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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2019

OR

o **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	**48-0948788**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
10990 Roe Avenue, Overland Park, Kansas	**66211**
(Address of principal executive offices)	**(Zip Code)**

(913) 696-6100
(Registrant's telephone number, including area code)

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

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 o

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 o

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	o	Accelerated filer	☒
Non-accelerated filer	o Smaller reporting company o	Emerging growth company	o

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. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ☒

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

Class	Outstanding at May 3, 2019
Common Stock, $0.01 par value per share	34,572,271 shares

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS
YRC Worldwide Inc. and Subsidiaries
(Amounts in millions except share and per share data)

	March 31, 2019	December 31, 2018
	(Unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	$ 126.6	$ 227.6
Restricted amounts held in escrow	25.0	—
Accounts receivable, net	513.6	470.3
Prepaid expenses and other	65.9	58.7
Total current assets	731.1	756.6
Property and Equipment:		
Cost	2,764.8	2,765.9
Less – accumulated depreciation	(1,978.4)	(1,969.8)
Net property and equipment	786.4	796.1
Deferred income taxes, net	0.3	—
Operating lease right-of-use assets	367.6	—
Other assets	43.4	64.4
Total Assets	$ 1,928.8	$ 1,617.1
Liabilities and Shareholders' Deficit		
Current Liabilities:		
Accounts payable	$ 198.5	$ 178.0
Wages, vacations and employee benefits	207.1	223.6
Current operating lease liabilities	106.4	—
Claims and insurance accruals	113.7	112.8
Other accrued taxes	30.8	24.7
Other current and accrued liabilities	36.1	32.6
Current maturities of long-term debt	23.6	20.7
Total current liabilities	716.2	592.4
Other Liabilities:		
Long-term debt, less current portion	846.9	854.2
Deferred income taxes, net	—	1.8
Pension and postretirement	198.6	202.9
Operating lease liabilities	240.5	—
Claims and other liabilities	276.1	271.3
Commitments and contingencies		
Shareholders' Deficit:		
Preferred stock, $1 par value per share	—	—
Common stock, $0.01 par value per share	0.3	0.3
Capital surplus	2,329.2	2,327.6
Accumulated deficit	(2,257.5)	(2,208.4)
Accumulated other comprehensive loss	(328.8)	(332.3)
Treasury stock, at cost (410 shares)	(92.7)	(92.7)
Total shareholders' deficit	(349.5)	(305.5)
Total Liabilities and Shareholders' Deficit	$ 1,928.8	$ 1,617.1

The accompanying notes are an integral part of these statements.

STATEMENTS OF CONSOLIDATED COMPREHENSIVE LOSS
YRC Worldwide Inc. and Subsidiaries
For the Three Months Ended March 31
(Amounts in millions except per share data, shares in thousands)
(Unaudited)

	Three Months	
	2019	2018
Operating Revenue	$ 1,182.3	$ 1,214.5
Operating Expenses:		
Salaries, wages and employee benefits	718.2	729.7
Fuel, operating expenses and supplies	235.9	230.2
Purchased transportation	146.3	155.4
Depreciation and amortization	40.0	37.7
Other operating expenses	63.8	62.6
Losses on property disposals, net	1.6	3.2
Impairment charges	8.2	—
Total operating expenses	1,214.0	1,218.8
Operating Loss	(31.7)	(4.3)
Nonoperating Expenses:		
Interest expense	27.0	25.6
Non-union pension and postretirement benefits	0.3	(0.5)
Other, net	(0.2)	(1.9)
Nonoperating expenses, net	27.1	23.2
Loss before income taxes	(58.8)	(27.5)
Income tax benefit	(9.7)	(12.9)
Net loss	(49.1)	(14.6)
Other comprehensive income, net of tax	3.5	2.0
Comprehensive Loss	$ (45.6)	$ (12.6)
Average Common Shares Outstanding – Basic	33,150	32,821
Average Common Shares Outstanding – Diluted	33,150	32,821
Loss Per Share – Basic	$ (1.48)	$ (0.44)
Loss Per Share – Diluted	$ (1.48)	$ (0.44)

The accompanying notes are an integral part of these statements.

STATEMENTS OF CONSOLIDATED CASH FLOWS
YRC Worldwide Inc. and Subsidiaries
For the Three Months Ended March 31
(Amounts in millions)
(Unaudited)

	2019	2018
Operating Activities:		
Net loss	$ (49.1)	$ (14.6)
Noncash items included in net loss:		
Depreciation and amortization	40.0	37.7
Lease amortization and accretion expense	41.2	—
Equity-based compensation and employee benefits expense	5.3	5.3
Losses on property disposals, net	1.6	3.2
Impairment charges	8.2	—
Other noncash items, net	0.8	0.4
Changes in assets and liabilities, net:		
Accounts receivable	(42.1)	(41.3)
Accounts payable	12.8	1.9
Other operating assets	(20.0)	(29.4)
Other operating liabilities	(40.4)	33.1
Net cash used in operating activities	(41.7)	(3.7)
Investing Activities:		
Acquisition of property and equipment	(32.6)	(23.5)
Proceeds from disposal of property and equipment	0.8	3.0
Net cash used in investing activities	(31.8)	(20.5)
Financing Activities:		
Repayments of long-term debt	(1.9)	(7.0)
Payments for tax withheld on equity-based compensation	(0.6)	(1.4)
Net cash used in financing activities	(2.5)	(8.4)
Net Decrease In Cash, Cash Equivalents and Restricted Amounts Held in Escrow	(76.0)	(32.6)
Cash, Cash Equivalents and Restricted Amounts Held in Escrow, Beginning of Period	227.6	145.7
Cash, Cash Equivalents and Restricted Amounts Held in Escrow, End of Period	$ 151.6	$ 113.1
Supplemental Cash Flow Information:		
Interest paid	$ (13.3)	$ (14.9)
Income tax payment, net	(1.6)	(1.7)

The accompanying notes are an integral part of these statements.

STATEMENT OF CONSOLIDATED SHAREHOLDERS’ DEFICIT
YRC Worldwide Inc. and Subsidiaries
For the Three Months Ended March 31, 2019
(Amounts in millions)
(Unaudited)

(in millions)	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)

(in millions)	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)

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YRC Worldwide Inc. and Subsidiaries
(Unaudited)

1. Description of 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, primarily through centralized management. This reporting segment includes YRC Inc. (doing business as, and herein referred to as, "YRC Freight"), our LTL subsidiary, Reimer Express Lines Ltd. ("YRC Reimer"), a subsidiary located in Canada that specializes in shipments into, across and out of Canada, and HNRY Logistics, Inc. ("HNRY 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 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.

At March 31, 2019, approximately 78% of our labor force is subject to collective bargaining agreements, which predominantly expire on May 31, 2019.

2. Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of YRC Worldwide and its wholly owned subsidiaries. All 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. For ease of reference, the calendar quarter end dates are used herein.

We make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and notes. Actual results could differ from those estimates. We have prepared the Consolidated Financial Statements, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). In our opinion, we have made all normal recurring adjustments necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods included in these financial statements. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP") have been condensed or omitted from these statements pursuant to SEC rules and regulations. Accordingly, the accompanying Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Revenue Disaggregation

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. 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 growth in shipments over 10,000 pounds.

YRC Freight segment (in millions)	Three Months 2019	Three Months 2018
LTL revenue	$ 684.7	$ 695.9
Other revenue	59.1	55.4
Total revenue	$ 743.8	$ 751.3

Regional Transportation segment (in millions)	Three Months 2019	Three Months 2018
LTL revenue	$ 404.9	$ 424.2
Other revenue	33.7	39.1
Total revenue	$ 438.6	$ 463.3

Consolidated (in millions)	Three Months 2019	Three Months 2018
LTL revenue	$ 1,089.6	$ 1,120.1
Other revenue	92.7	94.4
Total revenue	$ 1,182.3	$ 1,214.5

Fair Value of Financial Instruments

The following table summarizes the fair value hierarchy of our financial assets and liabilities carried at fair value on a recurring basis as of March 31, 2019:

		Fair Value Measurement Hierarchy		
(in millions)	Total Carrying Value	Quoted prices in active market (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Restricted amounts held in escrow-current	$ 25.0	$ 25.0	$ —	$ —
Total assets at fair value	$ 25.0	$ 25.0	$ —	$ —

Restricted amounts held in escrow are invested in money market accounts and are recorded at fair value based on quoted market prices. The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximate their fair value due to the short-term nature of these instruments.

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 assets to a reduction of long-term ROU liabilities upon adoption of the new standard.

The new lease standard will not impact the calculation of the total maximum leverage ratio covenant, which is defined under the terms of our credit agreement.

Impact of Recently-Issued Accounting Standards

In August 2018, the FASB issued ASU 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans-General* (Subtopic 715-20): *Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans*. The guidance modifies disclosure requirements for defined benefit plans. This guidance is effective for fiscal years ending after December 15, 2020, and early adoption is permitted. The Company is currently assessing the potential impact of ASU 2018-14 on its consolidated financial statement disclosures.

3. Debt and Financing

Our outstanding debt as of March 31, 2019 consisted of the following:

As of March 31, 2019 (in millions)	Par Value	Discount	Debt Issuance Costs	Book Value	Average Effective Interest Rate
Term Loan	$ 573.0	$ (7.3)	$ (6.0)	$ 559.7 (a)	11.6%
ABL Facility	—	—	—	—	N/A
Secured Second A&R CDA	26.8	—	(0.1)	26.7	8.0%
Unsecured Second A&R CDA	46.7	—	(0.2)	46.5	8.0%
Lease financing obligations	238.0	—	(0.4)	237.6	15.1%
Total debt	$ 884.5	$ (7.3)	$ (6.7)	$ 870.5	
Current maturities of Term Loan	(18.0)	—	—	(18.0)	
Current maturities of lease financing obligations	(4.1)	—	—	(4.1)	
Current maturities of Unsecured Second A&R CDA	(1.5)	—	—	(1.5)	
Long-term debt	$ 860.9	$ (7.3)	$ (6.7)	$ 846.9	

(a) Variable interest rate of 1, 3 or 6-month LIBOR, with a floor of 1.0%, plus a fixed margin of 8.50%.

ABL Facility Availability

Our principal sources of liquidity are cash and cash equivalents, available borrowings under our asset-based loan facility (the "ABL Facility") and any prospective net cash flow from operations. As of March 31, 2019, our maximum availability under our ABL Facility was $48.1 million. Our Managed Accessibility was $9.1 million, which represents the maximum amount we would access on the ABL Facility and is adjusted for eligible receivables plus eligible borrowing base cash measured at March 31, 2019.

For the March 31, 2019 borrowing base certificate, which was filed in April of 2019, we reduced restricted cash $20.0 million by transferring the funds to our operating cash accounts. Our cash and cash equivalents and Managed Accessibility were $155.7 million. For the December 31, 2018 borrowing base certificate, which was filed in January of 2019, we transferred $25.0 million of cash into restricted cash to maintain the 10% threshold, as permitted under the ABL Facility, which transfer effectively put our cash and cash equivalents and Managed Accessibility to $203.8 million.

The table below summarizes cash and cash equivalents and Managed Accessibility as of March 31, 2019 and December 31, 2018:

(in millions)	March 31, 2019	December 31, 2018
Cash and cash equivalents	126.6	227.6
Changes to restricted cash	20.0	(25.0)
Managed Accessibility	9.1	1.2
Total cash and cash equivalents and Managed Accessibility	$ 155.7	$ 203.8

Credit Facility Covenants

The credit agreement (the "Term Loan Agreement") governing our term loan facility (the "Term Loan") has certain financial covenants, that, among other things, restrict certain capital expenditures and require us to comply with a maximum total leverage ratio covenant (defined as Consolidated Total Debt divided by Consolidated Adjusted EBITDA as defined below).

Our total maximum leverage ratio covenants are as follows:

Four Consecutive Fiscal Quarters Ending	Maximum Total Leverage Ratio	Four Consecutive Fiscal Quarters Ending	Maximum Total Leverage Ratio
March 31, 2019	3.25 to 1.00	June 30, 2020	3.00 to 1.00
June 30, 2019	3.25 to 1.00	September 30, 2020	2.75 to 1.00
September 30, 2019	3.25 to 1.00	December 31, 2020	2.75 to 1.00
December 31, 2019	3.00 to 1.00	March 31, 2021	2.75 to 1.00
March 31, 2020	3.00 to 1.00	June 30, 2021 and thereafter	2.50 to 1.00

Consolidated Adjusted EBITDA, defined in our 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 certain 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 and discontinued operations. Consolidated Total Debt, as defined in our Term Loan Agreement, is the aggregate principal amount of indebtedness outstanding. Our total leverage ratio for the four consecutive fiscal quarters ending March 31, 2019 was 2.76 to 1.00.

Impacts to our consolidated financial statements due to the implementation of ASC 842, *Leases*, on January 1, 2019 will not impact our calculation of the financial covenants included in our Term Loan Agreement as changes in generally accepted accounting principles subsequent to the date of the agreement are not required to be implemented for purposes of covenant calculations.

We believe that our results of operations will be sufficient to allow us to comply with the covenants in the Term Loan Agreement, fund our operations, increase working capital as necessary to support our planned revenue growth and fund capital expenditures for at least the next twelve months. Our ability to satisfy our liquidity needs and meet future stepped-up covenants beyond the next twelve months is dependent upon our ability to achieve operating results consistent with levels achieved during 2018. Maintaining results will depend on a number of factors including our ability to successfully implement the provisions of the new labor agreement with our union employees. The union employees approved the National Master Freight Agreement and all but one supplemental agreement on May 3, 2019. In accordance with the IBT's ratification procedures, the approved labor agreement will not take effect until the remaining issues pertaining to the one supplemental agreement are resolved. Once effective, the approved labor agreement is set to expire on March 31, 2024.

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:

	March 31, 2019		December 31, 2018	
(in millions)	Book Value	Fair value	Book Value	Fair value
Term Loan	$ 559.7	$ 569.5	$ 559.4	$ 546.0
Lease financing obligations	237.6	234.9	242.2	234.7
Second A&R CDA	73.2	73.0	73.3	70.0
Total debt	$ 870.5	$ 877.4	$ 874.9	$ 850.7

The fair values of the Term Loan and the Second Amended and Restated Contribution Deferral Agreement (the “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).

4. 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 amount of leases in which we are a lessor. Operating lease rentals are expensed on a straight-line basis over the life of the lease beginning on the lease commencement date. We determine if an arrangement is a lease at inception, and 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, 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 time 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**	March 31, 2019
Assets		
Operating lease assets	Operating lease right-of-use assets	$ 367.6
Finance lease assets	Net property and equipment	2.8
Total leased assets		$ 370.4
Liabilities		
Current		
Operating	Current operating lease liabilities	$ 106.4
Finance	Other current and accrued liabilities	0.3
Noncurrent		
Operating	Operating lease liabilities	240.5
Finance	Claims and other liabilities	3.4
Total lease liabilities		$ 350.6

Lease Cost (in millions)	**Classification**	Three Months Ended March 31, 2019
Operating lease cost[(a)]	Purchased transportation; Fuel, operating expenses and supplies	$ 41.2
Short-term cost	Purchased transportation; Fuel, operating expenses and supplies	3.5
Variable lease cost	Purchased transportation; Fuel, operating expenses and supplies	1.5
Finance lease cost		
Amortization of leased assets	Depreciation and amortization	0.2
Interest on lease liabilities	Interest expense	0.1
Total lease cost		$ 46.5

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

Maturities of Lease Liabilities (in millions)	Operating Leases	Finance Leases	Total
2019	$ 106.9	$ 0.5	$ 107.4
2020	124.1	0.6	124.7
2021	100.2	0.6	100.8
2022	49.9	0.6	50.5
2023	21.5	0.6	22.1
After 2023	16.5	4.2	20.7
Total lease payments	$ 419.1	$ 7.1	$ 426.2
Less: Imputed interest	72.2	3.4	75.6
Present value of lease liabilities	$ 346.9	$ 3.7	$ 350.6

Lease Term and Discount Rate (years and percent)	Weighted-Average Remaining Lease	Weighted-Average Discount Rate
Operating leases	3.5	11.0%
Finance leases	10.3	11.2%

Other Information

(in millions)	Three Months Ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 36.3
Operating cash flows from finance leases	0.1
Financing cash flows from finance leases	0.2
Leased assets obtained in exchange for new finance lease liabilities	—
Leased assets obtained in exchange for new operating lease liabilities	$ 19.1

Below is the Company's contractual cash obligations 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.

	Payments Due by Period				
(in millions)	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

5. Employee Benefits

Qualified and Nonqualified Defined Benefit Pension Plans

The following table presents the components of our Company-sponsored pension plan costs for the three months ended March 31:

	Three Months	
(in millions)	2019	2018
Service cost	$ —	$ 0.1
Interest cost	11.4	10.9
Expected return on plan assets	(14.3)	(15.1)
Amortization of prior service credit	(0.1)	(0.1)
Amortization of prior net pension loss	3.2	3.7
Total net periodic pension cost	$ 0.2	$ (0.5)

We expect to contribute $9.9 million to our Company-sponsored pension plans in 2019, of which we have contributed $2.0 million through March 31, 2019.

6. Income Taxes

Our effective tax rate for the three months ended March 31, 2019 was 16.5%, compared to 46.9% for the three months ended March 31, 2018. The significant items impacting the 2019 rate include a net state and foreign tax provision, certain permanent items, and a change in the valuation allowance established for the net deferred tax asset balance projected for December 31, 2019. The significant items impacting the 2018 rate include a net state and foreign tax provision, 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 that had been projected for December 31, 2018. We recognize valuation allowances on deferred tax assets if, based on the weight of the evidence, we determine it is more likely than not such assets will not be realized. Changes in valuation allowances are included in our tax provision 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-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. At March 31, 2019 and December 31, 2018, substantially all of our net deferred tax assets were subject to a valuation allowance.

7. Loss Per Share

Given our net loss position for each of the three months ended March 31, 2019 and March 31, 2018, we do not report dilutive securities for these periods. At March 31, 2019 and 2018, our anti-dilutive unvested shares, options, and stock units were approximately 279,000 and 45,000, respectively.

8. Business Segments

We report financial and descriptive information about our reporting segments on a basis consistent with that used internally for evaluating segment performance and allocating resources to segments. We evaluate segment performance primarily on external revenue, operating income (loss), and operating ratio.

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, legal, financial services, revenue management, and other company-wide services. 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 included in Adjusted EBITDA. Corporate identifiable assets primarily consist of cash and cash equivalents, restricted amounts held in escrow, and information technology assets, which are offset by eliminations with the two business segments.

The following table summarizes our operations by business segment:

(in millions)	YRC Freight	Regional Transportation	Corporate/ Eliminations	Consolidated
As of March 31, 2019				
Identifiable assets	$ 1,279.6	$ 731.4	$ (82.2)	$ 1,928.8
As of December 31, 2018				
Identifiable assets	$ 973.6	$ 626.4	$ 17.1	$ 1,617.1
Three Months Ended March 31, 2019				
Operating revenue	$ 743.8	$ 438.6	$ (0.1)	$ 1,182.3
Operating loss	$ (21.1)	$ (7.0)	$ (3.6)	$ (31.7)
Three Months Ended March 31, 2018				
Operating revenue	$ 751.3	$ 463.3	$ (0.1)	$ 1,214.5
Operating income (loss)	$ (6.9)	$ 5.2	$ (2.6)	$ (4.3)

9. Commitments, Contingencies and Uncertainties

Department of Defense Complaint

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. Management believes it has meritorious defenses and will vigorously defend this action.

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. Management believes it has meritorious defenses and will vigorously defend this action. The court has not yet appointed lead plaintiff or lead counsel for this case. Given the early stage of the proceedings at this time, we are not in a position to assess the likelihood of any potential loss or adverse effect on our financial condition or to estimate the range of potential loss, if any.

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.

10. Subsequent Events

On May 3, 2019, the International Brotherhood of Teamster ("IBT") ratified a new five-year national master freight agreement, along with 26 of the 27 applicable local and regional supplements that were subject to a ratification vote simultaneously with the master freight agreement. In accordance with the IBT's ratification procedures, however, the approved master freight agreement and supplemental agreements will not take effect until issues pertaining to the final supplemental agreement are resolved. The Companies' current master freight agreement and related supplemental agreements expire on May 31, 2019.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Note Regarding Forward-Looking Statements

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) should be read in conjunction with the Consolidated Financial Statements and the Notes to Consolidated Financial Statements included elsewhere in this report. This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”). Forward-looking statements include those preceded by, followed by or characterized by words such as “will,” “expect,” “intend,” “anticipate,” “believe,” “could,” “should,” “may,” “project,” “forecast,” “propose,” “plan,” “designed,” “estimate,” “enable” and similar expressions which speak only as of the date the statement was made. Forward-looking statements are inherently uncertain, are based upon current beliefs, assumptions and expectations of Company management and current market conditions, and are subject to significant business, economic, competitive, regulatory and other risks, uncertainties and contingencies, known and unknown, many of which are beyond our control. Readers are cautioned not to place undue reliance on any forward-looking statements. Our future financial condition and results could differ materially from those predicted in such forward-looking statements because of a number of factors, including (without limitation):

- general economic factors, including (without limitation) customer demand in the retail and manufacturing sectors;
- business risks and increasing costs associated with the transportation industry, including increasing equipment, operational and technology costs and disruption from natural disasters;
- competition and competitive pressure on pricing;
- the risk of labor disruptions or stoppages if our relationship with our employees and unions were to deteriorate;
- changes in pension expense and funding obligations, subject to interest rate volatility;
- increasing costs relating to our self-insurance claims expenses;
- our ability to finance the maintenance, acquisition and replacement of revenue equipment and other necessary capital expenditures;
- our ability to comply and the cost of compliance with, or liability resulting from violation of, federal, state, local and foreign laws and regulations, including (without limitation) labor laws and laws and regulations regarding the environment;
- impediments to our operations and business resulting from anti-terrorism measures;
- the impact of claims and litigation expense to which we are or may become exposed;
- that we may not realize the expected benefits and costs savings from our performance and operational improvement initiatives;
- our ability to attract and retain qualified drivers and increasing costs of driver compensation;
- a significant privacy breach or IT system disruption;
- risks of operating in foreign countries;
- our dependence on key employees;
- seasonality;
- shortages of fuel and changes in the cost of fuel or the index upon which we base our fuel surcharge and the effectiveness of our fuel surcharge program in protecting us against fuel price volatility;
- our ability to generate sufficient liquidity to satisfy our cash needs and future cash commitments, including (without limitation) our obligations related to our indebtedness and lease and pension funding requirements, and our ability to achieve increased cash flows through improvement in operations;
- limitations on our operations, our financing opportunities, potential strategic transactions, acquisitions or dispositions resulting from restrictive covenants in the documents governing our existing and future indebtedness;
- our failure to comply with the covenants in the documents governing our existing and future indebtedness;
- fluctuations in the price of our common stock;
- dilution from future issuances of our common stock;
- our intention not to pay dividends on our common stock;
- that we have the ability to issue preferred stock that may adversely affect the rights of holders of our common stock; and
- other risks and contingencies, including (without limitation) the risk factors that are included in our reports filed with the SEC, including those described under “Risk Factors” in our annual report on Form 10-K and quarterly reports on Form 10-Q, including this quarterly report.

Overview

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 three months ended March 31, 2019 and 2018.

Reporting Segment Results of Operations — an analysis of our results of operations for the three months ended March 31, 2019 and 2018 for our YRC Freight and Regional Transportation reporting segments.

Certain Non-GAAP Financial Measures — presentation and an analysis of selected non-GAAP financial measures for the three months ended March 31, 2019 and 2018 and trailing twelve months ended March 31, 2019 and 2018.

Financial Condition/Liquidity and Capital Resources — a discussion of our major sources and uses of cash and an analysis of our cash flows and aggregate contractual obligations and commercial commitments.

The "first quarter" of the years discussed below refer to the three months ended March 31, respectively.

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 loss is operating revenue less operating expenses. Consolidated operating 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 certain net gains or losses on property disposals, non-cash impairment charges, letter of credit expenses, restructuring charges, transaction costs related to issuances of debt, nonrecurring consulting fees, permitted dispositions and discontinued operations, equity-based compensation expense, and non-union pension settlement charges, among other items, as defined in our credit facilities. 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 term loan credit agreement 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 covenants in our term loan credit agreement as this measure is calculated as prescribed in our term loan credit agreement and serves as a driving component of key financial covenants.

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 expenses, restructuring charges, transaction costs related to debt, 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 3, 2019, the IBT announced that employees at operating companies YRC Freight, Holland, and New Penn who are covered by the National Master Freight Agreement voted to ratify a new five-year national master contract (the “New NMFA”). These employees also voted to ratify all but one related regional supplemental agreement.

The New NMFA covers approximately 24,000 employees and will replace the existing agreement, which is scheduled to expire on May 31, 2019. 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 commercial driver’s license
- 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, which replaces the existing program

The supplemental agreements cover more localized work rules and other terms and conditions of employment. The New NMFA and supplement agreements that were ratified on May 3, 2019 will not go into effect until the one remaining open supplemental agreement is resolved, at which time the new agreements will go into effect immediately with wage and benefit improvements paid retroactively to April 1, 2019.

Consolidated Results of Operations

Our consolidated results 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 first quarter of 2019 and 2018:

	First Quarter		
(in millions)	**2019**	**2018**	**Percent Change**
Operating revenue	$ 1,182.3	$ 1,214.5	(2.7)%
Operating loss	(31.7)	(4.3)	NM*
Nonoperating expenses, net	27.1	23.2	16.8 %
Net loss	(49.1)	(14.6)	NM*

(*) not meaningful

First Quarter of 2019 Compared to the First Quarter of 2018

Our consolidated operating revenue decreased $32.2 million, or 2.7%, during the first quarter of 2019 compared to the same period in 2018. The decrease in revenue is primarily attributed to a decrease in tonnage and fuel surcharge revenue due to severe winter weather, among other factors, while partially offset by an increase in base yield excluding fuel surcharge.

Total operating expenses decreased $4.8 million, or 0.4%, for the first quarter of 2019 compared to the first quarter of 2018, and consisted primarily of lower salaries, wages and employee benefits and purchased transportation, partially offset by increased impairment charges.

Salaries, wages and employee benefits. Salaries, wages and employee benefits decreased $11.5 million, or 1.6%, primarily due to a $13.0 million decrease in wage expense due to a decrease in tonnage that reduced the amount of hours needed to process freight, and a $3.1 million decrease in workers' compensation expense. These decreases were partially offset by a $4.0 million increase in employee benefit costs, which are primarily related to contractual rate increases for union employees.

Fuel, operating expenses and supplies. Fuel, operating expenses and supplies increased $5.7 million, or 2.5%, primarily due to a $6.8 million increase in other operating expenses as a result of vendor bankruptcy charges and settlement expenses, and a $2.7 million increase in professional fees as a result of fees associated with our union contract extension. These increases were partially offset by a $5.2 million decrease in fuel expense, which was largely a result of fewer miles driven.

Purchased transportation. Purchased transportation decreased $9.1 million, or 5.9%, primarily due to a $13.2 million decrease in over-the-road purchased transportation expense due partially to reduced shipping volumes and a $2.7 million decrease from reduced usage of local purchased transportation and short-term equipment rentals. Purchased transportation expense also includes a $3.3 million increase in long-term equipment rentals in conjunction with the Company's leasing strategy to reinvest in its fleet and a $2.5 million increase in third-party costs for customer-specific logistics solutions.

Other operating expense. Other operating expense increased $1.2 million, or 1.9%, primarily due to a $2.7 million increase in third-party liability claims expense largely due to current year claims, partially offset by a $1.4 million decrease in operating tax expense as a result of fewer miles driven.

Losses on property disposals. Net losses on disposals of property were $1.6 million in the first quarter of 2019, as compared to a $3.2 million loss in the first quarter of 2018, both due to losses on the disposal of revenue equipment.

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

Nonoperating expenses, net. Nonoperating expenses, net, increased $3.9 million in the first quarter of 2019 compared to the first quarter of 2018, primarily driven by a $1.7 million increase in non-cash foreign exchange expense and a $1.4 million increase in interest expense due to higher variable interest rates.

Our effective tax rate for the first quarter of 2019 and 2018 was 16.5% and 46.9%, respectively. The significant items impacting the 2019 rate include a net state and foreign tax provision, certain permanent items, and a change in the valuation allowance established for the net deferred tax asset balance projected for December 31, 2019. The significant items impacting the 2018 rate include a net state and foreign tax provision, 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 that had been projected for December 31, 2018. We recognize valuation allowances on deferred tax assets if, based on the weight of the evidence, we determine it is more likely than not that such assets will not be realized. Changes in valuation allowances are included in our tax provision 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-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. At March 31, 2019 and December 31, 2018, substantially all of our net deferred tax assets were subject to a valuation allowance.

Reporting Segment Results of Operations

We evaluate our operating performance using our YRC Freight and Regional Transportation 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, primarily through centralized management. This reporting segment includes YRC Freight, our LTL subsidiary, YRC Reimer, a subsidiary located in Canada that specializes in shipments into, across and out of Canada, and HNRY 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.

The Company uses key operating metrics to provide a comparison with industry peers. Two primary components include volume (commonly evaluated using tonnage, tonnage per day, total shipments, shipments per day or weight per shipment) and yield or price (commonly evaluated as picked up revenue, revenue per hundredweight, or revenue per shipment). With the enhanced focus of service and product expansion and the launch of HNRY Logistics in late 2018, our increase in shipments over 10,000 pounds is growing, impacting the year-over-year revenue per hundredweight metrics that we have historically presented for YRC Freight, which includes the results of operations for HNRY Logistics.

Therefore, the Company has updated its presentation of operating metrics to separately present LTL operating statistics, which represents shipments less than 10,000 pounds. Shipments greater than 10,000 pounds are primarily transported using third-party purchased transportation.

YRC Freight Results

YRC Freight represented 62.9% of consolidated operating revenue for the first quarter of 2019, as compared to 61.9% for the first quarter of 2018. The table below provides summary financial information for YRC Freight for the first quarter of 2019 and 2018:

	First Quarter		
(in millions)	**2019**	**2018**	**Percent Change**
Operating revenue	$ 743.8	$ 751.3	(1.0)%
Operating loss	(21.1)	(6.9)	NM*
Operating ratio[(a)]	102.8%	100.9%	(1.9) pp

(a) pp represents the change in percentage points
(*) not meaningful

First Quarter of 2019 Compared to the First Quarter of 2018

YRC Freight reported operating revenue of $743.8 million in the first quarter of 2019, a decrease of $7.5 million, or 1.0%, compared to the same period in 2018. The decrease in revenue is primarily attributed to a decrease in tonnage and fuel surcharge revenue due to severe winter weather, among other factors, partially offset by an improvement in base yield, excluding fuel surcharge. The table below summarizes the key revenue metrics for the YRC Freight reporting segment for the first quarter of 2019 compared to the first quarter of 2018:

	First Quarter		
	2019	2018	Percent Change[b]
Workdays	63.0	63.5	
LTL picked up revenue (in millions)	$ 688.3	$ 698.6	(1.5)%
LTL tonnage (in thousands)	1,155	1,236	(6.5)%
LTL tonnage per day (in thousands)	18.33	19.46	(5.8)%
LTL shipments (in thousands)	2,298	2,416	(4.9)%
LTL shipments per day (in thousands)	36.47	38.05	(4.1)%
LTL picked up revenue per hundred weight	$ 29.80	$ 28.27	5.4 %
LTL picked up revenue per hundred weight (excluding fuel surcharge)	$ 26.33	$ 24.90	5.8 %
LTL picked up revenue per shipment	$ 300	$ 289	3.6 %
LTL picked up revenue per shipment (excluding fuel surcharge)	$ 265	$ 255	3.9 %
LTL weight per shipment (in pounds)	1,005	1,023	(1.7)%
Total picked up revenue (in millions)[a]	$ 738.0	$ 747.5	(1.3)%
Total tonnage (in thousands)	1,442	1,499	(3.8)%
Total tonnage per day (in thousands)	22.90	23.60	(3.0)%
Total shipments (in thousands)	2,331	2,450	(4.9)%
Total shipments per day (in thousands)	37.01	38.59	(4.1)%
Total picked up revenue per hundred weight	$ 25.58	$ 24.94	2.6 %
Total picked up revenue per hundred weight (excluding fuel surcharge)	$ 22.66	$ 21.99	3.1 %
Total picked up revenue per shipment	$ 317	$ 305	3.8 %
Total picked up revenue per shipment (excluding fuel surcharge)	$ 280	$ 269	4.3 %
Total weight per shipment (in pounds)	1,237	1,223	1.2 %

	First Quarter	
(in millions)	**2019**	**2018**
[a] Reconciliation of operating revenue to total picked up revenue:		
Operating revenue	$ 743.8	$ 751.3
Change in revenue deferral and other	(5.8)	(3.8)
Total picked up revenue	$ 738.0	$ 747.5

(a) Does not equal financial statement revenue due to revenue recognition adjustments between accounting periods and the impact of other revenue

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

Operating loss for YRC Freight was $21.1 million in the first quarter of 2019 compared to operating loss of $6.9 million in the first quarter of 2018. Operating expenses increased $6.7 million, or 0.9%, primarily due to non-cash impairment charges, among other factors, which are more fully summarized below.

Salaries, wages and employee benefits. Salaries, wages and employee benefits decreased $1.9 million, or 0.4%, primarily due to a $5.9 million decrease in wage expense due to a decrease in tonnage that reduced the amount of hours needed to process freight, partially offset by a $4.4 million increase in employee benefit costs, which are primarily related to contractual rate increases for union employees.

Fuel, operating expenses and supplies. Fuel, operating expenses and supplies increased $2.2 million, or 1.6%, primarily due to a $7.8 million increase in other operating expenses as a result of vendor bankruptcy charges and settlement expenses, partially offset by a $3.2 million reduction in vehicle maintenance expense as a result of the acquisition of new equipment and a $2.9 million decrease in fuel expense, which was largely a result of fewer miles driven and improved fuel miles per gallon.

Purchased transportation. Purchased transportation decreased $4.0 million, or 3.4%, primarily due to a $10.2 million decrease in over-the-road purchased transportation expense due partially to reduced shipping volumes and a $2.5 million decrease from reduced usage of short-term equipment rentals. Purchased transportation expense also includes a $4.8 million increase in long-term equipment rentals in conjunction with the Company's leasing strategy to reinvest in its fleet and a $2.5 million increase in third-party costs for customer-specific logistics solutions.

Other operating expense. Other operating expense increased $2.4 million, or 6.7%, primarily due to a $3.7 million increase in third-party liability claims expense due to significant current year claims, partially offset by a $0.9 million decrease in cargo claims expense.

Losses on property disposals. Net losses on disposals of property were $1.1 million in the first quarter of 2019, compared to a $2.8 million loss in the first quarter of 2018, both due to losses on the disposal of revenue equipment.

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

Regional Transportation Results

Regional Transportation represented 37.1% of consolidated operating revenue for the first quarter of 2019, as compared to 38.1% for the first quarter of 2018. The table below provides summary financial information for Regional Transportation for the first quarter of 2019 and 2018:

	First Quarter		
(in millions)	**2019**	**2018**	**Percent Change**
Operating revenue	$ 438.6	$ 463.3	(5.3) %
Operating income (loss)	(7.0)	5.2	NM*
Operating ratio[(a)]	101.6%	98.9%	(2.7) pp

(a) pp represents the change in percentage points
(*) not meaningful

First Quarter of 2019 Compared to the First Quarter of 2018

Regional Transportation reported operating revenue of $438.6 million for the first quarter of 2019, a decrease of $24.7 million, or 5.3%, from the first quarter of 2018. The decrease in revenue is primarily attributed to a decrease in tonnage and fuel surcharge revenue due to severe winter weather, among other factors, 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 first quarter of 2019 compared to the first quarter of 2018:

	First Quarter		
	2019	2018	Percent Change[b]
Workdays	63.0	63.5	
LTL picked up revenue (in millions)	$ 404.8	$ 424.9	(4.7)%
LTL tonnage (in thousands)	1,388	1,512	(8.2)%
LTL tonnage per day (in thousands)	22.02	23.80	(7.5)%
LTL shipments (in thousands)	2,193	2,387	(8.1)%
LTL shipments per day (in thousands)	34.81	37.59	(7.4)%
LTL picked up revenue per hundred weight	$ 14.59	$ 14.06	3.8 %
LTL picked up revenue per hundred weight (excluding fuel surcharge)	$ 12.93	$ 12.41	4.2 %
LTL picked up revenue per shipment	$ 185	$ 178	3.7 %
LTL picked up revenue per shipment (excluding fuel surcharge)	$ 164	$ 157	4.1 %
LTL weight per shipment (in pounds)	1,265	1,266	(0.1)%
Total picked up revenue (in millions)[a]	$ 438.4	$ 464.0	(5.5)%
Total tonnage (in thousands)	1,726	1,914	(9.8)%
Total tonnage per day (in thousands)	27.39	30.14	(9.1)%
Total shipments (in thousands)	2,242	2,444	(8.3)%
Total shipments per day (in thousands)	35.58	38.49	(7.6)%
Total picked up revenue per hundred weight	$ 12.70	$ 12.12	4.8 %
Total picked up revenue per hundred weight (excluding fuel surcharge)	$ 11.26	$ 10.71	5.2 %
Total picked up revenue per shipment	$ 196	$ 190	3.0 %
Total picked up revenue per shipment (excluding fuel surcharge)	$ 173	$ 168	3.4 %
Total weight per shipment (in pounds)	1,540	1,566	(1.7)%

	First Quarter	
(in millions)	2019	2018
[a] Reconciliation of operating revenue to total picked up revenue:		
Operating revenue	$ 438.6	$ 463.3
Change in revenue deferral and other	(0.2)	0.7
Total picked up revenue	$ 438.4	$ 464.0

(a) Does not equal financial statement revenue due to revenue recognition adjustments between accounting periods
(b) Percent change based on unrounded figures and not the rounded figures presented

Operating loss for Regional Transportation was $7.0 million for the first quarter of 2019 compared to operating income of $5.2 million for the first quarter of 2018. Operating expenses decreased $12.5 million, or 2.7%, primarily due to decreased salaries, wages and employee benefits and purchased transportation expense.

Salaries, wages and employee benefits. Salaries, wages and employee benefits decreased $7.6 million, or 2.7%, primarily due to a $6.9 million decrease in wage expense due to a decrease in tonnage that reduced the amount of hours needed to process freight.

Fuel, operating expenses and supplies. Fuel, operating expenses and supplies increased $0.3 million, or 0.3%, primarily due to a $2.4 million increase in vehicle maintenance expense due to our aging fleet, partially offset by a $2.4 million decrease in fuel expense, which was largely driven by fewer miles driven.

Purchased transportation. Purchased transportation decreased $5.1 million, or 13.7%, primarily due to a $3.3 million decrease in local purchased transportation expense and a $1.8 million decrease in vehicle rent 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 loss to EBITDA and EBITDA to Adjusted EBITDA (defined in our Term Loan Agreement as "Consolidated EBITDA") for the first quarter of 2019 and 2018, and the trailing twelve months ended March 31, 2019 and 2018, is as follows:

	First Quarter		Trailing Twelve Months Ended	
(in millions)	**2019**	**2018**	**March 31, 2019**	**March 31, 2018**
Reconciliation of net loss to Adjusted EBITDA:				
Net loss	$ (49.1)	$ (14.6)	$ (14.3)	$ (0.1)
Interest expense, net	26.5	25.5	105.5	102.7
Income tax expense (benefit)	(9.7)	(12.9)	14.3	(16.1)
Depreciation and amortization	40.0	37.7	150.0	148.3
EBITDA	7.7	35.7	255.5	234.8
Adjustments for Term Loan Agreement:				
(Gains) losses on property disposals, net	1.6	3.2	(22.4)	(0.1)
Property gains on certain disposals[(a)]	—	—	29.7	—
Impairment charges	8.2	—	8.2	—
Letter of credit expense	1.6	1.7	6.5	6.8
Restructuring charges	—	0.6	1.7	1.5
Transaction costs related to issuances of debt	—	—	—	8.1
Nonrecurring consulting fees	2.4	1.5	8.6	1.5
Permitted dispositions and other	(1.1)	0.5	(1.3)	1.6
Equity-based compensation expense	2.3	1.6	7.0	6.7
Non-union pension settlement charge	—	—	10.9	7.6
Nonrecurring item (vendor bankruptcy)	3.7	—	8.0	—
Other, net[(b)]	3.7	0.9	9.5	8.2
Adjusted EBITDA	$ 30.1	$ 45.7	$ 321.9	$ 276.7

(a) Certain property gains are added back in the calculation of Adjusted EBITDA pursuant to the Term Loan Agreement which permits gains from the sale of excess property with continuing operations

(b) As required under our Term Loan Agreement, Other, net shown above consists of the impact of certain items to be included in Adjusted EBITDA

Segment Adjusted EBITDA

The following represents Adjusted EBITDA by segment for the first quarter of 2019 and 2018:

	First Quarter	
(in millions)	**2019**	**2018**
Adjusted EBITDA by segment:		
YRC Freight	$ 18.3	$ 22.1
Regional Transportation	11.3	22.6
Corporate and other	0.5	1.0
Adjusted EBITDA	$ 30.1	$ 45.7

The reconciliation of operating income (loss), by segment, to Adjusted EBITDA for the first quarter of 2019 and 2018, is as follows:

	First Quarter	
YRC Freight segment (in millions)	**2019**	**2018**
Reconciliation of operating loss to Adjusted EBITDA:		
Operating loss	$ (21.1)	$ (6.9)
Depreciation and amortization	22.9	21.6
Losses on property disposals, net	1.1	2.8
Impairment charges	8.2	—
Letter of credit expense	1.0	1.0
Restructuring charges	—	0.1
Non-union pension and postretirement benefits	(0.1)	0.6
Nonrecurring consulting fees	2.1	1.5
Nonrecurring item (vendor bankruptcy)	3.7	—
Other, net[(a)]	0.5	1.4
Adjusted EBITDA	$ 18.3	$ 22.1

	First Quarter	
Regional Transportation segment (in millions)	**2019**	**2018**
Reconciliation of operating income (loss) to Adjusted EBITDA:		
Operating income (loss)	$ (7.0)	$ 5.2
Depreciation and amortization	16.8	16.1
Losses on property disposals, net	0.5	0.4
Letter of credit expense	0.5	0.6
Nonrecurring consulting fees	0.3	—
Other, net[(a)]	0.2	0.3
Adjusted EBITDA	$ 11.3	$ 22.6

	First Quarter	
Corporate and other (in millions)	**2019**	**2018**
Reconciliation of operating loss to Adjusted EBITDA[(a)]:		
Operating loss	$ (3.6)	$ (2.6)
Depreciation and amortization	0.3	—
Letter of credit expense	0.1	0.1
Restructuring charges	—	0.5
Permitted dispositions and other	(1.1)	0.5
Non-union pension and postretirement benefits	(0.2)	(0.1)
Equity-based compensation expense	2.3	1.6
Other, net[(a)]	2.7	1.0
Adjusted EBITDA	$ 0.5	$ 1.0

(a) As required under our Term Loan Agreement, Other, net shown above consists of the impact of certain items to be included in Adjusted EBITDA.

Liquidity and Capital Resources

Our principal sources of liquidity are cash and cash equivalents, available borrowings under our asset-based loan facility and any prospective net cash flow from operations. As of March 31, 2019, our maximum availability under our ABL Facility was $48.1 million. Our Managed Accessibility was $9.1 million, which represents the maximum amount we would access on the ABL Facility and is adjusted for eligible receivables plus eligible borrowing base cash measured at March 31, 2019.

For the March 31, 2019 borrowing base certificate, which was filed in April of 2019, we reduced restricted cash $20.0 million by transferring the funds to our operating cash accounts. Our cash and cash equivalents and Managed Accessibility were $155.7 million. For the December 31, 2018 borrowing base certificate, which was filed in January of 2019, we transferred $25.0 million of cash into restricted cash to maintain the 10% threshold, as permitted under the ABL Facility, which transfer effectively put our cash and cash equivalents and Managed Accessibility to $203.8 million.

The table below summarizes cash and cash equivalents and Managed Accessibility as of March 31, 2019 and December 31, 2018:

(in millions)	March 31, 2019	December 31, 2018
Cash and cash equivalents	$ 126.6	$ 227.6
Changes to restricted cash	20.0	(25.0)
Managed Accessibility	9.1	1.2
Total cash and cash equivalents and Managed Accessibility	$ 155.7	$ 203.8

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

As of March 31, 2019, we had $884.5 million in aggregate par value of outstanding indebtedness, the majority of which matures in 3-5 years. We also have future funding obligations for our various multi-employer pension funds and single-employer pension plans. We expect our funding obligations for the remainder of 2019 for our multi-employer pension funds and single-employer pension plans will be $97.9 million and $7.9 million, respectively. In addition, we have, and will continue to have, operating lease obligations. As of March 31, 2019, our operating lease payment obligations through 2030 totaled $419.1 million and are expected to increase as we lease additional revenue equipment. For the first quarter of 2019, we entered into new operating leases for revenue equipment totaling $19.3 million in future lease payments, payable over an average lease term of five years.

Our capital expenditures for the first quarter of 2019 and 2018 were $32.6 million and $23.5 million, respectively. These amounts were principally used to fund the purchase of used tractors and trailers, for capitalized costs to improve our technology infrastructure and to refurbish engines for our revenue fleet. For the quarter ended March 31, 2019 we entered into new operating lease commitment for revenue equipment with a capital equivalent value of $25.3 million.

As of March 31, 2019, our Standard & Poor’s Corporate Family Rating was “B-” with a stable outlook and Moody’s Investor Service Corporate Family Rating was “B3” with a positive outlook.

Credit Facility Covenants

Our Term Loan Agreement has certain financial covenants that, among other things, restrict certain capital expenditures and require us to not exceed a maximum total leverage ratio (defined as Consolidated Total Debt divided by Consolidated Adjusted EBITDA). These covenants are more fully described in the “Debt and Financing” footnote to the consolidated financial statements. At March 31, 2019, we were in compliance with all such covenants.

We believe that our results of operations will be sufficient to allow us to comply with the covenants in the Term Loan Agreement, fund our operations, increase working capital as necessary to support our planned revenue growth and fund capital expenditures for at least the next twelve months. Our ability to satisfy our liquidity needs and meet future stepped-up covenants beyond the next twelve months is dependent upon our ability to achieve operating results consistent with levels achieved during 2018. Maintaining results will depend on a number of factors including our ability to successfully implement the provisions of the new labor agreement with our union employees. The union employees approved the New NMFA and all but one supplemental agreement on May 3, 2019. In accordance with the IBT’s ratification procedures, the approved labor agreement will not take effect until the remaining issues pertaining to the one supplemental agreement are resolved. Once effective, the approved labor agreement is set to expire on March 31, 2024.

Cash Flows

Operating Cash Flow

Cash used in operating activities was $41.7 million during the first quarter of 2019, compared to $3.7 million during the first quarter of 2018. The increase in cash used was primarily attributable to a $34.5 million increase in net loss, and the remaining difference is primarily related to timing differences in working capital accounts. We segregated non-cash expenses associated with ROU assets and lease liabilities from the payments that are recorded to lease liabilities, which are presented in the change in other operating liabilities.

Investing Cash Flow

Cash used in investing activities was $31.8 million during the first quarter of 2019 compared to $20.5 million during the first quarter of 2018, an increase of $7.9 million largely driven by higher revenue equipment acquisitions and lower cash proceeds from the sale of real property.

Financing Cash Flow

Cash used in financing activities for the first quarter of 2019 and 2018 was $2.5 million and $8.4 million, respectively, which consist primarily of repayments on our long-term debt.

Contractual Obligations and Other Commercial Commitments

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

Contractual Cash Obligations

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

	Payments Due by Period				
(in millions)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
ABL Facility[(a)]	$ 17.2	$ 6.9	$ 10.3	$ —	$ —
Term Loan[(b)]	780.4	83.2	159.2	538.0	—
Lease financing obligations[(c)]	340.1	40.1	71.3	69.7	159.0
Pension deferral obligations[(d)]	95.2	7.4	14.2	73.6	—
Workers' compensation, property damage and liability claims obligations[(e)]	359.5	102.1	115.4	50.0	92.0
Operating leases[(f)]	419.1	139.1	208.7	57.9	13.4
Other contractual obligations[(g)]	28.1	24.0	3.7	0.4	—
Capital expenditures and other [(h)]	34.7	34.7	—	—	—
Total contractual obligations	$ 2,074.3	$ 437.5	$ 582.8	$ 789.6	$ 264.4

(a) The ABL Facility includes future payments for the letter of credit 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 unamortized discounts.
(c) The lease financing obligations include interest payments of $307.5 million and principal payments of $32.6 million. The remaining principal obligation is offset by the estimated book value of leased property at the expiration date of each lease agreement.
(d) Pension deferral obligations includes principal and interest payments on the Second A&R CDA.
(e) The workers' compensation, property damage and 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 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 and other obligations primarily includes noncancelable orders for revenue equipment the Company will either purchase or lease. If leased, 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.

	Amount of Commitment Expiration Per Period				
(in millions)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
ABL Facility availability [(a)]	$ 48.1	$ —	$ 48.1	$ —	$ —
Letters of credit[(b)]	341.5	—	341.5	—	—
Surety bonds[(c)]	123.9	122.1	1.8	—	—
Total commercial commitments	$ 513.5	$ 122.1	$ 391.4	$ —	$ —

(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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are primarily exposed to the market risk associated with unfavorable movements in interest rates, foreign currencies, and fuel price volatility. The risk inherent in our market risk-sensitive instruments and positions is the potential loss or increased expense arising from adverse changes in those factors. There have been no material changes to our market risk policies or our market risk-sensitive instruments and positions as described in our annual report on Form 10-K for the year ended December 31, 2018.

Item 4. 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 March 31, 2019 and have concluded that our disclosure controls and procedures were effective as of March 31, 2019.

We implemented ASC 842, *Leases*, on January 1, 2019 and the Company implemented internal controls related to lease balances and disclosures on its consolidated financial statements.

There were no other changes in our internal control over financial reporting that occurred during the fiscal quarter ended March 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We discuss legal proceedings in the "Commitments, Contingencies and Uncertainties" note to our consolidated financial statements included with this quarterly report on Form 10-Q, and that discussion is incorporated by reference herein.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed below and as discussed in Part I, Item IA. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018, which could materially affect our business, financial condition or future results. The risks described below and in our Annual Report on Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may eventually prove to materially adversely affect our business, financial condition and/or operating results.

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 have employees who are represented by the IBT. These employees represent the majority of our workforce at March 31, 2019. Salaries, wages and employee benefits 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 national master freight agreement with the IBT, as supplemented by additional regional supplements and local agreements. A significant majority of these were to expire on March 31, 2019, but were extended to May 31, 2019 to allow for the ratification of the tentative agreement reached with the negotiating arm of the IBT on March 21, 2019. On May 3, 2019, YRC Worldwide was notified that the union employees for these three operating companies ratified a new national master freight agreement. However, on the same date, the applicable union employees declined to ratify one of the twenty-seven supplemental agreements to the New NMFA. The supplemental agreement, which applies to 147 union employees, covers localized operational and work rule-type items, and does not supersede the New NMFA and its terms. The approved New NMFA and supplemental agreements will not take effect until issues pertaining to that supplemental agreement are resolved, and thus, the anticipated benefits to both the Company and the employees under the NMFA will not take effect until that time. There is no guarantee that the remaining unratified supplemental agreement will be resolved by May 31, 2019. In that case, we could seek a further extension of the current collective bargaining agreement with the negotiating arm of the IBT if we believe that such an extension is in the best interest of the Company.

The IBT also represents a number of employees at Reddaway and YRC Reimer 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 these business units. 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.

Item 6. Exhibits

10.1*	Extension Agreement, dated March 21, 2019 between YRC Inc., USF Holland LLC, and New Penn Motor Express LLC and Teamsters National Freight Industry Negotiating Committee
10.2*	Form of Restricted Stock Agreement under YRC Worldwide Inc. 2019 Incentive and Equity Award Plan for 2019 CEO Grant
31.1*	Certification of Darren D. Hawkins filed pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Stephanie D. Fisher filed pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Darren D. Hawkins furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Stephanie D. Fisher furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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.

SIGNATURES

Pursuant to the requirements 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: May 8, 2019	/s/ Darren D. Hawkins
	Darren D. Hawkins
	Chief Executive Officer
Date: May 8, 2019	/s/ Stephanie D. Fisher
	Stephanie D. Fisher
	Chief Financial Officer

EXHIBIT 10.1

EXTENSION AGREEMENT

The Teamsters National Freight Industry Negotiation Committee on behalf of itself and those local unions covered by the NMFA (as amended by the MOUs) and YRC Freight, New Penn and Holland agree to extend the current multiemployer contract which is currently set to expire on March 31, 2019 for a brief period of time through and including May 31, 2019, in order to allow the parties to finalize a new tentative agreement and conduct the ratification process. Any economic improvements for the employees shall be retroactive to April 1, 2019 unless expressly agreed to otherwise.

/s/ Mitchell Lilly 3/21/19	/s/ Ernie Soehl 3/21/19
FOR THE COMPANIES	FOR TNFINC

EXHIBIT 10.2

YRC WORLDWIDE INC.
RESTRICTED STOCK AGREEMENT

Participant:	Darren Hawkins
Date of Grant:	[______]
Number of Shares of Restricted Stock:	[______] shares of YRC Worldwide Inc. common stock
Vesting Schedule:	;

Grant of Restricted Stock

The above-named Participant is hereby granted the above number of shares of YRC Worldwide Inc. $0.01 par value per share common stock in accordance with the Vesting Schedule described above, subject to approval of the Company's stockholders at the Company's 2019 Annual Stockholders Meeting and the other terms and conditions described in this Restricted Stock Agreement (this "Agreement") and the YRC Worldwide Inc. 2019 Incentive and Equity Award Plan or any successor thereto (the "Plan").

By your acceptance of the Restricted Stock set forth in this Agreement, you agree that the Restricted Stock is granted under and governed by the terms of the Plan, this Agreement, and the Terms and Conditions of Restricted Stock Agreements for Employees attached to this Agreement. You further acknowledge and agree that (i) you have received, reviewed and understand the Plan, including the provisions that the Compensation Committee's decision on any matter arising under the Plan is conclusive and binding, and (ii) this Agreement amends and supersedes any other agreement or statement, oral or written, in its entirety regarding the vesting or holding period of the Restricted Stock.

YRC Worldwide Inc.	Acceptance of Participant
By ________	__________
Title ________	Print __________

You agree that your acceptance of this Agreement may be evidenced either by your signature above or by your electronic acceptance through the award administrator's website (as of the date of grant, the administrator is Fidelity).

YRC WORLDWIDE INC.
TERMS AND CONDITIONS
RESTRICTED STOCK AGREEMENTS FOR EMPLOYEES

These Terms and Conditions are applicable to the Agreement (the "Restricted Stock") granted to Employees pursuant to the YRC Worldwide Inc. 2019 Incentive and Equity Award Plan or any successor thereto (the "Plan").

1. **Acceleration of Vesting**. Notwithstanding the provisions of the vesting schedules provided in the Participant's Agreement, the Restricted Stock shall vest and be paid as provided in this Section 1 upon the following circumstances:

1.1 **Death or Permanent and Total Disability**. If the Participant dies or is deemed to be "permanently and totally disabled" (as defined herein) while in the employ of the Company or an Affiliate and before the Restricted Stock is vested pursuant to the Vesting Schedule, the Restricted Stock shall become fully vested and all transfer restrictions thereon shall lapse. For purposes of this Section, the Participant shall be considered "permanently and totally disabled" if the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months or is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Participant's employer. The existence of a permanent and total disability shall be evidenced by such medical certification as the Secretary of the Company shall require and as the Committee approves.

1.2 **Change of Control of the Company**. If, within twelve (12) months following a Change in Control of the Company, the Participant has a Qualifying Termination, all shares of Restricted Stock subject to this Agreement shall become fully vested and all transfer restrictions thereon shall lapse.

1.3 **Prohibited Activities**. Notwithstanding any other provision of these Terms and Conditions or the Participant's Agreement, if the Participant breaches the Company's Code of Conduct (as amended from time to time), then the Participant shall forfeit the right to any further vesting of the Participant's Restricted Stock and the Agreement shall immediately thereupon wholly and completely terminate.

2. **Lapse of Rights upon Termination of Employment.**

2.1 **Termination of Employment Before Stock Price Goal is Achieved**. Except as provided in Section 1 above or any employment-related agreement, if the Participant's employment with the Company or an Affiliate is terminated for any reason before the Stock Price Goal is achieved, the Participant shall forfeit all shares of Restricted Stock subject to this Agreement. The Company may, in its sole discretion, which need not be reasonably exercised, determine to vest all or a portion of non-vested Restricted Stock of the terminating Participant on the date of termination.

2.2 **Qualifying Termination After Stock Price Goal is Achieved**. If a Participant has a Qualifying Termination after the Stock Price Goal is achieved, but before the Service Goal is achieved, the shares of Restricted Stock shall vest on a 1/365th pro-rata basis depending on the number of days the Participant is employed by the Company or an Affiliate after the Stock Price Goal is achieved.

2.3 **Qualifying Termination Defined**. For purposes of this Agreement, "Qualifying Termination" means a termination of the Participant's employment by the Company or an Affiliate without "Cause" or a termination of the Participant's employment by the Participant for Good Reason.

2.3.1 "Cause," means (i) the Participant's willful misconduct or gross negligence in the performance of the Participant's duties to the Company; (ii) the Participant's continued refusal to substantially perform the Participant's material duties to the Company or to follow the lawful directives of the Company's Board of Directors (other than as a result of death or physical or mental incapacity) that continues after written notice from the Company; (iii) the Participant's indictment for, conviction of, or pleading of guilty or nolo contendere to, a felony or any crime involving moral turpitude; (iv) the Participant's performance of any material act of theft, embezzlement, fraud, malfeasance, dishonesty or misappropriation of the Company's property; or (v) material breach of this Agreement or any other agreement with the Company, or a material violation of the Company's code of conduct or other written policy that is not cured within ten (10) days of notice from the Company.

2.3.2 "Good Reason" means the occurrence of any of the following events: (i) reduction in Participant's base salary or target bonus, (ii) any material diminution in Participant's titles, duties or responsibilities or the assignment to him of duties or responsibilities that materially impairs his ability to perform the duties or responsibilities then assigned to the Participant or normally assigned to someone in the Participant's role of an enterprise of the size and structure of the Company, (iii) the assignment of duties to the Participant that are materially inconsistent with the Participant's position with the Company, or (iv) a material breach of this Agreement or any other material, written agreement with Participant. For purposes of this Agreement, Participant shall have Good Reason to terminate employment if, within thirty (30) days after Participant knows (or has reason to know) of the occurrence of any of the events described above, Participant provides written notice requesting cure to the Board of such events, and the Board fails to cure, if curable, such events within thirty (30) days following receipt of such notice, and the Participant actually terminates employment within ninety (90) days following the expiration of such cure period.

3. **Transfers of Employment; Authorized Leave.**

3.1 **Transfers of Employment**. Transfers of employment between the Company and an Affiliate, or between Affiliates, shall not constitute a termination of employment for purposes of the Agreement.

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

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

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

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

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

8. **Definitions.** Unless redefined herein, all terms defined in the Plan have the same meaning when used as capitalized terms in these Terms and Conditions.

9. **Compliance with Regulatory Requirements.** Notwithstanding anything else in the Plan, the Restricted Stock received on the date of grant may not be sold, pledged or hypothecated unless the Company is in compliance with all regulatory requirements regarding registration of the Restricted Stock or common stock to be issued under the terms of the Plan.

10. **Stock Certificates.** The Committee may also cause any certificates representing shares of Restricted Stock to be imprinted with any legend which counsel for the Company considers advisable with respect to the restrictions or, if the shares of Restricted Stock are represented by book or electronic entry rather than a certificate, the Company may take such steps to restrict transfer of the shares of Restricted Stock as counsel for the Company considers necessary or advisable.

11. **No Deferred Compensation.** The Restricted Stock under the Agreement is intended to be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the Restricted Stock Agreement shall be administered, construed and interpreted in accordance with such intent.

12. **Forfeiture.** If the Company does not achieve the Stock Price Goal on or before December 31, 2020, all shares hereunder shall be forfeited on January 1, 2021. Notwithstanding the foregoing, if there is a Change of Control of the Company on or before December 31, 2020, no shares hereunder shall be forfeited, irrespective of failure to achieve the Stock Price Goal, until one day after the twelve (12)-month anniversary of the Change of Control.

EXHIBIT 31.1

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

I, Darren D. Hawkins, certify that:

(1) I have reviewed this quarterly report on Form 10-Q 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: May 8, 2019

/s/ Darren D. Hawkins

Darren D. Hawkins
Chief Executive Officer

EXHIBIT 31.2

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

I, Stephanie D. Fisher, certify that:

(1) I have reviewed this quarterly report on Form 10-Q 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: May 8, 2019

/s/ Stephanie D. Fisher

Stephanie D. Fisher
Chief Financial Officer

EXHIBIT 32.1

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

In connection with the quarterly report of YRC Worldwide Inc. on Form 10-Q for the period ended March 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: May 8, 2019	/s/ Darren D. Hawkins
	Darren D. Hawkins
	Chief Executive Officer

EXHIBIT 32.2

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

In connection with the quarterly report of YRC Worldwide Inc. on Form 10-Q for the period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephanie D. Fisher, 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: May 8, 2019

/s/ Stephanie D. Fisher

Stephanie D. Fisher
Chief Financial Officer