019, our capital expenditures focused primarily on revenue equipment replacement, investments in information technology and improvements to land and structures. Our capital expenditures for each of the years ended December 31, 2019 and 2018 were \$143.2 million and \$145.4 million, respectively. These amounts were principally used to fund the purchase of used tractors and trailers, to refurbish engines for our revenue fleet, and capitalized costs for our network facilities and technology infrastructure. We will need to continue to update our fleet. If we are unable to generate sufficient cash from operations to fund our capital requirements, we may have to limit our growth, utilize our existing liquidity, or enter into additional financing arrangements, including leasing arrangements, or operate our revenue equipment (including tractors and trailers) for longer periods resulting in increased maintenance costs, any of which could reduce our operating income. If our cash from operations and existing financing arrangements are not sufficient to fund our capital expenditure requirements, we may not be able to obtain additional financing at all or on terms acceptable to us.

We operate in an industry subject to extensive government regulations, 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. Departments of Transportation and Homeland Security and various federal, state, local and foreign agencies exercise broad powers over our business, generally governing such activities as authorization to engage in motor carrier operations, safety and permits to conduct transportation business. Our drivers are also subject to hours-of-service rules of the Federal Motor Carrier Safety Administration (“FMCSA”). In the future, we may become subject to new or more restrictive regulations that the FMCSA, Departments of Transportation and Homeland Security, the Occupational Safety and Health Administration, the Environmental Protection Agency or other authorities impose, including regulations relating to engine exhaust emissions,

fuel efficiency, 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 productivity and increase our costs.

In December 2010, the FMCSA established the Compliance Safety Accountability (“CSA”) motor carrier oversight program under which drivers and fleets are evaluated based on certain safety-related standards. Carriers’ safety and fitness ratings under CSA include the on-road safety performance of the carriers’ drivers. The FMCSA has also implemented changes to the hours of service (“HOS”) regulations which govern the work hours of commercial drivers. At any given time, there are also other proposals for safety-related standards that are pending legislative or administrative approval or adoption. If additional or more stringent standards are adopted, such may result in a reduction of the pool of qualified drivers available for employment by us. If we experience safety and fitness violations, our safety and fitness scores could be adversely impacted and our fleet could be ranked poorly as compared to our peers. A reduction in our safety and fitness scores or those of our drivers could also reduce our competitiveness in relation to other companies that have higher scores. Additionally, competition for qualified drivers with favorable safety ratings may increase and thus result in increases in driver-related recruiting and compensation costs.

Like many trucking companies, we compensate our drivers based primarily on mileage rate and activity-based formulas. The state of California adopted legislation that sets forth requirements for the payment of a separate hourly wage for “nonproductive” time worked by piece-rate employees, and separate payment for compensable rest and recovery periods to those employees. Specifically, the new legislation, which became effective January 1, 2016, codified three basic statutory requirements for the payment of employees on a piece-rate basis: (i) employees must be separately compensated at their regular rate for the time during which they take rest and recovery breaks; (ii) employees must be separately compensated for “other nonproductive time,” which is defined as “time under the employer’s control, exclusive of rest and recovery periods, that is not directly related to the activity being compensated on a piece-rate basis;” and (iii) this “other nonproduction time” time must be compensated at an hourly rate no less than the applicable minimum wage. The application of this legislation to the Company and its operations could increase our operating costs, including labor costs and legal exposure.

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

Our operations are subject to environmental regulations dealing with, among other things, the handling of hazardous materials, underground fuel storage tanks, and the discharge and retention of storm water. We operate in industrial areas where 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 environmental laws or regulations, it could significantly increase our cost of doing business. Under specific environmental laws and regulations, 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 laws and regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

In addition, as climate change initiatives become more prevalent, federal, state and local governments and our customers are beginning to promulgate solutions for these issues. The increased focus on greenhouse gas emission reductions and corporate environmental sustainability may result in new regulations and customer requirements that could negatively affect us. This could cause us to incur additional direct costs or to make changes to our operations in order to comply with any new regulations and customer requirements. We could also lose revenue if our customers divert business from us because we have not complied with their sustainability requirements. These costs, changes and loss of revenue could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Current or future litigation may adversely affect our business, financial condition, liquidity or results of operations.

We have been and continue to be involved in legal proceedings, claims and other litigation that arise in the ordinary course of business. Litigation may be related to labor and employment, competitive matters, third-party liability claims, safety and contract compliance, environmental liability, our past financial restructurings and other matters. We discuss legal proceedings in the “Commitments, Contingencies, and Uncertainties” footnote to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. Some or all of our expenditures to defend, settle or litigate these matters may not be covered by insurance or could impact our cost and ability to obtain insurance in the future. Litigation can be expensive, lengthy and disruptive to normal business operations, including to our management due to the increased time and resources required to respond to and address the litigation. The results of complex legal proceedings are often uncertain and difficult to predict. An unfavorable outcome of any particular matter or any future legal proceedings could have a material adverse effect on our business, financial condition, liquidity or results of operations. In the future, we could incur judgments or enter into settlements of claims that could harm our financial position, liquidity and results of operations.

In addition, in December 2018, the United States on behalf of the United States Department of Defense filed a complaint (the "DOD Complaint") against the Company alleging that the Company violated the False Claims Act by overcharging the Department of Defense for freight carrier services by failing to comply with the contractual terms of freight contracts between the Department of Defense and the Company and related government procurement rules. In January 2019, a purported class action lawsuit (the "Securities Class Action") was filed against the Company and certain of our current and former officers. The Securities Class Action complaint generally alleges that the Company made false and misleading statements relating to its freight billing practices as alleged in the Department of Defense complaint described above. In May 2019, a putative shareholder filed an action derivatively and on behalf of the Company (the "First Derivative Suit") naming certain individuals as defendants and the Company as the nominal defendant. The First Derivative Suit alleges that the Company was harmed as a result of the individual defendants' purported conduct concerning the Company's freight-billing practices as alleged in the DOD Complaint and the Securities Class Action described above. A second shareholder derivative complaint, naming the same defendants and making similar claims as the First Derivative Suit, was filed in October 2019 (together with the First Derivative Suit, the "Shareholder Derivative Suits").

Although the Company believes it has meritorious defenses and intends to vigorously defend these actions, the DOD Complaint, Securities Class Action and Shareholder Derivative Suits each assert claims that, if resolved against us, could give rise to substantial damages, and an unfavorable outcome or settlement may result in a significant monetary judgment or award against us or a significant monetary payment by us, and could have a material adverse effect on our business, financial conditions and results of operations.

We may not realize the expected benefits and cost savings from operational changes and performance improvement initiatives.

We initiate operational changes and process improvements to reduce costs and improve financial performance. These changes and initiatives typically include evaluating management talent, reducing overhead costs, closing facilities, making upgrades to our technology, eliminating non-core assets and unnecessary activities and implementing changes of operations under our labor agreements. There is no assurance that any changes and improvements will be successful, that their implementation may not have an adverse impact on our operating results or that we will not have to initiate additional changes and improvements in order to achieve the projected benefits and cost savings.

Difficulties attracting and retaining qualified drivers could result in increases in driver compensation and purchased transportation costs and could adversely affect our profitability and our ability to maintain our fleet.

We may need to attract new qualified drivers and may face difficulty doing so. Like many in the trucking industry, it is important to our business that we retain the necessary number of qualified drivers to operate efficiently. Regulatory requirements, including the CSA program of the FMCSA, have reduced the number of eligible employee drivers and independent contractors and may continue to do so in the future. Future Company driver shortages may result in less than optimal use of rail and over-the-road purchased transportation, which may result in higher costs to the Company and which use is limited under our collective bargaining agreement with the IBT. The compensation we offer our drivers is subject to market conditions, and we may find it necessary to increase driver compensation in future periods if we must attract new drivers. In addition, we and our industry suffer from a high driver turnover rate. Driver turnover requires us to continually recruit a substantial number of drivers in order to operate existing revenue equipment. If we are unable to continue to retain drivers and attract new drivers when needed, we could be required to adjust our compensation packages, increase our use of purchased transportation, let tractors sit idle, or operate with fewer tractors and face difficulty meeting customer demands, any of which would adversely affect our growth and profitability.

A significant privacy breach or IT system disruption could adversely affect our business and we may be required to increase our spending on data and system security.

We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities. In addition, the provision of service to our customers and the operation of our networks and systems involve the storage and transmission of proprietary information and sensitive or confidential data, including personal information of customers, employees and others.

Our information technology systems, some of which are managed by third-parties, may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, computer viruses, attacks by computer hackers, malicious insiders, telecommunication failures, user errors or catastrophic events. Hackers, acting individually or in coordinated groups, may also launch distributed denial of service attacks or ransom or other coordinated attacks that may cause service outages or other interruptions in our business and access to our data. In addition, breaches in security could expose us, our customers, our suppliers, our employees, or the individuals affected, to a risk of loss or misuse of proprietary information and sensitive or confidential data.

The techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently, may be difficult to detect for a long time and often are not recognized until launched against a target. As a result, we may be unable to anticipate these techniques or to implement adequate preventative measures.

Any of these occurrences could result in disruptions in our operations, the loss of existing or potential customers, damage to our brand and reputation, and litigation and potential liability for the Company. In addition, the cost and operational consequences of implementing further data or system protection measures could be significant and our efforts to deter, identify, mitigate and/or eliminate any security breaches may not be successful.

We are dependent on the services of key employees and the loss of any substantial number of these individuals or an inability to hire additional personnel could adversely affect us.

Our success is dependent upon our ability to attract and retain skilled employees, particularly personnel with significant management and leadership skills. If we are unable to attract and retain skilled key employees, we may be unable to accomplish the objectives set forth in our business and strategic plans.

Seasonality and the impact of weather affect our operations and profitability.

As is common in the trucking industry, our revenues are subject to seasonal variations. During late fourth quarter and early first quarter each year, we expect operating expenses as a percent of revenue to increase and operating cash flows as a percent of revenue to decrease as compared to the rest of the year. The seasonal impact is primarily due to inclement weather, seasonally lower levels of shipments, and the seasonal timing of expenditures. We anticipate these seasonal trends will continue to impact our financial results and liquidity.

Changes in fuel prices and shortages of fuel can have a material adverse effect on the results of operations and profitability.

To lessen the effect of fluctuating fuel prices on our margins, we utilize a fuel surcharge program with our customers. These programs are common in the trucking industry and involve adjusting amounts charged to customers as fuel prices fluctuate. In the short term, under our present fuel surcharge program, rising fuel costs generally benefit us while falling fuel costs have a negative impact on our results of operations, though these effects are typically moderated over time. However, rapid material changes in the index upon which we base our program or our cost of fuel could significantly impact our revenue and operating income, resulting in a material adverse effect on our financial condition.

In addition, fuel shortages and petroleum product rationing could have a material adverse impact on our operations and profitability.

We face risks associated with doing business in foreign countries.

We conduct a portion of our operations in Canada and, to a lesser extent, Mexico. Our revenue from foreign sources totaled \$79.6 million, \$104.1 million, and \$99.3 million in 2019, 2018 and 2017, respectively, and our long-lived assets located in foreign countries totaled \$7.2 million, \$6.5 million and \$5.3 million at December 31, 2019, 2018, and 2017, respectively. As a participating carrier in the Customs and Trade Partnership Against Terrorism ("C-TPAT") program, we and our contractors are able to cross into these countries more efficiently, thereby avoiding substantial delays. If we should lose the ability to participate in the C-TPAT program, we could experience significant border delays which could have a negative impact on our ability to remain competitive and operate efficiently in those countries.

In addition, we are subject to certain risks inherent in doing business in foreign countries, including, but not limited to, compliance with the requirements of applicable anti-bribery laws (including the U.S. Foreign Corrupt Practices Act), political instability, controls on the repatriation of cash, currency fluctuations and the imposition of tariffs, import and export controls and other non-tariff barriers.

Our business may be harmed by anti-terrorism measures.

In the aftermath of terrorist attacks on the United States, federal, state and municipal authorities have implemented and continue to implement security measures, including checkpoints and travel restrictions on large trucks. Although many companies would 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 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.

Financial and Liquidity Risks

Our failure to comply with the covenants in the documents governing our existing and future indebtedness could materially adversely affect our financial condition and liquidity.

The documents governing our indebtedness contain financial covenants, affirmative covenants requiring us to take certain actions and negative covenants restricting our ability to take certain actions. In particular, our New Term Loan Agreement contains a financial covenant that requires us to maintain minimum trailing-twelve-month (“TTM”) Adjusted EBITDA of \$200.0 million, measured quarterly. Our ABL Facility also contains certain affirmative and negative covenants with which we must comply. Our TTM Adjusted EBITDA as of December 31, 2019 was \$210.6 million.

Adjusted EBITDA (defined in our New Term Loan Agreement as “Consolidated EBITDA”) is a measure that reflects our earnings before interest, taxes, depreciation, and amortization expense, and is further adjusted for, among other things, letter of credit fees, equity-based compensation expense, net gains or losses on property disposals, restructuring charges, transaction costs related to issuances of debt, non-recurring consulting fees, non-cash impairment charges, integration costs, severance, non-recurring charges and the gains or losses from permitted dispositions, discontinued operations, and certain non-cash expenses, charges and losses (provided that if any of such non-cash expenses, charges or losses represents an accrual or reserve for potential cash items in any future period, the cash payment in respect thereof in such future period will be subtracted from Adjusted EBITDA in such future period to the extent paid). As compared to the definition of Adjusted EBITDA in our Prior Term Loan Agreement, certain expenses that qualify as adjustments are capped at 10.0% of the trailing-twelve-month Adjusted EBITDA. Adjustments subject to the 10.0% cap include, but are not limited to, restructuring charges, integration costs, severance, and non-recurring charges. Additionally, all net gains from the disposition of properties are excluded from the definition of Adjusted EBITDA, therefore any gains previously recognized in Adjusted EBITDA, as that term was previously defined in our SEC filings prior to our Quarterly Report on Form 10-Q for the quarter ended September 30 2019 in accordance with its definition in the Prior Term Loan Agreement, will not be included in the calculation of Adjusted EBITDA under the New Term Loan Agreement.

Our ability to meet our minimum Adjusted EBITDA requirement during the next twelve months and thereafter is dependent upon our ability to improve operating performance over 2019 to offset the contractual wage increases under our new five-year national master contract (“New NMFA”) and other inflationary expense increases associated with, among other things, our employees and insurance programs. Our 2019 operating results were negatively impacted by the freight recession our industry experienced in 2019, and that has persisted into early first quarter 2020. This recession impacted our ability to fully realize operational efficiencies arising from the New NMFA primarily due to the ensuing depressed volume levels and the inherent contractual cost associated with the New NMFA. We have taken actions that include headcount reductions commensurate with our current volume levels, a hiring freeze on new and replacement positions, temporary elimination of short-term incentive compensation, and a reduction in discretionary spend. We began taking these actions because we have not been able to fully realize operational efficiencies arising from our new five-year national master contract due to depressed volume levels. We may extend and supplement these actions if we experience adverse conditions that impact our ability to achieve a minimum Adjusted EBITDA above \$200.0 million on a TTM basis. Significant adverse conditions, which may result from changes in global trade policies or increased contraction in the general economy, may impact our ability to achieve a minimum Adjusted EBITDA above \$200.0 million on a TTM basis. Means for improving our profitability include accelerated implementation of network optimization, specific initiatives in the areas of pricing and customer engagement, and other operational actions to improve productivity and efficiency, as well as increased volume, all of which may not be within our control. If we are unable to achieve the results required to comply with this covenant in one or more quarters over the next twelve months, we may be required to take specific actions in addition to those described above, including but not limited to, additional reductions in headcount and targeted procurement initiatives to reduce operating costs and, or alternatively, seeking a waiver or an amendment from our lenders. If we are unable to satisfy our financial covenants or obtain a waiver or an amendment from our lenders, or take other remedial measures, we will be in default under our credit facilities, which would enable lenders thereunder to accelerate the repayment of amounts outstanding and exercise remedies with respect to the collateral. If our lenders under our credit facilities demand payment, we will not have sufficient cash to repay such indebtedness. In addition, a default under our credit facilities or the lenders exercising their remedies thereunder could trigger cross-default provisions in our other indebtedness and certain other operating agreements as well as increase our funding obligations under our pension plans. Our ability to amend our credit facilities or otherwise obtain waivers from our lenders depends on matters that are outside of our control and there can be no assurance that we will be successful in that regard. In addition, any covenant breach or event of default could harm our credit rating and our ability to obtain financing on acceptable terms. The occurrence of any of these events could have a material adverse effect on our financial condition and liquidity.

Our indebtedness and cash interest payment obligations, lease obligations and pension funding obligations, as well as our liquidity position, could adversely affect our financial flexibility and our competitive position.

As of December 31, 2019, we had \$902.8 million in aggregate principal amount of outstanding indebtedness. We also have, and will continue to have, substantial lease obligations. We currently plan to procure the majority of our new revenue equipment using operating leases in 2020 and beyond. As of December 31, 2019, our expected minimum cash payments for our operating leases for 2020 are \$154.1 million, and our total operating lease obligations payable through 2030 are \$451.1

million. We expect our required contributions in 2020 under our multi-employer pension funds and single-employer pension plans will be approximately \$152.4 million. Our indebtedness, lease obligations and pension funding obligations could continue to have an impact on our business. Our principal sources of liquidity are cash and cash equivalents, available borrowings under our ABL Facility and any prospective cash flow from operations. As of December 31, 2019, our availability under our ABL facility was \$37.7 million and our Managed Accessibility was \$0.2 million. "Managed Accessibility" represents the maximum amount we would access on the ABL Facility and is adjusted for eligible receivables plus eligible borrowing base cash measured as of December 31, 2019. If eligible receivables fall below the threshold management uses to measure availability, which is 10% of the borrowing line, the credit agreement governing the ABL Facility permits adjustments from eligible borrowing base cash to restricted cash prior to the compliance measurement date of January 15, 2020. Cash and cash equivalents and Managed Accessibility totaled \$80.4 million at December 31, 2019.

For example, these obligations and liquidity limitations could:

- increase our vulnerability to adverse changes or persistent slow growth in general economic, industry and competitive conditions;
- require us to dedicate a portion of our cash flow from operations to make principal and interest payments on our indebtedness, leases and pension funding obligations, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restrict us from taking advantage of business opportunities;
- make it more difficult to satisfy our financial obligations and meet future stepped up financial covenants in our credit facilities;
- place us at a competitive disadvantage compared to our competitors that have less debt, lease obligations, and pension funding obligations; and
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy or other general corporate purposes on satisfactory terms or at all.

Our ability to service all of our indebtedness and satisfy all of other obligations depends on many factors beyond our control, and if we cannot generate enough cash to service our indebtedness and satisfy such other obligations, we may be forced to take one or more actions, which may not be successful.

Cash flows from operations are the principal source of funding for us. Our business may not generate cash flow from operations in an amount sufficient to fund our liquidity needs. If our cash flows are insufficient to service our indebtedness and satisfy our other obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness or other financial obligations. Our ability to restructure or refinance our indebtedness will depend on the condition of the capital and credit markets and our financial condition at such time. Any refinancing of our indebtedness could be at higher interest rates. In addition, any refinancing of our indebtedness or restructuring of our other obligations may require us to comply with more onerous covenants, which could further restrict our business operations and limit our financial flexibility. In addition, the terms of existing or future debt agreements may restrict us from adopting some of these alternatives. Any failure to make payments of interest and principal on our outstanding indebtedness or satisfy our other financial obligations on a timely basis would likely result in a lowering of our credit rating, which could harm our ability to incur additional indebtedness. These alternative measures may not be successful and, as a result, our liquidity and financial condition could be adversely affected and we may not be able to meet our scheduled debt service obligations. If for any reason we are unable to meet our debt service obligations, we would be in default under the terms of the agreements governing our outstanding debt.

Restrictive covenants in the documents governing our existing and future indebtedness may limit our current and future operations, particularly our ability to respond to changes in our business or to pursue our business strategies.

The documents governing our existing indebtedness contain, and the documents governing any future indebtedness will likely contain, a number of restrictive covenants that impose significant operating and financial restrictions, including restrictions on our ability to take actions that we believe may be in our interest. The documents governing our existing indebtedness, among other things, limit our ability to:

- incur or guarantee additional indebtedness;
- make certain restricted payments or investments;
- enter into agreements that restrict distributions from restricted subsidiaries;
- sell or otherwise dispose of assets, including capital stock of restricted subsidiaries;
- enter into transactions with affiliates;
- create or incur liens;
- enter into sale/leaseback transactions;
- merge, consolidate or sell substantially all of our assets; and
- make certain investments and acquire certain assets.

The restrictions could adversely affect our ability to:

- finance our operations;
- make strategic acquisitions or investments or enter into alliances;
- withstand a future downturn in our business or the economy in general;
- engage in business activities, including future opportunities, that may be in our interest; and
- plan for or react to market conditions or otherwise execute our business strategies.

Our ability to obtain future financing or to sell assets could be adversely affected because substantially all of our assets have been pledged as collateral for the benefit of the holders of our indebtedness.

Risks Related to Our Common Stock

The price of our Common Stock may fluctuate significantly, and this may make it difficult to resell our Common Stock when holders want or at prices they find attractive.

The market price for our Common Stock has been highly volatile and subject to significant fluctuations. We expect the market price of our Common Stock to continue to be volatile and subject to these fluctuations in response to a wide variety of factors, including the following:

- fluctuations in stock market prices and trading volumes of securities of similar companies;
- labor disputes;
- general market conditions and overall fluctuations in U.S. equity markets;
- large blocks of stockholders selling via automated trading systems;
- variations in our operating results, or the operating results of our competitors;
- changes in our financial guidance, if any, or securities analysts' estimates of our financial performance;
- sales of large blocks of our Common Stock, including sales by our executive officers, directors and significant stockholders;
- additions or departures of any of our key personnel;
- announcements related to litigation;
- changing legal or regulatory developments in the United States and other countries; and
- commentary about us or our stock price by the financial press and in online investor communities.

In addition, the stock markets from time to time experience price and volume fluctuations that may be unrelated or disproportionate to the operating performance of companies and that may be extreme. These fluctuations may adversely affect the trading price of our Common Stock, regardless of our actual operating performance.

Future issuances of our Common Stock or equity-related securities in the public market could adversely affect the trading price of our Common Stock and our ability to raise funds in new stock offerings.

In the future, we may issue additional shares of our Common Stock to raise capital or in connection with a restructuring or refinancing of our indebtedness. In addition, shares of our Common Stock are reserved for issuance, exercise of outstanding stock options and vesting of outstanding share units. As of December 31, 2019, we had outstanding options to purchase an aggregate of approximately 33,000 shares of Common Stock, outstanding vested restricted stock and share units and performance based share units representing the right to receive a total of approximately 3.3 million shares of Common Stock upon vesting, and an aggregate of approximately 1.9 million shares of our Common Stock was reserved for future issuance under our 2019 Incentive and Equity Award Plan (the "2019 Plan"). We have registered under the Securities Act all of the shares of Common Stock that we may issue upon the exercise of our outstanding options and the vesting of outstanding share units and on account of future awards made under the 2019 Plan. All of these registered shares generally can be freely sold in the public market upon issuance. If a large number of these shares are sold in the public market, the sales could reduce the trading price of our Common Stock.

We cannot predict the size of future issuances or the effect, if any, that such issuances may have on the market price for our Common Stock. Sales of significant amounts of our Common Stock or equity-related securities in the public market, or the perception that such sales may occur, could adversely affect prevailing trading prices of our Common Stock and could impair our ability to raise capital through future offerings of equity or equity-related securities. Further sales of shares of our Common Stock or the availability of shares of our Common Stock for future sale or in connection with hedging and arbitrage activity that may develop with respect to our Common Stock, could adversely affect the trading price of our Common Stock.

We do not intend to pay dividends on our Common Stock in the foreseeable future.

We do not anticipate that we will pay any dividends on shares of our Common Stock in the foreseeable future. We intend to retain any future earnings to fund operations, invest in new revenue equipment, to service debt and other obligations, such as

lease and pension funding requirements, and to use for other corporate needs. Further, our credit facilities limit our ability to pay cash dividends.

We can issue shares of preferred stock that may adversely affect the rights of holders of our Common Stock.

Our certificate of incorporation currently authorizes the issuance of 7.5 million shares of preferred stock. Our Board of Directors is authorized to approve the issuance of one or more series of preferred stock without further authorization of our shareholders and to fix the number of shares, the designations, the relative rights and the limitations of any series of preferred stock. As a result, our Board, without shareholder approval, could authorize the issuance of preferred stock with voting, conversion and other rights that could proportionately reduce, minimize or otherwise adversely affect the voting power and other rights of holders of our Common Stock or other series of preferred stock or that could have the effect of delaying, deferring or preventing a change in our control.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

At December 31, 2019, we operated a total of 351 transportation service facilities located in 50 states, Puerto Rico and Canada. Of this total, we own 182 and we lease 169, generally with lease terms ranging from one month to ten years with right of renewal options. The number of customer freight servicing doors totaled approximately 20,300, of which approximately 11,300 are at owned facilities and approximately 9,000 are at leased facilities. The transportation service centers vary in size ranging from one to three doors at small local facilities to 426 doors at the largest consolidation and distribution facility. In addition, we own and occupy a general office building in Lebanon, Pennsylvania. We also lease and occupy general office buildings in Holland, Michigan, Overland Park, Kansas, Tualatin, Oregon and Winnipeg, Manitoba. Our owned transportation service facilities and office buildings serve as collateral under our credit agreements.

We believe our facilities and equipment are more than adequate to meet current business requirements in 2020. Refer to “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” for a more detailed discussion of expectations regarding capital spending in 2020.

Top 10 YRCW Service Facilities by Number of Doors at December 31, 2019

<u>Location</u>	<u>Doors</u>	<u>Owned/Leased</u>	<u>Segment</u>
Chicago Heights, IL	426	Owned	YRC Freight
Winston-Salem, NC	349	Owned	YRC Freight
Bloomington, CA	325	Leased	YRC Freight
Maybrook, NY	304	Owned	YRC Freight
Harrisburg, PA	281	Owned	YRC Freight
Charlotte, NC	274	Leased	YRC Freight
Atlanta, GA	227	Leased	YRC Freight
Cincinnati, OH	216	Owned	YRC Freight
Greenville, SC	214	Owned	YRC Freight
Nashville, TN	213	Owned	YRC Freight

Item 3. Legal Proceedings

We discuss legal proceedings in the “Commitments, Contingencies and Uncertainties” footnote of our consolidated financial statements included in this Annual Report on Form 10-K as well as in “Environmental Matters” in Part I hereof.

Item 4. Mine Safety Disclosures

Not applicable.

Information about our Executive Officers

<u>Name</u>	<u>Age</u>	<u>Position(s) Held</u>
Darren D. Hawkins	50	Chief Executive Officer of the Company (since April 2018); President and Chief Operating Officer of the Company (January 2018-April 2018), President (February 2014-December 2017), Senior Vice President - Sales and Marketing (January 2013-February 2014) of YRC Freight; Director of Operations (December 2011-January 2013) and Director of Sales (January 2009-December 2011) for Con-Way Freight, a subsidiary of Con-Way, Inc.; various positions of increasing responsibility with Yellow Transportation, Inc. (1991-2009).
Jamie G. Pierson	50	Chief Financial Officer of the Company (since December 2019); Chief Financial Officer for Horizon Global Corporation (designer, manufacturer and distributor of towing, trailering, cargo management and related accessory products) (June 2019-December 2019); Chief Financial Officer for PrimeSource Building Products, Inc. (distributor of building products) (2017-2019); Chief Financial Officer for the Company (2011-2016).
Jason Bergman	49	Chief Customer Officer of the Company (since July 2019); Chief Commercial Officer of Dicom Transportation Group (courier and expedited transportation services) (2017-2019); executive Vice President of Global Transport for BDP International (transportation logistics) (2014-2016); Vice President, Strategic Sales, North America for Damco (global logistics) (2013-2014).
Thomas J. O'Connor	59	Chief Operating Officer of the Company (since June 2019); President of YRC Freight (January 2018-October 2019); President of Reddaway (January 2007-December 2017); President of USF Bestway (subsidiary of the Company) (2005-2007); Vice President Western Division and officer (1999-2005), District Manager (1995-1999) and various management positions of increasing responsibility (1982-1995) of Roadway Express, Inc. (subsidiary of the Company).
Jason T. Ringgenberg	54	Chief Information Officer of the Company (since March 2017); Sr. Vice President and Chief Information Officer of YRC Freight (April 2014-March 2017); various positions of increasing responsibility with Accenture, most recently Managing Director of North American Freight (June 1992-April 2014).
Scott D. Ware	59	Chief Network Officer of the Company (since October 2019); President of Holland and Chief Network Officer of the Company (October 2018-October 2019); President (2012-2018), Vice President Operations and Linehaul (2009-2012) and Vice President Linehaul (2007-2009) of Holland; Director of Linehaul of SAIA Inc. (2002-2007); Director of Linehaul of JEVIC (2000-2002); various industry management roles with Preston, Overnite, Con-Way and Spartan Express (1985-2000).

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

As of March 6, 2020, 317 stockholders of record held YRC Worldwide common stock. The NASDAQ Global Select Market quotes prices for our common stock under the symbol "YRCW."

Quarterly Financial Information (unaudited)

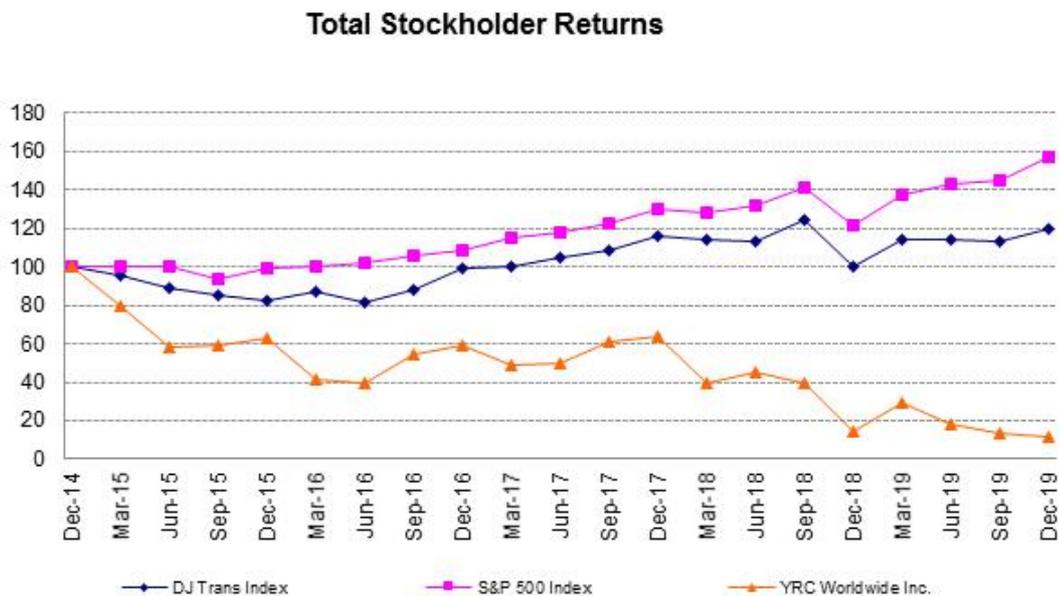
(in millions, except per share and share data)	2019			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenue	\$ 1,182.3	\$ 1,272.6	\$ 1,256.8	\$ 1,159.5
(Gains) losses on property disposals, net	1.6	(6.2)	1.0	(10.1)
Operating income (loss)	(31.7)	14.3	23.8	9.8
Net loss	(49.1)	(23.6)	(16.0)	(15.3)
Diluted loss per share ^(a)	(1.48)	(0.71)	(0.48)	(0.46)

(in millions, except per share and share data)	2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenue	\$ 1,214.5	\$ 1,326.5	\$ 1,303.6	\$ 1,247.4
(Gains) losses on property disposals, net	3.2	2.2	1.9	(28.1)
Operating income (loss)	(4.3)	50.9	41.2	55.1
Net income (loss)	(14.6)	14.4	2.9	17.5
Diluted income (loss) per share ^(a)	(0.44)	0.43	0.09	0.52

- (a) Diluted income (loss) per share amounts were computed independently for each of the quarters presented. The sum of the quarters may differ from the total annual amount primarily due to change in the number of outstanding shares in the year and the impact of the if-converted method used to calculate earnings per share.

Common Stock Performance

Set forth below is a line graph comparing the quarterly percentage change in the cumulative total stockholder return of the Company's common stock against the cumulative total return of the S&P Composite-500 Stock Index and the Dow Jones Transportation Average Stock Index for the period of five years commencing December 31, 2014 and ending December 31, 2019.



Item 6. Selected Financial Data

Our selected financial data below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Financial Statements and Supplementary Data” included in this Form10-K.

(dollars in millions, except per share data. shares in thousands)	2019	2018	2017
For the Year			
Operating revenue	\$ 4,871.2	\$ 5,092.0	\$ 4,891.0
Operating income	16.2	142.9	119.0
Net income (loss)	(104.0)	20.2	(10.8)
Acquisition of property and equipment	(143.2)	(145.4)	(103.3)
Proceeds from disposal of property and equipment	25.9	36.4	8.8
Net cash provided by operating activities	21.5	224.8	60.7
Net cash used in investing activities	(117.3)	(109.0)	(94.5)
Net cash used in financing activities	(22.6)	(33.9)	(96.2)
At Year-End			
Total assets	\$ 1,831.6	\$ 1,617.1	\$ 1,585.5
Total debt	862.2	874.9	906.1
Total shareholders’ deficit	(441.2)	(305.5)	(353.5)
Per Share Measurements			
Basic per share data:			
Net income (loss)	(3.13)	0.61	(0.33)
Average common shares outstanding	33,252	32,983	32,685
Diluted per share data:			
Net income (loss)	(3.13)	0.60	(0.33)
Average common shares outstanding	33,252	33,859	32,685
Other Data			
Number of employees (a)	29,000	31,000	32,000
Operating ratio:(b)			
YRC Freight	98.8%	97.3%	98.0%
Regional Transportation	100.3%	96.3%	96.3%
Consolidated	99.7%	97.2%	97.6%

(a) Rounded to the nearest thousand.

(b) Operating ratio is calculated as (i) 100 percent (ii) minus the result of dividing operating income by operating revenue or (iii) plus the result of dividing operating loss by operating revenue and expressed as a percentage.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “MD&A”, contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. See the introductory section immediately prior to “Part I” and Risk Factors in “Item 1A” of this report regarding these statements.

Overview

This MD&A includes the following sections:

Our Business: a brief description of our business and a discussion of how we assess our operating results

Consolidated Results of Operations: an analysis of our consolidated results of operations for the years ended December 31, 2019, 2018 and 2017

Reporting Segment Results of Operations: an analysis of our results of operations for the years ended December 31, 2019, 2018 and 2017 for our two reporting segments: YRC Freight and Regional Transportation

Certain Non-GAAP Financial Measures: an analysis of our results using certain non-GAAP financial measures, for the years ended December 31, 2019, 2018 and 2017

Liquidity and Capital Resources: a discussion of our major sources and uses of cash as well as an analysis of our cash flows and aggregate contractual obligations and commercial commitments

Our Business

YRC Worldwide is a holding company that, through its operating subsidiaries, offers our customers a wide range of transportation services. YRC Worldwide has one of the largest, most comprehensive LTL networks in North America with local, regional, national and international capabilities. Through its team of experienced service professionals, YRC Worldwide offers industry-leading expertise in LTL shipments and flexible supply chain solutions, ensuring customers can ship industrial, commercial and retail goods with confidence.

We measure the performance of our business on both a consolidated and reporting segment basis and using several metrics, but rely primarily upon (without limitation) operating revenue, operating income (loss), and operating ratio. We also use certain non-GAAP financial measures as secondary measures to assess our operating performance.

- **Operating Revenue:** Our operating revenue has two primary components: volume (commonly evaluated using tonnage, tonnage per day, number of shipments, shipments per day or weight per shipment) and yield or price (commonly evaluated using picked up revenue, revenue per hundredweight or revenue per shipment). Yield includes fuel surcharge revenue, which is common in the trucking industry and represents an amount charged to customers that adjusts with changing fuel prices. We base our fuel surcharges on the U.S. Department of Energy fuel index and adjust them weekly. Rapid material changes in the index or our cost of fuel can positively or negatively impact our revenue and operating income as a result of changes in our fuel surcharge. We believe that fuel surcharge is an accepted and important component of the overall pricing of our services to our customers. Without an industry accepted fuel surcharge program, our base pricing for our transportation services would require changes. We believe the distinction between base rates and fuel surcharge has blurred over time, and it is impractical to clearly separate all the different factors that influence the price that our customers are willing to pay. In general, under our present fuel surcharge program, we believe rising fuel costs are beneficial to us and falling fuel costs are detrimental to us in the short term, the effects of which are mitigated over time.
- **Operating Income (Loss):** Operating income (loss) is operating revenue less operating expenses. Consolidated operating income (loss) includes certain corporate charges that are not allocated to our reporting segments.
- **Operating Ratio:** Operating ratio is a common operating performance measure used in the trucking industry. It is calculated as (i) 100 percent (ii) minus the result of dividing operating income by operating revenue or (iii) plus the result of dividing operating loss by operating revenue, and is expressed as a percentage.
- **Non-GAAP Financial Measures:** We use EBITDA and Adjusted EBITDA, which are non-GAAP financial measures, to assess the following:

- *EBITDA*: a non-GAAP measure that reflects our earnings before interest, taxes, depreciation, and amortization expense. EBITDA is used for internal management purposes as a financial measure that reflects our core operating performance.
- *Adjusted EBITDA*: a non-GAAP measure that reflects EBITDA, and further adjusts for letter of credit fees, equity-based compensation expense, net gains or losses on property disposals, restructuring charges, transaction costs related to issuances of debt, non-recurring consulting fees, non-cash impairment charges and the gains or losses from permitted dispositions, discontinued operations, and certain non-cash expenses, charges and losses (provided that if any of such non-cash expenses, charges or losses represents an accrual or reserve for potential cash items in any future period, the cash payment in respect thereof in such future period will be subtracted from Consolidated EBITDA in such future period to the extent paid). All references to “Adjusted EBITDA” throughout this section and the rest of this report refer to “Adjusted EBITDA” calculated under our New Term Loan Agreement (defined therein as “Consolidated EBITDA” unless otherwise specified). Consolidated EBITDA is also a defined term in our ABL Agreement and the definition there aligns with the prior definition of Consolidated EBITDA under the Prior Term Loan Agreement. Adjusted EBITDA is used for internal management purposes as a financial measure that reflects our core operating performance, to measure compliance with financial covenants in our credit facilities and to determine certain management and employee bonus compensation.

We believe our presentation of EBITDA and Adjusted EBITDA is useful to investors and other users as these measures represent key supplemental information our management uses to compare and evaluate our core underlying business results both on a consolidated basis and across our business segments, particularly in light of our leverage position and the capital-intensive nature of our business. Further, EBITDA is a measure that is commonly used by other companies in our industry and provides a comparison for investors to evaluate the performance of the companies in the industry. Additionally, Adjusted EBITDA helps investors to understand how the company is tracking against our financial covenant in our term loan credit agreement as this measure is calculated as defined in our term loan credit agreement and serves as a driving component of our key financial covenant.

Our non-GAAP financial measures have the following limitations:

- EBITDA does not reflect the interest expense or the cash requirements necessary to service interest or fund principal payments on our outstanding debt;
- Adjusted EBITDA does not reflect the interest expense or the cash requirements necessary to service interest or fund principal payments on our outstanding debt, letter of credit fees, restructuring charges, transaction costs related to the issuance of debt, non-cash expenses, charges or losses (subject to the conditions above), or nonrecurring consulting fees, among other items;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will generally need to be replaced in the future and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements;
- Equity-based compensation is an element of our long-term incentive compensation package, although Adjusted EBITDA excludes employee equity-based compensation expense when presenting our ongoing operating performance for a particular period; and
- Other companies in our industry may calculate Adjusted EBITDA differently than we do, potentially limiting its usefulness as a comparative measure.

Because of these limitations, our non-GAAP measures should not be considered a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and use our non-GAAP measures as secondary measures.

New National Master Freight Agreement

On May 14, 2019, union employees at operating companies Holland, New Penn and YRC Freight ratified New NMFA, along with all supplemental agreements. The New NMFA outlines terms and conditions of employment that are customary in collective bargaining agreements and apply at a national level across the covered operations, such as wages, health benefits, multiemployer pension plan contribution rates, and various operational items. A few of the highlights in the New NMFA include:

- Hourly wage increases in each year of the contract, beginning April 1, 2019 through 2023

- Health and welfare and pension contribution rate increases
- Restoration of an additional one-week of vacation
- The expanded ability to utilize smaller trucks that can be operated by employees who do not have a CDL
- The ability to utilize additional hours of service, in accordance with Department of Transportation regulations
- The increased ability to utilize purchased transportation at YRC Freight and Holland
- The increased ability to utilize employees in non-driving positions
- A newly-structured performance bonus program for employees

The new wage improvements allow us to advance our driver hiring and retention efforts to ensure we are adequately staffed with professional CDL drivers and other key personnel at our service centers. The contractual wage increases under the New NMFA that were paid retroactively to April 1, 2019 include one additional week of vacation that was retroactively applied to 2018. Additionally, the Company incurred one-time vacation charges in second quarter operating results of \$12.4 million to reflect the full year 2018 and first quarter 2019 vacation benefit increase.

The supplemental agreements cover more localized work rules and other terms and conditions of employment. The Company was unable to commence actions to implement the operational efficiencies until the New NMFA, and all supplements, were fully ratified on May 14, 2019.

Business Strategy Overview

During 2019, the Company launched a multi-year enterprise transformation strategy to achieve long-term profitability and cash flow. Our strategic roadmap is built upon the proven alliance of our LTL regional and national networks, as well as our recently launched multi-mode freight brokerage solutions, to provide a broad portfolio of freight and business services to our customers.

The Company accomplished four foundational components during 2019:

1. Ratified a new five-year labor contract
2. Refinanced a term loan with improved and more flexible terms
3. Reorganized the field leadership structure to streamline decision making and enhance execution
4. Completed the reorganization of the enterprise-wide sales force

Labor contract: During the first half of 2019, the Company ratified the New NMFA for the employees of Holland, New Penn and YRC Freight. The New NMFA is a critical element to the comprehensive strategic plan as it provides the Company with important changes to create a foundation for operational excellence and capacity expansion, which should lead to improved profitability. The operational changes are expected to provide efficiencies in our workforce by introducing new job classifications and allowing us to employ more flexible work rules to optimize the use of our valuable employee resources. These changes allow us to improve labor mix which should result in reduced costs per labor hour. For example, prior to the New NMFA, we were unable to fill part-time positions in many key markets across our footprint due to a non-competitive wage package for part-time employees. With the New NMFA, we have the opportunity to expand our part-time work force which allows us to reposition our commercial driver's license ("CDL") drivers to freight delivery and to deploy part-time employees to dock positions, resulting in lower employee compensation expense and improved productivity. The expansion of purchased transportation that is permitted under the New NMFA (increased to 29% of total linehaul miles for YRC Freight and introduced an 8% limit for Holland) provides us opportunities to plan and source our operations using more cost-effective resources and to expand our capacity consistent with our customer growth and engagement initiatives. The New NMFA also allows us to introduce new equipment, referred to as box trucks, into our LTL freight operations, which, along with new non-CDL driver classifications, permits us to provide a lower cost solution to local cartage or short-term rentals. Further, on September 27, 2019, the Company ratified a new two-year collective bargaining agreement for the employees of Reddaway, who were previously party to multiple bargaining agreements, and have now been combined into one collective agreement.

Capital Structure Update: The Company announced a refinancing of its term loan obligations on September 11, 2019 and entered into a New Term Loan Agreement, which provides for additional liquidity, less restrictive financial covenants, a lower interest rate and extends the maturity of the facility to June 2024. The New Term Loan eliminates the annual principal amortization of 3.0%, which approximated \$18.0 million in principal payments per year, and provides the ability to reinvest the first \$40.0 million in cash proceeds earned from the sale of certain owned properties.

Enhanced Organization Structure: Creating simplified engagement for customers and an improved service offering is a critical part of our strategic focus on growth and engagement. We completed the final phase of our sales restructuring which consolidated our four distinct sales groups into one enterprise-wide sales organization. This allows customers to buy regional, national and brokerage services from a single point of contact at YRCW while introducing existing customers to all our operating companies. The launch of our third-party brokerage solution, HENRY Logistics in late 2018, is the perfect complement to our LTL, asset-based companies and allows us to better service our customers with a full suite of logistics solutions. In addition, we implemented a new field operations structure to align with our enterprise transformation strategy to streamline decision making and enhance execution of our network enhancements

Going into 2020, the next phase of our transformation includes:

1. Operational optimization
2. Technology migration
3. Facility evaluation

The primary focus for the next phase of the enterprise transformation strategy is to operationally transform the movement of freight through our network and the technology used in the process. In the initial phase of our plan to optimize operations, which spanned most of 2019, two of our companies operate independently out of the same service center. Under the New NMFA that was ratified on May 14, 2019, we have the opportunity to consolidate service centers across our operating companies to optimize utilization of our assets and resources, and companies that operate in the same service territory will be serviced through one primary carrier. We believe service center consolidation presents the greatest opportunity for this initiative. We launched our first consolidation in late 2019, with the emphasis of facility evaluation occurring in 2020. By rationalizing the number of physical locations in the network while maintaining geographic coverage, we will continue to provide the same service level to our valued customers. We expect these efforts should allow us to recognize cost savings in our linehaul and pick-up and delivery operations due to improved density, increased asset utilization, and optimization of route planning and labor resources. Over time, this initiative should enhance service and strategically position our network for the growing demand of our customers and their supply chain needs, provide productivity improvements and streamline our cost structure as we seek to optimize resources across the network, in facilities, infrastructure and human capital.

Capital investment remains a top priority for us. While ongoing investments in equipment and technology remain our primary use of operating cash flows, we understand the importance of balancing liquidity and our ongoing investments with the service and capacity we need to bring to the market. To properly execute on our transformation plan, we are committed to investing in technology in order to enhance the customer experience and improve our operational flexibilities. We intend to consolidate individual operating company systems into a single platform, with the end goal of improving profitability and the customer experience. By streamlining systems, we are providing our customers access to five brands through one network and one enterprise-wide service offering. We remain committed to investment in revenue equipment to improve the age of our fleet as there is an immediate return in improved fuel miles per gallon and reduced vehicle maintenance expense.

Segments

Effective January 1, 2020, the Company will realign its reportable segments as a result of an enhanced organizational structure implemented in the back half of 2019 designed to better align resources and provide greater focus on the Company's multi-year enterprise transformation strategy. The strategy is designed to improve the long-term profitability and stability of the Company, with key focus on enhancing competitive value proposition. Key elements of the enterprise transformation include operational optimization to bolster asset utilization and to leverage flexibilities gained from the new labor contract; facility evaluation to build density and create cost savings by consolidating service centers while fully protecting all brands and areas of service; and customer growth/engagement initiatives to enhance customer experience and improve our value proposition by supplying all of our service offerings and brands as one. We realigned sales to consolidate our four distinct sales groups into one enterprise sales organization. This allows customers to buy regional, national and brokerage services from a single point of contact at YRCW while introducing existing customers to additional operating companies.

We also implemented a new field structure to align with our enterprise transformation strategy to streamline decision making and enhance execution of our network enhancements. With the ratification of the New NMFA on May 14, 2019, the Company may now combine service centers across our operating companies to optimize utilization of our assets and resources, and the companies that operate in the same service territory will be serviced through one primary carrier.

The presentation of financial results as one reportable segment is consistent with the way the Company has transformed its operational leadership team under the Chief Operating Decision Maker ("CODM") where he formerly had the operating company presidents as direct reports and now has direct reports who are functional leaders whose roles span across the entire

enterprise. Starting in 2020, the CODM will be evaluating our performance and business results, as well as making resource and operating decisions under the single segment view.

Consolidated Results of Operations

Our consolidated results for 2019, 2018 and 2017 include the consolidated results of our reporting segments and unallocated corporate charges. A more detailed discussion of the operating results of our reporting segments is presented in the “Reporting Segment Results of Operations” section below.

The table below provides summary consolidated financial information for the three years ended December 31:

(in millions)	2019	2018	2017	Percent Change	
				2019 vs. 2018	2018 vs. 2017
Operating revenue	\$ 4,871.2	\$ 5,092.0	\$ 4,891.0	(4.3)%	4.1%
Operating income	16.2	142.9	119.0	(88.7)%	20.1%
Nonoperating expenses, net	124.5	111.6	137.1	11.6%	(18.6)%
Net income (loss)	(104.0)	20.2	(10.8)	N/M*	287.0%

(*) not meaningful

2019 Compared to 2018

Our consolidated operating revenue decreased \$220.8 million, or 4.3%, for the year ended December 31, 2019 compared to 2018. The decrease in revenue is primarily attributed to a decrease in tonnage and fuel surcharge revenue, while partially offset by an increase in base yield excluding fuel surcharge.

Operating expenses decreased \$94.1 million, or 1.9%, for the year ended December 31, 2019 compared to 2018, primarily due to lower purchased transportation expense and lower fuel, operating expenses and supplies, partially offset by increased salaries, wages and employee benefits.

Salaries, wages and employee benefits. Salaries, wages and employee benefits increased \$13.7 million, or 0.5%, primarily due to a \$35.5 million increase in benefits costs which was largely driven by a \$25.8 increase in union vacation expense due to restoration of benefits from the passage of the New NMFA, a \$15.7 million increase in workers’ compensation expense, and a \$6.8 million increase in salaries expense. These increases were partially offset by a \$32.9 million reduction in short-term incentive compensation and an \$11.3 million decrease in wages expense as a result of tonnage decreases that reduced the number of hours needed to process freight which were partially offset by contractual rate increases due to the New NMFA.

Fuel, operating expenses and supplies. Fuel, operating expenses and supplies decreased \$51.2 million, or 5.4%, primarily due to a \$48.1 million decrease in fuel expense, which was largely a result of lower fuel prices and fewer miles driven.

Purchased transportation. Purchased transportation decreased \$69.0 million, or 10.1%, primarily due to a \$68.3 million decrease in rail and over-the-road purchased transportation expense as a result of reduced tonnage, a \$9.3 million decrease from reduced usage of local purchased transportation, and a \$5.9 million decrease in short-term vehicle rents. These decreases were partially offset by an \$18.5 million increase in third-party costs due to the expansion in third-party logistics solutions.

Other operating expenses. Other operating expenses decreased \$7.6 million, or 3.1%, primarily due to a decrease of \$4.2 million in cargo claims expense, and a \$4.0 million reduction in operating taxes as a result of fewer miles driven.

Gains/losses on property disposals. Net gains on disposals of property were \$13.7 million during 2019 as compared to \$20.8 million in 2018. The gains in 2019 and 2018 were primarily related to the sale of real properties, including a \$29.3 million gain from the sale of one excess property at YRC Freight during 2018.

Nonoperating expenses, net. Nonoperating expenses increased \$12.9 million for the year ended December 31, 2019 compared to 2018 primarily due to an \$11.2 million expense in 2019 related to the extinguishment of debt with no such charge in 2018, a \$5.4 million increase in interest expense due to higher interest rates and outstanding debt balances during 2019, which were partially offset by a \$6.3 million decrease in non-union pension costs due mainly to a reduction in non-cash pension settlement expenses.

Impairment charges. During the first quarter of 2019, the company recorded an \$8.2 million impairment charge that reflects the write-down of an intangible asset as a result of rebranding strategies, leading to the discontinued use of a tradename.

Our effective tax rate for the years ended December 31, 2019 and 2018 was 4.0% and 35.5%, respectively. Significant items impacting the 2019 rate include a provision for net state and foreign taxes, certain permanent items, and a change in the valuation allowance established for the net deferred tax asset balance at December 31, 2019. We recognize valuation allowances on deferred tax assets, if, based on the weight of the evidence, we believe that some or all of our deferred tax assets will not be realized. Changes in valuation allowances are included in our tax provision or in equity if directly related to other comprehensive income (loss) in the period of change. In determining whether a valuation allowance is warranted, we evaluate factors such as prior years' earnings history, expected future earnings, loss carry-back and carry-forward periods, reversals of existing deferred tax liabilities and tax planning strategies that potentially enhance the likelihood of the realization of a deferred tax asset. Accordingly, as of December 31, 2019 and 2018, we have a full valuation allowance against our net deferred tax assets, exclusive of a deferred tax (asset) liability related to a foreign jurisdiction.

In July 2011, July 2013, and January 2014, we experienced significant changes in the ownership of our stock, as measured for Federal income tax purposes. These changes triggered the application of Section 382 of the Internal Revenue Code, as amended (the "Code"), which will likely have no substantial impact on the use of tax net operating loss carryovers ("NOLs") generated through January 31, 2014 and prior to offset future taxable income. While Section 382 changes may adversely affect cash flow, they have no impact on our current financial statements. The deferred tax assets resulting from the existing NOLs to which a Section 382 change applies are already fully offset by a valuation allowance.

2018 Compared to 2017

Our consolidated operating revenue increased \$201.0 million, or 4.1%, for the year ended December 31, 2018 compared to 2017. The increase in revenue was largely attributed to increased base yield excluding fuel surcharge and fuel surcharge revenue, while partially offset by a decrease in tonnage.

Operating expenses increased \$177.1 million, or 3.7%, for the year ended December 31, 2018 compared to 2017, due to an increase in salaries, wages and employee benefits, an increase in purchased transportation expense, and higher fuel costs, which were partially offset by an increase in gains on property disposals.

Salaries, wages and employee benefits. Salaries, wages and employee benefits increased \$65.8 million, or 2.3%, primarily due to a \$49.2 million increase in employee benefit costs, which are primarily related to contractual rate increases for union employees, and a \$29.8 million increase in short-term incentive compensation for employees at various levels in the organization. These increases were partially offset by a \$10.9 million decrease in wages due to a decrease in shipping volumes, which required fewer employee hours to process freight.

Fuel, operating expenses and supplies. Fuel, operating expenses and supplies increased \$72.7 million, or 8.4%, primarily due to a \$52.7 million increase in fuel expenses driven by higher fuel prices on a per gallon basis, partially offset by fewer miles driven and improved miles per gallon. The increase in operating expenses was also due to an increase of \$6.9 million in facility related expense primarily due to increased rent expense at our leased terminal locations.

Purchased transportation. Purchased transportation increased \$55.7 million, or 8.9%, primarily due to a \$35.8 million increase in vehicle rent expense, mostly related to a \$32.9 million increase in long-term rental expense in conjunction with the Company's leasing strategy to invest in revenue equipment. Purchased transportation expense also includes a \$29.6 million increase in third-party costs due to the expansion in customer-specific logistics solutions. These increases were partially offset by a \$12.2 million decrease in local purchased transportation due to reduced usage.

Other operating expenses. Other operating expenses increased \$3.1 million, or 1.3%, primarily due to an increase of \$8.1 million in our third-party liability claims expense primarily due to current year claims, partially offset by a \$4.6 million decrease in cargo claims expense.

Gains/losses on property disposals. Net gains on disposals of property were \$20.8 million in 2018 compared to net gains of \$0.6 million in 2017. The gains in 2018 were primarily related to the sale of real properties, including a \$29.3 million gain from the sale of an excess property at YRC Freight.

Nonoperating expenses, net. Nonoperating expenses decreased \$25.5 million for the year ended December 31, 2018 compared to 2017 primarily due to an \$11.2 million decrease in net periodic pension cost. Additionally, in 2017 we incurred \$8.1 million in transaction costs related to debt amendments with no corresponding expense in 2018.

Our effective tax rate for the years ended December 31, 2018 and 2017 was 35.5% and 40.3%, respectively. Significant items impacting the 2018 rate include a provision for net state and foreign taxes, foreign withholding taxes related to dividends from a foreign subsidiary, certain permanent items, and a change in the valuation allowance established for the net deferred tax asset balance at December 31, 2018. Significant items impacting the 2017 rate include a benefit recognized due to application of the exception to the rules regarding intraperiod tax allocation, a provision for net state and foreign taxes, certain permanent items,

and a change in the valuation allowance established for the net deferred tax asset balance at December 31, 2017. We recognize valuation allowances on deferred tax assets, if, based on the weight of the evidence, we believe that some or all of our deferred tax assets will not be realized. Changes in valuation allowances are included in our tax provision or in equity if directly related to other comprehensive income (loss) in the period of change. In determining whether a valuation allowance is warranted, we evaluate factors such as prior years' earnings history, expected future earnings, loss carry-back and carry-forward periods, reversals of existing deferred tax liabilities and tax planning strategies that potentially enhance the likelihood of the realization of a deferred tax asset. Accordingly, as of December 31, 2018 and 2017, we have a full valuation allowance against our net deferred tax assets, exclusive of a deferred tax liability related to a foreign jurisdiction.

The Tax Cuts and Jobs Act (the "Tax Act") was enacted in the U.S. on December 22, 2017. The Tax Act reduced the US federal corporate income tax rate to 21% from 35%, required companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and created new taxes on certain foreign-sourced earnings. The Company adopted the guidance provided by Securities and Exchange Staff Accounting Bulletin No. 118 ("SAB 118") regarding the public disclosures of certain accounting impacts of the Tax Act. In 2017 and the first nine months of 2018, the Company recorded provisional amounts for certain enactment date effects by applying the guidance in SAB 118 because we had not yet completed our enactment date accounting for these effects. All provisional amounts were finalized for the 2018 Form 10-K as required by SAB 118. This includes the federal and state income tax effects of newly enacted one-time transition tax. Such finalization had no net impact on the tax provision for 2018, as it merely adjusted net operating loss carry-forward amounts and was fully offset by a valuation allowance.

Reporting Segment Results of Operations

We evaluate our business using our two reporting segments:

- **YRC Freight** is the reporting segment that focuses on longer haul business opportunities with national, regional and international services. YRC Freight provides for the movement of industrial, commercial and retail goods. This reporting segment includes YRC Freight, our LTL subsidiary, YRC Freight Canada, a subsidiary located in Canada that specializes in shipments into, across and out of Canada, and HNRV Logistics, our logistics solutions provider. In addition to the United States and Canada, YRC Freight also serves parts of Mexico and Puerto Rico.
- **Regional Transportation** is the reporting segment for our transportation service providers focused on business opportunities in the regional and next-day delivery markets. Regional Transportation is comprised of Holland, New Penn and Reddaway. These companies each provide regional, next-day ground services in their respective regions through a network of facilities located across the United States, Canada, and Puerto Rico.

YRC Freight Results

YRC Freight represented 63% of our consolidated operating revenue in 2019, 2018 and 2017. The table below provides summary financial information for YRC Freight for the years ended December 31:

(in millions)	2019	2018	2017	Percent Change	
				2019 vs. 2018	2018 vs. 2017
Operating revenue	\$ 3,088.7	\$ 3,197.3	\$ 3,067.9	(3.4)%	4.2%
Operating income	38.3	85.0	60.7	(54.9)%	40.0%
Operating ratio(a)	98.8%	97.3%	98.0%	(1.5pp)	0.7pp

(a) pp represents the change in percentage points

2019 Compared to 2018

YRC Freight reported operating revenue of \$3,088.7 million in 2019, a decrease of \$108.6 million, or 3.4%, compared to 2018. The decrease in revenue was largely driven by a decrease in tonnage and fuel surcharge revenue, while partially offset by an increase in base LTL yield excluding fuel surcharge. The table below summarizes the key revenue metrics for the YRC Freight reporting segment for the years ended December 31:

	2019	2018	Percent Change(b)
Workdays	251.5	252.0	
LTL picked up revenue (in millions)	\$ 2,840.7	\$ 2,945.4	(3.6)%
LTL tonnage (in thousands)	4,739	5,040	(6.0)%
LTL tonnage per workday (in thousands)	18.84	20.00	(5.8)%
LTL shipments (in thousands)	9,434	9,982	(5.5)%
LTL shipments per workday (in thousands)	37.51	39.61	(5.3)%
LTL picked up revenue per hundred weight	\$ 29.97	\$ 29.22	2.6%
LTL picked up revenue per hundred weight (excluding fuel surcharge)	\$ 26.43	\$ 25.58	3.3%
LTL picked up revenue per shipment	\$ 301	\$ 295	2.1%
LTL picked up revenue per shipment (excluding fuel surcharge)	\$ 266	\$ 258	2.8%
LTL weight per shipment (in pounds)	1,005	1,010	(0.5)%
Total picked up revenue (in millions)(a)	\$ 3,049.1	\$ 3,153.3	(3.3)%
Total tonnage (in thousands)	6,034	6,136	(1.7)%
Total tonnage per workday (in thousands)	23.99	24.35	(1.5)%
Total shipments (in thousands)	9,579	10,122	(5.4)%
Total shipments per workday (in thousands)	38.09	40.17	(5.2)%
Total picked up revenue per hundred weight	\$ 25.27	\$ 25.70	(1.7)%
Total picked up revenue per hundred weight (excluding fuel surcharge)	\$ 22.35	\$ 22.52	(0.8)%
Total picked up revenue per shipment	\$ 318	\$ 312	2.2%
Total picked up revenue per shipment (excluding fuel surcharge)	\$ 282	\$ 273	3.1%
Total weight per shipment (in pounds)	1,260	1,212	3.9%

(in millions)	2019	2018
(a) Reconciliation of operating revenue to total picked up revenue:		
Operating revenue	\$ 3,088.7	\$ 3,197.3
Change in revenue deferral and other	(39.6)	(44.0)
Total picked up revenue	<u>\$ 3,049.1</u>	<u>\$ 3,153.3</u>

(a) Does not equal financial statement revenue due to revenue adjustments for shipments in transit and the impact of other revenue.

(b) Percent change based on unrounded figures and not rounded figures presented.

Operating income for YRC Freight was \$38.3 million for the year ended December 31, 2019, a decrease of \$46.7 million from the same period in 2018. Operating expenses decreased \$61.9 million primarily due to decreases in purchased transportation expense and fuel, operating expenses and supplies. These decreases were partially offset by increased salaries, wages and employee benefits.

Salaries, wages and employee benefits. Salaries, wages and employee benefits increased \$7.2 million, or 0.4%, primarily due to a \$21.9 million increase in benefits costs which was largely driven by a \$16.8 million increase in union vacation expense due to restoration of benefits from the passage of the New NMFA, and a \$2.9 million increase in salaries expense. These increases were partially offset by a \$9.0 million decrease in wage expense as a result of a decrease in tonnage that reduced the number of hours needed to process freight, which was partially offset by contractual rate increases as a result of the New NMFA, as well as an \$8.2 million reduction in short-term incentive compensation.

Fuel, operating expenses and supplies. Fuel, operating expenses and supplies decreased \$42.9 million, or 7.2%, primarily due to a \$28.7 million decrease in fuel expenses driven by lower fuel prices on a per gallon basis, fewer miles driven and improved miles per gallon. Also, professional fees decreased by \$9.2 million primarily due to decreased management fees of corporate and other enterprise-wide shared services and other corporate service fees and consulting fees.

Purchased Transportation. Purchased transportation decreased \$49.7 million, or 9.3%, primarily due to a \$49.8 million decrease in rail and over-the-road purchased transportation expense as a result of reduced shipping volumes, an \$11.1 million

decrease from reduced usage of local purchased transportation, and a \$5.5 million decrease in short-term vehicle rents. These decreases were partially offset by an \$18.5 million increase in third-party costs due to the expansion in customer-specific logistics solutions.

Gains/losses on property disposals. Net gains on disposals of property were \$9.8 million during 2019 as compared to \$20.2 million in 2018. The gains in 2019 and 2018 were primarily related to the sale of real properties, including a \$29.3 million gain from the sale of one excess property during 2018.

Impairment charges. During the first quarter of 2019, the company recorded an \$8.2 million impairment charge that reflects the write-down of an intangible asset as a result of rebranding strategies, leading to the discontinued use of a tradename.

2018 Compared to 2017

YRC Freight reported operating revenue of \$3,197.3 million in 2018, an increase of \$129.4 million, or 4.2%, compared to 2017. The increase in revenue was largely driven by an increase in base yield excluding fuel surcharge and fuel surcharge revenue, partially offset by a decrease in tonnage. The table below summarizes the key revenue metrics for the YRC Freight reporting segment for the years ended December 31:

	2018	2017	Percent Change(b)
Workdays	252.0	251.5	
LTL picked up revenue (in millions)	\$ 2,945.4	\$ 2,854.5	3.2%
LTL tonnage (in thousands)	5,040	5,304	(5.0)%
LTL tonnage per workday (in thousands)	20.00	21.09	(5.2)%
LTL shipments (in thousands)	9,982	10,331	(3.4)%
LTL shipments per workday (in thousands)	39.61	41.08	(3.6)%
LTL picked up revenue per hundred weight	\$ 29.22	\$ 26.91	8.6%
LTL picked up revenue per hundred weight (excluding fuel surcharge)	\$ 25.58	\$ 24.02	6.5%
LTL picked up revenue per shipment	\$ 295	\$ 276	6.8%
LTL picked up revenue per shipment (excluding fuel surcharge)	\$ 258	\$ 247	4.7%
LTL weight per shipment (in pounds)	1,010	1,027	(1.6)%
Total picked up revenue (in millions)(a)	\$ 3,153.3	\$ 3,033.0	4.0%
Total tonnage (in thousands)	6,136	6,291	(2.5)%
Total tonnage per workday (in thousands)	24.35	25.01	(2.7)%
Total shipments (in thousands)	10,122	10,465	(3.3)%
Total shipments per workday (in thousands)	40.17	41.61	(3.5)%
Total picked up revenue per hundred weight	\$ 25.70	\$ 24.11	6.6%
Total picked up revenue per hundred weight (excluding fuel surcharge)	\$ 22.52	\$ 21.53	4.6%
Total picked up revenue per shipment	\$ 312	\$ 290	7.5%
Total picked up revenue per shipment (excluding fuel surcharge)	\$ 273	\$ 259	5.5%
Total weight per shipment (in pounds)	1,212	1,202	0.8%

(in millions)	2018	2017
(a) Reconciliation of operating revenue to total picked up revenue:		
Operating revenue	\$ 3,197.3	\$ 3,067.9
Change in revenue deferral and other	(44.0)	(34.9)
Total picked up revenue	\$ 3,153.3	\$ 3,033.0

(a) Does not equal financial statement revenue due to revenue adjustments for shipments in transit and the impact of other revenue.

(b) Percent change based on unrounded figures and not rounded figures presented.

Operating income for YRC Freight was \$85.0 million for the year ended December 31, 2018, an increase of \$24.3 million from the same period in 2017. Operating expenses increased \$105.1 million primarily due to an increase in salaries, wages and employee benefits, an increase in purchased transportation expense, and higher fuel costs, which were partially offset by an increase in gains on property disposals.

Salaries, wages and employee benefits. Salaries, wages and employee benefits increased \$21.3 million, or 1.2%, primarily due to a \$33.0 million increase in employee benefit costs, which are primarily related to contractual rate increases for union employees, and a \$6.1 million increase in short-term incentive compensation for employees at various levels in the organization. These increases were partially offset by an \$11.7 million decrease in wages due to a decrease in shipping volumes, which required fewer employee hours to process freight. Additionally, workers' compensation expense decreased \$6.1 million mainly due to favorable development on prior year claims.

Fuel, operating expenses and supplies. Fuel, operating expenses and supplies increased \$51.7 million, or 9.5%, primarily due to a \$26.2 million increase in fuel expenses driven by higher fuel prices on a per gallon basis, partially offset by fewer miles driven and improved miles per gallon. Also, professional fees increased by \$21.0 million primarily due to increased management fees and other corporate service fees and non-recurring consulting fees.

Purchased Transportation. Purchased transportation increased \$55.0 million, or 11.5%, primarily due to a \$33.5 million increase in vehicle rent expense of which \$30.6 million was attributable to long-term rentals in conjunction with the Company's leasing strategy to invest in revenue equipment. Purchased transportation expense also includes a \$29.6 million increase in third-party costs due to the expansion in customer-specific logistics solutions. These costs were partially offset by an \$11.3 million decrease from reduced usage of local purchased transportation.

Other operating expenses. Other operating expenses decreased \$2.1 million, or 1.4%, primarily due to a \$6.1 million decrease in cargo claims expense, partially offset by an increase of \$4.1 million in our third-party liability claims expense primarily due to current year claims.

Gains/losses on property disposals. Net gains on disposals of property were \$20.2 million in 2018 compared to net gains of \$2.2 million in 2017, primarily due to the sale of real properties. The 2018 gain includes a \$29.3 million gain on the sale of an excess property.

Regional Transportation Results

Regional Transportation represented 37% of consolidated operating revenue in 2019, 2018 and 2017. The table below provides summary financial information for Regional Transportation for the years ended December 31:

(in millions)				Percent Change	
	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
Operating revenue	\$ 1,782.7	\$ 1,895.0	\$ 1,823.4	(5.9)%	3.9%
Operating income (loss)	(4.8)	70.7	67.9	(106.8)%	4.1%
Operating ratio ^(a)	100.3%	96.3%	96.3%	(4.0pp)	0.0pp

(a) pp represents the change in percentage points

2019 Compared to 2018

Regional Transportation reported operating revenue of \$1,782.7 million for 2019, representing a decrease of \$112.3 million, or 5.9%, from 2018. The decrease in revenue is primarily attributed to a decrease in tonnage and fuel surcharge, partially offset by an improvement in base yield, excluding fuel surcharge. The table below summarizes the key revenue metrics for the Regional Transportation reporting segment for the years ended December 31:

	2019	2018	Percent Change(b)
Workdays	251.5	252.0	
LTL picked up revenue (in millions)	\$ 1,652.8	\$ 1,742.8	(5.2)%
LTL tonnage (in thousands)	5,663	6,027	(6.0)%
LTL tonnage per workday (in thousands)	22.52	23.92	(5.8)%
LTL shipments (in thousands)	8,989	9,588	(6.3)%
LTL shipments per workday (in thousands)	35.74	38.05	(6.1)%
LTL picked up revenue per hundred weight	\$ 14.59	\$ 14.46	0.9%
LTL picked up revenue per hundred weight (excluding fuel surcharge)	\$ 12.90	\$ 12.71	1.5%
LTL picked up revenue per shipment	\$ 184	\$ 182	1.2%
LTL picked up revenue per shipment (excluding fuel surcharge)	\$ 163	\$ 160	1.8%
LTL weight per shipment (in pounds)	1,260	1,257	0.2%
Total picked up revenue (in millions)(a)	\$ 1,782.5	\$ 1,895.2	(6.0)%
Total tonnage (in thousands)	6,969	7,574	(8.0)%
Total tonnage per workday (in thousands)	27.71	30.05	(7.8)%
Total shipments (in thousands)	9,177	9,808	(6.4)%
Total shipments per workday (in thousands)	36.49	38.92	(6.3)%
Total picked up revenue per hundred weight	\$ 12.79	\$ 12.51	2.2%
Total picked up revenue per hundred weight (excluding fuel surcharge)	\$ 11.31	\$ 11.00	2.8%
Total picked up revenue per shipment	\$ 194	\$ 193	0.5%
Total picked up revenue per shipment (excluding fuel surcharge)	\$ 172	\$ 170	1.1%
Total weight per shipment (in pounds)	1,519	1,544	(1.6)%

(in millions)	2019	2018
(a) Reconciliation of operating revenue to total picked up revenue:		
Operating revenue	\$ 1,782.7	\$ 1,895.0
Change in revenue deferral and other	(0.2)	0.2
Total picked up revenue	\$ 1,782.5	\$ 1,895.2

(a) Does not equal financial statement revenue due to revenue adjustments for shipments in transit.

(b) Percent change based on unrounded figures and not rounded figures presented.

Operating loss for Regional Transportation was \$4.8 million for the year ended December 31, 2019, a decrease of \$75.5 million from operating income of \$70.7 million for the same period in 2018. Operating expenses decreased \$36.8 million primarily due to a decrease in purchased transportation expense and fuel, operating expenses and supplies. These decreases were partially offset by an increase in salaries, wages and employee benefits.

Salaries, wages and employee benefits. Salaries, wages and employee benefits increased \$17.9 million, or 1.6%, primarily due to a \$15.5 million increase in workers' compensation expense and a \$13.8 million increase in employee benefits costs which was largely driven by an \$9.0 million increase in union vacation expense due to restoration of benefits from the passage of the New NMFA. These increases were partially offset by an \$8.3 million reduction in short-term incentive compensation and a \$2.5 million decrease in wage expense as a result of a decrease in tonnage that reduced the number of hours needed to process freight, which was partially offset by contractual rate increases as a result of the New NMFA.

Fuel, operating expenses and supplies. Fuel, operating expenses and supplies decreased \$22.6 million, or 5.7%, primarily due to a \$19.4 million decrease in fuel expense, which was largely driven by fewer miles driven and lower prices.

Other operating expenses. Other operating expenses decreased \$7.6 million, or 7.7%, primarily due to a decrease of \$6.9 million in our third-party liability claims expense primarily due to the favorable development of prior-year claims.

Gains/losses on property disposals. Net gains on disposals of property were \$5.3 million during 2019 as compared to \$0.6 million in 2018. The gains in 2019 and 2018 were primarily related to the sale of real properties.

2018 Compared to 2017

Regional Transportation reported operating revenue of \$1,895.0 million for 2018, representing an increase of \$71.6 million, or 3.9%, from 2017. The increase in revenue was largely driven by an increase in base yield excluding fuel surcharge and fuel surcharge revenue, partially offset by a decrease in tonnage. The table below summarizes the key revenue metrics for the Regional Transportation reporting segment for the years ended December 31:

	2018	2017	Percent Change(b)
Workdays	252.0	251.5	
LTL picked up revenue (in millions)	\$ 1,742.8	\$ 1,681.0	3.7%
LTL tonnage (in thousands)	6,027	6,299	(4.3)%
LTL tonnage per workday (in thousands)	23.92	25.04	(4.5)%
LTL shipments (in thousands)	9,588	10,153	(5.6)%
LTL shipments per workday (in thousands)	38.05	40.37	(5.7)%
LTL picked up revenue per hundred weight	\$ 14.46	\$ 13.34	8.4%
LTL picked up revenue per hundred weight (excluding fuel surcharge)	\$ 12.71	\$ 11.94	6.4%
LTL picked up revenue per shipment	\$ 182	\$ 166	9.8%
LTL picked up revenue/shipment (excluding fuel surcharge)	\$ 160	\$ 148	7.8%
LTL weight per shipment (in pounds)	1,257	1,241	1.3%
Total picked up revenue (in millions)(a)	\$ 1,895.2	\$ 1,824.8	3.9%
Total tonnage (in thousands)	7,574	7,827	(3.2)%
Total tonnage per workday (in thousands)	30.06	31.12	(3.4)%
Total shipments (in thousands)	9,808	10,370	(5.4)%
Total shipments per workday (in thousands)	38.92	41.23	(5.6)%
Total picked up revenue per hundred weight	\$ 12.51	\$ 11.66	7.3%
Total picked up revenue per hundred weight (excluding fuel surcharge)	\$ 11.00	\$ 10.44	5.5%
Total picked up revenue per shipment	\$ 193	\$ 176	9.8%
Total picked up revenue/shipment (excluding fuel surcharge)	\$ 170	\$ 158	7.9%
Total weight per shipment (in pounds)	1,544	1,510	2.3%

(in millions)	2018	2017
(a) Reconciliation of operating revenue to total picked up revenue:		
Operating revenue	\$ 1,895.0	\$ 1,823.4
Change in revenue deferral and other	0.2	1.4
Total picked up revenue	\$ 1,895.2	\$ 1,824.8

- (a) Does not equal financial statement revenue due to revenue adjustments for shipments in transit.
(b) Percent change based on unrounded figures and not rounded figures presented.

Operating income for Regional Transportation was \$70.7 million for the year ended December 31, 2018, an increase of \$2.8 million from the same period in 2017. Operating expenses increased \$68.8 million primarily due to higher fuel costs, an increase in contractual wages and employee benefit costs, and an increase in vehicle maintenance expense.

Salaries, wages and employee benefits. Salaries, wages and employee benefits increased \$20.0 million, or 1.8%, primarily due to a \$14.3 million increase in employee benefit costs, which are primarily related to contractual rate increases for union employees, and a \$6.6 million increase in short-term incentive compensation for employees at various levels in the organization. These increases were partially offset by a \$4.1 million decrease in workers' compensation expense mainly due to favorable development on prior year claims.

Fuel, operating expenses and supplies. Fuel, operating expenses and supplies increased \$43.1 million, or 12.2%, primarily due to a \$26.5 million increase in fuel expenses driven by higher fuel prices on a per gallon basis, partially offset by fewer miles driven. Additionally, vehicle maintenance expense increased \$8.2 million primarily due to the timing of revenue equipment additions, and professional fees increased \$3.8 million due to increased management and other corporate service fees.

Other operating expenses. Other operating expenses increased \$5.1 million, or 5.4%, primarily due to an increase of \$3.9 million increase in our third-party liability claims expense primarily due to current year claims and a \$1.5 million increase in cargo claims expense.

Certain Non-GAAP Financial Measures

As discussed in the “Our Business” section, we use certain non-GAAP financial measures to assess performance. These measures should be considered in addition to the results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, our GAAP financial measures. For segment Adjusted EBITDA, we present the reconciliation from operating income (loss) to Adjusted EBITDA as it is consistent with how we measure performance.

Consolidated Adjusted EBITDA

The reconciliation of net income (loss) to EBITDA and EBITDA to Adjusted EBITDA (defined in our New Term Loan Agreement as “Consolidated EBITDA”) for the years ended December 31, 2019, 2018 and 2017 is as follows:

(in millions)	2019	2018	2017
Reconciliation of net income (loss) to Adjusted EBITDA(a):			
Net income (loss)	\$ (104.0)	\$ 20.2	\$ (10.8)
Interest expense, net	109.9	104.5	102.4
Income tax expense (benefit)	(4.3)	11.1	(7.3)
Depreciation and amortization	152.4	147.7	147.7
EBITDA	154.0	283.5	232.0
Adjustments for New Term Loan Agreement:			
Gains on property disposals, net	(13.7)	(20.8)	(0.6)
Non-cash reserve changes(b)	16.1	—	—
Impairment charges	8.2	—	—
Letter of credit expense	6.5	6.6	6.8
Transaction costs related to debt	—	—	10.3
Permitted dispositions and other	(0.9)	0.3	1.2
Equity-based compensation expense	6.3	6.3	6.5
Loss on extinguishment of debt	11.2	—	—
Non-union pension settlement charge	1.8	10.9	7.6
Other, net	2.9	0.1	9.5
Expense amounts subject to 10% threshold(c)	18.2	20.9	0.9
Adjusted EBITDA prior to 10% threshold	210.6	307.8	274.2
Adjustments pursuant to TTM calculation(c)	—	—	—
Adjusted EBITDA	<u>\$ 210.6</u>	<u>\$ 307.8</u>	<u>\$ 274.2</u>

(a) Certain reclassifications and adjustments have been made to prior years to conform to the new calculation and presentation of Adjusted EBITDA furnished in our Current Report on Form 8-K filed on September 11, 2019.

(b) Non-cash reserve changes reflect the net non-cash reserve charge for union and nonunion vacation (which includes the impact of the New NMFA for the one week of restored vacation), with such non-cash reserve adjustment to be reduced by cash charges in a future period when paid.

(c) Pursuant to the New Term Loan Agreement, Adjusted EBITDA limits certain adjustments in aggregate to 10% of the trailing-twelve-month (“TTM”) consolidated Adjusted EBITDA, prior to the inclusion of amounts subject to the 10% threshold, for each period ending. Such adjustments include, but are not limited to, restructuring charges, integration costs, severance, and non-recurring charges. The limitation calculation is updated quarterly based on TTM Adjusted EBITDA, and any necessary adjustment resulting from this limitation, if applicable, will be presented here.

Segment Adjusted EBITDA

The following represents Adjusted EBITDA by segment for the years ended December 31, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Adjusted EBITDA by segment:			
YRC Freight	\$ 148.1	\$ 168.4	\$ 137.8
Regional Transportation	63.9	138.7	136.4
Corporate and other	(1.4)	0.7	—
Adjusted EBITDA	<u>\$ 210.6</u>	<u>\$ 307.8</u>	<u>\$ 274.2</u>

The reconciliation of operating income (loss), by segment, to Adjusted EBITDA for the years ended December 31, 2019, 2018 and 2017 is as follows:

YRC Freight segment (in millions)	2019	2018	2017
Reconciliation of operating income to Adjusted EBITDA(a):			
Operating income	\$ 38.3	\$ 85.0	\$ 60.7
Depreciation and amortization	86.5	82.2	84.8
Gains on property disposals, net	(9.8)	(20.3)	(2.2)
Non-cash reserve changes(b)	11.5	—	—
Impairment charges	8.2	—	—
Letter of credit expense	4.0	4.2	4.3
Non-union pension and postretirement benefits	(0.5)	1.9	(11.7)
Other, net	0.2	0.3	1.0
Expense amounts subject to 10% threshold(c)	9.7	15.1	0.9
Adjusted EBITDA prior to 10% threshold	148.1	168.4	137.8
Adjustments pursuant to TTM calculation(c)	—	—	—
Adjusted EBITDA	\$ 148.1	\$ 168.4	\$ 137.8
Regional Transportation segment (in millions)			
Reconciliation of operating income (loss) to Adjusted EBITDA(a):			
Operating income (loss)	\$ (4.8)	\$ 70.7	\$ 67.9
Depreciation and amortization	64.6	65.0	62.9
(Gains) losses on property disposals, net	(5.3)	(0.6)	1.6
Non-cash reserve changes(b)	4.4	—	—
Letter of credit expense	2.2	2.2	2.2
Other, net	0.1	0.1	—
Expense amounts subject to 10% threshold(c)	2.7	1.3	1.8
Adjusted EBITDA prior to 10% threshold	63.9	138.7	136.4
Adjustments pursuant to TTM calculation(c)	—	—	—
Adjusted EBITDA	\$ 63.9	\$ 138.7	\$ 136.4
Corporate (in millions)			
Reconciliation of operating loss to Adjusted EBITDA(a):			
Operating loss	\$ (17.3)	\$ (12.8)	\$ (9.6)
Depreciation and amortization	1.3	0.5	—
Losses on property disposals, net	1.4	0.1	—
Non-cash reserve changes(b)	0.2	—	—
Letter of credit expense	0.3	0.2	0.3
Transaction costs related to issuances of debt	—	—	2.2
Permitted dispositions and other	(0.9)	0.3	1.2
Non-union pension and postretirement benefits	(0.9)	(0.4)	(1.3)
Equity-based compensation expense	6.3	6.3	6.5
Other, net	2.4	2.0	0.7
Expense amounts subject to 10% threshold(c)	5.8	4.5	—
Adjusted EBITDA prior to 10% threshold	(1.4)	0.7	—
Adjustments pursuant to TTM calculation(c)	—	—	—
Adjusted EBITDA	\$ (1.4)	\$ 0.7	\$ —

(a) Certain reclassifications and adjustments have been made to prior years to conform to the new calculation and presentation of Adjusted EBITDA furnished in our Current Report on Form 8-K filed on September 11, 2019.

(b) Non-cash reserve changes reflect the net non-cash reserve charge for union and non-union vacation (which includes the impact of the New NMFA for the one week of restored vacation), with such non-cash reserve adjustment to be reduced by cash charges in a future period when paid.

(c) Pursuant to the New Term Loan Agreement, Adjusted EBITDA limits certain adjustments in aggregate to 10% of the trailing-twelve-month ("TTM") consolidated Adjusted EBITDA, prior to the inclusion of amounts subject to the 10% threshold, for each period ending. Such adjustments include, but are not limited to, restructuring charges, integration costs, severance, and non-recurring charges. The limitation calculation is updated quarterly based on TTM Adjusted EBITDA, and any necessary adjustment resulting from this limitation, if applicable, will be presented here.

Liquidity and Capital Resources

Our principal sources of liquidity are cash and cash equivalents, available borrowings under our ABL Facility and any prospective net cash flow from operations. As of December 31, 2019, our maximum availability under our ABL Facility was \$37.7 million, and our managed accessibility is \$0.2 million. Maximum availability is derived by reducing the amount that may be advanced against eligible receivables plus eligible borrowing base cash by certain reserves imposed by the ABL Agent and our \$337.8 million of outstanding letters of credit. Our Managed Accessibility of \$0.2 million represents the maximum amount we would access on the ABL Facility and is adjusted for eligible receivables plus eligible borrowing base cash measured as of December 31, 2019. If eligible receivables fall below the threshold management uses to measure availability, which is 10% of the borrowing line, the credit agreement governing the ABL Facility permits adjustments from eligible borrowing base cash to restricted cash prior to the compliance measurement date of January 15, 2020. As of January 15, 2020, we had less than 10% of the borrowing line in eligible receivables and moved \$29.0 million of cash into restricted cash, as permitted under the ABL Facility, which effectively put our cash and cash equivalents and Managed Accessibility to \$80.4 million as of December 31, 2019.

As of December 31, 2018, our availability under our ABL Facility was \$39.2 million. Of the \$39.2 million in availability, Managed Accessibility was \$1.2 million. Our cash and cash equivalents and Managed Accessibility was \$203.8 million as of December 31, 2018.

The table below summarizes cash and cash equivalents and Managed Accessibility for the years ended December 31:

<u>(in millions)</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 109.2	\$ 227.6
Less: amounts placed into restricted cash subsequent to year-end	(29.0)	(25.0)
Managed Accessibility	0.2	1.2
Total cash and cash equivalents and Managed Accessibility	\$ 80.4	\$ 203.8

Outside of funding normal operations, our principal uses of cash include making contributions to our various multi-employer pension funds and single-employer pension plans, and meeting our other cash obligations, including, but not limited to, paying principal and interest on our funded debt, payments on equipment leases and investments in capital expenditures.

As of December 31, 2019, our Standard & Poor's Corporate Family Rating was "B-" with a stable outlook and Moody's Investor Service Corporate Family Rating was "B2" with a positive outlook.

Credit Facility Covenants

The New Term Loan Agreement includes a financial covenant requirement for the Company to maintain a minimum of \$200.0 million trailing-twelve-month Adjusted EBITDA, measured quarterly. Consolidated Adjusted EBITDA, defined in our New Term Loan Agreement as "Consolidated EBITDA," is a measure that reflects our earnings before interest, taxes, depreciation, and amortization expense, and is further adjusted for, among other things, letter of credit fees, equity-based compensation expense, net gains or losses on property disposals, restructuring charges, transaction costs related to issuances of debt, non-recurring consulting fees, non-cash impairment charges, integration costs, severance, non-recurring charges and the gains or losses from permitted dispositions, discontinued operations, and certain non-cash expenses, charges and losses (provided that if any of such non-cash expenses, charges or losses represents an accrual or reserve for potential cash items in any future period, the cash payment in respect thereof in such future period will be subtracted from Consolidated EBITDA in such future period to the extent paid). The definition was further modified under the New Term Loan Agreement such that certain expenses that qualify as adjustments are capped at 10.0% of the trailing-twelve-month Adjusted EBITDA. Adjustments subject to the 10.0% cap include, but are not limited to, restructuring charges, integration costs, severance, and non-recurring charges. Additionally, all net gains from the disposition of properties are excluded from the definition of Adjusted EBITDA, therefore any gains previously recognized in Adjusted EBITDA, as that term was previously defined in our SEC filings prior to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, in accordance with its definition in the Prior Term Loan Agreement, will not be included in the calculation of Adjusted EBITDA under the New Term Loan Agreement. Further, for all years presented in this Annual Form 10-K, the presentation of adjusted EBITDA has been updated to reflect this new definition. Our trailing twelve month Adjusted EBITDA as of December 31, 2019 was \$210.6 million.

The ABL Facility also contains certain affirmative and negative covenants with which we must comply.

Risks and Uncertainties Regarding Compliance with Credit Facility Financial Covenants

Under the New Term Loan, we are required to maintain at least \$200.0 million in Adjusted EBITDA on a TTM basis measured each quarter until maturity (June 2024). For the TTM period ended December 31, 2019, we achieved Adjusted EBITDA of \$210.6 million. We believe that our results of operations will allow us to comply with the minimum Adjusted EBITDA covenant for at least the next twelve months. Our ability to comply is subject to a more stable and robust freight environment and continued actions and cost savings initiatives we began in the fourth quarter of 2019 and continue today. These actions and initiatives include headcount reductions commensurate with our current volume levels, a hiring freeze on new and replacement positions, temporary elimination of short-term incentive compensation, and a reduction in discretionary spend.

We began taking these actions because of the freight recession our industry experienced in 2019, and that has persisted into early first quarter 2020, that negatively impacted our ability to fully realize operational efficiencies arising from our New NMFA with the International Brotherhood of Teamsters primarily due to the ensuing depressed volume levels and the inherent contractual cost increase associated with the New NMFA. Our ability to satisfy our liquidity needs and meet our minimum Adjusted EBITDA requirement during the next twelve months and thereafter is dependent upon our ability to improve operating performance over 2019 to offset the contractual wage and benefit increases under the New NMFA and other inflationary expense increases associated with among other things our employees and insurance programs.

We may extend and or supplement the actions we began taking in 2019 if we continue to experience adverse conditions such as lower volumes, pricing, yield or lower productivities among others, that might impact our forecasted performance. If we are unable to achieve the results required to comply with this covenant in one or more quarters over the next twelve months, we may be required to take specific actions in addition to those described above, including but not limited to, additional reductions in headcount and targeted procurement initiatives to reduce operating costs and, or alternatively, seek a waiver or an amendment from our lenders. Obtaining a waiver or an amendment is not within our control, and if unsuccessful, the lenders may exercise the rights available to them under the New Term Loan.

Cash Flow

Operating Cash Flow

Cash flow from operations decreased by \$203.3 million to \$21.5 million for the year ended December 31, 2019 compared to \$224.8 million for the year ended December 31, 2018. The decrease in cash flow is primarily related to a \$124.2 million decrease in net income, and the remaining difference is primarily related to timing differences in working capital accounts.

Cash flow from operations increased by \$164.1 million to \$224.8 million for the year ended December 31, 2018 compared to \$60.7 million for the year ended December 31, 2017. The increase in cash flow is primarily related to \$55.2 million in changes to accounts receivables from an improvement in days sales outstanding, and a \$52.8 million decrease in minimum cash contributions for the non-union pension plans. Cash provided by operations also improved due to a \$31.0 million increase in net income.

Investing Cash Flow

Cash used in investing activities was \$117.3 million in 2019 compared to \$109.0 million in 2018, primarily due to a net decrease in proceeds from the disposal of property and equipment of \$10.5 million.

Cash used in investing activities was \$109.0 million in 2018 compared to \$94.5 million in 2017, primarily due to an increase in acquisition costs for revenue equipment. Partially offsetting this increase, net proceeds from the disposal of property and equipment increased \$27.6 million mainly due to the sale of real properties.

See a detailed discussion of 2019 and 2018 capital expenditures below in “Capital Expenditures” for further information.

Financing Cash Flow

Net cash used in financing activities for 2019 was \$22.6 million, which consists primarily of \$579.0 million in repayments of our long-term debt, offset by the issuance of \$570.0 million of long-term debt for the New Term Loan, in addition to \$12.7 million in deferred debt issuance costs incurred.

Net cash used in financing activities for 2018 was \$33.9 million, which consists primarily of \$31.9 million in repayments of our long-term debt.

Net cash used in financing activities for 2017 was \$96.2 million, which consists primarily of \$79.3 million in repayments of our long-term debt, of which \$61.9 million was in addition to regularly scheduled principal payments, as well as \$14.5 million in debt issuance costs incurred during the year related to our financing transactions.

Capital Expenditures

Our capital expenditures focus primarily on the replacement of revenue equipment, investments in information technology and improvements to land and structures. Our business is capital intensive with significant investments in tractors, trailers, refurbished engines, and service center facilities. We determine the amount and timing of capital expenditures based on numerous factors, including fleet age, service center condition, viability of IT systems, anticipated liquidity levels, economic conditions, new or expanded services, regulatory actions and availability of financing.

The table below summarizes our actual net capital expenditures (proceeds) by type of investment for the years ended December 31:

(in millions)	2019	2018	2017
Acquisition of property and equipment			
Revenue equipment	\$ 88.6	\$ 79.8	\$ 35.3
Land and structures	13.2	13.9	16.9
Technology	36.0	38.3	45.6
Other	5.4	13.4	5.5
Total capital expenditures	<u>143.2</u>	<u>145.4</u>	<u>103.3</u>
Proceeds from disposal of property and equipment			
Revenue equipment	(1.9)	(2.4)	(2.0)
Land and structures	(22.9)	(32.1)	(6.6)
Technology	(0.4)	(1.8)	(0.2)
Other	(0.7)	(0.1)	—
Total proceeds	<u>(25.9)</u>	<u>(36.4)</u>	<u>(8.8)</u>
Total net capital expenditures	<u>\$ 117.3</u>	<u>\$ 109.0</u>	<u>\$ 94.5</u>

Our capital expenditures for revenue equipment were used primarily to fund the purchase of tractors, trailers and containers and to refurbish engines for our revenue fleet.

We also acquire our equipment through operating leases which will vary based on anticipated liquidity and lease financing options.

For the year ended December 31, 2019, we entered into new operating lease commitments for revenue equipment totaling \$111.0 million, with such payments to be made over an average lease term of 4 years with a capital equivalent value of \$131.8 million. As of December 31, 2019, our operating lease obligations through 2030 totaled 451.1 million and are expected to increase as we lease additional revenue equipment in future years.

Contractual Obligations and Other Commercial Commitments

The following sections provide aggregated information regarding our contractual obligations and commercial commitments as of December 31, 2019.

Non-Union Pension Obligations

We provide defined benefit pension plans for certain employees not covered by collective bargaining agreements. The qualified plans, which include the Yellow Corporation Pension Plan, the Roadway LLC Pension Plan and the YRC Retirement Pension Plan (collectively held in the YRC Worldwide Inc. Master Pension Plans Trust or “Trust”) cover approximately 9,000 employees including those currently receiving benefits and those who have left the company with deferred benefits. On January 1, 2004, the existing qualified benefit plans were closed to new participants. On July 1, 2008, the benefit accrual for participants was frozen.

In 2015, we adopted the legislative changes provided by the Bipartisan Budget Act of 2015 (“BBA 2015”) which was signed into law on November 2, 2015. This legislation extends the use of longer-term, stabilized interest rate assumptions for measuring pension obligations under the minimum funding requirements. We expect to make the plan contributions as required by BBA 2015 and other regulations.

During 2017, the Company amended the domestic qualified pension plans to provide for an automatic commencement of benefit at age 65, regardless of employment status. Also during 2017, the Yellow Transportation Plan was amended to permit the payment of lump sum benefit payments for those participants who reached age 65. Additionally, the Yellow Transportation Plan was amended to permit the payment of lump sum benefit payments effective January 1, 2018. These amendments are consistent with the Company's continued long-term strategy of de-risking the qualified pension plans.

During 2019, our net pension expense was \$2.6 million. This amount included a \$1.8 million expense recognition of settlements from lump sum payouts during the year. The non-cash settlement charge is reflected in nonoperating expenses as a result of the requirement to expense the unrecognized actuarial losses associated with the lump sum settlements. Our cash contributions were \$9.7 million. Using our current plan assumptions, which include an assumed 7.0% return on assets and a discount rate of 3.56%, we expect to record income of \$6.6 million for the year ended December 31, 2020.

We expect cash contributions for our non-union sponsored pension plans for the next five years to be as follows:

(in millions)	Expected Cash Contributions
2020	\$ 31.5
2021	23.9
2022	26.0
2023	27.1
2024	23.5

Our investment strategy for our pension assets and our related pension contribution funding obligation includes an active interest rate hedging program designed to mitigate the impact of changes in interest rates on each plan's funded position. If the pension discount rate falls, our investment strategy is designed to significantly mitigate such interest rate risk to each pension plan's funded status and our contribution funding obligation. Conversely, if the pension discount rate rises, some portion of the beneficial impact of a rising discount rate on the pension liability will be forgone. The investment program is dynamic and the hedging program is designed to adapt to market conditions.

If future actual asset returns fall short of the 7.0% assumption by 1.0% per year, total cash contributions would be \$6.3 million higher over the next five years. If future actual asset returns exceed the 7.0% assumption by 1.0% per year, total cash contributions would be \$6.4 million lower over the next five years.

If future interest rates decrease 100 basis points from January 1, 2020 levels, total cash contributions would be \$34.9 million lower over the next five years. This reflects our liability hedging strategy and the impact of BBA 2015 legislation. The liability hedging strategy results in additional asset returns from decreases in interest rates. However, BBA 2015 limits the increase in liabilities from lower interest rates such that the net effect is lower contributions. If interest rates increase 100 basis points from January 1, 2020 levels, total cash contributions would be \$40.3 million higher over the next five years.

Contractual Cash Obligations

The following table reflects cash outflows that we are contractually obligated to make as of December 31, 2019:

(in millions)	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
ABL Facility(a)	\$ 11.9	\$ 6.8	\$ 5.1	\$ —	\$ —
Term Loan(b)	858.7	57.6	114.8	686.3	—
Lease financing obligations(c)	365.5	41.8	80.3	78.1	165.3
Pension deferral obligations(d)	87.9	7.0	80.9	—	—
Workers' compensation and third-party liability claims obligations(e)	359.4	111.8	112.7	46.8	88.1
Operating leases(f)	451.1	154.4	206.7	57.4	32.6
Other contractual obligations(g)	42.5	24.5	16.4	1.6	—
Capital expenditure obligations(h)	3.0	3.0	—	—	—
Total contractual obligations	\$ 2,180.0	\$ 406.9	\$ 616.9	\$ 870.2	\$ 286.0

- (a) The ABL Facility includes future payments for the letter of credit fees and unused line fees and are not included on the Company's consolidated balance sheets.
- (b) The Term Loan includes principal and interest payments, but excludes the unamortized discounts.
- (c) The lease financing obligations consist primarily of interest payments.
- (d) Pension deferral obligations includes principal and interest payments on the Second A&R CDA.
- (e) The workers' compensation and third-party liability claims obligations represent our estimate of future payments for these obligations, not all of which are contractually required.
- (f) Operating leases represent future payments, which include interest, under contractual lease arrangements primarily for revenue equipment.
- (g) Other contractual obligations includes future service agreements and certain maintenance agreements and are not included on the Company's consolidated balance sheets.
- (h) Capital expenditure obligations primarily includes noncancelable orders for revenue equipment leases not yet delivered, whereby the cash obligations will be scheduled over the multi-year term of the lease and ROU assets and liabilities will be recorded upon lease execution.

Other Commercial Commitments

The following table reflects other commercial commitments or potential cash outflows that may result from a contingent event, such as a need to borrow short-term funds due to insufficient cash flow.

(in millions)	Amount of Commitment Expiration Per Period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
ABL Facility availability(a)	\$ 37.7	\$ —	\$ 37.7	\$ —	\$ —
Letters of credit(b)	337.8	—	337.8	—	—
Surety bonds(c)	131.3	131.1	0.2	—	—
Total commercial commitments	\$ 506.8	\$ 131.1	\$ 375.7	\$ —	\$ —

- (a) Availability under the ABL Facility is derived by reducing the amount that may be advanced against eligible receivables plus eligible borrowing base cash by certain reserves imposed by the ABL Agent and our outstanding letters of credit.
- (b) Letters of credit outstanding are generally required as collateral to support self-insurance programs and do not represent additional liabilities as the underlying self-insurance accruals are already included in our consolidated balance sheets.
- (c) Surety bonds are generally required for workers' compensation to support self-insurance programs, which include certain bonds that do not have an expiration date but are redeemable on demand, and do not represent additional liabilities as the underlying self-insurance accruals are already included in our consolidated balance sheets.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements except for other contractual obligations for service agreements and capital purchases, letters of credit and surety bonds, which are reflected in the above tables.

Critical Accounting Policies

Preparation of our financial statements requires accounting policies that involve significant estimates and judgments regarding the amounts included in the financial statements and disclosed in the accompanying notes to the financial statements. We continually review the appropriateness of our accounting policies and the accuracy of our estimates including discussion with the Audit & Ethics Committee of our Board of Directors who make recommendations to management regarding these policies. Even with a thorough process, estimates must be adjusted based on changing circumstances and new information. Management has identified the policies described below as requiring significant judgment and having a potential material impact to our financial statements.

Revenue Recognition and Revenue-related Reserves

The Company's revenues are derived from the transportation services we provide through the delivery of goods over the duration of a shipment. Upon receipt of the bill of lading, the contract existence criteria is met as evidenced by a legally enforceable agreement between two parties where collectability is probable, thus creating the distinct performance obligation. The Company has elected to expense initial direct costs as incurred because the average shipment cycle is less than one week.

The YRC Freight and Regional Transportation segments recognize revenue and substantially all the purchased transportation expense on a gross basis because we direct the use of the transportation service provided and remain responsible for the complete and proper shipment.

Inherent within our revenue recognition practices are estimates for revenue associated with shipments in transit and future adjustments to revenue and accounts receivable for billing adjustments and collectability.

We record an allowance for doubtful accounts primarily based on historical uncollectible amounts. We also take into account known factors surrounding specific customers and overall collection trends. For the reserve for uncollectible accounts, we primarily use historical write-off experience but may also consider customer-specific factors, overall collection trends and economic conditions as part of our ongoing monitoring of credit. Our process involves performing ongoing credit evaluations of customers, including the market in which they operate and the overall economic conditions. We continually review historical trends and customer specific factors and make adjustments to the allowance for doubtful accounts as appropriate. Our allowance for doubtful accounts totaled \$11.4 million and \$11.1 million as of December 31, 2019 and 2018, respectively.

Given the nature of our transportation services, future adjustments may arise which creates variability when establishing the transaction price used to recognize revenue. We have a high volume of performance obligations with similar characteristics, therefore we primarily use historical trends to arrive at estimated reserves. For rerate reserves, which are common for LTL carriers, we assign pricing to bills of lading at the time of shipment based primarily on the weight, general classification of the product, the shipping destination and individual customer discounts. This process is referred to as rating. At various points throughout our process, incorrect ratings could be identified based on many factors, including weight and commodity verifications. Although the majority of rerating occurs in the same month as the original rating, a portion occurs during subsequent periods. At December 31, 2019 and 2018, our financial statements included a rerate reserve as a reduction to "Accounts Receivable" of \$7.9 million and \$12.5 million, respectively.

For shipments in transit, we record revenue based on the percentage of service completed as of the period end and recognize delivery costs as incurred. The percentage of service completed for each shipment is based on how far along in the shipment cycle each shipment is in relation to standard transit days. Standard transit days are defined as our published service days between origin zip code and destination zip code. The total revenue earned is accumulated for all shipments in transit at a particular period end and recorded as operating revenue. At December 31, 2019 and 2018, our financial statements included deferred revenue as a reduction to "Accounts Receivable" of \$25.2 million and \$25.7 million, respectively.

Self-Insurance for Claims

We are self-insured up to certain limits for workers' compensation, third-party liability claims, and cargo loss and damage. We measure the liabilities associated with workers' compensation and third-party liability claims primarily through actuarial methods performed by an independent third-party. Actuarial methods include estimates for the undiscounted liability for claims reported, for claims incurred but not reported and for certain future administrative costs. These estimates are based on historical loss experience and judgments about the present and expected levels of costs per claim and the time required to settle claims. The effect of future inflation for costs is considered in the actuarial analysis. Actual claims may vary from these estimates due to a number of factors, including but not limited to, accident frequency and severity, claims management, changes in healthcare costs, legal and judicial developments, and overall economic conditions. We discount the actuarial calculations of claims liabilities for each calendar year to present value based on the average U.S. Treasury rate, during the calendar year of occurrence, for maturities that match the initial expected payout of the liabilities. As of December 31, 2019 and 2018, we had \$349.3 million and \$350.3 million accrued for outstanding claims, respectively.

Single Employer Pension Plans

Effective July 1, 2008, we froze our qualified and nonqualified defined benefit pension plans for all participating employees not covered by collective bargaining agreements. Given the frozen status of the plans, the key estimates in determining pension cost are return on plan assets and discount rate, each of which are discussed below.

Return on Plan Assets

The assumption for expected return on plan assets represents a long-term assumption of our portfolio performance that can impact our pension expense. With \$900.0 million of plan assets for the YRC Worldwide funded pension plans, a 100-basis-point decrease in the assumption for expected rate of return on assets would increase annual pension expense by approximately

\$8.6 million and would have no effect on the underfunded pension liability reflected on the balance sheet at December 31, 2019.

We believe our 2019 expected rate of return of 7.0% is appropriate based on our investment portfolio as well as a review of other objective indices. Although plan investments are subject to short-term market volatility, we believe they are well diversified and closely managed. Our asset allocation as of December 31, 2019 and 2018, and targeted long-term asset allocation for the plans are as follows:

	2019	2018	Target
Equities	33.0%	39.0%	38.0%
Debt Securities	30.0%	24.0%	30.0%
Absolute Return	37.0%	37.0%	32.0%

Based on various market factors, we selected an expected rate of return on assets of 7.0% effective for the 2019 and 2018 valuations. We will continue to review our expected long-term rate of return on an annual basis and revise appropriately.

Discount Rate

The discount rate refers to the interest rate used to discount the estimated future benefit payments to their present value, also referred to as the benefit obligation. The discount rate allows us to estimate what it would cost to settle the pension obligations as of the measurement date, December 31, and impacts the following year's pension cost. We determine the discount rate by selecting a portfolio of high quality non-callable bonds with interest payments and maturities generally consistent with our expected benefit payments.

Changes in the discount rate can significantly impact our net pension liability. However, our liability hedging strategy mitigates this impact with changes in asset returns. A 100-basis-point decrease in our discount rate would increase our underfunded pension liability by approximately \$27.5 million. That same change would decrease our annual pension expense by approximately \$5.4 million, driven by the return on assets. The discount rate can fluctuate considerably over periods depending on overall economic conditions that impact long-term corporate bond yields. At December 31, 2019 and 2018, we used a discount rate to determine benefit obligations of 3.56% and 4.44%, respectively.

Gains and Losses

Gains and losses occur due to changes in the amount of either the projected benefit obligation or plan assets from experience being different than assumed and from changes in assumptions. We recognize an amortization of the net gain or loss as a component of net pension cost for a year if, as of the beginning of the year, that net gain or loss exceeds ten percent of the greater of the benefit obligation or the market-related value of plan assets. If an amortization is required, it equals the amount of net gain or loss that exceeds the ten percent corridor, amortized over the average remaining life expectancy of plan participants.

As of December 31, 2019, the pension plans have net losses of \$406.1 million and a projected benefit obligation of \$1,128.8 million. The average remaining life expectancy of plan participants is approximately 20 years. For 2020, we expect to amortize approximately \$15.0 million of the net loss. The comparable amortization amounts for 2019 and 2018 were \$12.8 million and \$14.6 million, respectively.

At December 31, 2019, our plan assets included \$536.2 million of investments that are measured at net asset value ("NAV") per share (or its equivalent) using the practical expedient in accordance with the fair value measurement and \$44.8 million of Level 3 investments. Level 3 market values are based on inputs that are supported by little or no market activity and are significant to the fair value of the investment. These investments are subject to estimation to determine fair value which is used to determine components of our annual pension expense and the net liability.

Multi-Employer Pension Plans

YRC Freight, Holland, Reddaway and New Penn, contribute to 33 separate multi-employer pension plans for employees covered by our collective bargaining agreements (approximately 79% of total employees of YRC Worldwide and its subsidiaries). The pension plans provide defined benefits to retired participants.

We do not directly manage the multi-employer pension plans to which we contribute. Trustees, half of whom the respective union appoints and half of whom various contributing employers appoint, manage the trusts covering these plans.

Our collective bargaining agreements with the unions determine the amount of our contributions to these plans. We recognize as net pension expense the contractually required contribution for the respective period and recognize as a liability any contributions due and unpaid.

In 2006, the Pension Protection Act (“PPA”) became law and modified both the Code, as it applies to multi-employer pension plans and the ERISA. The Code and ERISA (in each case, as so modified) and related regulations establish minimum funding requirements for multi-employer pension plans. The funding status of these plans is determined by many factors.

In 2014, the Multi-Employer Pension Reform Act (“MPRA”) became law which modified the ability to suspend accrued benefits of plans facing insolvency by adding a new zone status of Critical and Declining.

If any of our multi-employer pension plans fail to:

- meet minimum funding requirements,
- meet a required funding improvement or rehabilitation plan that the PPA may require for certain of our underfunded plans,
- obtain from the Internal Revenue Service (“IRS”) certain changes to or a waiver of the requirements in how the applicable plan calculates its funding levels, or
- reduce pension benefits to a level where the requirements are met,

we could be required to make additional contributions to our multi-employer pension plans.

If any of our multi-employer pension plans enters critical status or worse and our contributions are not sufficient to satisfy any rehabilitation plan schedule, the PPA could require us to make additional surcharge contributions to the multi-employer pension plan in the amount of five to ten percent of the existing contributions required by our labor agreement for the remaining term of the labor agreement.

If we fail to make our required contributions to a multi-employer pension plan under a funding improvement or rehabilitation plan, it would expose us to penalties including potential withdrawal liability. If the benchmarks that an applicable funding improvement or rehabilitation plan provides for a multi-employer pension plan are not met by the end of a prescribed period, the IRS could impose an excise tax on us and the plan’s other contributing employers. These excise taxes are not contributed to the deficient funds, but rather are deposited in the United States general treasury funds.

Depending on the amount involved, a requirement to increase contributions beyond our contractually agreed rate or the imposition of an excise tax on us could have a material adverse impact on our business, financial condition, liquidity, and results of operations.

Funded Status of the Multi-Employer Pension Plans and Contingent Withdrawal Liabilities

We received an Annual Funding Notice and, for certain plans, a Notice of Critical Status that provide an indication of the plan’s financial health. The plan administrators and trustees of multi-employer pension plans do not, however, routinely provide us with detailed, current information regarding their financials. Much of our information regarding the plan financials historically has been (i) obtained from public filings using publicly available plan asset values, which are often dated, and (ii) based on the limited information available from plan administrators or trustees, which has not been independently validated.

We are aware that many of the multi-employer pension plans to which we contribute, including, but not limited to, the Central States, Southeast and Southwest Areas Pension Fund, Road Carriers Local 707 Pension Fund, New York State Teamsters Conference Pension and Retirement Fund, and Teamsters Local 641 Pension Fund are in critical or critical and declining status.

Based on information obtained from public filings and from plan administrators and trustees, we believe our portion of the contingent liability in the case of a full withdrawal or termination from all of the multi-employer pension plans to which we contribute would be an estimated \$8 billion on a pre-tax basis. We have no current intention of taking any action that would subject us to payment of material withdrawal liability.

Accounting for Income Taxes

We use the asset and liability method to reflect income taxes on our financial statements. We recognize deferred tax assets and liabilities by applying enacted tax rates to the differences between the carrying value of existing assets and liabilities and their respective tax basis and to loss carryforwards. Tax credit carryforwards are recorded as deferred tax assets. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the change occurs. We assess the validity of deferred tax assets and loss and tax credit carryforwards and provide valuation allowances when we determine, based on the weight of evidence, it is more likely than not that such assets, losses, or credits will not be realized. Changes in valuation allowances are included in our tax provision, or in equity if directly related to other comprehensive income (loss), unless affected by a specific intraperiod allocation which happened in 2017 as described below. In determining whether a valuation allowance is warranted, we evaluate factors such as prior years’ earnings, loss carry-back

and carry-forward periods, reversals of existing deferred tax liabilities and tax planning strategies that potentially enhance the likelihood of the realization of a deferred tax asset. We have not recognized deferred taxes relative to foreign subsidiaries' earnings that are deemed to be permanently reinvested. Any related taxes associated with such earnings are not material.

YRC Worldwide applies the intraperiod tax allocation rules of ASC 740, *Income Taxes* ("ASC 740") to allocate income taxes among continuing operations, other comprehensive income (loss), and additional paid-in capital when our situation meets the criteria as prescribed in the rule.

While the tax effect of net income (loss) before income taxes generally should be computed without regard to the tax effects of net income (loss) before income taxes from the other categories referenced in the preceding paragraph, an exception applies when there is a loss before income taxes and income from those other categories. In that situation, the appropriate tax provision is allocated to the other categories of earnings and a related tax benefit is recorded in net income (loss). This exception to the general rule applies even when a valuation allowance is in place at the beginning and end of the year. While intraperiod tax allocation does not change the overall tax provision, it may result in a gross-up of the individual components, thereby changing the amount of tax provision included in each category. In 2017, the Company met the criteria necessary to apply the exception within the intraperiod tax allocation rules, since it incurred a net loss before income taxes and income was recognized in other comprehensive income (loss). As a result, the Company recorded a tax benefit of \$13.3 million in continuing operations (as reported on the statements of consolidated operations) and an offsetting tax expense of \$13.3 million in total other comprehensive income (loss) for the year ended December 31, 2017. The total income tax benefit did not change, and the total provision continued to be impacted by the full valuation allowance on our U.S. deferred tax assets. There was no domestic deferred benefit recognized in 2019 or 2018, as the exception did not apply. This allocation has no effect on total tax provision or total valuation allowance.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rates

To provide adequate funding through seasonal business cycles and minimize overall borrowing costs, we utilize both fixed rate and variable rate financial instruments with varying maturities. At December 31, 2019, we had approximately 28% of our outstanding debt at fixed rates. As amended, at the Company's election, a significant portion of the remaining variable rate debt may operate at a 1, 3 or 6-month LIBOR, with a floor of 1.0% plus a fixed margin of 7.5%. Based on a 3-month LIBOR, if interest rates for our variable rate long-term debt had increased 100 basis points during the year, our interest expense would have increased and income before taxes would have decreased by \$6.6 million and \$6.5 million for the years ended December 31, 2019 and 2018, respectively.

The table below provides information regarding the weighted average effective interest rates on our fixed-rate debt as of December 31, 2019.

(in millions)	2020	2021	2022	2023	2024	Thereafter	Total
Fixed-rate debt	\$ 2.7	\$ 2.6	\$ 16.8	\$ 3.9	\$ 1.9	\$ 217.8	\$ 245.7
Interest rate	16.2%	16.7%	16.8%	17.3%	17.7%	18.0%	

Foreign Exchange Rates

Revenue, operating expenses, assets and liabilities of our Canadian subsidiary are denominated in local currency, thereby creating exposure to fluctuations in exchange rates. The risks related to foreign currency exchange rates are not significant to our consolidated financial position or results of operations.

Fuel Prices

YRC Freight and Regional Transportation currently have fuel surcharge programs in place. These programs are well established within the industry and customer acceptance of fuel surcharges remains high. Since the amount of fuel surcharge is generally based on average, national diesel fuel prices and is reset weekly, our exposure to fuel price volatility is reduced. In general, under our present fuel surcharge programs, we believe that while rising fuel prices are beneficial to us and falling fuel prices are detrimental to us in the short term, the effects are mitigated over time. We cannot predict the extent to which volatile fluctuations in fuel prices will continue in the future or the extent to which fuel surcharges could be collected to offset fuel-price increases.

CONSOLIDATED BALANCE SHEETS
YRC Worldwide Inc. and Subsidiaries

(Amounts in millions except share and per share data)	December 31, 2019	December 31, 2018
Assets		
Current Assets:		
Cash and cash equivalents	\$ 109.2	\$ 227.6
Restricted amounts held in escrow	—	—
Accounts receivable, less allowances of \$11.4 and \$11.1, respectively	464.4	470.3
Prepaid expenses and other	44.6	58.7
Total current assets	618.2	756.6
Property and Equipment:		
Cost	2,761.6	2,765.9
Less – accumulated depreciation	(1,991.3)	(1,969.8)
Net property and equipment	770.3	796.1
Deferred income taxes, net	0.6	—
Operating lease right-of-use assets	386.0	—
Other assets	56.5	64.4
Total Assets	\$ 1,831.6	\$ 1,617.1
Liabilities and Shareholders' Deficit		
Current Liabilities:		
Accounts payable	\$ 163.7	\$ 178.0
Wages, vacations and employee benefits	195.9	223.6
Current operating lease liabilities	120.8	—
Claims and insurance accruals	120.4	112.8
Other accrued taxes	25.8	24.7
Other current and accrued liabilities	21.3	32.6
Current maturities of long-term debt	4.1	20.7
Total current liabilities	652.0	592.4
Other Liabilities:		
Long-term debt and financing, less current portion	858.1	854.2
Deferred income taxes, net	—	1.8
Pension and postretirement	236.5	202.9
Operating lease liabilities	246.3	—
Claims and other liabilities	279.9	271.3
Commitments and contingencies	—	—
Shareholders' Deficit:		
Cumulative preferred stock, \$1 par value per share - authorized 5,000,000 shares	—	—
Common stock, \$0.01 par value per share - authorized 95,000,000 shares, issued 33,715,000 and 33,090,000 shares	0.3	0.3
Capital surplus	2,332.9	2,327.6
Accumulated deficit	(2,312.4)	(2,208.4)
Accumulated other comprehensive loss	(369.3)	(332.3)
Treasury stock, at cost (410 shares)	(92.7)	(92.7)
Total shareholders' deficit	(441.2)	(305.5)
Total Liabilities and Shareholders' Deficit	\$ 1,831.6	\$ 1,617.1

The accompanying notes are an integral part of these statements.

STATEMENTS OF CONSOLIDATED OPERATIONS
YRC Worldwide Inc. and Subsidiaries
For the Years Ended December 31

(Amounts in millions except per share data; shares in thousands)	2019	2018	2017
Operating Revenue	\$ 4,871.2	\$ 5,092.0	\$ 4,891.0
Operating Expenses:			
Salaries, wages and employee benefits	2,963.7	2,950.0	2,884.2
Fuel, operating expenses and supplies	889.0	940.2	867.5
Purchased transportation	614.2	683.2	627.5
Depreciation and amortization	152.4	147.7	147.7
Other operating expenses	241.2	248.8	245.7
Gains on property disposals, net	(13.7)	(20.8)	(0.6)
Impairment charges	8.2	—	—
Total operating expenses	4,855.0	4,949.1	4,772.0
Operating Income	16.2	142.9	119.0
Nonoperating Expenses:			
Interest expense	111.2	105.8	102.8
Loss on extinguishment of debt	11.2	—	—
Non-union pension and postretirement benefits	3.1	9.4	20.6
Other, net	(1.0)	(3.6)	13.7
Nonoperating expenses, net	124.5	111.6	137.1
Income (loss) before income taxes	(108.3)	31.3	(18.1)
Income tax expense (benefit)	(4.3)	11.1	(7.3)
Net Income (Loss)	\$ (104.0)	\$ 20.2	\$ (10.8)
Average Common Shares Outstanding - Basic	33,252	32,983	32,685
Average Common Shares Outstanding - Diluted	33,252	33,859	32,685
Earnings (Loss) Per Share - Basic	\$ (3.13)	\$ 0.61	\$ (0.33)
Earnings (Loss) Per Share - Diluted	\$ (3.13)	\$ 0.60	\$ (0.33)

The accompanying notes are an integral part of these statements.

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)
YRC Worldwide Inc. and Subsidiaries
For the Years Ended December 31

<u>(in millions)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net income (loss)	\$ (104.0)	\$ 20.2	\$ (10.8)
Other comprehensive income (loss):			
Pension, net of tax:			
Net actuarial gains (losses) and other adjustments	(51.7)	1.0	36.1
Net prior service credit	—	—	8.9
Settlement adjustment	1.8	10.9	6.3
Amortization of prior net losses	12.9	14.6	12.9
Amortization of prior net service credit	(0.4)	(0.4)	—
Changes in foreign currency translation adjustments	0.4	(2.6)	5.2
Other comprehensive income (loss)	<u>(37.0)</u>	<u>23.5</u>	<u>69.4</u>
Comprehensive income (loss)	<u>\$ (141.0)</u>	<u>\$ 43.7</u>	<u>\$ 58.6</u>

The accompanying notes are an integral part of these statements.

STATEMENTS OF CONSOLIDATED CASH FLOWS
YRC Worldwide Inc. and Subsidiaries
For the Years Ended December 31

(in millions)	2019	2018	2017
Operating Activities:			
Net income (loss)	\$ (104.0)	\$ 20.2	\$ (10.8)
Adjustments to reconcile net income (loss) to cash flows from operating activities:			
Depreciation and amortization	152.4	147.7	147.7
Lease amortization and accretion expense	168.0	—	—
Lease payments	(155.1)	—	—
Equity-based compensation and employee benefits expense	18.6	20.3	22.0
Non-union pension settlement charge	1.8	10.9	7.6
Gains on property disposals, net	(13.7)	(20.8)	(0.6)
Loss on extinguishment of debt	11.2	—	—
Impairment charges	8.2	—	—
Deferred income tax benefit, net	(3.0)	(1.1)	(13.2)
Other noncash items, net	6.4	4.9	13.2
Changes in assets and liabilities, net:			
Accounts receivable	7.1	16.6	(38.6)
Accounts payable	(14.8)	6.1	10.9
Other operating assets	(1.5)	5.4	14.9
Other operating liabilities	(60.1)	14.6	(92.4)
Net cash provided by operating activities	21.5	224.8	60.7
Investing Activities:			
Acquisition of property and equipment	(143.2)	(145.4)	(103.3)
Proceeds from disposal of property and equipment	25.9	36.4	8.8
Net cash used in investing activities	(117.3)	(109.0)	(94.5)
Financing Activities:			
Issuance of long-term debt, net of discounts	570.0	—	—
Repayment of long-term debt	(579.0)	(31.9)	(79.3)
Debt issuance costs	(12.7)	—	(14.5)
Payments for tax withheld on equity-based compensation	(0.9)	(2.0)	(2.4)
Net cash used in financing activities	(22.6)	(33.9)	(96.2)
Net Increase (Decrease) In Cash and Cash Equivalents and Restricted Amounts Held in Escrow	(118.4)	81.9	(130.0)
Cash and Cash Equivalents and Restricted Amounts Held in Escrow, Beginning of Year	227.6	145.7	275.7
Cash and Cash Equivalents and Restricted Amounts Held in Escrow, End of Year	\$ 109.2	\$ 227.6	\$ 145.7
Supplemental Cash Flow Information:			
Interest paid	\$ (106.8)	\$ (101.2)	\$ (103.4)
Letter of credit fees paid	(6.8)	(7.0)	(7.0)
Income tax refund (payment)	(3.7)	(5.5)	1.7

The accompanying notes are an integral part of these statements.

STATEMENTS OF CONSOLIDATED SHAREHOLDERS' DEFICIT
YRC Worldwide Inc. and Subsidiaries
For the Years Ended December 31

	Preferred Stock	Common Stock	Capital Surplus	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock, At Cost	Total Shareholders' Deficit
Balances at December 31, 2018	\$ —	\$ 0.3	\$ 2,327.6	\$ (2,208.4)	\$ (332.3)	\$ (92.7)	\$ (305.5)
Equity-based compensation	—	—	1.6	—	—	—	1.6
Net loss	—	—	—	(49.1)	—	—	(49.1)
Pension, net of tax:							
Amortization of prior net losses	—	—	—	—	3.2	—	3.2
Amortization of prior service credit	—	—	—	—	(0.1)	—	(0.1)
Foreign currency translation adjustments	—	—	—	—	0.4	—	0.4
Balances at March 31, 2019	\$ —	\$ 0.3	\$ 2,329.2	\$ (2,257.5)	\$ (328.8)	\$ (92.7)	\$ (349.5)
Equity-based compensation	—	—	1.0	—	—	—	1.0
Net loss	—	—	—	(23.6)	—	—	(23.6)
Pension, net of tax:							
Amortization of prior net losses	—	—	—	—	1.6	—	1.6
Amortization of prior service credit	—	—	—	—	(0.1)	—	(0.1)
Foreign currency translation adjustments	—	—	—	—	0.5	—	0.5
Balances at June 30, 2019	\$ —	\$ 0.3	\$ 2,330.2	\$ (2,281.1)	\$ (326.8)	\$ (92.7)	\$ (370.1)
Equity-based compensation	—	—	1.8	—	—	—	1.8
Net loss	—	—	—	(16.0)	—	—	(16.0)
Pension, net of tax:							
Amortization of prior net losses	—	—	—	—	2.5	—	2.5
Amortization of prior service credit	—	—	—	—	(0.1)	—	(0.1)
Settlement adjustment	—	—	—	—	1.7	—	1.7
Net actuarial gain	—	—	—	—	0.3	—	0.3
Foreign currency translation adjustments	—	—	—	—	(0.8)	—	(0.8)
Balances at September 30, 2019	\$ —	\$ 0.3	\$ 2,332.0	\$ (2,297.1)	\$ (323.2)	\$ (92.7)	\$ (380.7)
Equity-based compensation	—	—	0.9	—	—	—	0.9
Net loss	—	—	—	(15.3)	—	—	(15.3)
Pension, net of tax:							
Amortization of prior net losses	—	—	—	—	5.6	—	5.6
Amortization of prior service credit	—	—	—	—	(0.1)	—	(0.1)
Settlement adjustment	—	—	—	—	0.1	—	0.1
Net actuarial loss	—	—	—	—	(52.0)	—	(52.0)
Foreign currency translation adjustments	—	—	—	—	0.3	—	0.3
Balances at December 31, 2019	\$ —	\$ 0.3	\$ 2,332.9	\$ (2,312.4)	\$ (369.3)	\$ (92.7)	\$ (441.2)

	Preferred Stock	Common Stock	Capital Surplus	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock, At Cost	Total Shareholders' Deficit
Balances at December 31, 2017	\$ —	\$ 0.3	\$ 2,323.3	\$ (2,228.6)	\$ (355.8)	\$ (92.7)	\$ (353.5)
Equity-based compensation	—	—	0.2	—	—	—	0.2
Net loss	—	—	—	(14.6)	—	—	(14.6)
Pension, net of tax:							
Amortization of prior net losses	—	—	—	—	3.8	—	3.8
Amortization of prior service credit	—	—	—	—	(0.1)	—	(0.1)
Foreign currency translation adjustments	—	—	—	—	(1.7)	—	(1.7)
Balances at March 31, 2018	\$ —	\$ 0.3	\$ 2,323.5	\$ (2,243.2)	\$ (353.8)	\$ (92.7)	\$ (365.9)
Equity-based compensation	—	—	3.1	—	—	—	3.1
Net loss	—	—	—	14.4	—	—	14.4
Pension, net of tax:							
Amortization of prior net losses	—	—	—	—	3.8	—	3.8
Amortization of prior service credit	—	—	—	—	(0.1)	—	(0.1)
Foreign currency translation adjustments	—	—	—	—	0.6	—	0.6
Balances at June 30, 2018	\$ —	\$ 0.3	\$ 2,326.6	\$ (2,228.8)	\$ (349.5)	\$ (92.7)	\$ (344.1)
Equity-based compensation	—	—	0.2	—	—	—	0.2
Net loss	—	—	—	2.9	—	—	2.9
Pension, net of tax:							
Amortization of prior net losses	—	—	—	—	3.5	—	3.5
Amortization of prior service credit	—	—	—	—	(0.1)	—	(0.1)
Settlement adjustment	—	—	—	—	7.2	—	7.2
Net actuarial gain	—	—	—	—	0.7	—	0.7
Foreign currency translation adjustments	—	—	—	—	0.9	—	0.9
Balances at September 30, 2018	\$ —	\$ 0.3	\$ 2,326.8	\$ (2,225.9)	\$ (337.3)	\$ (92.7)	\$ (328.8)
Equity-based compensation	—	—	0.8	—	—	—	0.8
Net loss	—	—	—	17.5	—	—	17.5
Pension, net of tax:							
Amortization of prior net losses	—	—	—	—	3.5	—	3.5
Amortization of prior service credit	—	—	—	—	(0.1)	—	(0.1)
Settlement adjustment	—	—	—	—	3.7	—	3.7
Net actuarial loss	—	—	—	—	0.3	—	0.3
Foreign currency translation adjustments	—	—	—	—	(2.4)	—	(2.4)
Balances at December 31, 2018	\$ —	\$ 0.3	\$ 2,327.6	\$ (2,208.4)	\$ (332.3)	\$ (92.7)	\$ (305.5)

The accompanying notes are an integral part of these statements.

1. Description of Business

YRC Worldwide, one of the largest transportation service providers in the world, offers its customers a wide range of transportation services. YRC Worldwide has one of the largest, most comprehensive LTL networks in North America with local, regional, national and international capabilities. Through our team of experienced service professionals, we offer expertise in LTL shipments and flexible supply chain solutions, ensuring customers can ship industrial, commercial and retail goods with confidence. Our reporting segments include the following:

- YRC Freight is the reporting segment that focuses on longer haul business opportunities with national, regional and international services. YRC Freight provides for the movement of industrial, commercial and retail goods, primarily through centralized management. This reporting segment includes YRC Freight, our LTL subsidiary, YRC Freight Canada, a subsidiary located in Canada that specializes in shipments into, across and out of Canada, and HENRY Logistics, our logistics solutions provider, specializing in truckload, residential, and warehouse solutions. In addition to the United States and Canada, YRC Freight also serves parts of Mexico and Puerto Rico.
- Regional Transportation is the reporting segment for our transportation service providers focused on business opportunities in the regional and next-day delivery markets. Regional Transportation is comprised of Holland, New Penn and Reddaway. These companies each provide regional, next-day ground services in their respective regions through a network of facilities located across the United States, Canada, and Puerto Rico.

2. Accounting Policies

Accounting policies refer to specific accounting principles and the methods of applying those principles to fairly present our financial position and results of operations in accordance with generally accepted accounting principles. The policies discussed below include those that management has determined to be the most appropriate in preparing our financial statements.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of YRC Worldwide and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. We report on a calendar year basis. The quarters of the Regional Transportation companies (with the exception of New Penn) consist of thirteen weeks that end on a Saturday either before or after the end of March, June and September, whereas all other operating segment quarters end on the natural calendar quarter end.

Use of Estimates

Management makes estimates and assumptions when preparing the financial statements in conformity with U.S. generally accepted accounting principles which affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and highly liquid investments purchased with maturities of three months or less. Under the Company's cash management system, checks issued but not presented to banks frequently result in book overdraft balances for accounting purposes which are classified within accounts payable in the accompanying consolidated balance sheets. The change in book overdrafts are reported as a component of operating cash flows for accounts payable as they do not represent bank overdrafts.

Concentration of Credit Risks and Other

We sell services and extend credit based on an evaluation of the customer's financial condition, without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. We monitor our exposure for credit losses and maintain allowances for anticipated losses.

At December 31, 2019, approximately 79% of our labor force is subject to collective bargaining agreements. In 2019, we agreed to a new labor agreement that, among other things, extend the expiration date of our primary labor agreement from March 31, 2019 to March 31, 2024. This also updated the contribution rates under our multi-employer pension plan. The new agreement provided for wage and benefits increases through the term of the agreement. Finally, the new agreement provided for certain changes to work rules and our use of purchased transportation in certain situations.

Revenue Recognition and Revenue-related Reserves

The Company's revenues are derived from the transportation services we provide through the delivery of goods over the duration of a shipment. Upon receipt of the bill of lading, the contract existence criteria is met as evidenced by a legally enforceable agreement between two parties where collectability is probable, thus creating the distinct performance obligation. The Company has elected to expense initial direct costs as incurred because the average shipment cycle is less than one week.

The YRC Freight and Regional Transportation segments recognize revenue and substantially all the purchased transportation expense on a gross basis because we direct the use of the transportation service provided and remain responsible for the complete and proper shipment.

Inherent within our revenue recognition practices are estimates for revenue associated with shipments in transit and future adjustments to revenue and accounts receivable for billing adjustments and collectability.

We record an allowance for doubtful accounts primarily based on historical uncollectible amounts. We also take into account known factors surrounding specific customers and overall collection trends. For the reserve for uncollectible accounts, we primarily use historical write-off experience but may also consider customer-specific factors, overall collection trends and economic conditions as part of our ongoing monitoring of credit. Our process involves performing ongoing credit evaluations of customers, including the market in which they operate and the overall economic conditions. We continually review historical trends and customer specific factors and make adjustments to the allowance for doubtful accounts as appropriate. Our allowance for doubtful accounts totaled \$11.4 million and \$11.1 million as of December 31, 2019 and 2018, respectively.

Given the nature of our transportation services, future adjustments may arise which creates variability when establishing the transaction price used to recognize revenue. We have a high volume of performance obligations with similar characteristics, therefore we primarily use historical trends to arrive at estimated reserves. For rerate reserves, which are common for LTL carriers, we assign pricing to bills of lading at the time of shipment based primarily on the weight, general classification of the product, the shipping destination and individual customer discounts. This process is referred to as rating. At various points throughout our process, incorrect ratings could be identified based on many factors, including weight and commodity verifications. Although the majority of rerating occurs in the same month as the original rating, a portion occurs during subsequent periods. At December 31, 2019 and 2018, our financial statements included a rerate reserve as a reduction to "Accounts Receivable" of \$7.9 million and \$12.5 million, respectively.

For shipments in transit, we record revenue based on the percentage of service completed as of the period end and recognize delivery costs as incurred. The percentage of service completed for each shipment is based on how far along in the shipment cycle each shipment is in relation to standard transit days. Standard transit days are defined as our published service days between origin zip code and destination zip code. The total revenue earned is accumulated for all shipments in transit at a particular period end and recorded as operating revenue. At December 31, 2019 and 2018, our financial statements included deferred revenue as a reduction to "Accounts Receivable" of \$25.2 million and \$25.7 million, respectively.

Beginning January 1, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers* using a modified retrospective approach. There was no cumulative effect adjustment recorded.

Revenue Disaggregation

We considered the disclosure requirements for revenue disaggregation guidance in ASC Topic 606, *Revenue from Contracts with Customers*, and noted that our segments disaggregate our revenues based on geographic and time-based factors as our Regional Transportation segment carriers operate in a smaller geographic footprint and have a shorter length of haul as compared to our YRC Freight segment. For additional information, see the "Business Segments" footnote to the consolidated financial statements. The following table presents disaggregated revenue by revenue source between LTL shipments and total. LTL shipments are defined as shipments less than 10,000 pounds. Beginning in 2019, the Company disaggregated revenue for reporting of key operating metrics, including volume and yield metrics, due to the impacts from shipments over 10,000 pounds.

YRC Freight segment (in millions)	2019	2018
LTL revenue	\$ 2,841.0	\$ 2,948.1
Other revenue	247.7	249.2
Total revenue	3,088.7	3,197.3
Regional Transportation segment (in millions)		
	2019	2018
LTL revenue	\$ 1,653.0	\$ 1,742.5
Other revenue	129.7	152.5
Total revenue	1,782.7	1,895.0
Consolidated (in millions)		
	2019	2018
LTL revenue	\$ 4,494.0	\$ 4,690.6
Other revenue	377.2	401.4
Total revenue	4,871.2	5,092.0

Self-Insurance Accruals for Claims

Claims and insurance accruals, both current and long-term, reflect the estimated settlement cost of claims for workers' compensation, property damage and liability claims (also referred to as third-party liability claims), and cargo loss and damage that insurance does not cover. We establish and modify reserve estimates for workers' compensation and property damage and liability claims primarily based upon actuarial analyses prepared by independent actuaries. These reserves are discounted to present value using a risk-free rate based on the year of occurrence. The risk-free rate is the U.S. Treasury rate for maturities that match the expected payout of such claims and was 2.0%, 2.6% and 1.5% for workers' compensation claims incurred as of December 31, 2019, 2018 and 2017, respectively. The rate was 2.1%, 2.5% and 1.3% for property damage and liability claims incurred as of December 31, 2019, 2018 and 2017, respectively. The process of determining reserve requirements utilizes historical trends and involves an evaluation of accident frequency and severity, claims management, changes in health care costs and certain future administrative costs. The effect of future inflation for costs is considered in the actuarial analysis. Adjustments to previously established reserves are included in operating results in the year of adjustment.

Expected aggregate undiscounted amounts and material changes to these amounts related to workers' compensation and property damage and liability claims as of December 31 are presented below:

(in millions)	Workers' Compensation	Third-Party Liability Claims	Total
Undiscounted amount at December 31, 2017	\$ 299.3	\$ 70.5	\$ 369.8
Estimated settlement cost for 2018 claims	95.9	40.0	135.9
Claim payments, net of recoveries	(92.4)	(36.2)	(128.6)
Change in estimated settlement cost for prior claim years	(15.0)	(0.7)	(15.7)
Undiscounted settlement cost estimate at December 31, 2018	\$ 287.8	\$ 73.6	\$ 361.4
Estimated settlement cost for 2019 claims	103.3	35.2	138.5
Claim payments, net of recoveries	(95.9)	(36.1)	(132.0)
Change in estimated settlement cost for prior claim years	(9.6)	1.1	(8.5)
Undiscounted settlement cost estimate at December 31, 2019	\$ 285.6	\$ 73.8	\$ 359.4
Discounted settlement cost estimate at December 31, 2019	\$ 262.2	\$ 73.4	\$ 335.6

In addition to the amounts above, accrued settlement cost amounts for cargo claims and other insurance related amounts, none of which are discounted, totaled \$13.7 million and \$13.9 million at December 31, 2019 and 2018, respectively.

Estimated cash payments to settle claims which were incurred on or before December 31, 2019, for the next five years and thereafter are as follows:

(in millions)	Workers' Compensation	Third-Party Liability Claims	Total
2020	\$ 78.3	\$ 33.5	\$ 111.8
2021	50.1	17.9	68.0
2022	33.3	11.4	44.7
2023	22.0	5.8	27.8
2024	16.4	2.6	19.0
Thereafter	85.5	2.6	88.1
Total	\$ 285.6	\$ 73.8	\$ 359.4

Equity-Based Compensation

We have various equity-based employee compensation plans, which are described more fully in the “Equity-Based Compensation Plans” footnote to our consolidated financial statements. We recognize compensation costs for non-vested shares based on the grant date fair value. For our equity grants, with no performance requirement, we recognize compensation cost on a straight-line basis over the requisite service period (generally three years) based on the grant-date fair value. For our performance-based awards, the Company expenses the grant date fair value of the awards which are probable of being earned in the performance period over the respective service period.

Property and Equipment

The following is a summary of the components of our property and equipment at cost as of December 31:

(in millions)	2019	2018
Land	\$ 239.9	\$ 243.7
Structures	788.4	791.3
Revenue equipment	1,228.2	1,257.4
Technology equipment and software	291.7	259.7
Other(a)	213.4	213.8
Total property and equipment, at cost	\$ 2,761.6	\$ 2,765.9

(a) Other consists of miscellaneous equipment used in field operations.

We carry property and equipment at cost less accumulated depreciation. We compute depreciation using the straight-line method based on the following service lives:

	Years
Structures	10 - 30
Revenue equipment	10 - 20
Technology equipment and software	3 - 7
Other	3 - 10

We charge maintenance and repairs to expense as incurred and betterments are capitalized. The cost of replacement tires is expensed at the time those tires are placed into service, as is the case with other repair and maintenance costs. Leasehold improvements are capitalized and amortized over the shorter of their useful lives or the remaining lease term.

In addition to purchasing new revenue equipment, we also rebuild the engines of our tractors (at certain time or mile intervals). Because rebuilding an engine increases its useful life, we capitalize these costs and depreciate over the remaining useful life of the unit. The cost of engines on newly acquired revenue equipment is capitalized and depreciated over the estimated useful life of the related equipment.

Our investment in technology equipment and software consists primarily of freight movement, automation, administrative, and related software. The Company capitalizes certain costs associated with developing or obtaining internal-use software. Capitalizable costs include external direct costs of materials and services utilized in developing or obtaining the software and payroll and payroll-related costs for employees directly associated with the development of the project.

For the years ended December 31, 2019, 2018 and 2017, depreciation expense was \$150.5 million, \$145.9 million and \$147.7 million, respectively.

Long-lived assets are reviewed for impairment when events or circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment indicators are present and the estimated future undiscounted cash flows are less than the carrying value of the long-lived assets, the carrying value would be reduced to the estimated fair value. Future cash flow estimates for an impairment review would be based on the lowest level of identifiable cash flows, which are at the operating company level.

Fair Value of Financial Instruments

From time to time, we hold financial assets held at fair value, which consists of restricted cash held in escrow. Restricted amounts held in escrow are invested in money market accounts and are recorded at fair value based on quoted market prices and have typically been level 1 fair value assets. Assets are considered level 1 if their valuations are based on quoted prices in active markets for identical assets or liabilities that the entity has the ability to access. As of December 31, 2019 and 2018, we had no restricted amounts held in escrow. The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximates their fair value due to the short-term nature of these instruments.

The fair value of our long-term debt is included in the “Debt and Financing” footnote to the consolidated financial statements.

Newly-Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, *Leases*, which requires lessees to recognize a right-to-use asset and a lease obligation for all leases. Additional qualitative and quantitative disclosures, including significant judgments made by management, are required. The new standard became effective for the Company for its annual reporting period beginning January 1, 2019, including interim periods within that reporting period. The Company adopted the standard using a modified retrospective approach with the effective date of the standard as the date of initial application.

The Company elected the package of three practical expedients which allows entities to not reassess initial direct costs, lease classification for existing or expired leases, and lease definition for existing or expired contracts as of the effective date of January 1, 2019. Additionally, the Company did not elect the hindsight method practical expedient which would have allowed us to reassess lease terms and impairment. For leases with a term of twelve months or less, the Company has made an accounting policy election in which the right of use lease (“ROU”) asset and lease liability will not be recognized on the consolidated balance sheet. The Company does not separate lease and non-lease components for its revenue equipment and real property leases. The Company reassessed the accounting for debt financing obligations under the new standard and determined the historical accounting remained appropriate under the new standard.

The adoption of this standard impacted our consolidated balance sheet through the recognition of \$378.8 million in ROU assets and liabilities as of January 1, 2019. Lease deposits in the amount of \$25.4 million were reclassified from “Other assets” to a reduction of “Operating lease liabilities” per the consolidated balance sheet upon adoption of the new standard.

The new standard did not impact the calculation of our financial covenants defined under the terms of our credit agreements.

See the “Leases” footnote to the consolidated financial statements for additional information.

Impact of Recently-Issued Accounting Standards

In June 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments - Credit Losses*. ASU 2016-13 requires an entity to utilize a new impairment model known as the current expected credit loss (“CECL”) model to estimate its lifetime expected credit loss and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset, including trade receivables. The CECL model is expected to result in more timely recognition of credit losses. ASU 2016-13 is effective for public companies for annual periods beginning after December 15, 2019, including interim periods within those fiscal years. The Company does not expect this standard to have a material impact on our financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software*, that aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The Company adopted this standard on January 1, 2020, but the adoption is not expected to have a material impact on the Company’s consolidated financial statements during 2020.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes*. The amendments of ASU 2019-12 are meant to simplify and reduce the cost of accounting for income taxes. ASU 2019-12 is effective for public companies for annual periods beginning after December 15, 2020, including interim periods within those fiscal years. The Company does not expect this standard to have a material impact on our financial statements.

3. Other Assets

The primary components of Other assets at December 31 are as follows:

(in millions)	2019	2018
Intangible assets	\$ 15.0	\$ 25.2
Prepayments(a)	1.4	18.0
Other(b)	40.1	21.2
Total	<u>\$ 56.5</u>	<u>\$ 64.4</u>

(a) Prepayments for 2018 primarily consist of prepaid costs for revenue equipment leases, which were reclassified in 2019 after the adoption of ASU 2016-02, *Leases*.

(b) Other includes insurance receivables (which are offset by amounts to be paid for claims in excess of self-insured retention), net pension assets, long-term deposits and other immaterial assets of varying types.

4. Employee Benefits

Qualified and Nonqualified Defined Benefit Pension Plans

YRC Worldwide and certain of our operating subsidiaries sponsor qualified and nonqualified defined benefit pension plans for certain employees not covered by collective bargaining agreements (approximately 9,000 current, former and retired employees). Qualified and nonqualified pension benefits are based on years of service and the employees' covered earnings. Employees covered by collective bargaining agreements participate in various multi-employer pension plans to which YRC Worldwide contributes, as discussed below. Regional Transportation does not offer a defined benefit pension plan and instead offers retirement benefits through contributory 401(k) savings plans, as discussed below. The domestic YRC Worldwide defined benefit pension plans closed to new participants effective January 1, 2004 and the benefit accrual for active employees was frozen effective July 1, 2008. Our actuarial valuation measurement date for our pension plans is December 31.

Funded Status

The reconciliation of the beginning and ending balances of the projected benefit obligation and the fair value of plan assets for the years ended December 31, 2019 and 2018, and the funded status at December 31, 2019 and 2018, is as follows:

(in millions)	2019	2018
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 1,073.2	\$ 1,228.4
Interest cost	45.7	44.1
Benefits paid	(96.7)	(110.4)
Actuarial (gain) loss	106.5	(88.5)
Other	0.1	(0.4)
Benefit obligation at year end	<u>\$ 1,128.8</u>	<u>\$ 1,073.2</u>
Change in plan assets:		
Fair value of plan assets at prior year end	\$ 874.9	\$ 998.3
Actual return on plan assets	112.1	(27.8)
Employer contributions	9.7	15.2
Benefits paid	(96.7)	(110.4)
Other	—	(0.4)
Fair value of plan assets at year end	<u>\$ 900.0</u>	<u>\$ 874.9</u>
Funded status at year end	<u>\$ (228.8)</u>	<u>\$ (198.3)</u>

The underfunded status of the plans of \$228.8 million and \$198.3 million at December 31, 2019 and 2018, respectively, is recognized in the accompanying consolidated balance sheets as shown in the table below. No plan assets are expected to be returned to the Company during the year ending December 31, 2020.

Our long-term strategy is to reduce the risk of our plans and improve the funded status. In 2017, the Company amended the domestic pension plans to provide an automatic commencement of benefit at age 65, regardless of employment status, in an effort to reduce our long-term pension obligations and ongoing annual pension expense. At the same time, the Yellow

Transportation Plan was amended to permit the payment of lump sum benefit payments for those participants who reached age 65. Effective January 1, 2018, the Yellow Transportation Plan was amended to permit the payment of lump sum benefit payments for all participants. The impact of these amendments to the benefit obligation is reflected in “Plan amendments” in the above table. These amendments triggered non-cash settlement charges of \$10.9 million and \$7.6 million in 2018 and 2017, respectively, due to the amount of lump sum benefit payments distributed from plan assets. The lump sum benefit payments reduce pension obligations and are funded from existing plan assets. The non-cash settlement charge results from the requirement to expense the unrecognized actuarial losses associated with the lump sum settlements, which are reflected in nonoperating expenses. The charge had no effect on total equity because the actuarial losses were already recognized in accumulated other comprehensive loss. Accordingly, the effect on retained earnings was offset by a corresponding reduction in accumulated other comprehensive loss.

In 2019, the closure of a small plan for Canadian employees resulted in lump sum benefit payments and annuity purchase premium transfers. These payments triggered a non-cash settlement charge of \$1.8 million. Like previous non-cash settlement charges, this was reflected in nonoperating expenses, with a corresponding offset in accumulated other comprehensive loss.

Benefit Plan Obligations

Amounts recognized in the consolidated balance sheets for pension benefits at December 31 are as follows:

<u>(in millions)</u>	<u>2019</u>		<u>2018</u>	
Noncurrent assets	\$	6.1	\$	2.7
Current liabilities		1.0		0.8
Noncurrent liabilities		233.9		200.2

Amounts recognized in accumulated other comprehensive loss at December 31 consist of:

<u>(in millions)</u>	<u>2019</u>		<u>2018</u>	
Net actuarial loss	\$	406.1	\$	368.9
Net prior service credit		(9.8)		(10.3)
Total	\$	396.3	\$	358.6

As shown above, included in accumulated other comprehensive loss at December 31, 2019, are unrecognized actuarial losses of \$396.3 million (\$372.1 million, net of tax). The expected amortization of actuarial loss and net prior service credit included in accumulated other comprehensive loss and expected to be recognized in net periodic cost in 2020 is \$15.0 million and \$0.4 million, respectively.

Information for pension plans with an accumulated benefit obligation (“ABO”) in excess of plan assets and plan assets that exceed ABO at December 31, 2019 and 2018 is as follows:

<u>(in millions)</u>	<u>At December 31, 2019</u>		
	<u>ABO Exceeds Assets</u>	<u>Assets Exceed ABO</u>	<u>Total</u>
Projected benefit obligation	\$ 960.9	\$ 167.9	\$ 1,128.8
Accumulated benefit obligation	960.9	167.9	1,128.8
Fair value of plan assets	726.0	174.0	900.0

<u>(in millions)</u>	<u>At December 31, 2018</u>		
	<u>ABO Exceeds Assets</u>	<u>Assets Exceed ABO</u>	<u>Total</u>
Projected benefit obligation	\$ 927.6	\$ 145.6	\$ 1,073.2
Accumulated benefit obligation	927.6	145.6	1,073.2
Fair value of plan assets	726.6	148.3	874.9

Assumptions

Weighted average actuarial assumptions used to determine benefit obligations at December 31:

	<u>2019</u>	<u>2018</u>
Discount rate	3.56%	4.44%

Weighted average assumptions used to determine net periodic benefit cost for the years ended December 31:

	2019	2018	2017
Discount rate	4.44%	3.77%	4.27%
Expected rate of return on assets	7.0%	7.0%	7.0%
Mortality table ^(a)	Pri-2012 (MP-2019 Scale, Custom)	RP-2014 (MP-2016 Scale, Custom)	RP-2014 (MP-2016 Scale, Custom)

(a) The 2019, 2018 and 2017 mortality tables were based on a custom mortality improvement scale to reflect expectations of underlying plan participants.

The discount rate refers to the interest rate used to discount the estimated future benefit payments to their present value, also referred to as the benefit obligation. The discount rate allows us to estimate what it would cost to settle the pension obligations as of the measurement date, December 31, and is used as the interest rate factor in the following year's pension cost. We determine the discount rate by selecting a portfolio of high quality noncallable bonds such that the coupons and maturities exceed or are similar to our expected benefit payments.

In determining the expected rate of return on assets, we consider our historical experience in the plans' investment portfolio, historical market data and long-term historical relationships as well as a review of other objective indices including current market factors such as inflation and interest rates. Although plan investments are subject to short-term market volatility, we believe they are well diversified and closely managed.

Our asset allocation as of December 31, 2019 and 2018, and targeted long-term asset allocation for the plans are as follows:

	2019	2018	Target
Equities	33.0%	39.0%	38.0%
Debt Securities	30.0%	24.0%	30.0%
Absolute Return	37.0%	37.0%	32.0%

Based on various market factors, we selected an expected rate of return on assets of 7.0% effective for the 2019 and 2018 valuations. We will continue to review our expected long-term rate of return on an annual basis and revise appropriately. The pension trust holds no YRC Worldwide securities.

Future Contributions and Benefit Payments

We expect to contribute approximately \$31.5 million to our single-employer pension plans in 2020.

Expected benefit payments from our qualified and non-qualified defined benefit pension plans for each of the next five years and the total benefit payments for the following five years ended December 31 are as follows:

(in millions)	2020	2021	2022	2023	2024	2025-2029
Expected benefit payments	\$ 89.4	\$ 85.8	\$ 84.3	\$ 80.6	\$ 80.1	\$ 370.1

Pension and Other Post-retirement Costs

The components of our net periodic pension cost, other post-retirement costs and other amounts recognized in other comprehensive loss (income) for the years ended December 31, 2019, 2018 and 2017 were as follows:

(in millions)	2019	2018	2017
Net periodic benefit cost:			
Service cost	\$ —	\$ —	\$ 5.4
Interest cost	45.7	44.1	51.1
Expected return on plan assets	(57.3)	(60.0)	(59.3)
Amortization of prior net losses	12.8	14.6	15.5
Amortization of prior net service credit	(0.4)	(0.4)	—
Settlement adjustment	1.8	10.9	7.6
Net periodic pension cost	<u>\$ 2.6</u>	<u>\$ 9.2</u>	<u>\$ 20.3</u>
Other changes in plan assets and benefit obligations recognized in other comprehensive loss (income):			
Net actuarial gains (losses) and other adjustments	\$ 51.9	\$ (0.9)	\$ (43.7)
Net prior service credit	—	—	(10.7)
Settlement adjustment	(1.8)	(10.9)	(7.6)
Amortization of prior net losses	(12.8)	(14.6)	(15.5)
Amortization of prior net service credit	0.4	0.4	—
Total recognized in other comprehensive loss (income)	<u>37.7</u>	<u>(26.0)</u>	<u>(77.5)</u>
Total recognized in net periodic benefit cost and other comprehensive loss (income)	<u>\$ 40.3</u>	<u>\$ (16.8)</u>	<u>\$ (57.2)</u>

During the years ended December 31, 2019, 2018 and 2017 the income tax expense (benefit) related to amounts in other comprehensive (income) loss was \$(0.3) million, \$(0.1) million and \$13.3 million, respectively.

Fair Value Measurement

Our pension assets are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of Level 1 assets are based on quoted market prices. The majority of the Level 1 assets presented in the table below include common stock of both U.S. and, to a lesser extent, international companies, and mutual funds, which are actively traded and priced in the market. The fair value of Level 2 assets are based on other significant observable inputs, including quoted prices for similar securities. The Level 2 assets presented in the below table consist primarily of fixed income and absolute return funds where values are based on the quoted prices of similar securities and observable market data. Level 3 assets are those where the fair value is determined based on unobservable inputs. The Level 3 assets consist primarily of private equities, and the assets are either priced at cost less cash distributions for recent asset purchases, third-party valuations or discounted cash flow methods. Assets that are not considered Level 1, 2 or 3 assets are valued at the net asset value (“NAV”) of the underlying investments held, as determined by the fund managers. The methods and assumptions used by third-party pricing sources may include a variety of factors, such as recently executed transactions, existing contracts, economic conditions, industry or market developments, and overall credit ratings. These estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed and as such, differences could be material.

The availability of observable data is monitored by plan management to assess appropriate classification of financial instruments within the fair value hierarchy. Depending upon the availability of such inputs, specific securities may transfer between levels. In such instances, the transfer is reported at the end of the reporting period.

The tables below detail by level, within the fair value hierarchy, the pension assets at fair value as of December 31, 2019 and December 31, 2018:

(in millions)	Pension Assets at Fair Value as of December 31, 2019			
	Total	Level 1	Level 2	Level 3
Equities	\$ 67.0	\$ 66.6	\$ 0.4	\$ —
Private equities	36.4	—	—	36.4
Fixed income:				
Corporate and other	29.0	2.2	18.4	8.4
Government	204.2	53.3	150.9	—
Interest bearing	27.2	15.0	12.2	—
Investments measured at NAV(a)	536.2			
Total plan assets	\$ 900.0	\$ 137.1	\$ 181.9	\$ 44.8

(in millions)	Pension Assets at Fair Value as of December 31, 2018			
	Total	Level 1	Level 2	Level 3
Equities	\$ 67.7	\$ 65.5	\$ 2.2	\$ —
Private equities	43.4	—	—	43.4
Fixed income:				
Corporate and other	24.8	7.7	16.2	0.9
Government	177.1	67.2	109.9	—
Interest bearing	25.1	(10.5)	35.6	—
Investments measured at NAV(a)	536.8			
Total plan assets	\$ 874.9	\$ 129.9	\$ 163.9	\$ 44.3

(a) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy.

The table below presents the activity of our assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

(in millions)	Private Equities	Fixed income	Total Level 3
Balance at December 31, 2017	\$ 46.6	\$ 6.0	\$ 52.6
Purchases	—	0.6	0.6
Sales	(0.3)	—	(0.3)
Unrealized losses	(2.9)	(5.7)	(8.6)
Balance at December 31, 2018	\$ 43.4	\$ 0.9	\$ 44.3
Purchases	—	8.1	8.1
Sales	(16.7)	(0.8)	(17.5)
Realized gains	1.9	—	1.9
Unrealized gains	7.8	0.2	8.0
Balance at December 31, 2019	\$ 36.4	\$ 8.4	\$ 44.8

The following table sets forth a summary of the assets for which a reported NAV is used to estimate the fair value as of December 31, 2019:

(in millions)	Fair value estimated using Net Asset Value per Share			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equities(a)	\$ 127.0	\$ 1.7	Redemptions not permitted	
Fixed income(b)	231.4	4.1	Redemptions not permitted	
Equities(c)	81.9	—	Daily, Monthly	0-30 days
Absolute return(d)	95.9	—	Monthly, Quarterly	3-75 days
Total	\$ 536.2			

(a) Consists of private equity investments in pharmaceuticals and companies primarily in the technology and healthcare sectors.

(b) Primarily consists of investments in royalty payments from marketers of pharmaceuticals and related debt securities.

(c) Consists of public equity investments in U.S. and non-U.S. markets.

(d) Consists of investments in global markets, including derivative securities of equity and fixed income indexes, commodities and interest rates.

The following table sets forth a summary of the assets for which a reported NAV is used to estimate the fair value as of December 31, 2018:

(in millions)	Fair value estimated using Net Asset Value per Share			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equities(a)	\$ 155.2	\$ 2.8	Redemptions not permitted	
Fixed income(b)	189.2	0.5	Redemptions not permitted	
Equities(c)	84.0	—	Monthly	3-30 days
Absolute return(d)	108.4	—	Monthly, Quarterly	2-45 days
Total	\$ 536.8			

(a) Consists of private equity investments in pharmaceuticals and companies primarily in the technology and healthcare sectors.

(b) Primarily consists of investments in royalty payments from marketers of pharmaceuticals and related debt securities.

(c) Consists of public equity investments in U.S. and non-U.S. markets.

(d) Consists of investments in global markets, including derivative securities of equity and fixed income indexes, commodities and interest rates.

Generally, the investment strategy for private equities consists of direct investments or investments through limited partnerships with managers who purchase interests in non-public companies. The typical investment strategies of the fixed income and equity funds is based on fundamental and quantitative analysis and consists of long and hedged strategies. The general strategy of the absolute return funds consists of alternative investment techniques, including derivative instruments and other unconventional assets, to achieve an absolute return rate.

Multi-Employer Plans

YRC Freight, Holland, Reddaway, and New Penn contribute to various separate multi-employer health, welfare and pension plans for employees that are covered by our collective bargaining agreements (approximately 79% of total employees of YRC Worldwide and its subsidiaries). The collective bargaining agreements determine the amounts of these contributions. The health and welfare plans provide medical related benefits to active employees and retirees. The pension plans provide retirement benefits to retired participants. We recognize multi-employer pension cost within 'Salaries, wages and employee benefits' the contractually required contributions for the period and recognize as a liability any contributions due and unpaid at period end. We do not directly manage the multi-employer plans to which we contribute. The trusts covering these plans are generally managed by trustees, half of whom the unions appoint and half of whom various contributing employers appoint.

We expensed the following amounts related to these plans for the years ended December 31:

(in millions)	2019	2018	2017
Health and welfare	\$ 503.5	\$ 499.3	\$ 482.6
Pension	127.6	115.5	98.1
Total	\$ 631.1	\$ 614.8	\$ 580.7

Pension

Through the third quarter of 2009, we deferred payment of certain of our contributions to multi-employer pension funds. These deferred payments have been recognized as an operating expense and the liability was recorded as deferred contribution obligations. Beginning in the third quarter of 2009 through May 2011, most of our collective bargaining agreements provided for a temporary cessation of pension contributions so no expense or liability was required to be recognized for that period. In accordance with modifications to our collective bargaining agreements, we agreed to resume making pension contributions effective June 1, 2011 at 25.0% of the contribution rate in effect as of July 1, 2009.

The following table provides additional information related to our participation in individually significant multi-employer pension plans for the year ended December 31, 2019:

Pension Fund(a)	EIN Number	Pension Protection Zone Status(b) 2019	Pension Protection Zone Status(b) 2018	Funding Improvement or Rehabilitation Plan	Employer Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
Central States, Southeast and Southwest Areas Pension Fund	36-6044243	Critical and Declining	Critical and Declining	Yes	No	3/31/2024
Teamsters National 401(k) Savings Plan(c)	52-1967784	N/A	N/A	N/A	No	3/31/2024
Road Carriers Local 707 Pension Fund	51-6106510	Critical and Declining	Critical and Declining	Yes	No	3/31/2024
Teamsters Local 641 Pension Fund	22-6220288	Critical and Declining	Critical and Declining	Yes	No	3/31/2024

- (a) The determination of individually significant multi-employer plans is based on our contributions to the plans relative to our total contributions over the periods presented, as well as our contributions to the plans relative to the total contributions that the individual plans received during the periods presented.
- (b) The Pension Protection Zone Status indicated herein is based on information that the Company obtained from the plans' Forms 5500. Unless otherwise noted, the most recent PPA zone status available for 2019 and 2018 is for the plan's year-end during calendar years 2018 and 2017, respectively. Among other factors, plans in the critical or critical and declining zone are generally less than 65 percent funded, plans in the endangered zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded.
- (c) The policies of the Western Conference of Teamsters Pension Trust precluded the Company from reentering the plan on June 1, 2011. The plan did not assess a withdrawal liability and has not done so since June 1, 2011. Contributions related to the employees previously covered by this plan are now being made to the Teamsters National 401(k) Plan.

YRC Worldwide was listed in the Central States, Road Carriers Local 707 Pension Fund and Teamsters Local 641 Pension Fund's Forms 5500 as providing more than 5 percent of the total contributions for 2018 and 2017.

We contributed a total of \$128.8 million, \$112.6 million and \$97.8 million to the multi-employer pension funds for the years ended December 31, 2019, 2018 and 2017. The following table provides the pension amounts contributed by fund for those funds that are considered to be individually significant:

(in millions)	2019	2018	2017
Central States, Southeast and Southwest Areas Pension Plan	\$ 77.7	\$ 70.7	\$ 58.8
Teamsters National 401(k) Savings Plan	19.0	14.7	13.1
Road Carriers Local 707 Pension Fund	2.5	2.2	2.2
Teamsters Local 641 Pension Fund	2.1	1.8	1.5

In 2006, the PPA became law and modified both the Code as it applies to multi-employer pension plans and the Employment Retirement Income Security Act of 1974 (as amended, "ERISA"). The Code and ERISA (in each case, as so modified) and related regulations establish minimum funding requirements for multi-employer pension plans.

In 2014, the MPRA became law which modified the ability to suspend accrued benefits of plans facing insolvency by adding a new zone status of Critical and Declining.

If any of our multi-employer pension plans fail to meet minimum funding requirements, meet a required funding improvement or rehabilitation plan that the PPA may require for certain of our underfunded plans, obtain from the IRS certain changes to or a waiver of the requirements in how the applicable plan calculates its funding levels, or reduce pension benefits to a level where the requirements are met, then we could be required to make additional contributions to the pension plan. If any of our multi-employer pension plans enters critical status or worse and our contributions are not sufficient to satisfy any rehabilitation plan schedule, the PPA could require us to make additional surcharge contributions to the multi-employer pension plan in the amount of five to ten percent of the existing contributions required by our labor agreement for the remaining term of the labor agreement.

In 2016 and 2015, the Central States, Southeast and Southwest Pension Plan and Road Carriers Local 707 Pension Fund filed an application under MPRA with the Department of Treasury requesting the approval of a benefit suspension plan, which was denied. In 2016, the New York State Teamsters Conference Pension and Retirement Fund filed a suspension application which was approved and implemented October 2017. The plan requires annual future employer contribution increases of 3.5% to the plan.

If we fail to make our required contributions to a multi-employer plan under a funding improvement or rehabilitation plan, it would expose us to penalties including potential withdrawal liability. If the benchmarks that an applicable funding improvement or rehabilitation plan provides are not met by the end of a prescribed period, the IRS could impose an excise tax on us and the plan's other contributing employers. These excise taxes are not contributed to the deficient funds, but rather are deposited in the United States general treasury funds.

A requirement to materially increase contributions beyond our contractually agreed rate or the imposition of an excise tax on us could have a material adverse impact on the financial results and liquidity of the Company.

401(k) Savings Plans

We sponsor the YRC Worldwide Inc. 401(k) Plan and the Reddaway Hourly 401(k) Plan, which are defined contribution plans primarily for employees that our collective bargaining agreements do not cover. The plans permit participants to make contributions to the plans and permit the employer of participants to make contributions on behalf of the participants. Additionally, the Reddaway Hourly 401(k) Plan allows for a non-elective employer contribution. Including non-elective employer contributions, total employer contributions were \$12.8 million in 2019, \$13.3 million in 2018 and \$10.3 million in 2017. Our employees covered under collective bargaining agreements may also participate in union-sponsored 401(k) plans.

Annual Incentive Awards

The Company provides an annual cash incentive compensation plan (Annual Incentive Plan, or AIP) to certain salaried employees across various levels of the organization which is based on factors such as operating revenues and Adjusted EBITDA achieved for the year, compared to targeted operating results. Results from operations include performance incentive accruals of \$29.8 million in 2018, with no such accruals in 2019 or 2017. The AIP awards earned for a year are paid in the first quarter of the following year.

5. Debt and Financing

Our outstanding debt as of December 31, 2019 and December 31, 2018 consisted of the following:

As of December 31, 2019 (in millions)	Par Value	Discount	Debt Issuance Costs	Book Value	Effective Interest Rate
New Term Loan	\$ 600.0	\$ (28.1)	\$ (12.0)	\$ 559.9 (a)	10.5%
ABL Facility	—	—	—	—	
Secured Second A&R CDA	26.0	—	(0.1)	25.9	7.9%
Unsecured Second A&R CDA	45.2	—	(0.1)	45.1	7.9%
Lease financing obligations	231.6	—	(0.3)	231.3	16.5%
Total debt	\$ 902.8	\$ (28.1)	\$ (12.5)	\$ 862.2	
Current maturities of Unsecured Second A&R CDA	(1.4)	—	—	(1.4)	
Current maturities of lease financing obligations	(2.7)	—	—	(2.7)	
Long-term debt	\$ 898.7	\$ (28.1)	\$ (12.5)	\$ 858.1	

<u>As of December 31, 2018 (in millions)</u>	<u>Par Value</u>	<u>Discount</u>	<u>Debt Issuance Costs</u>	<u>Book Value</u>	<u>Effective Interest Rate</u>
Prior Term Loan	\$ 573.7	\$ (7.8)	\$ (6.5)	\$ 559.4 (b)	11.4%
ABL Facility	—	—	—	—	
Secured Second A&R CDA	26.9	—	(0.1)	26.8	7.9%
Unsecured Second A&R CDA	46.7	—	(0.2)	46.5	7.9%
Lease financing obligations	242.7	—	(0.5)	242.2	14.9%
Total debt	<u>\$ 890.0</u>	<u>\$ (7.8)</u>	<u>\$ (7.3)</u>	<u>\$ 874.9</u>	
Current maturities of Term Loan	(14.2)	—	—	(14.2)	
Current maturities of Unsecured Second A&R CDA	(1.5)	—	—	(1.5)	
Current maturities of lease financing obligations	(5.0)	—	—	(5.0)	
Long-term debt	<u>\$ 869.3</u>	<u>\$ (7.8)</u>	<u>\$ (7.3)</u>	<u>\$ 854.2</u>	

(a) As of December 31, 2019, the stated interest rate represented a variable interest rate of 1, 3 or 6-month LIBOR, with a floor of 1.0% plus a fixed margin of 7.50%.

(b) As of December 31, 2018, the stated interest rate represented a variable interest rate of 1, 3 or 6-month LIBOR, with a floor of 1.0% plus a fixed margin of 8.50%.

Credit Facilities

As of December 31, 2019, we had two primary credit facilities that we utilized to support our liquidity needs: a \$600.0 million Term Loan and a \$450.0 million ABL Facility. The ABL Facility is used to support our outstanding letters of credit commitments. We have set forth a brief description of our two primary credit facilities and our other financing arrangements in place at December 31, 2019 below.

New Term Loan

On September 11, 2019, the Company and certain of its subsidiaries, as guarantors (the “Term Guarantors”), amended and restated the existing credit facilities under the credit agreement dated February 13, 2014 (the “Prior Term Loan Agreement”) and entered into a new term loan agreement (“New Term Loan Agreement”) with funds managed by Apollo Global Management, LLC acting collectively as lead lender, and Cortland Products Corp, as administrative agent and collateral agent. The obligations of the Company under the New Term Loan Agreement are unconditionally guaranteed by the Term Guarantors.

The \$600.0 million term loan (the “New Term Loan”) has a maturity date of June 30, 2024, with a single payment due at maturity of the outstanding balance. The New Term Loan bears interest at LIBOR (subject to a floor of 1.0%) plus a margin of 7.5% per annum, payable at least quarterly in cash, subject to a 1.0% margin step down in the event the Company achieves greater than \$400.0 million in trailing-twelve-month Adjusted EBITDA (defined in the New Term Loan Agreement as “Consolidated EBITDA”). Obligations under the New Term Loan are secured by a perfected first priority security interest in (subject to permitted liens) assets of the Company and the Term Guarantors, including but not limited to all of the Company’s wholly owned terminals, tractors and trailers, subject to certain limited exceptions.

The New Term Loan eliminated the total maximum leverage ratio covenant that the Company was subject to under the Prior Term Loan Agreement and introduced a new covenant that requires the Company maintain a minimum trailing-twelve-month Adjusted EBITDA of \$200.0 million, measured quarterly. The New Term Loan is subject to repayment with, among other things, 100.0% of the net cash proceeds from the disposition of assets outside the ordinary course of business, except that the Company is permitted to keep the first \$40.0 million in trucking terminal property sales over the term of the loan to reinvest in operations or other strategic initiatives, where applicable.

Borrowings under the New Term Loan may be voluntarily prepaid, provided however, that any such prepayment or mandatory prepayment (other than with respect to a prepayment with excess cash flow) will be subject to a 3.0% premium until the first anniversary date, a 2.0% premium from the first anniversary date until the second anniversary date, and a 1.0% premium from the second anniversary date until the third anniversary date, and 0.0% thereafter.

The New Term Loan resulted in an extinguishment of \$11.2 million in capitalized issuance discount and unamortized deferred debt issuance costs relating to the prior term loan. The original issuance discount and transaction fees relating to the New Term Loan were capitalized and will be amortized through interest expense over the life of the New Term Loan.

Risks and Uncertainties Regarding Compliance with Credit Facility Financial Covenants

Under the New Term Loan, we are required to maintain at least \$200.0 million in Adjusted EBITDA on a TTM basis measured each quarter until maturity (June 2024). For the TTM period ended December 31, 2019, we achieved Adjusted EBITDA of \$210.6 million. We believe that our results of operations will allow us to comply with the minimum Adjusted EBITDA covenant for at least the next twelve months. Our ability to comply is subject to a more stable and robust freight environment and continued actions and cost savings initiatives we began in the fourth quarter of 2019 and continue today. These actions and initiatives include headcount reductions commensurate with our current volume levels, a hiring freeze on new and replacement positions, temporary elimination of short-term incentive compensation, and a reduction in discretionary spend.

We began taking these actions because of the freight recession our industry experienced in 2019, and that has persisted into early first quarter 2020, that negatively impacted our ability to fully realize operational efficiencies arising from our New NMFA with the International Brotherhood of Teamsters primarily due to the ensuing depressed volume levels and the inherent contractual cost increase associated with the New NMFA. Our ability to satisfy our liquidity needs and meet our minimum Adjusted EBITDA requirement during the next twelve months and thereafter is dependent upon our ability to improve operating performance over 2019 to offset the contractual wage and benefit increases under the New NMFA and other inflationary expense increases associated with among other things our employees and insurance programs.

We may extend and or supplement the actions we began taking in 2019 if we continue to experience adverse conditions such as lower volumes, pricing, yield or lower productivities among others, that might impact our forecasted performance. If we are unable to achieve the results required to comply with this covenant in one or more quarters over the next twelve months, we may be required to take specific actions in addition to those described above, including but not limited to, additional reductions in headcount and targeted procurement initiatives to reduce operating costs and, or alternatively, seek an amendment or waiver from our lenders. Obtaining a waiver or an amendment is not within our control, and if unsuccessful, the lenders may exercise the rights available to them under the New Term Loan.

\$450 Million ABL Facility

On February 13, 2014, we entered into our \$450 million ABL Facility from a syndicate of banks arranged by Citizens Bank N.A. (formerly known as RBS Citizens, N.A.) (the “ABL Agent”), Merrill Lynch, Pierce, Fenner & Smith and CIT Finance LLC. The ABL Facility was amended on June 28, 2016 to extend the maturity date to June 28, 2021. YRC Worldwide and our subsidiaries, YRC Freight, Reddaway, Holland and New Penn are borrowers under the ABL Facility, and certain of the Company’s domestic subsidiaries are guarantors thereunder.

Availability under the ABL Facility is derived by reducing the amount that may be advanced against eligible receivables plus eligible borrowing base cash by certain reserves imposed by the ABL Agent and our outstanding letters of credit and revolving loans. Eligible borrowing base cash is cash that is deposited from time to time into a segregated restricted account and is included in “Restricted amounts held in escrow” in the accompanying consolidated balance sheet. The ABL Facility provides for a \$100 million uncommitted accordion to increase the revolving commitment in the future. For the years ended December 31, 2019 and 2018, we had \$337.8 million and \$341.3 million of outstanding letters of credit, respectively, and no outstanding loans.

At our option, borrowings under the ABL Facility bear interest at either: (i) the applicable LIBOR rate plus 1.75%, as amended, or (ii) the base rate (as defined in the ABL Facility) plus 0.75%, as amended.

Letter of credit fees equal to the applicable LIBOR margin in effect, 1.75% as amended, are charged quarterly in arrears on the average daily stated amount of all letters of credit outstanding during the quarter. Unused line fees are charged quarterly in arrears (such unused line fee percentage is equal to 0.375% per annum if the average revolver usage is less than 50% or 0.25% per annum if the average revolver usage is greater than 50%.)

The ABL Facility is secured by a perfected first priority security interest (subject to permitted liens) in accounts receivable, cash, deposit accounts and other assets related to accounts receivable of the Company and the other loan parties and an additional second priority security interest (subject to permitted liens) in substantially all remaining assets of the borrowers and the guarantors other than the CDA Collateral.

The ABL Facility contains conditions, representations and warranties, events of default and indemnification provisions that are customary for financings of this type, including, but not limited to, a springing minimum fixed charge coverage ratio covenant, borrowing base reporting, limitations on incurrence of debt, investments, capital expenditures, liens on assets, certain sale and leaseback transactions, transactions with affiliates, mergers, consolidations, purchases and sales of assets, and restricted payments. Certain provisions relating to investments, restricted payments and capital expenditures are relaxed upon meeting specified payment conditions or debt repayment conditions.

Second Amended and Restated Contribution Deferral Agreement

Pursuant to the terms of the collective bargaining agreement with the IBT, the Company's subsidiaries began making contributions to the Funds (defined below) for the month beginning June 1, 2011 at the rate of 25% of the contribution rate in effect on July 1, 2009. Certain of our subsidiaries are parties to the Amended and Restated Contribution Deferral Agreement (the "A&R CDA") with certain multiemployer pension funds named therein (collectively, the "Funds") pursuant to which we are permitted to continue to defer pension payments and deferred interest owed to such Funds as of July 22, 2011 (each, "Deferred Pension Payments" and "Deferred Interest"). The A&R CDA was last amended in January 2018 (herein referred to as the "Amended Second A&R CDA"). The Deferred Pension Payments and Deferred Interest bear interest at a floating rate as set forth in the Amended Second A&R CDA as well as annual scheduled amortization equal to 2.0% of the amount outstanding as of November 30 of each applicable year. The Amended Second A&R CDA further provides for first lien on certain security first priority real estate collateral and a maturity date of December 31, 2022 on the Deferred Pension Payments and Deferred Interest obligations.

Maturities

The principal maturities over the next five years and thereafter of total debt as of December 31, 2019 was as follows:

(in millions)	Term Loan	ABL Facility	Second A&R CDA	Lease Financing Obligations ^(a)	Total
2020	\$ —	\$ —	\$ 1.4	\$ 2.5	\$ 3.9
2021	—	—	1.4	2.3	3.7
2022	—	—	68.4	3.2	71.6
2023	—	—	—	3.9	3.9
2024	600.0	—	—	1.9	601.9
Thereafter	—	—	—	217.8	217.8
Total	\$ 600.0	\$ —	\$ 71.2	\$ 231.6	\$ 902.8

(a) Lease financing obligations subsequent to 2024 of \$217.8 million consist primarily of interest payments.

Fair Value Measurement

The book value and estimated fair values of our long-term debt, including current maturities and other financial instruments, are summarized as follows:

(in millions)	December 31, 2019		December 31, 2018	
	Book Value	Fair Value	Book Value	Fair Value
Prior Term Loan	\$ —	\$ —	\$ 559.4	\$ 546.0
New Term Loan	559.9	559.3	—	—
ABL Facility	—	—	—	—
Lease financing obligations	231.3	233.7	242.2	234.7
Second A&R CDA	71.0	71.7	73.3	70.0
Total debt	\$ 862.2	\$ 864.7	\$ 874.9	\$ 850.7

The fair values of the Term Loans and Second A&R CDA were estimated based on observable prices (level two inputs for fair value measurements). The fair value of the lease financing obligations is estimated using a publicly traded secured loan with similar characteristics (level three input for fair value measurement).

Liquidity

Our principal sources of liquidity are cash and cash equivalents, available borrowings under our ABL Facility and any prospective net cash flow from operations. As of December 31, 2019, our maximum availability under our ABL Facility was \$37.7 million, and our managed accessibility is \$0.2 million. Maximum availability is derived by reducing the amount that may be advanced against eligible receivables plus eligible borrowing base cash by certain reserves imposed by the ABL Agent and our \$337.8 million of outstanding letters of credit. Our Managed Accessibility of \$0.2 million represents the maximum amount we would access on the ABL Facility and is adjusted for eligible receivables plus eligible borrowing base cash measured as of December 31, 2019. If eligible receivables fall below the threshold management uses to measure availability, which is 10% of the borrowing line, the Credit Agreement governing the ABL Facility permits adjustments from eligible borrowing base cash to restricted cash prior to the compliance measurement date of January 15, 2020. As of January 15, 2020, we had less than 10% of the borrowing line in eligible receivables and moved \$29.0 million of cash into restricted cash, as permitted under the ABL.

Facility, which effectively put our cash and cash equivalents and Managed Accessibility to \$80.4 million as of December 31, 2019.

As of December 31, 2018, our availability under our ABL Facility was \$39.2 million. Of the \$39.2 million in availability, Managed Accessibility was \$1.2 million. Our cash and cash equivalents and Managed Accessibility was \$203.8 million as of December 31, 2018.

The table below summarizes cash and cash equivalents and Managed Accessibility for the years ended December 31:

<u>(in millions)</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	109.2	227.6
Less: amounts placed into restricted cash subsequent to year-end	(29.0)	(25.0)
Managed Accessibility	0.2	1.2
Total cash and cash equivalents and Managed Accessibility	\$ 80.4	\$ 203.8

Outside of funding normal operations, our principal uses of cash include making contributions to our various multi-employer pension funds and single-employer pension plans, and meeting our other cash obligations, including, but not limited to, paying principal and interest on our funded debt, payments on equipment leases and funding capital expenditures.

Capital Expenditures/Operating Leases

Our capital expenditures for the years ended December 31, 2019 and 2018 were \$143.2 million and \$145.4 million, respectively. These amounts were principally used to fund the purchase of used tractors and trailers, refurbish engines for our revenue fleet, containers and for capitalized costs to improve our technology infrastructure.

For the year ended December 31, 2019, we entered into new operating lease commitments for revenue equipment totaling \$111.0 million, with such payments to be made over the average lease term of 4 years with a capital equivalent of \$131.8 million. As December 31, 2019, our operating lease obligations for 2020 are \$154.4 million and our operating lease obligations through 2030 total \$451.1 million and are expected to increase as we lease additional revenue equipment in future years.

6. Leases

The Company determines if an arrangement is a lease or contains a lease at inception. We lease certain revenue equipment and real estate, predominantly through operating leases, and we have an immaterial number of leases in which we are a lessor. Operating leases are expensed on a straight-line basis over the life of the lease beginning on the lease commencement date. We determine the lease term by assuming the exercise of renewal options that are reasonably certain. The lease term is used to determine whether a lease is finance or operating and is used to calculate rent expense. Additionally, the depreciable life of leased assets and leasehold improvements is limited by the expected lease term. Operating lease balances are classified as operating lease right-of-use ("ROU") assets and current and long-term operating lease liabilities on our consolidated balance sheet. We have an immaterial amount of finance leases that are included in property and equipment, other current liabilities, and other long-term liabilities on our consolidated balance sheet.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate adjusted for duration and other factors to represent the rate we would have to pay to borrow on a collateralized basis based on the information available at commencement date in determining the present value of lease payments. Our lease terms may include options to extend or terminate the lease and we will adjust the life of the lease when it is reasonably certain that we will exercise these options.

We have lease agreements with lease and non-lease components, which are generally accounted for as a single lease component. We have variable lease components, including lease payments with payment escalation based on the Consumer Price Index, and other variable items, such as common area maintenance and taxes.

Key assumptions include discount rate, the impact of purchase options and renewal options on our lease term, as well as the assessment of residual value guarantees.

Our revenue equipment leases generally have purchase options. However, in most circumstances we are not typically certain of exercising the purchase option as we may sign a new lease, return the equipment to the lessor, or exercise the option as circumstances dictate. Our revenue equipment leases often contain residual value guarantees, but they are not reflected in our

lease liabilities as our lease rates are such that residual value guarantees are not expected to be owed at the end of our leases. Wrecked units are expensed in full upon damage and paid out to the lessor.

Our real estate leases will often have an option to extend the lease, but we are typically not reasonably certain of exercising options to extend as we have the ability to move to more advantageous locations over time, relocate to other leased and owned locations, or discontinue service from particular locations over time as customer demand changes.

Leases (in millions)	Classification	2019
Assets		
Operating lease assets	Operating lease right-of-use assets	\$ 386.0
Finance lease assets	Net property and equipment	2.6
Total leased assets		\$ 388.6
Liabilities		
Current		
Operating	Current operating lease liabilities	\$ 120.8
Finance	Other current and accrued liabilities	0.2
Noncurrent		
Operating	Operating lease liabilities	246.3
Finance	Claims and other liabilities	3.3
Total lease liabilities		\$ 370.6

Lease Cost (in millions)	Classification	Year Ended December 31, 2019
Operating lease cost(a)	Purchased transportation; Fuel, operating expenses and supplies	\$ 168.0
Short-term cost	Purchased transportation; Fuel, operating expenses and supplies	14.2
Variable lease cost	Purchased transportation; Fuel, operating expenses and supplies	5.9
Finance lease cost		
Amortization of leased assets	Depreciation and amortization	0.4
Interest on lease liabilities	Interest expense	0.5
Total lease cost		\$ 189.0

(a) Operating lease cost represent non-cash amortization of ROU assets and accretion of the discounted lease liabilities and is segregated on the statement of consolidated cash flows.

Remaining Maturities of Lease Liabilities	Operating Leases	Finance Leases	Total
2020	\$ 154.4	\$ 0.6	\$ 155.0
2021	128.9	0.6	129.5
2022	77.8	0.6	78.4
2023	41.1	0.6	41.7
2024	16.3	0.7	17.0
After 2024	32.6	3.4	36.0
Total lease payments	\$ 451.1	\$ 6.5	\$ 457.6
Less: Interest	84.0	3.0	87.0
Present value of lease liabilities	\$ 367.1	\$ 3.5	\$ 370.6

Lease Term and Discount Rate (years and percent)	Weighted-Average Remaining Lease Term	Weighted-Average Discount Rate
Operating leases	3.7	11.0%
Finance leases	9.8	11.3%

Other Information (in millions)	Year Ended December 31, 2019	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$	154.6
Operating cash flows from finance leases		0.5
Financing cash flows from finance leases		0.3
Leased assets obtained in exchange for new operating lease liabilities	\$	129.7

Below is the Company's contractual cash obligation table as of December 31, 2018, that disclosed operating lease payments for the next five years and thereafter. We had no material capital leases as of December 31, 2018.

(in millions)	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Operating leases	\$ 429.2	\$ 138.4	\$ 212.0	\$ 63.3	\$ 15.5

7. Equity-Based Compensation Plans

We reserved 2.5 million shares for issuance to key management personnel and directors under the 2019 long-term incentive and equity award plan. As of December 31, 2019, 1.9 million shares remain available for future issuance under this plan. The plan permits the issuance of restricted stock and stock units, as well as options, stock appreciation rights, and performance stock and performance stock unit awards. Awards under the plan can be generally satisfied in cash or shares at the discretion of the Board of Directors. According to the plan provisions, the stock units provide the holders the right to receive one share of our Common Stock upon vesting (and distribution) of one stock unit. The plan requires the exercise price of any option granted may not be less than the fair market value of a share of our Common Stock on the date of grant.

Performance Based Awards

In 2019, the Company granted performance stock and performance stock unit awards to key management personnel and directors, respectively, under its 2011 and 2019 long-term incentive plans. In addition to meeting service conditions, these awards are to vest upon the attainment of a 30-day volume-weighted average share price equal to or greater than \$11.75 of the Company's common stock on or before December 31, 2020 ("Stock Price Goal"). For key management personnel, typically half of their awards will vest 100% on the achievement of the Stock Price Goal and the remaining shares will vest on the 12-month anniversary of the same date. In all cases, however, key management personnel must also continue to remain employed by the Company until shares vest to receive their performance stock awards.

In addition to meeting the Stock Price Goal, directors were required to serve on the Board until the earlier of the 2019 Annual Stockholders Meeting or June 30, 2019 (the "Board Service Requirement"). All directors who received performance stock unit awards met the Board Service Requirement. However, all but one of the current and former members of the Board of Directors who received these performance stock unit awards voluntarily forfeited their performance stock units in December 2019.

A summary of the 2019 performance-based unvested stock and performance-based unvested stock unit awards are presented in the following table:

	Shares/units (in thousands)	Weighted Average Grant-Date Fair Value
Unvested at December 31, 2018	—	\$ —
Granted	2,927	\$ 2.59
Forfeited	(642)	\$ 3.20
Unvested at December 31, 2019	2,285	\$ 2.42

The intrinsic value of unvested shares as of December 31, 2019 was \$5.8 million. The Company records expense on a straight-line basis over the service period. For the year ended December 31, 2019, the Company recorded compensation expense for these stock awards of \$2.6 million. Unrecognized compensation expense related to restricted stock awards of \$2.9 million at December 31, 2019 is expected to be recognized over a weighted-average period of 0.4 years.

In 2015, the Company granted performance stock unit awards to employees under its 2015 long-term incentive plan. The awards provided a target number of stock units that vested equally over three years.

A summary of performance-based unvested stock unit activity is as follows:

	Units (in thousands)		Weighted Average Grant-Date Fair Value
Unvested at December 31, 2016	261	\$	17.98
Vested	(141)		17.90
Forfeited	(6)		18.23
Unvested at December 31, 2017	114	\$	18.06
Vested	(114)		18.06
Forfeited	—		—
Unvested at December 31, 2018	—	\$	—
Vested	—		—
Forfeited	—		—
Unvested at December 31, 2019	—	\$	—

The Company expenses the grant date fair value of the awards earned in the performance period over the respective service periods. For the years ended December 31, 2018 and 2017, the Company recognized compensation expense of \$0.1 million and \$0.9 million, respectively. These awards were fully expensed by February 2018.

Restricted Stock

A summary of the activity of our unvested restricted stock and stock unit awards are presented in the following table:

	Shares/units (in thousands)		Weighted Average Grant-Date Fair Value
Unvested at December 31, 2016	1,175	\$	11.30
Granted	496		12.43
Vested and distributed	(306)		11.91
Forfeited	(58)		12.28
Unvested at December 31, 2017	1,307	\$	11.55
Granted	730		9.35
Vested and distributed	(457)		10.91
Forfeited	(164)		11.31
Unvested at December 31, 2018	1,416	\$	10.65
Granted	437		5.39
Vested and distributed	(779)		9.16
Forfeited	(81)		10.74
Unvested at December 31, 2019	993	\$	9.50

All of the members of the Board of Directors have deferred receipt of the Common Stock underlying some or all of the restricted stock units they have been awarded until a later date, such as when the director ceases to serve on the Board or, under certain circumstances, upon a change of control. Thus, while some of these restricted stock units have vested, the directors have not yet received the underlying Common Stock. For the years ended December 31, 2019, 2018, and 2017, the total number of restricted stock units that are vested but for which the underlying Common Stock has not been distributed was 500,000, 660,000, and 528,000, respectively; these shares are shown as unvested in the above table.

The intrinsic value of unvested shares as of December 31, 2019 was \$2.5 million. The Company records expense on a straight-line basis over the vesting term. For the years ended December 31, 2019, 2018 and 2017, the Company recorded compensation expense for restricted stock awards of \$3.6 million, \$6.2 million, and \$5.6 million, respectively. Unrecognized compensation expense related to restricted stock awards of \$1.8 million at December 31, 2019 is expected to be recognized over a weighted-average period of 0.7 years.

The vesting provisions for the restricted stock and stock unit awards and the related number of shares granted during the year ended December 31 are as follows:

Vesting Terms	Shares/units (in thousands)		
	2019	2018	2017
50% immediately and 50% on the 1 year anniversary of grant date	162	—	—
100% immediately	186	132	106
33.3% per year for three years	89	452	85
100% on February 14, 2020	—	—	305
100% on July 31, 2018	—	146	—
Total restricted stock and stock units granted	437	730	496

The fair value of non-vested shares is determined based on the closing trading price of our shares on the grant date. The fair value of shares vested and distributed during the years ended December 31, 2019, 2018 and 2017 was \$7.1 million, \$5.0 million, and \$3.6 million, respectively.

The outstanding awards under our stock compensation plans are considered participating securities in our earnings per share calculation.

8. Income Taxes

We use the asset and liability method to reflect income taxes on our financial statements pursuant to ASC 740. We recognize deferred tax assets and liabilities by applying enacted tax rates to the differences between the carrying value of existing assets and liabilities and their respective tax basis and to loss carryforwards. Tax credit carryforwards are recorded as deferred tax assets. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the change occurs. We assess the validity of deferred tax assets and loss and tax credit carryforwards and provide valuation allowances when we determine it is more likely than not that such assets, losses, or credits will not be realized. We have not recognized deferred taxes relative to foreign subsidiaries' earnings that are deemed to be permanently reinvested. Any related taxes associated with such earnings are not material.

Deferred tax liabilities (assets) were comprised of the following at December 31:

(in millions)	2019	2018
Depreciation	\$ 99.5	\$ 109.0
Right of use - leases	93.7	—
Deferred revenue	6.3	9.3
Intangibles	3.4	6.0
State taxes	19.6	19.9
Other	16.0	15.2
Deferred tax liabilities	238.5	159.4
Claims and insurance	(89.9)	(84.8)
Net operating loss carryforwards	(210.7)	(199.9)
Employee benefit accruals	(94.8)	(88.9)
Sale/leaseback transactions	(55.5)	(54.5)
Lease liabilities	(93.8)	—
Other	(28.4)	(20.6)
Deferred tax assets	(573.1)	(448.7)
Valuation allowance	334.0	291.1
Net deferred tax assets	(239.1)	(157.6)
Net deferred tax (asset) liability	\$ (0.6)	\$ 1.8

The net deferred tax (asset) liability of (\$0.6) million and \$1.8 million as of December 31, 2019 and 2018, respectively, is included as a separate line item in each of the accompanying balance sheets. Current income tax payable was \$1.6 million and \$5.8 million as of December 31, 2019 and 2018, respectively, and is included in "Other current and accrued liabilities" in the accompanying balance sheets.

As of December 31, 2019, the Company has remaining federal net operating loss carryforwards of approximately \$756.5 million. Deemed ownership changes that occurred in July 2011, in July 2013 and in January 2014 imposed annual and cumulative limits under the Code on the utilization of these carryforwards. These limits are not expected to inhibit the Company's ability to utilize these losses over their carry forward periods. Carryforwards of \$690.0 million incurred prior to 2018 expire between 2030 and 2037. Pursuant to the Tax Act, net operating losses incurred after 2017 are available to be carried forward indefinitely. As of December 31, 2019, the Company has general business and other credit carryforwards of approximately \$0.1 million. These credit carryforwards will likely not be utilized and will expire between 2027 and 2031 if not used.

As of December 31, 2019 and 2018, a valuation allowance of \$334.0 million and \$291.1 million has been established for deferred tax assets because, based on available sources of future taxable income, it is more likely than not that those assets will not be realized.

A reconciliation between income taxes at the federal statutory rate and the consolidated effective tax rate follows:

	2019	2018	2017
Federal statutory rate	21.0%	21.0%	35.0%
State income taxes, net	(0.7%)	14.1%	(2.8)%
Foreign tax rate differential	(2.6%)	12.1%	(10.0)%
Permanent differences	(0.6%)	8.3%	(8.9)%
Valuation allowance	(17.7%)	(17.5)%	(48.6)%
Benefit from intraperiod tax allocation under ASC 740	—%	—%	73.5%
Net change in unrecognized tax benefits	0.6%	(0.9)%	0.5%
Other, net (primarily prior year return to provision)	4.0%	(1.6)%	1.6%
Effective tax rate	4.0%	35.5%	40.3%

The income tax provision (benefit) consisted of the following:

(in millions)	2019	2018	2017
Current:			
Federal	\$ —	\$ —	\$ (0.9)
State	(3.3)	5.4	0.8
Foreign	2.0	6.8	6.0
Current income tax expense (benefit)	(1.3)	12.2	5.9
Deferred:			
Federal	—	—	(13.3)
State	—	—	—
Foreign	(3.0)	(1.1)	0.1
Deferred income tax benefit	(3.0)	(1.1)	(13.2)
Income tax expense (benefit)	(4.3)	11.1	(7.3)
Based on the income (loss) before income taxes:			
Domestic	(104.7)	13.6	(30.5)
Foreign	(3.6)	17.7	12.4
Income (Loss) before income taxes	\$ (108.3)	\$ 31.3	\$ (18.1)

The Company applies the intraperiod tax allocation rules of ASC 740 to allocate income taxes among continuing operations, other comprehensive income (loss), and additional paid-in capital when our situation meets the criteria as prescribed in the rule. During 2017, the Company recognized \$13.3 million of deferred benefit in the statement of consolidated operations and an equal and offsetting deferred tax expense in other comprehensive income (loss) included in the statement of consolidated comprehensive income (loss) due to the application of the exception within the intraperiod tax allocation rules. There was no

domestic deferred benefit recognized in 2019 or 2018, as the exception did not apply. This allocation has no effect on total tax provision or total valuation allowance.

Uncertain Tax Positions

A rollforward of the total amount of unrecognized tax benefits for the years ended December 31 is as follows:

(in millions)	2019	2018
Unrecognized tax benefits at January 1	\$ 59.2	\$ 56.8
Increases related to:		
Tax positions taken during a prior period	—	7.1
Tax positions taken during the current period	0.5	0.4
Decreases related to:		
Tax positions taken during a prior period	(0.1)	(0.1)
Lapse of applicable statute of limitations	(1.1)	(4.8)
Settlements with taxing authorities	—	(0.2)
Unrecognized tax benefits at December 31	<u>\$ 58.5</u>	<u>\$ 59.2</u>

At December 31, 2019 and 2018, there are \$9.8 million and \$10.5 million of benefits that, if recognized, would affect the effective tax rate. We accrued interest of \$0.9 million and \$0.8 million for each of the years ended December 31, 2019 and 2018, respectively, and reversed \$1.0 million and \$0.3 million of previously accrued interest on uncertain tax positions during the years ended December 31, 2019 and 2018 for a net decrease of (\$0.1) million for 2019 and a net increase \$0.5 million for 2018, respectively. The reversals related primarily to statute expirations and other favorable resolution of prior uncertain positions. The total amount of interest accrued for uncertain tax positions is \$2.7 million and \$2.8 million as of December 31, 2019 and 2018. During the year ended December 31, 2019, we paid no amounts to settle audits. During the year ended December 31, 2018, we paid inconsequential amounts of tax and interest to settle state audits of tax years 2010 through 2014 for certain of our subsidiaries, and we reduced our previously recorded liability for unrecognized tax benefits accordingly. We have not accrued any penalties relative to uncertain tax positions. We have elected to treat interest and penalties on uncertain tax positions as “Interest expense” and “Other operating expenses”, respectively.

It is reasonably possible that the existing unrecognized tax benefits may decrease over the next twelve months by as much as \$7.3 million as a result of developments in examinations, or from the expiration of statutes of limitation.

Tax years that remain subject to examination for our major tax jurisdictions as of December 31, 2019:

Statute remains open	2005-2018
Tax years currently under examination/exam completed	2005-2013
Tax years not examined	2014-2019

9. Business Segments

We report financial and descriptive information about our reportable operating segments on a basis consistent with that used internally for evaluating segment performance and allocating resources to segments. We evaluate performance primarily on operating income.

We charge management fees and other corporate service fees to our reporting segments based on the benefits received or an overhead allocation basis. Shared support functions include information technology, finance and accounting, legal, revenue management, risk management, procurement, and security. Corporate represents residual operating expenses of the holding company that are not attributable to any segment and remain unallocated. It also represents certain items that are permitted to be excluded from Adjusted EBITDA. Corporate identifiable assets primarily consist of cash and cash equivalents, restricted amounts held in escrow, information technology assets, and deferred debt issuance costs. Intersegment revenue relates to transportation services between our segments.

We considered the disclosure requirements for revenue disaggregation guidance in ASC Topic 606 and noted that our segments disaggregate our revenues based on geographic and time-based factors as our Regional Transportation segment carriers operate in a smaller geographic footprint and have a shorter length of haul as compared to our YRC Freight segment.

As noted in Management’s Discussion and Analysis of Financial Condition and Results of Operations, we will be moving to a single segment in 2020 and will make further analysis on revenue disaggregation at that time.

Revenue from foreign sources totaled \$79.6 million, \$104.1 million, and \$99.3 million for the years ended December 31, 2019, 2018, and 2017, respectively, and is mainly derived from Canada and, to a lesser extent, Mexico. Long-lived assets located in foreign countries totaled \$7.2 million, \$6.5 million and \$5.3 million at December 31, 2019, 2018, and 2017, respectively.

The following table summarizes our operations by business segment:

<u>(in millions)</u>	<u>YRC Freight</u>	<u>Regional Transportation</u>	<u>Corporate/ Eliminations</u>	<u>Consolidated</u>
2019				
External revenue	\$ 3,088.7	\$ 1,782.7	\$ (0.2)	\$ 4,871.2
Operating income (loss)	38.3	(4.8)	(17.3)	16.2
Identifiable assets	1,317.0	746.6	(232.0)	1,831.6
Acquisition of property and equipment	(89.6)	(45.5)	(8.1)	(143.2)
Proceeds from disposal of property and equipment	14.1	11.8	—	25.9
Depreciation and amortization	86.5	64.6	1.3	152.4
2018				
External revenue	\$ 3,197.3	\$ 1,895.0	\$ (0.3)	\$ 5,092.0
Operating income (loss)	85.0	70.7	(12.8)	142.9
Identifiable assets	973.6	626.4	17.1	1,617.1
Acquisition of property and equipment	(76.5)	(62.9)	(6.0)	(145.4)
Proceeds from disposal of property and equipment	35.8	0.6	—	36.4
Depreciation and amortization	82.2	65.0	0.5	147.7
2017				
External revenue	\$ 3,067.9	\$ 1,823.4	\$ (0.3)	\$ 4,891.0
Operating income (loss)	60.7	67.9	(9.6)	119.0
Identifiable assets	1,042.1	607.4	(64.0)	1,585.5
Acquisition of property and equipment	(66.6)	(36.6)	(0.1)	(103.3)
Proceeds from disposal of property and equipment	8.1	0.7	—	8.8
Depreciation and amortization	84.8	62.9	—	147.7

10. Shareholders' Deficit

The following reflects the activity in the shares of our common stock for the years ended December 31:

<u>Common Shares (in thousands)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	33,090	32,733	32,473
Issuance of equity awards, net	625	357	260
Ending balance	33,715	33,090	32,733

The Company issued to the IBT one share of Series A Voting Preferred Stock that entitles the holder to elect two directors to the Company's Board of Directors.

Our Term Loan agreement in place as of December 31, 2019, restricts the ability of YRC Worldwide to declare dividends on its outstanding capital stock.

11. Earnings (Loss) Per Share

We calculate basic earnings (loss) per share by dividing our net earnings (loss) available to common shareholders by our weighted-average shares outstanding at the end of the period. The calculation for diluted earnings (loss) per share adjusts the weighted average shares outstanding for our dilutive unvested shares and stock units using the treasury stock method. Our calculations for basic and dilutive earnings (loss) per share for the years ended December 31, 2019, 2018, and 2017 are as follows:

<u>(dollars in millions, except per share data, shares and stock units in thousands)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Basic and dilutive net income (loss)	\$ (104.0)	\$ 20.2	\$ (10.8)
Basic weighted average shares outstanding	33,252	32,983	32,685
Effect of dilutive securities:			
Unvested shares and stocks units(a)	—	876	—
Dilutive weighted average shares outstanding	<u>33,252</u>	<u>33,859</u>	<u>32,685</u>
Basic earnings (loss) per share(b)	\$ (3.13)	\$ 0.61	\$ (0.33)
Diluted earnings (loss) per share(b)	\$ (3.13)	\$ 0.60	\$ (0.33)

(a) Includes unvested shares of Common Stock, unvested stock units, and vested stock units for which the underlying Common Stock has not been distributed.

(b) Earnings (loss) per share is based on unrounded figures and not the rounded figures presented.

Given our net loss position for the year ended December 31, 2019 and 2017, there are no dilutive securities for this period.

Our anti-dilutive securities for the years ended December 31 are as follows:

<u>(shares in thousands)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Anti-dilutive unvested shares and options	610	51	8

12. Commitments, Contingencies, and Uncertainties

Department of Defense Complaints

In December 2018, the United States on behalf of the United States Department of Defense filed a Complaint in Intervention (“Complaint”) against the Company in the U.S. District in the Western District of New York captioned *United States ex rel. James Hannum v. YRC Freight, Inc.; Roadway Express, Inc.; and Yellow Transportation, Inc.*, Civil Action No. 08-0811(A). The Complaint alleges that the Company violated the False Claims Act by overcharging the Department of Defense for freight carrier services by failing to comply with the contractual terms of freight contracts between the Department of Defense and the Company and related government procurement rules. The Complaint also alleges claims for unjust enrichment and breach of contract. Under the False Claims Act, the Complaint seeks treble damages, civil penalties, attorneys’ fees and costs of suit, all in unspecified amounts. The remaining common causes of action seek an undetermined amount for an alleged breach of contract or alternatively causes constituting unjust enrichment or a payment by mistake. The Company has moved to dismiss the case, and the court heard oral arguments on the motion on August 12, 2019. Management believes the Company has meritorious defenses and intends to vigorously defend this action. We are unable to estimate the possible loss, or range of possible loss, associated with these claims.

Class Action Securities Complaint

In January 2019, a purported class action lawsuit captioned *Christina Lewis v. YRC Worldwide Inc., et al.*, Case No. 1:19-cv-00001, was filed in the United States District Court for the Northern District of New York against the Company and certain of our current and former officers. The complaint was filed on behalf of persons who purchased or otherwise acquired the Company’s publicly traded securities between March 10, 2014 and December 14, 2018. The complaint generally alleges that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by making false and misleading statements relating to its freight billing practices as alleged in the Department of Defense complaint described above. The action includes claims for damages, including interest, and an award of reasonable costs and attorneys’ fees. The co-lead plaintiffs filed an amended complaint on June 14, 2019, and the defendants moved to dismiss it on July 15, 2019. The motion is fully briefed and awaiting decision. Management believes the Company has meritorious defenses and intends to vigorously defend this action. We are unable to estimate the possible loss, or range of possible loss, associated with these claims.

Shareholder Derivative Complaints

In May 2019, a putative shareholder filed an action derivatively and on behalf of the Company naming James L. Welch, Jamie G. Pierson, Stephanie D. Fisher, Raymond J. Bromark, Douglas A. Carty, William R. Davidson, Matthew A. Doheny, Robert L. Friedman, James E. Hoffman, Michael J. Kneeland, Patricia M. Nazemetz, and James F. Winestock individually as defendants and the Company as the nominal defendant. In an amended complaint, filed on October 15, 2019, Darren D. Hawkins was added as a defendant. The case is captioned *Hastey v. Welch, et al.*, Case No. 2:19-cf-2266-KGG, and is pending in the United States District Court for the District of Kansas. The Complaint alleges that the Company was exposed to harm by the individual defendants' purported conduct concerning its freight-billing practices as alleged in the Department of Defense Complaint and the Class Action Securities Complaint described above. The Complaint asserts that the individual defendants' purported conduct violated Section 14(a) of the Securities Exchange Act of 1934 and that they breached their fiduciary duties, were unjustly enriched, and engaged in corporate waste. Motions to dismiss were filed on August 16, 2019 and, in response, Plaintiff filed the October 15, 2019 amended complaint. A motion to dismiss the amended complaint was filed on October 29, 2019. Briefing on the motion was completed in early February 2020. Motions to intervene in the action were filed by putative shareholder Ameesh Bhandari on March 4, 2020, and by putative shareholders Shawn Miller and Jeremy Baldwin on March 6, 2020. The Complaint seeks damages on behalf of the Company.

In October 2019, another putative shareholder filed an action derivatively and on behalf of the Company in the United States District Court for the District of Delaware naming the same defendants as did the October 15, 2019 amended complaint in the *Hastey* case. The case is captioned *Broughton v. Hawkins, et al.* Case No. 1:19-cv-01958-UNA, and makes claims similar to those made in *Hastey*. After a motion to dismiss the *Broughton* Complaint was filed on December 20, 2019, Plaintiff filed an unopposed motion for voluntary dismissal of her Complaint without prejudice on February 19, 2020. Plaintiff's motion is pending Court approval.

Other Legal Matters

We are involved in litigation or proceedings that arise in ordinary business activities. When possible, we insure against these risks to the extent we deem prudent, but no assurance can be given that the nature or amount of such insurance will be sufficient to fully indemnify us against liabilities arising out of pending and future legal proceedings. Many of these insurance policies contain self-insured retentions in amounts we deem prudent. Based on our current assessment of information available as of the date of these consolidated financial statements, we believe that our consolidated financial statements include adequate provisions for estimated costs and losses that may be incurred within the litigation and proceedings to which we are a party.

13. Related Party Transactions

On June 11, 2018, the Company entered into an agreement with James L. Welch, who was then serving as Chief Executive Officer and as a member of the Board, for him to provide consulting services to the Company as part of its succession plan for the Chief Executive Officer role. The consulting agreement became effective on August 1, 2018, immediately following Mr. Welch's July 31, 2018 retirement, and terminated on July 31, 2019. Mr. Welch was paid \$150,000 per annum as an independent contractor for his services, receiving \$87,500 for consulting services performed during 2019 and \$62,500 for consulting services performed in 2018.

14. Subsequent Events

On February 14, 2020, we closed on a real estate sale of a Regional Transportation facility. The sale generated \$43.6 million in net cash proceeds, of which we retained \$25.2 million. We have now received all \$40.0 million in real estate proceeds that are not subject to mandatory prepayment under the New Term Loan. Our first quarter operating income results will reflect a \$38.8 million property gain.

To the Shareholders and Board of Directors
YRC Worldwide Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of YRC Worldwide Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, the related statements of consolidated operations, comprehensive income (loss), shareholders' deficit, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 11, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2019 due to the adoption of Accounting Standards Codification 842, *Leases*.

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for the recognition of revenue as of January 1, 2018 due to the adoption of Accounting Standards Codification 606, *Revenue from Contracts with Customers*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2002.

Kansas City, Missouri
March 11, 2020

To the Shareholders and Board of Directors
YRC Worldwide Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited YRC Worldwide Inc. and subsidiaries (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related statements of consolidated operations, comprehensive income (loss), shareholders' deficit, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements), and our report dated March 11, 2020 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting appearing under Item 9A of the December 31, 2019 annual report on Form 10-K. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Kansas City, Missouri
March 11, 2020

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by the Exchange Act, we maintain disclosure controls and procedures designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our management, with the participation of our principal executive and financial officers, has evaluated our disclosure controls and procedures as of December 31, 2019 and has concluded that our disclosure controls and procedures were effective as of December 31, 2019.

In February 2016, the FASB issued ASC 842, *Leases*, which required lessees to recognize a right-to-use asset and a lease obligation for all leases. The new standard became effective for the Company for its annual reporting period beginning January 1, 2019, including interim periods within that reporting period. The Company implemented controls over the adoption of the standard and implemented additional controls during 2019.

Changes in Internal Control Over Financial Reporting

Other than as described above, there were no changes in our internal controls over financial reporting that occurred during the fiscal quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining effective internal control over our financial reporting, which is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our management assessed the effectiveness of our system of internal control over financial reporting as of December 31, 2019 based on the framework established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on its assessment using those criteria, our management concluded that, as of December 31, 2019, our system of internal control over financial reporting was effective.

KPMG LLP, the independent registered public accounting firm that audited our December 31, 2019 consolidated financial statements, has issued an audit report on our system of internal control over financial reporting. The KPMG LLP audit report is included herein.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Pursuant to General Instruction G to Form 10-K, the information required by this item, other than information regarding (i) our executive officers, which is incorporated by reference to Part I of this Form 10-K under the heading “Executive Officers of the Registrant,” and (ii) our code of ethics, which is described below and titled the “Code of Business Conduct,” is included under the captions “Directors to be Elected by our Stockholders,” “Directors Selected by the Holder of our Series A Preferred Stock,” “Stockholder Proposals and Director Nomination for 2020 Annual Meeting,” “Structure and Functioning of the Board Audit & Ethics Committee,” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our Proxy Statement related to the 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

Code of Business Conduct

We have adopted a written Code of Business Conduct that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. It is available under “Board Committee Charters and Code of Business Conduct” on our website located at www.yrcw.com. We intend to disclose any amendments or waivers to our Code of Business Conduct by posting such information on our website located at www.yrcw.com, other than technical, administrative or non-substantive amendments, and any waivers, including implicit waivers, from any provision of our Code of Business Conduct that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, which information will be disclosed via SEC filing.

Item 11. Executive Compensation

Pursuant to General Instruction G to Form 10-K, the information required by this item is included under the captions “Compensation Committee Interlocks and Insider Participation,” “Director Compensation,” “Compensation Discussion and Analysis,” “Compensation Committee Report” and “Executive Compensation” in our Proxy Statement related to the 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

Pursuant to General Instruction G to Form 10-K, the information required by this item is included under the captions “Security Ownership of Management and Directors,” “Security Ownership of Certain Beneficial Owners” and “Equity Compensation Plan Information” in our Proxy Statement related to the 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Pursuant to General Instruction G to Form 10-K, the information required by this item is included under the captions “Structure and Functioning of the Board” and “Certain Relationships and Related Transactions” in our Proxy Statement related to the 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Pursuant to General Instruction G to Form 10-K, the information required by this item is included under the caption “Audit and Audit-Related Fees” in our Proxy Statement related to the 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements

The consolidated financial statements of the Company included under Item 8 - Financial Statements and Supplementary Data.

(a)(3) Exhibits

- 3.1.1 [Amended and Restated Certificate of Incorporation of the Company \(incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K, filed on September 16, 2011, File No. 000-12255\).](#)
- 3.1.2 [Certificate of Amendment to the Certificate of Incorporation of the Company \(incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K, filed on December 1, 2011, File No. 000-12255\).](#)
- 3.1.3 [Certificate of Elimination of Series B Convertible Preferred Stock \(incorporated by reference to Exhibit 3.2 to Current Report on Form 8-K, filed on December 1, 2011, File No. 000-12255\).](#)
- 3.1.4 [Certificate of Designations of Series A Voting Preferred Stock \(incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K, filed on July 25, 2011, File No. 000-12255\).](#)
- 3.1.5 [Certificate of Designations, Preferences, Powers and Rights of Series B Convertible Preferred Stock \(incorporated by reference to Exhibit 3.2 to Current Report on Form 8-K, filed on July 25, 2011, File No. 000-12255\).](#)
- 3.1.6 [Certificate of Amendment of the Certificate of Incorporation of the Company \(incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K, filed on March 17, 2014, File No. 000-12255\).](#)
- 3.2 [Amended and Restated Bylaws of the Company, adopted as of September 16, 2011 \(incorporated by reference to Exhibit 3.2 to Current Report on Form 8-K, filed on September 16, 2011, File No. 000-12255\).](#)
- 3.3 [Amendment to Amended and Restated Bylaws of the Company, adopted and effective as of July 29, 2019 \(incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K, filed on August 2, 2019, File No. 000-12255\).](#)

(4) Instruments Defining the Right of Security Holders, Including Indentures

- 4.1* [Description of Common Stock](#)

(10) Material Contracts

- 10.1.1 [National Master Freight Agreement, effective April 1, 2008, among the International Brotherhood of Teamsters, YRC Inc. \(formerly, Yellow Transportation, Inc. and Roadway Express, Inc.\), USF Holland Inc. and New Penn Motor Express, Inc. \(incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on February 11, 2008, File No. 000-12255\).](#)
- 10.1.2 [Amended and Restated Memorandum of Understanding on the Job Security Plan, dated July 9, 2009, among the International Brotherhood of Teamsters, YRC Inc., USF Holland Inc. and New Penn Motor Express, Inc. \(incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on July 14, 2009, File No. 000-12255\).](#)
- 10.1.3 [Agreement for the Restructuring of the YRC Worldwide Inc. Operating Companies and related Term Sheet/Proposal \(the "Restructuring Plan"\), dated September 24, 2010, among the International Brotherhood of Teamsters, YRC Inc., USF Holland Inc. and New Penn Motor Express, Inc. \(incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on September 29, 2010, File No. 000-12255\).](#)
- 10.1.4 [Certification and Amendment \(dated December 31, 2010\) and Certification and Second Amendment \(dated February 28, 2011\) to the Restructuring Plan Term Sheet \(incorporated by reference to Exhibit 10.3.4 to Annual Report on Form 10-K for the year ended December 31, 2010, File No. 000-12255\).](#)

- 10.1.5 [Extension of the Agreement for the Restructuring of the YRC Worldwide Inc. Operating Companies, dated February 7, 2014, by and among YRC Inc. \(d/b/a YRC Freight\), USF Holland Inc., New Penn Motor Express, Inc., USF Reddaway Inc. and the Teamsters National Freight Industry Negotiating Committee of the International Brotherhood of Teamsters \(incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on February 10, 2014, File No. 000-12255\).](#)
- 10.1.6 [National Master Freight Agreement, effective May 14, 2019, among the International Brotherhood of Teamsters, YRC Inc., USF Holland LLC and New Penn Motor Express LLC \(Conformed copy for reference only\).\(incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, File No. 000-12255\).](#)
- 10.2.1 [Second Amended and Restated Contribution Deferral Agreement, dated as of January 31, 2014, among YRC Inc., USF Holland Inc., New Penn Motor Express, Inc. and USF Reddaway Inc., collectively as primary obligors, the Trustees for the Central States, Southeast and Southwest Areas Pension Fund, the Wilmington Trust Company, as agent, and the other funds party thereto \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed on January 31, 2014, File No. 000-12255\).](#)
- 10.2.2 [Letter Agreement, dated as of January 29, 2014 and effective as of January 31, 2014, among Central States, Southeast and Southwest Areas Pension Fund, YRC, Inc., USF Holland Inc., New Penn Motor Express, Inc., USF Reddaway Inc., as primary obligors, YRC Worldwide Inc., as primary guarantor, and certain additional guarantors \(incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K, filed on January 31, 2014, File No. 000-12255\).](#)
- 10.2.3 [Amendment No. 1 to Second Amended and Restated Contribution Deferral Agreement among YRC Inc., USF Holland LLC, New Penn Motor Express LLC and USF Reddaway Inc., collectively as primary obligors, the Trustees for the Central States, Southeast and Southwest Areas Pension Fund, the Wilmington Trust Company, as agent, and the other funds party thereto \(incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on January 31, 2018, File No. 000-12255\).](#)
- 10.3.1 [Amended and Restated Credit Agreement, dated as of September 11, 2019, by and among the Company, as borrower, the subsidiaries of the borrower party thereto from time to time, the lenders from time to time party thereto, and Cortland Products Corp., as administrative agent and collateral agent for the lenders \(incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, File No. 000-12255\).](#)
- 10.4.1† [Loan and Security Agreement, dated as of February 13, 2014, among the Company, as administrative borrower, the other borrowers named therein, the guarantors named therein, certain financial institutions, as lenders, and RBS Citizens Business Capital a division of RBS Asset Finance, Inc., a subsidiary of RBS Citizens, N.A., as agent, and RBS Citizens, N.A., Merrill Lynch, Pierce, Fenner & Smith and CIT Finance LLC, as joint lead arrangers and joint bookrunners \(incorporated by reference to Exhibit 10.11 to Annual Report on Form 10-K for the year ended December 31, 2013, File No. 000-12255\).](#)
- 10.4.2 [Amendment No. 1 to Loan and Security Agreement, dated as of September 23, 2015, by and among the Company, certain of the Company's subsidiaries party thereto, the lenders party thereto and RBS Citizens Business Capital, as agent \(incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K, filed on September 25, 2015, File No. 000-12255\).](#)
- 10.4.3 [Amendment No. 2 to Loan and Security Agreement, dated as of June 28, 2016, by and among the Company, certain of the Company's subsidiaries party thereto, the lenders party thereto and Citizens Business Capital as agent \(incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on June 30, 2016, File No. 000-12255\).](#)
- 10.4.4 [Amendment No. 3 to Loan and Security Agreement by and among the Company, certain of the Company's subsidiaries party thereto, the lenders party thereto and Citizens Business Capital as agent \(incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K, filed on January 31, 2018, File No. 000-12255\).](#)
- 10.4.5 [Amendment No. 5 to Loan and Security Agreement by and among the Company, certain of the Company's subsidiaries party thereto, the lenders party thereto and Citizens Business Capital as agent \(incorporated by reference to Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarter-ended September 30, 2019, File No. 000-12255\).](#)
- (10) Management Contracts, Compensatory Plans and Arrangements
- 10.5.1* [YRC Worldwide Inc. Fourth Amended and Restated Director Compensation Plan, effective February 28, 2020.](#)

- 10.5.2 [Form of Director Restricted Stock Unit Agreement for Non-Employee Director \(incorporated by reference to Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, File No. 000-12255\).](#)
- 10.5.3 [Form of One-Time Restricted Stock Unit Award Agreement for Non-Employee Director \(incorporated by reference to Exhibit 10.5.3 to Annual Report on Form 10-K for the year ended December 31, 2018, File No. 000-12255\).](#)
- 10.6 [Form of Indemnification Agreement between the Company and each of its directors and executive officers \(incorporated by reference to Exhibit 10.5 to Current Report on Form 8-K, filed on March 15, 2007, File No. 000-12255\).](#)
- 10.7.1 [YRC Worldwide Inc. 2011 Incentive and Equity Award Plan \(incorporated by reference to Exhibit 99.1 to Registration Statement on Form S-8, filed on November 30, 2011, File No. 333-178223\).](#)
- 10.7.2 [YRC Worldwide Inc. Amended and Restated 2011 Incentive and Equity Award Plan \(incorporated by reference to Exhibit 10.7 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, File No. 000-12255\).](#)
- 10.7.3* [YRC Worldwide Inc. 2019 Incentive and Equity Award Plan.](#)
- 10.8.1 [Form of Restricted Stock Agreement under YRC Worldwide Inc. 2011 Incentive and Equity Award Plan and successor plans thereto \(incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on March 13, 2015, File No. 000-12255\).](#)
- 10.8.2 [Form of Restricted Stock Agreement under YRC Worldwide Inc. 2011 Incentive and Equity Award Plan for 2019 performance awards on or after February 11, 2019 \(incorporated by reference to Exhibit 10.8.2 to Annual Report on Form 10-K for the year ended December 31, 2018, File No. 000-12255\).](#)
- 10.8.3 [Form of Restricted Stock Agreement for performance awards under YRC Worldwide Inc. 2019 Incentive and Equity Award Plan \(incorporated by reference to Exhibit 10.8.3 to Annual report on Form 10-K for the year ended December 31, 2018, File No. 000-12255\).](#)
- 10.8.4 [Restricted Stock Agreement between YRC Worldwide Inc. and James L. Welch, dated February 13, 2018 \(incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K, filed on February 15, 2018, File No. 000-12255\).](#)
- 10.8.5 [Form of Restricted Stock Agreement under YRC Worldwide Inc. 2019 Incentive and Equity Award Plan for 2019 CEO Grant \(incorporated by reference to Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, File No. 000-12255.\)](#)
- 10.9.1 [YRC Worldwide Inc. Supplemental Executive Pension Plan, effective January 1, 2005 \(incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on July 25, 2006, File No. 000-12255\).](#)
- 10.9.2 [Amendment to YRC Worldwide Inc. Supplemental Executive Pension Plan \(incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K, filed on July 8, 2008, File No. 000-12255\).](#)
- 10.9.3 [Second Amendment to YRC Worldwide Inc. Supplemental Executive Pension Plan \(incorporated by reference to Exhibit 10.30.3 to Annual Report on Form 10-K for the year ended December 31, 2011, File No. 000-12255\).](#)
- 10.10.1 [Yellow Corporation Pension Plan, as amended and restated as of January 1, 2004 \(incorporated by reference to Exhibit 10.27 to Annual Report on Form 10-K for the year ended December 31, 2003, File No. 000-12255\).](#)
- 10.10.2 [Amendment No. 1 to Yellow Corporation Pension Plan, as amended and restated as of January 1, 2004 \(incorporated by reference to Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, File No. 000-12255\).](#)
- 10.10.3 [Amendment No. 2 to Yellow Corporation Pension Plan, as amended and restated as of January 1, 2004 \(incorporated by reference to Exhibit 10.28.3 to Annual Report on Form 10-K for the year ended December 31, 2010, File No. 000-12255\).](#)
- 10.10.4 [Amendment No. 3 to Yellow Corporation Pension Plan, as amended and restated as of January 1, 2004 \(incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K, filed on July 8, 2008, File No. 000-12255\).](#)
- 10.10.5 [Amendment No. 4 to Yellow Corporation Pension Plan, as amended and restated as of January 1, 2004 \(incorporated by reference to Exhibit 10.22.5 to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 000-12255\).](#)

10.10.6	<u>Amendment No. 5 and Amendment No. 6 to Yellow Corporation Pension Plan, as amended and restated as of January 1, 2004 (incorporated by reference to Exhibit 10.28.6 to Annual Report on Form 10-K for the year ended December 31, 2009, File No. 000-12255).</u>
10.10.7	<u>Amendment No. 7 to Yellow Corporation Pension Plan, as amended and restated as of January 1, 2004 (incorporated by reference to Exhibit 10.7 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, File No. 000-12255).</u>
10.13	<u>YRC Worldwide Inc. Second Union Employee Option Plan (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on March 5, 2010, File No. 000-12255).</u>
10.14	<u>Severance Agreement, dated as of May 1, 2018, between Darren D. Hawkins and the Company (incorporated by reference to Exhibit 10.5 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, File No. 000-12255).</u>
10.15*	<u>Severance Agreement, dated January 2, 2020 between Stephanie D. Fisher and the Company.</u>
10.16*	<u>YRC Worldwide Amended and Restated Severance Plan, dated March 9, 2020.</u>
21.1*	<u>Subsidiaries of the Company.</u>
23.1*	<u>Consent of KPMG LLP, Independent Registered Public Accounting Firm.</u>
31.1*	<u>Certification of Darren D. Hawkins pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of Jamie G. Pierson pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1*	<u>Certification of Darren D. Hawkins pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2*	<u>Certification of Jamie G. Pierson pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

* Indicates documents filed herewith.

† Confidential portions of this exhibit have been filed separately with the SEC pursuant to a request for confidential treatment.

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

YRC Worldwide Inc.

Date: March 11, 2020

By: /s/ Darren D. Hawkins
Darren D. Hawkins
Chief Executive Officer

POWER OF ATTORNEY

Know all people by these presents, that each person whose signature appears below constitutes and appoints Darren D. Hawkins and Jamie G. Pierson, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any amendments to this annual report on Form 10-K, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he or she might or could do in person, hereby confirming all that said attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u> /s/ Darren D. Hawkins </u> Darren D. Hawkins	Chief Executive Officer and Director	March 11, 2020
<u> /s/ Jamie G. Pierson </u> Jamie G. Pierson	Chief Financial Officer, Director and Principal Accounting Officer	March 11, 2020
<u> /s/ Douglas A. Carty </u> Douglas A. Carty	Director	March 11, 2020
<u> /s/ William R. Davidson </u> William R. Davidson	Director	March 11, 2020
<u> /s/ Matthew A. Doheny </u> Matthew Doheny	Director	March 11, 2020
<u> /s/ James E. Hoffman </u> James E. Hoffman	Director	March 11, 2020
<u> /s/ Patricia M. Nazemetz </u> Patricia M. Nazemetz	Director	March 11, 2020

The following is a description of the common stock, \$0.01 par value per share (the “Common Stock”), of YRC Worldwide Inc. (the “Company”), which is the only security of the Company registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The following summary description of the Common Stock is not complete and is qualified in its entirety by reference to our Amended and Restated Articles of Incorporation, as amended, our Amended and Restated Bylaws, as amended, and applicable provisions of the Delaware General Corporation Law (the “DGCL”).

Common Stock*General*

Our certificate of incorporation authorizes us to issue 33,333,333 shares of Common Stock.

Dividends

Subject to the preferences applicable to outstanding shares of preferred stock (if any), the holders of shares of Common Stock are entitled to receive ratably any dividends declared by our board of directors out of the funds legally available for that purpose.

Liquidation

In the event of liquidation, holders of shares of Common Stock will be entitled to receive any assets remaining after the payment of our debts and the expenses of liquidation, subject to the preferences applicable to outstanding shares of preferred stock (if any).

Other

The holders of shares of Common Stock have no pre-emptive, subscription or conversion rights. All issued and outstanding shares of common stock are validly issued, fully paid and nonassessable.

Transfer Agent

The transfer agent and registrar for our Common Stock is Computershare Trust Company, N.A.

Voting Rights

Our Common Stock is entitled to one vote per share.

Except as otherwise required by law, the certificate of incorporation, or any preferred stock designation, holders of Common Stock are not entitled to vote on any amendment to the certificate of incorporation or any preferred stock designation that relates solely to the terms of one or more outstanding series of preferred stock if the holders of such affected series of preferred stock are entitled to vote thereon pursuant to the certificate of incorporation, any preferred stock designation, or the DGCL.

Delaware Anti-Takeover Law; No Super-Majority Approval

We are not subject to Section 203 of the DGCL (“Section 203”). In general, Section 203 prohibits a publicly held Delaware corporation from engaging in various “business combination” transactions with any interested stockholder for a period of three years following the time that such person became an interested stockholder, unless certain conditions are satisfied.

The certificate of incorporation does not require “super-majority” approval of any business combination transactions.

Board Size; Director Election and Removal

Our certificate of incorporation provides that the board shall initially consist of nine persons until the precise number of directors, other than those who may be elected by the holders of one or more series of preferred stock voting separately by class or series, shall be fixed from time to time pursuant to a resolution adopted by a majority of the whole board (the total number of directors the Company would have if there were no vacancies). Other than the directors appointed by the International Brotherhood of Teamsters (the “IBT”) as the holder of the one share of the Company’s Series A Voting Preferred Stock, board members are elected annually at the annual meeting of stockholders and serve one-year terms to expire at the following annual meeting of stockholders. Newly created directorships resulting from any increase in the authorized number of directors or vacancies on the Board are filled by a majority vote of the directors then in office, and directors so chosen shall serve for a term expiring at the next annual meeting of stockholders.

Members of the board may be removed from office at any time, with or without cause, by the affirmative vote of holders of a majority of the voting power. However, vacancies on the board resulting from the removal of a director appointed by the IBT may be filled solely by the IBT as the holder of the one share of the Company’s Series A Voting Preferred Stock.

Stockholder Meetings; Written Consent

Stockholders are entitled to take action by written consent if the consent is signed by holders of not less than the minimum voting power that would be necessary to authorize or take the action at a stockholder meeting and if the board of directors approves in advance the taking of such action. Special meetings of the stockholders may be called by the secretary of the Company upon the written request of at least 25% of the voting power if certain notice requirements are met.

Amendment of Bylaws

The bylaws of the Company may be amended or repealed, or new bylaws may be adopted, by the affirmative vote of a majority of the voting power or by the affirmative vote of a majority of the whole board of directors.

Director Indemnification

The Company’s directors shall not be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director’s duty of loyalty to the Company or its stockholders, (ii) for acts or omissions

not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended to permit further elimination or limitation of the personal liability of the directors, then the liability of the Company's directors shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

YRC WORLDWIDE INC.

**FOURTH AMENDED AND RESTATED
DIRECTOR COMPENSATION PLAN**

On February 28, 2020 (the “Effective Date”), the Board adopted this Fourth Restatement of the February 11, 2019 Third Restatement of the Plan, which was originally effective August 30, 2011.

This Director Compensation Plan (this “Plan”) of YRC Worldwide Inc., a Delaware corporation (the “Company”), is adopted effective as of the date first set forth above and amends, restates and replaces any and all prior plans relating to the compensation payable to the Company’s Board, provided, however, that the provisions of Section 5 shall only apply to RSUs that are granted following the Effective Date and, for the avoidance of doubt, RSUs granted prior to the Effective Date shall be governed by the version of the Plan as in effect as of the date of grant applicable to those shares.

1. DEFINITIONS, ADMINISTRATION AND CONSTRUCTION.

- (a) The following capitalized terms used in this Plan shall have the following meanings given to each of them in this Section 1(a):

“Board” means the Board of Directors of the Company.

“Committee” means any committee of the Board.

“Common Stock” means Company Common Stock, \$0.01 par value per share.

“Compensation Committee” means the Compensation Committee of the Board.

“Equity Award” means an award of Common Stock or Common Stock derivatives to a Participant pursuant to the terms of this Plan and any equity incentive plan maintained by the Company, including the YRC Worldwide Inc. 2011 Incentive and Equity Award Plan and the YRC Worldwide Inc. 2019 Incentive and Equity Award Plan.

“Participant” means a member of the Board who is not an employee of the Company.

“Restricted Stock Units” or “RSUs” are a form of Equity Award and shall have the same meaning as in the YRC Worldwide Inc. 2019 Incentive and Equity Award Plan.

“Secretary” means the Secretary of the Company.

- (b) The Compensation Committee shall administer this Plan. The Compensation Committee may adopt rules for the administration of this Plan as it may deem necessary or advisable. The Compensation Committee has full and absolute
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discretion in the exercise of each and every aspect of the rights, power, authority and duties retained or granted it under this Plan, including the authority to determine all facts, to interpret this Plan, to apply the terms of this Plan to the facts determined, to make decisions based upon those facts and to make any and all other decisions required of it by this Plan, such as the right to benefits, the correct amount and form of benefits, the determination of any appeal, the review and correction of the actions of any prior administrative committee, and the other rights, powers, authority and duties specified in this paragraph and elsewhere in this Plan. Notwithstanding any provision of law, or any explicit or implicit provision of this document, any action taken, or finding, interpretation, ruling or decision made by the Compensation Committee in the exercise of any of its rights, powers, authority or duties under this Plan shall be final and conclusive as to all parties, including without limitation all Participants, former Participants and beneficiaries, regardless of whether the Compensation Committee or one or more of its members may have an actual or potential conflict of interest with respect to the subject matter of the action, finding, interpretation, ruling or decision. No final action, finding, interpretation, ruling or decision of the Compensation Committee shall be subject to de novo review in any judicial proceeding. No final action, finding, interpretation, ruling or decision of the Compensation Committee may be set aside unless it is held to have been arbitrary and capricious by a final judgment of a court having jurisdiction with respect to the issue.

- (c) Except as expressly stated to the contrary, references in this Plan to “including” mean “including, without limitation” and to “persons” mean natural persons and legal entities.

2. **RETAINERS.**

- (a) From time to time, the Board (or at its direction, the Compensation Committee) may set retainers for Participants for their service as a member of the Board or one or more of the Board’s Committees. The current retainers for Participants are listed on Exhibit A.
- (b) Annual retainers shall be paid in advance in quarterly installments on January 1, April 1, July 1 and October 1 (or on the first business day immediately following such payment date). A Participant who joins the Board mid-term shall receive a pro-rated retainer based on the number of days remaining in his/her initial term. The initial payment shall be made as soon as administratively practicable following the Participant’s commencement as a member of the Board.

3. **MEETING FEES AND EXPENSE REIMBURSEMENTS.**

No additional compensation shall be paid for attending or participating in Board or Committee meetings. Participants will be reimbursed for reasonable business expenses, including travel expenses, incurred in the performance of their duties for the Company, including, without limitation, traveling to meetings.

4. EQUITY AWARDS.

From time to time, the Board (or at its direction, the Compensation Committee) may make grants of Equity Awards to Participants as compensation for their service on the Board with such terms and conditions as are stated in the grant. The grant shall be made pursuant to this Plan and any equity incentive plan maintained by the Company pursuant to which the Common Stock is authorized to be issued.

5. RESTRICTED STOCK UNITS.

- (a) **Generally.** This Section 5, except as expressly specified otherwise, applies only with respect to RSUs granted on or after the Effective Date.
- (b) **Grants.** On such date as determined by the Board in 2019 and each year thereafter (“Grant Date”), each Participant shall receive a grant of that number of RSUs equal to \$60,000 divided by the average closing price for the 30-day period immediately preceding the Grant Date. In addition to the annual grant described in the preceding sentence, the Board (or at its discretion, the Compensation Committee) may make such additional grants from time-to-time upon whatever terms it deems appropriate.
- (c) **Vesting.** The RSUs granted following the Effective Date shall be fully vested as of the Grant Date. An RSU that has satisfied the vesting terms described herein is referred to as a “Vested RSU”.
- (d) **Deferral Elections.** Pursuant to a written election (a “Deferral Election”), a Participant may defer delivery of all or a portion of the shares of Common Stock underlying the RSUs beyond the three-year delivery date set forth below, in accordance with this Section 5 and the rules prescribed by the Compensation Committee. The Company (or its designee) shall maintain an account for each Participant to record any Deferral Election made with respect to RSUs. All Deferral Elections must be delivered to the Secretary. Commencing with any RSUs that are granted for services performed in any fiscal year that commences in calendar year 2020 or later, (i) any prior Deferral Elections shall cease to apply to any such RSUs and (ii) a Participant shall only be allowed to make a Deferral Election with the express consent of the Committee.
 - (i) **Deferral Election.** Except as otherwise provided in this Section 5, a Deferral Election with respect to RSUs must be made not later than the close of the Participant’s taxable year immediately preceding the service year for which the RSUs are granted as compensation (or such other time as permitted under Section 409A of the Internal Revenue Code of 1986, as amended, and any applicable Internal Revenue Service guidance and Treasury Regulations issued thereunder (“Section 409A”). For example, a Director’s Deferral Election for any RSUs granted in 2020 as compensation for services rendered in 2020, must be made no later than December 31, 2019. A Participant’s Deferral Election may be changed at any time prior to the last permissible date for making the Deferral

Election, and shall thereafter be irrevocable. A form of the Deferral Election is included in Exhibit B.

- (ii) **First Year of Eligibility.** In the case of the first year in which a director becomes eligible to participate in the Plan, the director may make an initial Deferral Election within 30 days after the director first becomes eligible to participate. Such election shall only apply with respect to RSUs relating to services performed after the election. Whether a Participant is treated as newly eligible for participation under this Plan shall be determined in accordance with Section 409A, including: (i) rules that treat all elective deferral account balance plans as one plan, and (ii) rules that treat a previously eligible director as newly eligible if his/her benefits had been previously distributed or if he/she has been ineligible for 24 months.
- (iii) **Evergreen Election.** A Participant may elect that his/her Deferral Election for an upcoming year will continue in effect for subsequent years until modified by the Participant (an “Evergreen Election”). If a Participant makes an Evergreen Election, the Participant may unilaterally modify such Deferral Election (to either terminate, increase or decrease the portion of his future RSUs which are subject to deferral) by providing a written modification of the Deferral Election to the Secretary. The modification shall become effective as of the first day of January following the date such written modification is received by the Secretary or sooner if permitted under the special thirteen month election.
- (iv) **Subsequent Deferral Election.** A Participant shall be entitled to delay the delivery of shares of Common Stock underlying the RSUs pursuant to his initial Deferral Election (a “Subsequent Deferral Election”) provided: (1) the Subsequent Deferral Election does not take effect until at least twelve (12) months after the date on which the Subsequent Deferral Election is made, (2) if the Subsequent Deferral Election relates to a payment event other than the death or Disability of the Participant, the Subsequent Deferral Election defers payment for a period of at least five (5) years from the date such payment would otherwise have been made but for such Subsequent Deferral Election, and (3) if the Subsequent Deferral Election relates to a payment at a specified time or pursuant to a fixed schedule, the Subsequent Deferral Election is made not less than 12 months before the date the payment is scheduled to be paid.
- (e) **Delivery of Shares.** The Company shall deliver one share of Common Stock for each Vested RSU, as described below:
 - (i) **RSUs Granted After the Effective Date.** If the Participant does not timely elect to further defer delivery of the shares of Common Stock underlying the Vested RSUs pursuant to (ii) below, the Company shall deliver to the Participant one share of Common Stock for each Vested RSU on the earlier of the Participant’s separation from service with the Board, death, Disability, Change in Control, or the third anniversary of the Grant

Date (each a “Payment Event”). Actual delivery of the Common Stock shall be made within 90 days of the Payment Event, if such Payment Event is a separation from service, death, Disability, or the third anniversary of the Grant Date. Upon a Change in Control, delivery of the Common Stock shall occur on the date of the Change in Control.

(ii) **RSU Deferral Election.** If a Participant timely elects to defer delivery of the shares of Common Stock underlying the Vested RSUs pursuant to a Deferral Election on file with the Company’s Secretary, the Company shall deliver to the Participant one share of Common Stock for each Vested RSU for which a Deferral Election has been made on the earlier of either:

- (1) the Participant’s separation from service, death, Disability, Change in Control; or
- (2) the Participant’s separation from service, death, Disability, Change in Control or the date specified by the Participant in his/her Deferral Election, which date must be a specified date later than the third anniversary of the Grant Date (each of the above a “Deferred Payment Event”).

Actual delivery of the Common Stock shall be made within 90 days of the Deferred Payment Event, if such Deferred Payment Event is a separation from service, death, Disability, or a specified date elected by the Participant. Upon a Change in Control, delivery of the Common Stock shall occur on the date of the Change in Control.

(iii) **Change in Control.** Notwithstanding the foregoing, if the Participant’s RSUs are not exempt from Section 409A (x) the Company shall not deliver shares of Common Stock upon a Change in Control, unless the Change in Control also constitutes an event described in Section 409A(a)(2)(A)(v) and the Treasury Regulations thereunder and (y) and the Payment Event is the Participant’s separation from service, and the Participant is a “specified employee” for purposes of Section 409A(a)(2)(B)(i), then the Company shall not deliver shares of Common Stock until the date which is six months following the separation from service (or, if earlier, the date of death of the Participant), to the extent required to avoid the excise tax under Section 409A.

(f) **Dividend Equivalents.** If the Company declares a cash dividend on its Common Stock, the Company shall credit to a bookkeeping account established for each Participant an amount equal to the cash value of the dividend that would have been paid to the Participant if each RSU (whether vested or unvested) was a share of Common Stock held by the Participant (“Dividend Equivalents”). No interest or other additions shall be earned on amounts credited to such Dividend Equivalent account. Dividend Equivalents shall be paid at the same time as the

delivery date of the shares of Common Stock underlying the Vested RSUs to which the accrued Dividend Equivalents relate.

- (g) **Beneficiary.** If a Participant dies prior to the shares of Common Stock being delivered to the Participant pursuant to 5(e)(i) and (ii) above, the Company shall pay any amounts deferred under this Plan to the beneficiary or beneficiaries, if any, that the Participant designates to the Secretary in writing during the Participant's lifetime. During his/her lifetime, the Participant may revoke or change any designation of beneficiary by delivering the revocation or designation in writing to the Secretary. If no beneficiary is designated or survives the Participant, then the accounts shall be issued and paid to the Participant's surviving spouse (or, if none, personal representative). Any payment under this Section 5(g) shall be made no later than 60 days after the Participant's death.
- (h) **Unfunded.** The Participant understands that all deferrals hereunder (*i.e.*, the balance of his/her accounts) are unfunded, will be represented by appropriate bookkeeping entries and any such amounts due the Participant shall be unsecured, general obligations of the Company.
- (i) **409A.** This Section 5 and any Equity Award agreement shall be interpreted and administered in a manner so that any amount or benefit payable hereunder shall be paid or provided in a manner that is either exempt from or compliant with the requirements of Section 409A. Neither the Company nor its directors, officers, executives, or advisers shall be held liable for any taxes, interest, penalties or other monetary amounts owed by a Participant as a result of the application of Section 409A. Notwithstanding anything in this Plan or any Equity Award agreement to the contrary, all payments and benefits under this Plan that would constitute non-exempt "deferred compensation" for purposes of Section 409A and that would otherwise be payable or distributable hereunder by reason of the Participant's separation from service on the Board, will not be payable or distributable to the Participant unless the circumstances giving rise to such separation from service meet any description or definition of "separation from service" in Section 409A (without giving effect to any elective provisions that may be available under such definition). If this provision prevents the payment or distribution of any amount or benefit, such payment or distribution shall be made on the date, if any, on which an event occurs that constitutes a Section 409A-compliant "separation from service."

6. GENERAL.

- (a) Except by the laws of descent and distribution if a Participant dies, the rights and benefits of this Plan may not be assigned or otherwise transferred. A Participant shall cease to be a Participant under this Plan upon the Participant's termination of his/her directorship with the Company whether by death, disability, retirement, resignation or removal.
- (b) Any notice to the Company that this Plan requires shall be in writing, addressed to the Secretary and be effective when the Secretary receives the notice.

- (c) This Plan and any determination or action taken respecting this Plan shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to its law of conflicts of law.

Exhibit A
Annual Retainers

Board membership = \$190,000 (\$300,000 for the Chairperson of the Board)

Exhibit B

ANNUAL DIRECTOR EQUITY DEFERRAL ELECTION FORM

To the Secretary of YRC Worldwide Inc.:

I understand that if I do not elect to defer the receipt of the shares of Common Stock underlying the Restricted Stock Units awarded to me, I will receive those shares on the first business day following the third anniversary of the Grant Date.

Understanding the above, I irrevocably elect to defer delivery of the following percentage of shares of Common Stock underlying the Restricted Stock Units awarded to me for the 12-month Board term beginning in

(*enter year*) and all subsequent Board terms (i.e., "Evergreen Election"): 100% or
____%

I further elect to receive my deferred shares of Common Stock underlying the Restricted Stock Units upon the earliest of either (select one):

_____ (i) my death, (ii) my Disability, (iii) my separation from service with the Board for any reason, or (iv) upon a Change in Control; or

_____ (i) my death, (ii) my Disability, (iii) my separation from service with the Board for any reason, (iv) a Change in Control, (v) or the following date (which date must be a date later than the third anniversary of the Grant Date):

Notwithstanding the foregoing, this Deferral Election is subject to the terms of the Plan and will not be effective if it is not made in accordance with the terms of the Plan and Section 409A. All terms defined in the YRC Worldwide Inc. Director Compensation Plan have the same meaning when used in this Deferral Election form.

Signature:

Print Name:

Date:

Accepted:

YRC Worldwide Inc.

Signature: _____
Secretary

Date: _____

YRC WORLDWIDE INC.

2019 INCENTIVE AND EQUITY AWARD PLAN

1. **Definitions.** In this Plan, except where the context otherwise indicates, the following definitions shall apply:

1.1 **“Affiliate”** means a corporation, partnership, business trust, limited liability company, or other form of business organization at least a majority of the total combined voting power of all classes of stock or other equity interests of which is owned by the Company, either directly or indirectly.

1.2 **“Agreement”** means a written agreement or other document evidencing an Award that shall be in such form as the Committee may specify. The Committee in its discretion may, but need not, require a Participant to sign an Agreement.

1.3 **“Automatic Adjustment Event”** means a change in the outstanding Common Stock by reason of a stock dividend, stock split, reverse stock split, combination or exchange of shares, merger, consolidation, spin-off, recapitalization or any other similar transaction.

1.4 **“Award”** means a grant of:

- (a) an Option;
- (b) a SAR;
- (c) Restricted Stock;
- (d) a Restricted Stock Unit;
- (e) a Performance Award; or
- (f) an Other Stock-Based Award.

1.5 **“Board”** means the Board of Directors of the Company.

1.6 **“Cause”** shall be defined as that term is defined in the Participant’s offer letter or other applicable employment agreement; or, if there is no such definition, “Cause” means, as determined by the Company and unless otherwise provided in the applicable Agreement: (a) the commission of any act by the Participant constituting financial dishonesty against the Company or an Affiliate; (b) the Participant’s engaging in any other act of dishonesty, fraud, intentional misrepresentation, moral turpitude, illegality, or harassment that would (i) adversely affect the business or the reputation of the Company or an Affiliate with their respective current or prospective customers, suppliers, lenders, or other third parties with whom such entity does or might do business or (ii) expose the Company or an Affiliate to a risk of civil or criminal legal damages, liabilities, or penalties; (c) the repeated failure by the Participant to follow the directives of the chief executive officer of the Company or an Affiliate or the Board or Board of Directors of an Affiliate; or (d) any material misconduct, violation of Company or Affiliate policy, or willful and deliberate non-performance of duty by the Participant in connection with the business affairs of the Company or an Affiliate. A Separation from Service for Cause shall be deemed to include a determination by the Company after the Participant’s Separation from Service that circumstances existing before the Separation from Service would have entitled the Company or an Affiliate to have terminated the Participant’s service for Cause. All rights a Participant has or may have under this Plan shall be suspended automatically during the pendency of any investigation by the Company, or during any negotiations between the Company and the Participant, regarding any actual or alleged act or omission by the Participant of the type described in the applicable definition of Cause.

1.7 **“Change of Control”** means the occurrence of any one of the following transactions:

- (a) any “person,” as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the **“Exchange Act”**) (other than the Company, any trustee or other fiduciary holding securities under any employee benefit plan of the Company or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Common Stock of the Company (**“Excluded Persons”**)) becoming the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company’s then outstanding securities, excluding an acquisition pursuant to a Business Transaction (as defined below) that does not constitute a “Change of Control” thereunder;
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(b) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such term is used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board;

(c) a merger or consolidation of the Company or any direct or indirect subsidiary of the Company (a "**Business Transaction**") with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or its successor (or the ultimate parent company of the Company or its successor) outstanding immediately after such merger or consolidation; **provided, however**, that a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no person (other than Excluded Persons) acquires more than 50% of the combined voting power of the Company's then outstanding securities shall not constitute a Change of Control of the Company; or

(d) a complete liquidation or dissolution of the Company or the consummation of a sale or disposition by the Company of all or substantially all of the Company's assets other than the sale or disposition of all or substantially all of the assets of the Company to a person or persons who beneficially own, directly or indirectly, 50% or more of the combined voting power of the outstanding voting securities of the Company at the time of the sale (or to an entity controlled by such person or persons).

Notwithstanding the foregoing, a Change of Control shall not occur for purposes of this Plan in the case of Awards that are subject to the requirements of Section 409A of the Code unless such Change of Control constitutes a "change in control event" as defined in Section 409A of the Code and the regulations thereunder."

1.8 "**Code**" means the Internal Revenue Code of 1986, as amended.

1.9 "**Committee**" means the Compensation Committee of the Board. The Committee shall consist of at least two individuals, each of whom qualifies as (a) a Non-Employee Director and (b) an "independent director" under the rules of the principal securities market on which the Company's Shares are traded. Reference to the Committee shall refer to the Board if the Compensation Committee ceases to exist and the Board does not appoint a successor Committee. In its sole discretion, the Committee may delegate to a committee, a subcommittee or one or more persons the authority to grant or amend Awards to Participants other than Awards to senior executives of the Company who are subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Board may at any time and from time to time exercise any and all rights and duties of the Committee under this Plan except with respect to matters which under Rule 16b-3 under the Exchange Act or any regulations or rules issued thereunder, are required to be determined in the sole discretion of independent outside directors. Notwithstanding the foregoing, the full Board, acting by a majority of its members in office, shall conduct the general administration of this Plan with respect to Awards granted to Non-Employee Directors and for purposes of such Awards the term "Committee" as used in this Plan shall be deemed to refer to the Board unless the Board determines otherwise.

1.10 "**Common Stock**" means the Company's common stock, par value \$0.01 per share.

1.11 "**Company**" means YRC Worldwide Inc. and any successor thereto.

1.12 "**Date of Exercise**" means the date on which the Company receives notice of the exercise of an Option or SAR in accordance with the terms of Section 8.

1.13 "**Date of Grant**" means the date on which an Award is granted under this Plan.

1.14 "**Eligible Person**" means any person who is:

- (a) an Employee;
 - (b) hired to be an Employee;
 - (c) a Non-Employee Director; or
 - (d) a consultant or independent contractor to the Company or an Affiliate **provided, however**, that a consultant or independent contractor may become a Participant in this Plan only if the consultant or independent contractor: (i) is a
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natural person; (ii) provides bona fide services to the Company; and (iii) provides services that are not in connection with the offer or sale of the Company's securities in a capital-raising transaction and do not promote or maintain a market for the Company's securities.

1.15 **"Employee"** means any person that the Committee determines to be an employee of the Company or an Affiliate.

1.16 **"Exercise Price"** means the price per Share at which an Option may be exercised.

1.17 **"Fair Market Value"** means an amount equal to the then fair market value of a Share as determined by the Committee pursuant to a reasonable method adopted in good faith for such purpose. Unless the Committee determines otherwise, if the Common Stock is traded on a securities exchange or automated dealer quotation system, fair market value shall be the last sale price for a Share, as of the relevant date, on such securities exchange or automated dealer quotation system as reported by such source as the Committee may select.

1.18 **"Incentive Stock Option"** means an Option granted under this Plan that the Committee designates as an incentive stock option under Section 422 of the Code.

1.19 **"Non-Employee Director"** means any member of the Company's or an Affiliate's Board of Directors who is not an Employee.

1.20 **"Nonqualified Stock Option"** means an Option granted under this Plan that is not an Incentive Stock Option.

1.21 **"Option"** means an option to purchase Shares granted under this Plan in accordance with the terms of Section 6.

1.22 **"Option Period"** means the period during which an Option may be exercised.

1.23 **"Other Stock-Based Award"** means an Other Stock-Based Award as defined in Section 13.

1.24 **"Participant"** means an Eligible Person who has been granted an Award hereunder.

1.25 **"Performance Award"** means a performance award granted under this Plan in accordance with the terms of Section 11.

1.26 **"Performance Goals"** means performance-based goals established by the Committee.

1.27 **"Performance Period"** means the fiscal year of the Company or other period designated by the Committee with respect to which the Performance Goals will be measured.

1.28 **"Plan"** means this YRC Worldwide Inc. 2019 Incentive and Equity Award Plan, as amended from time to time.

1.29 **"Prior Plan"** means the YRC Worldwide Inc. Amended and Restated 2011 Incentive and Equity Award Plan.

1.30 **"Related Option"** means an Option in connection with which, or by amendment to which, a SAR is granted.

1.31 **"Related SAR"** means a SAR granted in connection with, or by amendment to, an Option.

1.32 **"Restricted Stock"** means Shares granted under this Plan pursuant to the provisions of Section 9.

1.33 **"Restricted Stock Units"** means an award providing for the contingent grant of Shares (or the cash equivalent thereof) pursuant to the provisions of Section 10.

1.34 **"SAR"** means a stock appreciation right granted under this Plan in accordance with the terms of Section 7.

1.35 **"Section 422 Employee"** means an Employee who is employed by the Company or a "parent corporation" or "subsidiary corporation" (both as defined in Sections 424(e) and (f) of the Code) with respect to the Company.

1.36 **"Separation from Service"** means the termination of the applicable Participant's employment with, and performance of services for, the Company and each Affiliate. Unless otherwise determined by the Company, if a Participant's employment or service with the Company or an Affiliate terminates but the Participant continues to provide services in another capacity to the Company or an Affiliate (e.g., as a non-employee director, employee, officer, or consultant), such change in status shall not be deemed a Separation

from Service. Approved temporary absences from employment because of illness, vacations or leaves of absence, and transfers among the Company and its Affiliates shall not be considered Separations from Service. Notwithstanding the foregoing, with respect to any Award that constitutes nonqualified deferred compensation under Section 409A of the Code, "Separation from Service" shall mean a "separation from service" as defined under Section 409A of the Code.

1.37 **"Share"** means a share of Common Stock.

1.38 **"Substitute Award"** means an Award granted under this Plan pursuant to the provisions of Section 17.2.

1.39 **"Ten-Percent Stockholder"** means a Section 422 Employee who (applying the rules of Section 424(d) of the Code) owns stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or a "parent corporation" or "subsidiary corporation" (both as defined in Sections 424(e) and (f) of the Code) with respect to the Company.

1.40 **"Construction"**. Unless the context expressly requires the contrary, references in this Plan to (a) the term "Section" refers to the sections of this Plan, and (b) the word "including" means "including without limitation."

2. Purpose. This Plan is effective May 21, 2019 (the **"Effective Date"**) subject to the approval of the Company's stockholders at the Company's stockholder meeting occurring in 2019. This Plan is intended to assist the Company and its Affiliates in attracting and retaining Eligible Persons of outstanding ability and to align interests with those of the stockholders of the Company and its Affiliates.

3. Administration. The Committee shall administer this Plan and shall have plenary authority, in its discretion, to grant Awards to Eligible Persons, subject to the provisions of this Plan. The Committee shall have plenary authority and discretion, subject to the provisions of this Plan, to determine the Eligible Persons to whom it grants Awards, the terms (which terms need not be identical) of all Awards, including the Exercise Price of Options, the time or times at which Awards are granted, the number of Shares covered by Awards, whether an Option shall be an Incentive Stock Option or a Nonqualified Stock Option, any exceptions to nontransferability, and any Performance Goals applicable to Awards. In making these determinations, the Committee may take into account the nature of the services rendered or to be rendered by Award recipients, their present and potential contributions to the success of the Company and its Affiliates, and such other factors as the Committee in its discretion shall deem relevant. Subject to the provisions of this Plan, the Committee shall have plenary authority to interpret this Plan and Agreements, prescribe, amend and rescind rules and regulations relating to them, and make all other determinations deemed necessary or advisable for the administration of this Plan and Awards granted hereunder. The determinations of the Committee on the matters referred to in this Section 3 shall be binding and final. The Committee may delegate its authority under this Section 3 and the terms of this Plan to such extent it deems desirable and is consistent with the requirements of applicable law.

4. Eligibility. Awards may be granted only to Eligible Persons.

5. Stock Subject to Plan.

5.1 *Number of Shares.* Subject to adjustment as provided in Section 5.3 and Section 14, the maximum number of Shares that may be issued under this Plan is 2,500,000 Shares, provided that Substitute Awards shall not be counted against the maximum number of Shares. Notwithstanding the foregoing, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options shall be 1,500,000. Shares issued under this Plan may, in whole or in part, be authorized but unissued Shares or Shares that shall have been, or may be, reacquired by the Company in the open market, in private transactions or otherwise.

5.2 *Maximum Grant.* The maximum number of Options or SARs which may be granted to an Eligible Person during any calendar year is 625,000.

5.3 *Adjustments to Number of Shares.* Any Shares subject to an Award that expires or is canceled, forfeited, or terminated prior to being vested or exercised shall again be available for issuance under this Plan. In addition, any Shares subject to an award under the Prior Plan that, following the Effective Date, expires or is canceled, forfeited, or terminated prior to being vested or exercised shall again be available for issuance under this Plan. Notwithstanding anything to the contrary contained herein: Shares subject to an Award under this Plan shall not again be made available for issuance or delivery under this Plan if such Shares are (a) Shares tendered in payment of an Option, (b) Shares delivered or withheld by the Company or an Affiliate to satisfy any tax withholding obligation, (c) Shares repurchased by the Company using Option exercise proceeds, or (d) Shares covered by a stock-settled SAR or other Awards that were not issued upon the settlement of the Award.

6. Options.

6.1 *Types of Option Grants.* Options granted under this Plan shall be either Incentive Stock Options or Nonqualified Stock Options, as the Committee designates; provided, that Incentive Stock Options may only be granted to Eligible Persons who are Section 422 Employees on the Date of Grant. Each Option granted under this Plan shall be identified either as a Nonqualified Stock Option or an Incentive Stock Option, and each Option shall be evidenced by an Agreement that specifies the terms and conditions of the Option. Options shall be subject to the terms and conditions set forth in this Section 6 and such other terms and conditions not inconsistent with this Plan as the Committee may specify. The Committee may, in its discretion, condition the grant or vesting of an Option upon the achievement of one or more specified Performance Goals.

6.2 *Exercise Price.* The Exercise Price of an Option granted under this Plan shall not be less than 100% of the Fair Market Value of the Common Stock on the Date of Grant. Notwithstanding the foregoing, in the case of an Incentive Stock Option granted to an Employee who, on the Date of Grant is a Ten-Percent Stockholder, the Exercise Price shall not be less than 110% of the Fair Market Value of a Share on the Date of Grant.

6.3 *Option Exercise Period.* The Committee shall determine the Option Period for an Option, which shall be specifically set forth in the Agreement; provided, that an Option shall not be exercisable after ten years (five years in the case of an Incentive Stock Option granted to a Ten-Percent Stockholder) from its Date of Grant.

7. SARs.

7.1 *Terms and Conditions of SAR.* A SAR granted under this Plan shall be evidenced by an Agreement specifying the terms and conditions of the Award.

7.2 *Grant of SAR.* A SAR may be granted under this Plan:

- (a) in connection with, and at the same time as, the grant of an Option under this Plan;
- (b) by amendment of an outstanding Option granted under this Plan; or
- (c) independently of any Option granted under this Plan.

A SAR described in clause (a) or (b) of the preceding sentence is a Related SAR. A Related SAR may, in the Committee's discretion, apply to all or any portion of the Shares subject to the Related Option.

7.3 *Exercise of SAR.* A SAR may be exercised in whole or in part as provided in the applicable Agreement. Subject to the terms of the Agreement, a SAR entitles a Participant to receive, upon exercise and without payment to the Company (but subject to required tax withholding), either cash or that number of Shares (equal to the highest whole number of Shares), or a combination thereof, in an amount or having an aggregate Fair Market Value as of the Date of Exercise not to exceed the number of Shares subject to the portion of the SAR exercised multiplied by an amount equal to the excess of:

- (a) the Fair Market Value on the Date of Exercise of the SAR; over
- (b) either (i) the Fair Market Value on the Date of Grant (or such amount in excess of the Fair Market Value as the Committee may specify) of the SAR if it is not a Related SAR, or (ii) the Exercise Price as provided in the Related Option if the SAR is a Related SAR.

7.4 *SAR Exercise Period.* The Committee shall determine the period during which a SAR may be exercised, which period shall be specifically set forth in the Agreement; provided, that:

- (a) a SAR will expire no later than the earlier of (i) ten years from the Date of Grant, or (ii) in the case of a Related SAR, the expiration of the Related Option; and
- (b) a Related SAR that is related to an Incentive Stock Option may be exercised only when and to the extent the Related Option is exercisable.

7.5 *Share Adjustment with Related SAR or Related Option.* The exercise, in whole or in part, of a Related SAR shall cause a reduction in the number of Shares subject to the Related Option equal to the number of Shares with respect to which the Related SAR is exercised. The exercise, in whole or in part, of a Related Option shall cause a reduction in the number of Shares subject to the Related SAR equal to the number of Shares with respect to which the Related Option is exercised.

8. Exercise of Options and SARs. An Option or SAR may be exercised, in whole or in part and subject to the terms of the applicable Agreement evidencing the Award, by the Participant's delivering to the Company a notice of the exercise, in such form as the Committee may prescribe, accompanied, in the case of an Option, by:

8.1 the Participant's full payment for the Shares with respect to which the Option is exercised; or

8.2 to the extent provided in the applicable Agreement or otherwise authorized by the Committee;

(a) payment may be affected by irrevocable instructions to a broker to deliver promptly to the Company cash equal to the exercise price of the Option (a broker-assisted cashless exercise);

(b) payment may be made by delivery (including constructive delivery) of unencumbered Shares (provided that if the Shares were acquired pursuant to another option or other award granted under this Plan or under any other compensation plan maintained by the Company or any Affiliate, the Shares shall have been held for such period, if any, as the Committee may specify) valued at Fair Market Value on the Date of Exercise; or

(c) payment may be made by the Company withholding Shares that would otherwise be issued in connection with the exercise of the Option.

9. Restricted Stock Awards. Each grant of Restricted Stock under this Plan shall be subject to an Agreement, stock certificate transfer legend, or stop transfer instructions to the Company's stock transfer agent, specifying the terms and conditions of the Award. Restricted Stock granted under this Plan shall consist of Shares that are restricted as to transfer, subject to forfeiture, and subject to such other terms and conditions as the Committee may specify. The terms and conditions may provide, in the discretion of the Committee, for the lapse of transfer restrictions or forfeiture provisions to be accelerated or contingent upon the achievement of one or more specified Performance Goals, provided that the minimum period with respect to which such Performance Goals are measured shall be one year (pro-rated in the case of a newly hired Employee), except in the event of a Change of Control.

10. Restricted Stock Unit Awards. Each grant of Restricted Stock Units under this Plan shall be evidenced by an Agreement that (a) provides for the issuance of Shares to a Participant at such time(s) as the Committee may specify, and (b) contains such other terms and conditions as the Committee may specify, including terms that condition the issuance of Shares upon the achievement of one or more specified Performance Goals, provided that the minimum performance period with respect to which such Performance Goals are measured shall be one year (pro-rated in the case of a newly hired Employee), except in the event of a Change of Control.

11. Performance Awards. Each Performance Award granted under this Plan shall be evidenced by an Agreement that (a) provides for the payment of cash or issuance of Shares or Awards contingent upon the attainment of one or more specified Performance Goals over such period as the Committee may specify, provided that the minimum performance period with respect to which such Performance Goals are measured shall be one year (pro-rated in the case of a newly hired Employee), except in the event of a Change of Control, and (b) contains such other terms and conditions as the Committee may specify. For purposes of Section 5.2, a Performance Award shall be deemed to cover a number of Shares equal to the maximum number of Shares that may be issued upon payment of the Award.

12. Dividends and Dividend Equivalents. If specified in the applicable Agreement, a Participant may be eligible to receive dividends or dividend equivalents with respect to the Shares covered by an Award. Dividends and dividend equivalents under this Plan may be settled in cash or Shares and shall be subject to such other terms as determined by the Committee; *provided, however*, that in no event will dividends or dividend equivalents be paid with respect to unvested Awards.

13. Other Stock-Based Awards. The Committee may in its discretion grant stock-based awards of a type other than those otherwise provided for in this Plan, including the offer for sale, or the outright grant, of unrestricted Shares ("**Other Stock-Based Awards**"). Other Stock-Based Awards shall cover such number of Shares and have such terms and conditions as the Committee shall determine, including terms that condition the payment or vesting of the Other Stock-Based Award upon the achievement of one or more Performance Goals, provided that the minimum period with respect to which such Performance Goals are measured shall be one year (pro-rated in the case of a newly hired Employee), except in the event of a Change of Control.

14. Capital Events; Adjustments; Change of Control.

14.1 *Automatic Adjustments.* Unless otherwise determined by the Committee on or prior to the date of an Automatic Adjustment Event, upon the occurrence of an Automatic Adjustment Event, each of the following shall, automatically and without need for Committee action, be proportionately adjusted:

- (a) the number of Shares subject to outstanding Awards;
- (b) the per Share Exercise Price of Options and the per Share base price upon which payments under SARs that are not Related SARs are determined;
- (c) the aggregate number Shares as to which Awards thereafter may be granted under this Plan; and
- (d) the maximum number of Shares with respect to which an Employee may be granted Awards during any calendar year.

14.2 *Discretionary Adjustments.* Subject to Section 14.1, in the event of any change in the outstanding Common Stock by reason of a stock dividend, stock split, reverse stock split, spin-off, recapitalization, reclassification, extraordinary cash dividend, combination or exchange of shares, merger, consolidation, liquidation or the like, the Committee shall, as it deems equitable in its discretion, provide for a substitution for or adjustment in:

- (a) the number and class of securities subject to outstanding Awards or the type of consideration to be received upon the exercise or vesting of outstanding Awards;
- (b) the Exercise Price of Options and the base price upon which payments under SARs that are not Related SARs are determined;
- (c) the aggregate number and class of securities for which Awards thereafter may be granted under this Plan; and
- (d) the maximum number of securities with respect to which an Employee may be granted Awards during any calendar year.

Any provision of this Plan or any Agreement to the contrary notwithstanding, in the event of a merger or consolidation to which the Company is a party, the Committee shall take such actions, if any, as it deems necessary or appropriate to prevent the enlargement or diminishment of Participants' rights under this Plan and Awards granted hereunder, and may, in its discretion, cause any Award granted hereunder to be canceled in consideration of a cash payment equal to the fair value of the canceled Award, as the Committee determines in its discretion.

14.3 *Change of Control.* Unless provided otherwise in the applicable Agreement, for any Awards outstanding as of a Change of Control, either of the following provisions shall apply, depending on whether, and the extent to which, Awards are assumed, converted, or replaced by the resulting entity in the Change of Control.

(a) To the extent such Awards are not assumed, converted, or replaced by the resulting entity in the Change of Control, then upon the Change of Control such outstanding Awards that may be exercised shall become fully exercisable, all restrictions with respect to such outstanding Awards, other than Performance Awards, shall lapse and become vested and nonforfeitable, and for any outstanding Performance Awards, the target payout opportunities attainable under such Awards shall be deemed to have been fully earned as of the Change of Control based upon an assumed achievement of all relevant performance goals at the "target" level.

(b) To the extent such Awards are assumed, converted, or replaced by the resulting entity in the Change of Control, if, within twelve months after the Change of Control, the Participant incurs a Separation from Service initiated by the Company other than for Cause (which may include a Separation from Service initiated by the Participant for "good reason" if provided in the applicable Agreement), then such outstanding Awards that may be exercised shall become fully exercisable, all restrictions with respect to such outstanding Awards, other than Performance Awards, shall lapse and become vested and nonforfeitable, and for any outstanding Performance Awards, the target payout opportunities attainable under such Awards shall be deemed to have been fully earned as of the Separation from Service based upon an assumed achievement of all relevant performance goals at the "target" level.

15. Deferrals. Subject to Section 23.8, the Committee may permit or require a Participant to defer the Participant's receipt of Shares or cash that would otherwise be due to the Participant pursuant to the terms of an Award upon such terms and conditions as the Committee may establish.

16. Termination or Amendment. The Board may amend or terminate this Plan in any respect at any time; provided, that after the stockholders of the Company have approved this Plan, the Board shall not amend or terminate this Plan without approval of (a) the Company's stockholders to the extent (i) the amendment relates to clause (b) of Section 17.1 or (ii) applicable law or regulations or the requirements of the principal exchange or interdealer quotation system on which the Common Stock is listed or quoted, if any, requires stockholder approval of the amendment, and (b) each affected Participant if the amendment or

termination would adversely affect the Participant's rights or obligations under any Award granted prior to the date of the amendment or termination.

17. Modification, Substitution of Awards.

17.1 *Modification of Awards; No Reduction in Exercise Price.* Subject to the terms and conditions of this Plan, the Committee may modify the terms of any outstanding Awards; provided, that (a) no modification of an Award shall, without the consent of the Participant, alter or impair, or materially and adversely impair, any of the Participant's rights or obligations under the Award, and (b) subject to Section 14, in no event may (i) an Option be modified to reduce the Exercise Price of the Option, (ii) a SAR be modified to reduce the applicable Exercise Price (in the case of a Related SAR) or base price (in the case of other SARs), (iii) an Option or SAR be cancelled or surrendered in consideration for the grant of a new Option or SAR with a lower Exercise Price or base price, or (iv) an Option or SAR be cancelled or surrendered in exchange for cash or another Award (other than in connection with a Substitute Award or a Change of Control of the Company).

17.2 *Substitution of Awards.* Anything contained herein to the contrary notwithstanding, Awards may, in the Committee's discretion, be granted under this Plan in substitution for stock options and other awards covering capital stock of another corporation which is merged into, consolidated with, or all or a substantial portion of the property or stock of which is acquired by, the Company or one of its Affiliates. The terms and conditions of the Substitute Awards so granted may vary from the terms and conditions set forth in this Plan to such extent as the Committee may deem appropriate to conform, in whole or part, to the provisions of the awards in substitution for which they are granted. Substitute Awards granted hereunder shall not be counted toward (i) the Share limit imposed by Section 5.1 or (ii) the Share limit imposed by Section 5.2. Further, any shares available under a stockholder approved plan of another corporation which is merged into, consolidated with, or all or a substantial portion of the property or stock of which is acquired by, the Company or one of its Affiliates, may be used for Awards under this Plan and shall not be counted toward (i) the Share limit imposed by Section 5.1 or (ii) the Share limit imposed by Section 5.2, except to the extent required by the rules of the principal securities market on which the Company's shares are traded.

18. Foreign Employees. Without amendment of this Plan, the Committee may grant Awards to Eligible Persons who are subject to the laws of foreign countries or jurisdictions on such terms and conditions different from those specified in this Plan as may in the judgment of the Committee be necessary or desirable to foster and promote achievement of the purposes of this Plan. The Committee may make such modifications, amendments, procedures, sub-plans and the like as may be necessary or advisable to comply with provisions of laws of other countries or jurisdictions in which the Company or any of its Affiliates operates or has employees.

19. Stockholder Approval. This Plan and any amendments to this Plan requiring stockholder approval pursuant to Section 16 are subject to approval by vote of the stockholders of the Company at the next annual or special meeting of stockholders following adoption by the Board.

20. Withholding. The Company's obligation to issue or deliver Shares or pay any amount pursuant to the terms of any Award granted hereunder shall be subject to satisfaction of applicable federal, state, local and foreign tax withholding requirements. In accordance with such rules as the Committee may prescribe, a Participant may satisfy any withholding tax requirements by one or any combination of the following means:

20.1 tendering a cash payment;

20.2 authorizing the Company to withhold Shares otherwise issuable to the Participant; or

20.3 delivering to the Company already-owned and unencumbered Shares.

21. No Loans. Notwithstanding any other provision of this Plan to the contrary, no loans will be permitted by the Company to the Company's designated executive officers or directors, including without limitation a loan in conjunction with the exercise of an Option or SAR.

22. Term of Plan. Unless the Board terminates this Plan pursuant to Section 16 on an earlier date, this Plan shall terminate on the date that is ten years after the Effective Date, and no Awards may be granted after such termination date. The termination of this Plan shall not affect the validity of any Award outstanding on the date of termination.

23. General Provisions.

23.1 *No Legal or Equitable Rights Conferred.* The establishment of this Plan shall not confer upon any Eligible Person any legal or equitable right against the Company, any Affiliate or the Committee, except as expressly provided in this Plan. Participation in this Plan shall not give an Eligible Person any right to be retained in the service of the Company or any Affiliate.

23.2 *Power of Company to Issue Awards or Adopt Other Plans.* Neither the adoption of this Plan nor its submission to the Company's stockholders shall be taken to impose any limitations on the powers of the Company or its Affiliates to issue, grant, or assume options, warrants, rights, or restricted stock, or other awards otherwise than under this Plan, or to adopt other stock option, restricted stock, or other plans, or to impose any requirement of stockholder approval upon the same.

23.3 *Non-Transferability of Awards.* The interests of any Eligible Person under this Plan or Awards granted hereunder are not subject to the claims of creditors and may not, in any way, be transferred, assigned, alienated or encumbered, except to the extent provided in an Agreement to (a) the Participant's spouse, children or grandchildren (including any adopted and step children or grandchildren), parents, grandparents or siblings, (b) to a trust for the benefit of one or more of the Participant or the persons referred to in clause (a), (c) to a partnership, limited liability company or corporation in which the Participant or the persons referred to in clause (a) are the only partners, members or stockholders or (d) for charitable donations.

23.4 *Governing Law.* This Plan shall be governed, construed and administered in accordance with the laws of the State of Delaware without giving effect to the conflict of laws principles.

23.5 *Award Restrictions.* The Committee may require each person acquiring Shares pursuant to Awards granted hereunder to represent to and agree with the Company in writing that the person is acquiring the Shares without a view to distribution thereof. The certificates for the Shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer. All certificates for Shares issued pursuant to this Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed or interdealer quotation system upon which the Common Stock is then quoted, and any applicable federal or state securities laws. The Committee may place a legend or legends on certificates for Shares to make appropriate reference to the restrictions.

23.6 *Regulatory Approvals and Compliance with Securities Laws.* The Company shall not be required to issue any certificate or certificates for Shares with respect to Awards granted under this Plan, or record any person as a holder of record of Shares, without obtaining, to the complete satisfaction of the Committee, the approval of all regulatory bodies the Committee deems necessary, and without complying to the Board's or Committee's complete satisfaction, with all rules and regulations, under federal, state or local law the Committee deems applicable.

23.7 *Non-certificated Award; No Fractional Shares.* To the extent that this Plan provides for issuance of stock certificates to reflect the issuance of Shares, the issuance may be affected on a non-certificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange or automated dealer quotation system on which the Shares are traded. No fractional Shares shall be issued or delivered pursuant to this Plan or any award. The Committee shall determine whether cash, other Awards, or other property shall be issued or paid in lieu of any fractional Shares or whether any fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

23.8 *Section 409A of the Code.* Awards shall be designed and administered in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A of the Code. This Plan and each Agreement under this Plan is intended to meet the requirements of Section 409A of the Code and shall be construed and interpreted in accordance with such intent. To the extent that an Award or payment, settlement or deferral thereof, is subject to Section 409A of the Code, the Award shall be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A of the Code, including regulations or other guidance issued with respect thereto, such that the grant, payment, settlement or deferral shall not be subject to the additional tax or interest applicable under Section 409A of the Code. Moreover, notwithstanding anything in this Plan to the contrary, if a Participant is determined to be a "specified employee" (as defined in Section 409A of the Code) for the year in which the Participant terminates employment, any payment due under this Plan or an Agreement that is not permitted to be paid on the date of such termination without the imposition of additional taxes, interest and penalties under Section 409A of the Code shall be paid on the first business day following the six-month anniversary of the Participant's date of termination or, if earlier, the Participant's death.

23.9 *Clawback.* Notwithstanding any provision in this Plan to the contrary, Awards granted under this Plan shall be subject to cancellation, forfeiture and recovery in accordance with the YRC Worldwide Executive Compensation Recovery Policy, as the same may be amended from time to time, or any other compensation recovery policy that may be adopted by the Company after the date hereof, including any compensation recovery policy adopted pursuant to the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

SEVERANCE AGREEMENT AND RELEASE

The parties to this Severance Agreement and Release ("Agreement") are YRC Worldwide, Inc., its, parents, successors, predecessors, and subsidiaries, including (hereinafter collectively referred to as the "Company"), and Stephanie Fisher (hereinafter referred to as "Employee").

Employee and the Company wish to terminate their at-will employment relationship in a manner that is satisfactory to both Employee and the Company.

In consideration of the mutual promises set forth herein, which constitute good and valuable consideration, Employee and the Company agree as follows:

1. Separation Date. Employee's last day of employment is December 10, 2019 (the "Separation Date").

2. Severance Pay. In exchange for Employee's promises contained herein, the Company agree:

a. To pay Employee an amount equal to Employee's base salary for the period beginning on the Effective Date of this Agreement and continuing for a period of 18-months (the "Severance Period"). The total payment for 18 -months of base salary is \$600,000.00, which will be paid to Employee in a lump sum, subject to appropriate withholdings and deductions, within 15 calendar days after the Effective Date of this Agreement. The "Effective Date" of this Agreement is defined as the date it is signed by Employee, subject to Employee's right of revocation set forth in Paragraph 23 of this Agreement.

b. To provide Employee with \$120,000.00 to obtain outplacement services and to pay reasonable fees incurred by Employee for her professional affiliations, memberships, and/or certifications (the "Outplacement Services Payment"). The Company will not withhold any amount for taxes from this payment and will issue Employee an IRS Form 1099 for the Outplacement Services Payment. Employee agrees that she shall be solely responsible for any taxes which may be due on the Outplacement Services Payment. This amount shall be paid in one lump sum within 15 days calendar days after the Effective Date of this Agreement.

c. As of the Separation Date, Employee will become ineligible to participate in the Company's health insurance program subject to Employee's right, if any, to continuation coverage under COBRA. Thereafter, if applicable, coverage will be made available to Employee at Employee's sole expense (i.e., Employee will be responsible for the full COBRA premium) for the remaining months of the COBRA coverage period made available pursuant to applicable law.

d. Any equity-based awards granted to Employee will be subject to the terms and conditions of the Company equity incentive plan and its respective award document.

3. Consideration. Employee acknowledges that Employee is not otherwise entitled to the consideration set forth in Paragraph 2 and that Employee is receiving the consideration set forth in Paragraph 2 solely in exchange for the promises in this Agreement. Except as otherwise specifically (i) provided in this Agreement; (ii) required pursuant to the terms of the Company's compensation and benefit programs; or (iii) required by COBRA or other applicable law, Employee shall not be entitled to any compensation or benefits or to participate in any past, present or future Company employee benefit programs or arrangements (including, without limitation, any severance plan, program or arrangement) on or after Separation Date. Employee acknowledges that Employee has received all compensation in any form to which Employee may be entitled. Employee has been fully compensated for all hours worked and has received all other compensation Company owed to Employees, if any.

4. Return of Company Property. If Employee has not done so already, Employee must, before receiving any payment pursuant to Paragraph 2 of this Agreement, return all property belonging to the Company, including but not limited to corporate credit cards, keycard, mobile phones, computer equipment, files, records, computer access codes, computer software, business plans, instruction manuals, and any other property that Employee has prepared or helped to prepare in conjunction with Employee's employment with the Company.

5. Confidential Information. Employee agrees that Employee shall not, directly or indirectly, use or disclose to any person or entity other than the Company any Confidential Information (defined below) for any purpose. "Confidential Information" means any non-public information relating to the Company or the business, assets, operations or financial affairs of the Company, whether or not in written form and whether or not expressly designated as confidential, including any information consisting of or otherwise relating to trade secrets, know-how, technology, operations, processes, products, services, personnel, plans, prospects, customers, customer lists, customer preferences, contracts, proposals, suppliers, pricing, referral sources, marketing or sales techniques or plans, market analyses, programs, operations manuals, service manuals, labor and employment policies, strategies and positions, or financial information and projections. Employee understands that any Confidential Information that has been divulged to Employee has been done so in confidence, and agrees that the disclosure of Confidential Information to a competitor or any other person or entity would cause irreparable harm to the Company. If Employee has any questions regarding what data or information would be considered by the Company to be Confidential Information subject to this provision, Employee agrees to contact **Jim Fry, VP-General Counsel & Secretary, via email at _____.**

6. Non-Solicitation of Employees. Employee shall not solicit or attempt to induce any employee of the Company to leave the employment of the Company or to become an employee of any competitor or any other person or entity from the Separation Date until 18-months from the Effective Date (the "No Solicitation Period").

7. Non-Solicitation of Customers and Accounts. During the No Solicitation Period, Employee shall not, directly or indirectly: solicit any Customer or Account of the Company; assist any of the Company's competitors in soliciting any Customer or Account of the Company; induce or attempt to induce any Customer or Account of the Company to cease doing business with the Company; or interfere with the relationship between the Company and any Customer or Account of the Company. For purposes of this Agreement, a Customer or Account is any person or entity with whom Employee had contact with and/or knowledge of by reason of his/her employment with the Company during the one (1) year period prior to the Separation Date.

8. Reasonableness of Restrictions. Employee agrees that Employee has read this entire Agreement and understands it. Employee agrees that Paragraphs 6 and 7 of this Agreement do not prevent Employee from earning a living or pursuing Employee's career. Employee agrees that the restrictions contained in this Agreement are reasonable, proper, and necessitated by the Company's legitimate business interests. Employee represents and agrees that Employee is entering into this Agreement freely and with knowledge of its contents with the intent to be bound by the Agreement and the restrictions contained in it.

In the event that a court finds this Agreement, or any of its restrictions, to be ambiguous, unenforceable, or invalid, Employee and the Company agree that this Agreement will be automatically modified to provide the Company with the maximum protection of its business interests allowed by law and Employee agrees to be bound by this Agreement as modified.

9. Reasonable Assistance. If the Company becomes involved in any legal action relating to events that occurred during Employee's employment, Employee shall cooperate to the fullest extent possible in the preparation, prosecution, or defense of the Company's case, including, but not limited to, the execution of affidavits or documents or providing of information requested by the Company. Reasonable out-of-pocket expenses related to such assistance will be reimbursed by the Company if Company's approval is obtained in advance.

10. Non-disparagement. Employee agrees that Employee will not, in any way, disparage the Company or any of the Released Parties (defined below). Employee further agrees Employee will not make, nor solicit, any comments, statements, or the like to the media, or to others, that are derogatory or detrimental to the good name or business reputation of the Company. Employee's non-disparagement obligations under this Paragraph 10 do not interfere with or restrict Employee's ability to communicate with any federal, state, or local agency, including with which a charge or complaint has been filed.

11. Employee's Death. If Employee dies prior to receipt of any payments that this Agreement provides, Company will pay any remaining payments to Employee's estate (subject to the other terms and conditions of this Agreement), except to the extent that Employee's current or future beneficiary designation forms for Company benefit plans that utilize such forms provide otherwise.

12. General Release and Waiver.

a. In exchange for the Company's promises set forth in this Agreement, Employee, including Employee's heirs, administrators, executors, spouse, if any, successors, estate, representatives and assigns and all others claiming by or through Employee, voluntarily and knowingly releases the Company, its parent companies, their subsidiaries, divisions, predecessors, successors, partners, members, directors, officers, trustees, employees, stockholders, owners, attorneys, benefit plans, subrogees, insurers, representatives and assigns, whether alleged to have acted in their official capacities or personally (collectively, the "Released Parties") completely and forever, from any and all claims, causes of action, suits, contracts, promises, or demands of any kind, which Employee may now have, whether known or unknown, intentional or otherwise, from the beginning of time to the Effective Date of this Agreement arising out of or in connection with Employee's employment by and separation from the Company.

b. Employee understands that this Agreement releases, waives and forever discharges liability arising under contract, tort or other common law, including, without limitation, breach of contract, fraud, estoppel, misrepresentation, express or implied duties of good faith and fair dealing, wrongful discharge, discrimination, retaliation, harassment, negligence, gross negligence, false imprisonment, assault and battery, conspiracy, intentional or negligent infliction of emotional distress, slander, libel, defamation, violation of public policy and invasion of privacy whether arising, occurring, or existing at any time prior to the signing of this Agreement.

c. Employee understands and agrees that this Agreement covers all claims described in this Paragraph 12, including, but not limited to, any alleged violation of the Civil Rights Act of 1991; Title VII of the Civil Rights Act of 1964, as amended; Americans with Disabilities Act; Employee Retirement Income Security Act; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; the Age Discrimination in Employment Act as amended by the Older Workers Benefit Protection Act; the Fair Labor Standards Act, to the extent permitted by law; the Occupational Safety and Health Act of 1970; Kansas Act Against Discrimination, Kansas Equal Pay Law, Kansas Age Discrimination in Employment Act, Kansas Discrimination Against Military Personnel Act, Kansas Discrimination Against Victims of Domestic Violence or Sexual Assault Act, Kansas' whistleblower protection laws (including Kan. Stat. Ann. §§ 39-1403, 39-1432, 44-615 & 44-636), Kansas Minimum Wage and Maximum Hours Law, and Kansas WARN Act; and any other federal, state or local civil, labor, pension, wage-hour or human rights law, federal or state public policy, contract or tort law; any claim arising under federal or state common law, including, but not limited to, constructive or wrongful discharge or intentional or negligent infliction of emotional distress; and any claim for costs or attorney's fees.

d. Employee represents, warrants and agrees that Employee has received from the Company all wages, vacation pay and benefits, if any, potentially due to him/her pursuant to federal and state law and under Company policy, including any overtime pay if applicable. It is the parties' intent to release all liability that can legally be released but no more than that. Employee states that Employee is aware of no facts (including any injuries or illnesses) that might lead to his/her filing of a workers' compensation claim against the Company. This Agreement expressly releases claims under the False Claims Act to the fullest extent permitted by law. To the extent that a court of competent jurisdiction were to conclude that pre-filing releases of claims under the False Claims Act are not enforceable absent government knowledge of the alleged claims, the parties agree that Employee shall be permitted to participate in any legal proceedings under the False Claims Act. But, Employee specifically waives, to the fullest extent permitted by law, any rights he may have to receive any monetary award from such proceedings.

13. Medicare Secondary Payer. Employee declares and expressly warrants that Employee is not Medicare eligible, that Employee is not a Medicare beneficiary, that Employee is not within thirty (30) months of becoming Medicare eligible; that Employee is not 65 years of age or older; that Employee is not suffering from end stage renal failure or amyotrophic lateral sclerosis; that Employee has not received Social Security benefits for twenty-four (24) months or longer; and/or that Employee has not applied for Social Security benefits, and/or has not been denied Social Security disability benefits and is appealing the denial. Employee affirms, covenants, and warrants Employee has made no claim for illness or injury against, nor is Employee aware of any facts supporting any claim against, Company under which the Company could be liable for medical expenses incurred by the Employee before or after the execution of this Agreement. As Employee is not a Medicare recipient as of the date of this Agreement, Employee is aware of no medical expenses that Medicare has paid and for which the Company is or could be liable now or in the future. Employee agrees and affirms that, to the best of Employee's knowledge, no liens of any governmental entities, including those for Medicare conditional payments, exist.

The parties have not shifted responsibility for medical treatment to Medicare in contravention of 42 U.S.C. § 1395y(b). The parties made every effort to adequately protect Medicare's interest and incorporate such into the severance terms, and to comply with both federal and state law. The parties acknowledge and understand that any present or future action or decision by the Centers for Medicare & Medicaid Services or Medicare on this Agreement, or Employee's eligibility or entitlement to Medicare or Medicare payments, will not render this Agreement void or ineffective, or in any way affect the finality of this Agreement. Employee represents and agrees that he will indemnify, defend and hold the Company harmless from any and all claims, liens, Medicare conditional payments and rights to payment, known or unknown, arising from any and all charges for medical treatment Employee has received or will receive in the future. If any governmental entity, or anyone acting on behalf of any governmental entity, seeks reimbursement or damages (including multiple damages) from the Company relating to Employee's alleged past or future medical expenses, injuries, or claims, Employee will defend and indemnify the Company, and hold the Company harmless from any and all such damages (including multiple damages), claims, liens, Medicare conditional payments and rights to payment, including any attorney's fees and costs sought by such entities. Employee agrees to waive any and all private causes of action for damages pursuant to 42 U.S.C. § 1395y(b)(3)(A) et seq.

14. Reports to Government Entities. Nothing in this Agreement, including the Release of Claims, Confidential Information, and Non-Disparagement clauses, restricts or prohibits Employee from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission ("EEOC"), the Department of Labor ("DOL"), the National Labor Relations Board ("NLRB"), the Department of Justice ("DOJ"), the Securities and Exchange Commission ("SEC"), the Congress, and any agency Inspector General (collectively, the "Regulators"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law. However, Employee is waiving Employee's right to receive any individual monetary relief resulting from such claims, regardless of whether Employee or another party has filed them, and in the event Employee obtains such monetary relief the Company will be entitled to an offset for the payments made pursuant to this Agreement, except where such limitations are prohibited as a matter of law (e.g., under the Sarbanes-Oxley Act of 2002, 18 U.S.C.A. § § 1514A). Employee does not need the prior authorization of the Company to engage in such communications, respond to such inquiries, provide confidential information or documents to the Regulators, or make any such reports or disclosures to the Regulators. Employee is not required to notify the Company that Employee has engaged in such communications with the Regulators.

15. Employee Rights. This Agreement does not: (a) release or waive any rights Employee may have, if any, to pension benefits which may have vested while Employee was employed by Company; (b) release or waive any rights that cannot by law be released or waived by private agreement; (c) release or waive any workers compensation claim filed and properly disclosed to the Company before the Separation Date; or (d) affect or limit Employee's ability to challenge this Agreement's compliance with notice and time-period requirements of the Age Discrimination in Employment Act ("ADEA").

16. Employee Promises. Employee warrants that: (a) Employee has no pending charges or lawsuits against the Company; (b) Employee has not suffered a work-related injury that Employee has not properly disclosed to the Company; and (c) Employee has been paid in full all wages due and owing to the Employee for any and all work performed for the Company.

17. Confidentiality. The terms of this Agreement, including its existence, shall remain confidential. Employee shall not publish or publicize the terms of this Agreement in any manner or with any person not a party to this Agreement. Employee shall not discuss or reveal the terms of this Agreement to any persons other than as necessary immediate family members, legal counsel, and/or financial advisors (the "Potential Third Party Recipients"). Employee agrees that Employee may only disclose the terms of this Agreement to any Potential Third Party Recipients if those individuals have been informed of, agreed to be bound by, the requirement to maintain the confidentiality of this Agreement and its terms, and that Employee shall indemnify the Company for any damages caused due to failure of the Potential Third Party Recipients to protect the confidentiality of such Agreement and its terms. Nothing in the Agreement shall prevent either Employee or the Company from responding accurately and fully to any question, inquiry or request for information when required by applicable law.

18. Remedies and Forfeiture. In the event Employee fails to comply with the provisions of this Agreement, including specifically the restrictive covenants set forth in Paragraphs 6, and 7, the Company shall be relieved of its obligations to Employee under Paragraph 2 of this Agreement, and Employee shall immediately return to the Company ninety (90) percent of the consideration previously paid under Paragraph 2(a). The parties further agree that the portion of previously paid consideration that is not subject to forfeiture constitutes adequate, ongoing consideration for the Release of Claims. Provided, however, that nothing in this Agreement shall limit the Company's right to pursue

additional remedies for Employee's violation of this Agreement. Moreover, Employee will remain bound by the provisions of this Agreement. The prevailing Party in any action or proceeding brought to enforce the terms of this Agreement shall be entitled to recover her or its costs and attorneys' fees.

19. No Admission of Wrongdoing. Employee and the Company understand and agree that the execution of this Agreement does not constitute an admission by either party of any wrongdoing. The Company expressly denies any liability or violation of law.

20. Governing Law. This Agreement shall be governed and interpreted in all respects by the laws of the State of Kansas without regard to its conflict of laws provision.

21. Severability. The provisions of this Agreement are severable. If any provision of this Agreement is adjudicated invalid or unenforceable, the remaining provisions will remain valid and enforceable.

22. Review and Revocation Periods; Attorney Review. In compliance with the Older Workers Benefit Protection Act, Employee is hereby advised to consult with an attorney regarding the terms, meaning and impact of this Agreement. In addition, Employee understands and agrees that: (a) by signing this Agreement, Employee waives and releases any claims Employee might have against any of the Released Parties, including, but not limited to, any claims under the Age Discrimination in Employment Act of 1967; (b) Employee has thirty (30) days from the date of receipt of this Agreement to consider whether or not to execute this Agreement, which Employee waives by virtue of Employee's execution of the Agreement during the consideration period; and (c) after Employee signs this Agreement and it becomes effective, Employee has seven (7) days from that date to change Employee's mind and revoke the Agreement. Revocation by Employee shall be in writing and shall be effective upon timely receipt by Sean Saunders, Vice President of Human Resources, via email at sean.saunders@yrcfreight.com. Employee further understands that, if Employee fails to sign the Agreement within thirty (30) days of receipt or revokes the Agreement, the Company shall have no obligation to provide the consideration described in Paragraph 2 of this Agreement to Employee. Employee understands that this Agreement shall not be effective and enforceable until seven (7) days from the date Employee and the Company execute this Agreement.

23. Entire Agreement; Modifications. This Agreement embodies the entire agreement between the Company and Employee. Employee agrees that the Company has made no representations to induce the Employee to agree to the Agreement other than those set forth in the Agreement. This Agreement cannot be modified except by a written agreement.

24. Internal Revenue Code ("IRC") Section 409A Compliance. To the extent applicable, it is the intent of the parties that this Agreement shall be applied and construed so as to comply with the requirements for an exemption from the requirements of IRC Section 409A or, if so determined by the Company, to satisfy any applicable IRC Section 409A requirements. In no event whatsoever shall the Company be liable for any additional tax, interest or penalties that may be imposed on Employee pursuant to IRC Section 409A.

25. Knowing and Voluntary. Employee acknowledges that Employee has carefully read this Agreement, is fully familiar with its contents, and understands its provisions. Employee agrees that this Agreement is written in a manner such that Employee understands it and has been signed knowingly and voluntarily. Employee signs this Agreement with an understanding of its significance and intending to be bound by its terms.

26. Execution and Return of Agreement. Upon execution, please return all pages of the signed Agreement to, **Sean Saunders, Senior Vice President of Human Resources and Safety, via email at _____.**

27. PLEASE READ THIS DOCUMENT CAREFULLY. IT IS A LEGAL DOCUMENT. IT INCLUDES AN AGREEMENT BY EMPLOYEE TO RELEASE ALL LIABILITY KNOWN AND UNKNOWN AGAINST THE COMPANY, ITS AFFILIATES, PARENTS, SUCCESSORS, PREDECESSORS, SUBSIDIARIES AND ALL DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS OF SUCH ENTITIES.

/s/ Stephanie D. Fisher
(Employee's Signature)

Stephanie D. Fisher
(Employee's Printed Name)

Date: 01/02/2020

(Employee's Phone Number)

(Employee's Home & Email Address)

YRC Worldwide Inc., its affiliates, parents, successors, predecessors, and subsidiaries

By: /s/ Sean Saunders
(Company Representative's Signature)

Sean Saunders
(Company Representative's Printed Name)

Vice President of Human Resources
(Company Representative's Title)

Date: 01/02/2020

**YRC WORLDWIDE INC.
AMENDED AND RESTATED SEVERANCE PLAN**

March 9, 2020

Introduction

YRC Worldwide Inc. Severance Plan (“Plan”) provides additional compensation to eligible employees of YRCW and its subsidiaries whose employment is terminated without Cause. The Plan supersedes any prior separation or severance plans, and programs or policies of YRCW covering eligible employees, both formal and informal.

Words that have special meaning are in quotations and defined immediately in the text or are capitalized and are later defined in the “Definitions” section.

Eligibility

To Participate in the Plan

To be eligible to participate in the Plan, you must be employed by YRCW in one of the following categories:

- A YRCW executive who is subject to Section 16 of the Exchange Act (“Section 16 Executive”); or
- A YRCW executive who is a Vice President or a Senior Vice President who is not subject to Section 16.

To Receive Severance Benefits under the Plan

You **are eligible** to receive severance benefits under the Plan if your employment is terminated by YRCW, any of its subsidiaries, or any successor entity without Cause, including any termination without Cause within twelve months of a Change of Control of YRCW.

You **are not eligible** to receive severance benefits under the Plan if:

- Your employment is terminated by YRCW for Cause, death or disability;
- You voluntarily resign your employment with YRCW;
- You have entered into an employment or similar agreement with YRCW providing cash severance benefits upon a Separation from Service.
- You do not sign or you timely revoke your Release Agreement as discussed below.

Benefits

If you satisfy the eligibility requirements set forth above, you may be entitled to the following benefits:

Level	Benefit
Section 16 Executive	18 months of Base Salary
Vice President or Above (not subject to Section 16)	6 months of Base Salary

Release Agreement

You must sign a Release Agreement to receive severance benefits offered under the Plan. The Release Agreement releases YRCW and its subsidiaries, its employees, officers and directors from any and all claims you may have against them as of the date you sign the Release Agreement.

You will receive a Release Agreement within 5 days following your Separation from Service. You will then have either 21 or 45 calendar days (with the exact amount of time to be specified by YRCW in your Release Agreement) from the date you receive the Release Agreement to sign and return the Release Agreement to YRCW. You will then have 7 calendar days after delivery of the Release Agreement to revoke the Release Agreement or returning the signed copy or counterpart original to YRCW. If you do not sign the Release Agreement or if you revoke the Release Agreement, you will not receive severance benefits under the Plan.

Payment of Benefits

Except as set forth below, your payments will be paid in installments over the number of months to which you are entitled to receive benefits. For example, a Section 16 Executive will receive his or her severance benefits over an 18-month period following a termination of employment without Cause.

Notwithstanding the above, if your employment is terminated without Cause during the 12-month period following a Change in Control, your severance benefits will be paid in a lump sum payment.

Your installment payments or lump-sum payment (in connection with a Change in Control) will begin on the first regularly-scheduled payroll period for the YRCW entity for which you are employed following the expiration of the date your Release Agreement becomes irrevocable as set forth below.

Your right to receive benefits under the Plan is specifically conditioned upon your waiving or being ineligible to receive cash benefits under any other severance, retention or change in control plan, program or agreement sponsored by YRCW.

Amendment and Termination of Plan

YRCW may amend or terminate the Plan at any time for any reason. However, the amendment or termination of the Plan may not relieve YRCW of obligations YRCW incurred prior to the effective date of the amendment or termination. Further, no amendment or termination of the Plan can affect your rights under the Plan if you incurred a Separation from Service for which you are entitled to benefits prior to the effective date of the amendment or termination.

Administration

The plan administrator of this Plan shall be the Compensation Committee of the Board of Directors (the “Board”), which shall oversee the operation and records of the Plan, construe and interpret Plan provisions, and authorize benefit payments.

No Employment Contract

The Plan is not an employment contract. Your participation in the Plan does not guarantee your continued employment with YRCW or otherwise affect your employment rights or the right of YRCW or any of its subsidiaries to discharge you. The employment relationship between you and YRCW and its subsidiaries is “at will,” unless otherwise provided in writing.

Code Section 409A Compliance

Notwithstanding anything in this Plan to the contrary, no payment that is subject to the requirements of Code Section 409A will be made prior to your Separation from Service. For purposes of this Agreement, with respect to the payment of any amount that is subject to Code Section 409A, the term “termination of employment” and “terminates employment” will mean a “Separation from Service” as defined in Treasury Regulation Section 1.409A-1(h). You may not elect to receive cash or any other benefit in lieu of the benefits provided by this Plan. Except as otherwise permitted or required pursuant to regulations and other guidance issued pursuant to Code Section 409A, under no circumstances may the time or schedule of any payment made or benefit provided pursuant to this Plan be accelerated or subject to a further deferral. You do not have any right to make any election regarding the time or form of any payment due under this Plan. This Plan will be operated in compliance with Code Section 409A or an exception thereto and each provision of this Plan will be interpreted, to the extent possible, to comply with Code Section 409A or to qualify for an applicable exception to the requirements of Section 409A. Nevertheless, YRCW cannot, and does not, guarantee any particular tax effect or treatment of the amounts due under this Plan. Except for YRCW’s responsibility to withhold applicable income and employment taxes from compensation paid or provided to you, YRCW will not be responsible for the payment of any applicable taxes on compensation paid or provided to you.

Definitions

Base Salary means the annual rate of base earnings of a participant immediately preceding his or her Separation from Service:

(1) exclusive of overtime pay, bonuses, commission, payments for accrued vacations or other special payments;

(2) before any deductions, including, but not limited to, any federal, state or other taxes, and salary reduction amounts contributed to benefit plans or programs.

Cause means (i) your willful misconduct or gross negligence in the performance of your duties to YRCW, (ii) your continued refusal to substantially perform your duties to YRCW or to follow the lawful directives of YRCW’s Board of Directors (other than as a result of death or disability) that continues after written notice from YRCW, (iii) your indictment for, conviction of, or pleading guilty or nolo contendere to, a felony or any crime involving moral turpitude, (iv) your performance of any material act of theft, embezzlement, fraud, malfeasance, dishonesty or misappropriation of YRCW’s property, or (v) a material violation of YRCW’s code of conduct or other written policy that is not cured within 10 days of notice from YRCW.

Change in Control means any of the following:

- any person,” as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than YRCW, any trustee or other fiduciary holding securities under any employee benefit plan of YRCW or any company owned, directly or indirectly, by the stockholders of YRCW in substantially the same proportions as their ownership of Common Stock of YRCW (“Excluded Persons”)) becoming the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of YRCW representing 50% or more of the combined voting power of YRCW’s then outstanding securities, excluding an acquisition pursuant to a Business Transaction (as defined below) that does not constitute a “Change in Control” thereunder;
- during any period of two consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such term is used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board) whose election by the Board or nomination for election by YRCW’s stockholders was approved by a vote of at least two thirds of the directors then still in office who either were directors at the beginning of the two- year period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board;
- a merger or consolidation of YRCW or any direct or indirect subsidiary of YRCW with any other entity, other than a merger or consolidation which would result in the voting securities of YRCW outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of YRCW or its successor (or the ultimate parent company of YRCW or its successor) outstanding immediately after such merger or consolidation; provided, however, that a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no person (other than Excluded Persons) acquires more than 50% of the combined voting power of YRCW’s then outstanding securities shall not constitute a Change in Control of YRCW; or
- a complete liquidation or dissolution of YRCW or the consummation of a sale or disposition by YRCW of all or substantially all of YRCW’s assets other than the sale or disposition of all or substantially all of the assets of YRCW to a person or persons who beneficially own, directly or indirectly, 50% or more of the combined voting power of the outstanding voting securities of YRCW at the time of the sale (or to an entity controlled by such person or persons).

Code means the Internal Revenue Code of 1986, as amended.

Exchange Act means the Securities and Exchange Act of 1934, as amended.

Release Agreement means the Release Agreement you must execute in order to be eligible to receive benefits under this Plan.

Separation from Service means either (1) the termination of your employment with YRCW and all its subsidiaries due to death, retirement or other reasons, or (2) a permanent reduction in the level of bona fide services you provide to YRCW and all its subsidiaries to an amount that is 20% or less of the average level of bona fide services you provided to YRCW and all its subsidiaries in the immediately preceding thirty-six (36) months, with the level of bona fide service calculated in accordance with Treasury Regulation § 1.409A-1(h)(1)(ii). Your employment relationship is treated as continuing while you are on military leave, sick leave, or other bona fide leave of absence (if the period of such leave does not exceed six months, or if longer, so long as your right to reemployment with YRCW and all its subsidiaries is provided either by statute or contract). If your period of leave exceeds six months and your right to reemployment is not provided either by statute or by contract, the employment relationship is deemed to terminate on the first day immediately following the expiration of such six-

month period. Whether a Separation from Service has occurred will be determined based on all of the facts and circumstances and in accordance with regulations issued by the United States Treasury Department pursuant to Section 409A of the Code.

Subsidiaries of YRC Worldwide Inc.
At December 31, 2019

Name	Percentage Ownership	Jurisdiction of Incorporation or Formation
1105481 Ontario, Inc.	100%	Ontario
Express Lane Service, Inc.	100%	Delaware
New Penn Motor Express LLC	100%	Delaware
OPK Insurance Co. Ltd.	100%	Bermuda
Roadway LLC	100%	Delaware
Roadway Next Day Corporation	100%	Delaware
YRC Inc.	100%	Delaware
Reimer Holding B.V.	100%	Netherlands
YRC Freight Canada Company	100%	Nova Scotia
YRC Transportation, S.A. de C.V.	41.1% ¹	Mexico
Roadway Express International, Inc.	100%	Delaware
Transcontinental Lease, S. de R.L. de C.V.	.01% ²	Mexico
Roadway Express, S.A. de C.V.	99.99% ³	Mexico
HENRY Logistics, Inc.	100%	Delaware
Transcontinental Lease, S. de R.L. de C.V.	99.99% ²	Mexico
Roadway Express, S.A. de C.V.	.01% ³	Mexico
YRC Transportation, S.A. de C.V.	58.9% ¹	Mexico
YRC Services S. de R.L. de C.V.	100%	Mexico
USF Holland LLC	100%	Delaware
USF Holland International Sales Corporation	100%	Nova Scotia
YRC Association Solutions, Inc.	100%	Delaware
YRC International Investments, Inc.	100%	Delaware
YRC Logistics Asia Limited	100%	Hong Kong
PT Meridian IQ Indonesia International	100%	Indonesia
YRC Mortgages, LLC	100%	Delaware
YRC Regional Transportation, Inc.	100%	Delaware
USF Bestway Inc.	100%	Arizona
USF Dugan Inc.	100%	Kansas
USF Glen Moore Inc.	100%	Pennsylvania
USF Reddaway Inc.	100%	Oregon
USF RedStar LLC	100%	Delaware
YRC Logistics Services, Inc.	100%	Illinois
YRC Logistics Inc.	100%	Ontario
YRC Enterprise Services, Inc.	100%	Delaware

¹ YRC Transportation, S.A. de C.V. is owned 58.9% by YRC Inc. and 41.1% by YRC Freight Canada Company

² Transcontinental Lease, S. de R.L. de C.V. is owned 99.99% by YRC Inc. and .01% by Roadway Express International, Inc.

³ Roadway Express, S.A. de C.V. is owned 99.99% by YRC Inc. and .01% by Transcontinental Lease, S. de R.L. de C.V.

Consent of Independent Registered Public Accounting Firm

The Board of Directors

YRC Worldwide Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-139691, 333-144958, 333-159354, 333-167931, 333-178223 and 333-231971) on Form S-8 of YRC Worldwide Inc. of our reports dated March 11, 2020, with respect to the consolidated balance sheets of YRC Worldwide Inc. and subsidiaries as of December 31, 2019 and 2018, the related statements of consolidated operations, comprehensive income (loss), shareholders' deficit, and cash flows for each of the years in the three-year period ended December 31, 2019, the related notes, and the effectiveness of internal control over financial reporting as of December 31, 2019, which reports appear in the December 31, 2019 annual report on Form 10 K of YRC Worldwide Inc.

Our report on the consolidated financial statements refers to a change in the method of accounting for Leases in 2019 due to the adoption of ASC 842 - *Leases*. Our report on the consolidated financial statements also refers to a change to the method of accounting for the recognition of revenue in the 2018 consolidated financial statements due to the adoption of Accounting Standards Codification 606, *Revenue from Contracts with Customers*.

/s/ KPMG LLP

Kansas City, Missouri

March 11, 2020

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

I, Darren D. Hawkins, certify that:

- (1) I have reviewed this report on Form 10-K of YRC Worldwide Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2020

/s/ Darren D. Hawkins

Darren D. Hawkins
Chief Executive Officer

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

I, Jamie G. Pierson, certify that:

- (1) I have reviewed this report on Form 10-K of YRC Worldwide Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2020

/s/ Jamie G. Pierson

Jamie G. Pierson

Chief Financial Officer

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

In connection with the annual report of YRC Worldwide Inc. on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Darren D. Hawkins, Chief Executive Officer of YRC Worldwide Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of YRC Worldwide Inc.

Date: March 11, 2020

/s/ Darren D. Hawkins

Darren D. Hawkins
Chief Executive Officer

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

In connection with the annual report of YRC Worldwide Inc. on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jamie G. Pierson, Chief Financial Officer of YRC Worldwide Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of YRC Worldwide Inc.

Date: March 11, 2020

/s/ Jamie G. Pierson

Jamie G. Pierson
Chief Financial Officer