

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

FORM 10-Q

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

For the quarterly period ended March 31, 2018

OR

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

For the transition period from _____ to _____

Commission file number: 0-12255

YRC Worldwide Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

10990 Roe Avenue, Overland Park, Kansas

(Address of principal executive offices)

48-0948788

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

66211

(Zip Code)

(913) 696-6100

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

Yes No

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

Class
Common Stock, \$0.01 par value per share

Outstanding at April 27, 2018
33,955,910 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, 2018	December 31, 2017
	(Unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 104.0	\$ 91.6
Restricted amounts held in escrow	9.1	54.1
Accounts receivable, net	529.1	488.3
Prepaid expenses and other	101.8	66.1
Total current assets	744.0	700.1
Property and Equipment:		
Cost	2,751.0	2,770.2
Less – accumulated depreciation	(1,958.4)	(1,957.5)
Net property and equipment	792.6	812.7
Intangibles, net	27.0	27.8
Other assets	45.1	44.9
Total Assets	\$ 1,608.7	\$ 1,585.5
Liabilities and Shareholders' Deficit		
Current Liabilities:		
Accounts payable	\$ 180.3	\$ 172.0
Wages, vacations and employee benefits	198.4	182.3
Claims and insurance accruals	115.5	115.1
Other accrued taxes	29.0	23.6
Other current and accrued liabilities	31.1	20.6
Current maturities of long-term debt	29.3	30.6
Total current liabilities	583.6	544.2
Other Liabilities:		
Long-term debt, less current portion	870.7	875.5
Deferred income taxes, net	3.1	3.1
Pension and postretirement	231.8	235.4
Claims and other liabilities	285.4	280.8
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	2,323.5	2,323.3
Accumulated deficit	(2,243.2)	(2,228.6)
Accumulated other comprehensive loss	(353.8)	(355.8)
Treasury stock, at cost (410 shares)	(92.7)	(92.7)
Total shareholders' deficit	(365.9)	(353.5)
Total Liabilities and Shareholders' Deficit	\$ 1,608.7	\$ 1,585.5

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	
	2018	2017
Operating Revenue	\$ 1,214.5	\$ 1,170.6
Operating Expenses:		
Salaries, wages and employee benefits	729.7	718.4
Fuel, operating expenses and supplies	230.2	216.3
Purchased transportation	155.4	134.5
Depreciation and amortization	37.7	37.1
Other operating expenses	62.6	61.3
Losses on property disposals, net	3.2	2.7
Total operating expenses	1,218.8	1,170.3
Operating Income (Loss)	(4.3)	0.3
Nonoperating Expenses:		
Interest expense	25.6	25.4
Non-union pension and postretirement benefits	(0.5)	3.3
Other, net	(1.9)	1.0
Nonoperating expenses, net	23.2	29.7
Loss before income taxes	(27.5)	(29.4)
Income tax benefit	(12.9)	(4.1)
Net Loss	(14.6)	(25.3)
Other comprehensive income, net of tax	2.0	4.4
Comprehensive Loss	\$ (12.6)	\$ (20.9)
Average Common Shares Outstanding – Basic	32,821	32,568
Average Common Shares Outstanding – Diluted	32,821	32,568
Loss Per Share – Basic	\$ (0.44)	\$ (0.78)
Loss Per Share – Diluted	\$ (0.44)	\$ (0.78)

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)

	2018	2017
Operating Activities:		
Net loss	\$ (14.6)	\$ (25.3)
Noncash items included in net loss:		
Depreciation and amortization	37.7	37.1
Noncash equity-based compensation and employee benefits expense	5.3	5.3
Losses on property disposals, net	3.2	2.7
Other noncash items, net	0.4	2.9
Changes in assets and liabilities, net:		
Accounts receivable	(41.3)	(45.0)
Accounts payable	1.9	(9.2)
Other operating assets	(29.4)	(8.0)
Other operating liabilities	33.1	15.9
Net cash used in operating activities	(3.7)	(23.6)
Investing Activities:		
Acquisition of property and equipment	(23.5)	(16.3)
Proceeds from disposal of property and equipment	3.0	1.5
Net cash used in investing activities	(20.5)	(14.8)
Financing Activities:		
Repayments of long-term debt	(7.0)	(5.4)
Debt issuance costs	—	(3.2)
Payments for tax withheld on equity-based compensation	(1.4)	(2.3)
Net cash used in financing activities	(8.4)	(10.9)
Net Decrease In Cash, Cash Equivalents and Restricted Amounts Held in Escrow	(32.6)	(49.3)
Cash, Cash Equivalents and Restricted Amounts Held in Escrow, Beginning of Period	145.7	275.7
Cash, Cash Equivalents and Restricted Amounts Held in Escrow, End of Period	\$ 113.1	\$ 226.4
Supplemental Cash Flow Information:		
Interest paid	\$ (14.9)	\$ (30.4)
Income tax refund (payment), net	(1.7)	4.4

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, 2018
(Amounts in millions)
(Unaudited)

Preferred Stock:	
Beginning and ending balance	\$ —
Common Stock:	
Beginning and ending balance	\$ 0.3
Capital Surplus:	
Beginning balance	\$ 2,323.3
Equity-based compensation	0.2
Ending balance	\$ 2,323.5
Accumulated Deficit:	
Beginning balance	\$ (2,228.6)
Net loss	(14.6)
Ending balance	\$ (2,243.2)
Accumulated Other Comprehensive Loss:	
Beginning balance	\$ (355.8)
Reclassification of prior net pension actuarial losses, net of tax	3.8
Reclassification of prior service credit, net of tax	(0.1)
Foreign currency translation adjustments	(1.7)
Ending balance	\$ (353.8)
Treasury Stock, At Cost:	
Beginning and ending balance	\$ (92.7)
Total Shareholders' Deficit	\$ (365.9)

The accompanying notes are an integral part of these statements.

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

Certain of these Notes to Consolidated Financial Statements contain forward-looking statements, as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Cautionary Note Regarding Forward-Looking Statements.”

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 wholly owned operating subsidiaries, offers its customers a wide range of transportation services. YRC Worldwide has 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, and Reimer Express Lines Ltd. (“YRC Reimer”). YRC Reimer is a subsidiary located in Canada that specializes in shipments into, across and out of Canada. 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, 2018, approximately 79% of our labor force is subject to collective bargaining agreements, which predominantly expire in March 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, 2017.

Certain reclassifications have been made to prior year’s consolidated financial statements to conform to current year presentation. Total net periodic pension cost associated with the Company’s non-union defined benefit plans that was previously reported in operating expenses in the income statement is now reported in nonoperating expenses due to the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, discussed further below. This resulted in a \$3.3 million reclass from “Salaries, wages and employee benefits” in operating expenses to “Non-union pension and postretirement benefits” in nonoperating expenses for the three months ended March 31, 2017. In addition, due to the adoption of ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, cash paid to a taxing authority when shares are

withheld to satisfy the employer's statutory income tax withholding obligation are required to be classified as a financing activity. This resulted in a \$2.3 million reclass in the three months ended March 31, 2017 from "Change in other operating liabilities" in operating cash flows to "Payments for tax withheld on equity-based compensation" in financing cash flows in the statement of consolidated cash flows.

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, 2018:

(in millions)	Total Carrying Value	Fair Value Measurement Hierarchy		
		Quoted prices in active market (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Restricted amounts held in escrow-current	\$ 9.1	\$ 9.1	\$ —	\$ —
Total assets at fair value	\$ 9.1	\$ 9.1	\$ —	\$ —

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.

Reclassifications Out of Accumulated Other Comprehensive Loss

For the three months ended March 31, 2018 and 2017, we reclassified the amortization of our prior net pension losses and prior net service credit, net of tax, totaling \$3.7 million and \$3.9 million, respectively, from accumulated other comprehensive loss to net loss. This reclassification is a component of net periodic pension cost and is discussed in the "Employee Benefits" footnote to the consolidated financial statements.

Revenue Recognition and Revenue-Related Reserves

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

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

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

For shipments in transit, we record revenue based on the percentage of service completed as of the period end and accrue delivery costs as incurred. The percentage of service completed for each shipment is based on how far along in the shipment cycle each shipment is in relation to standard transit days. Standard transit days are defined as our published service days between origin zip code and destination zip code. The total revenue earned is accumulated for all shipments in transit at a particular period end and recorded as operating revenue.

Given the nature of our transportation services, future adjustments may arise which creates variability when establishing the transaction price used to recognize revenue. We have a high volume of performance obligations with similar characteristics, therefore we primarily use historical trends to arrive at estimated reserves. For rerate reserves, which are common for LTL carriers, we assign pricing to bills of lading at the time of shipment based primarily on the weight, general classification of the product, the shipping destination and individual customer discounts. This process is referred to as rating. At various points throughout our process, incorrect ratings could be identified based on many factors, including weight and commodity verifications. Although the majority of rerating occurs in the same month as the original rating, a portion occurs during the following periods. For the reserve for uncollectible accounts, we primarily use historical write-off experience but may also consider customer-specific factors, overall collection trends and economic conditions as part of our ongoing monitoring of credit.

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. No other criteria listed in the guidance or through our review process was considered to be meaningful for financial statement users. As such, we conclude that no further disaggregation of revenues is necessary. Refer to the “Business Segments” footnote to the consolidated financial statements for more details.

Newly Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. The new standard became effective for the Company for its annual reporting period beginning January 1, 2018, recognizing the cumulative effect using a modified retrospective approach. There was no cumulative effect adjustment recorded. The Company has completed the implementation including the impacts of new expanded disclosure requirements and the impacts on the Company’s internal control over financial reporting and has included updates to our disclosures herein.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows*, to clarify the guidance on how companies present restricted cash and restricted cash equivalents in the statement of cash flows. As a result, the Company will no longer present transfers between cash and cash equivalents and restricted cash in the statement of cash flows. The new standard became effective for the Company for its annual reporting period beginning January 1, 2018, and was adopted using a retrospective transition approach. The statement of consolidated cash flows has been updated to reflect the presentation of beginning and ending cash to include “Cash and cash equivalents” as well as “Restricted amounts held in escrow” and will remove from investing activities the changes in restricted escrows.

In March 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires companies to present the service cost component of net benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. All other components of net benefit cost are presented outside of any subtotal for operating income, if one is presented. The new standard was effective and implemented for the Company for its annual reporting period beginning January 1, 2018, including interim periods within that reporting period with retrospective application. For the three months ended March 31, 2017, \$3.3 million was reclassified to “Non-union pension and postretirement benefits” in nonoperating expenses from “Salaries, wages and employee benefits” in operating expenses.

Impact of Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to recognize a right-to-use asset and a lease obligation for all leases. Lessees are permitted to make an accounting policy election to not recognize an asset and liability for leases with a term of twelve months or less. Additional qualitative and quantitative disclosures, including significant judgments made by management, will be required. The new standard will become effective for the Company for its annual reporting period beginning January 1, 2019, including interim periods within that reporting period and the Company will adopt the standard using a modified retrospective approach with the effective date of the standard as the date of initial application. Using a cross functional team, the Company has identified a software solution to measure and record right-of-use asset and liability balances and has entered a majority of the existing leases into the solution. The Company will continue to evaluate contractual lease obligations and refine our understanding of the accounting impacts and the necessary updates to our internal controls over financial reporting from the adoption of the new standard. The adoption of this standard will have a material impact on the consolidated financial statements with respect to the right-of-use asset and liabilities. The income statement impact continues to be evaluated.

In February 2018, the FASB issued ASU 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, in response to the Tax Cuts and Jobs Act of 2017 (the “Tax Act”), to provide the option to reclassify certain tax effects out of other comprehensive income and to retained earnings. The Company elected not to apply this reclassification option as it will not have a material impact on the consolidated financial statements.

3. Debt and Financing

Our outstanding debt as of March 31, 2018 consisted of the following:

As of March 31, 2018 (in millions)	Par Value	Discount	Debt Issuance Costs	Book Value	Stated Interest Rate	Average Effective Interest Rate
Term Loan	\$ 591.0	\$ (9.7)	\$ (7.8)	\$ 573.5	10.3% ^(a)	10.7%
ABL Facility	—	—	—	—	N/A	N/A
Secured Second A&R CDA	26.9	—	(0.1)	26.8	6.3-18.3%	7.8%
Unsecured Second A&R CDA	48.2	—	(0.3)	47.9	6.3-18.3%	7.8%
Lease financing obligations	252.6	—	(0.8)	251.8	9.0-18.2%	12.1%
Total debt	\$ 918.7	\$ (9.7)	\$ (9.0)	\$ 900.0		
Current maturities of Term Loan	(18.0)	—	—	(18.0)		
Current maturities of lease financing obligations	(9.8)	—	—	(9.8)		
Current maturities of Unsecured Second A&R CDA	\$ (1.5)	\$ —	\$ —	\$ (1.5)		
Long-term debt	\$ 889.4	\$ (9.7)	\$ (9.0)	\$ 870.7		

(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, 2018, our availability under our ABL Facility was \$53.9 million, which 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 \$353.2 million of outstanding letters of credit. Our Managed Accessibility was \$13.2 million, which is the measure of availability management uses based on the ABL requirement to maintain availability in an amount at least equal to or above 10% of the collateral line cap. Our cash and cash equivalents and Managed Accessibility were \$117.2 million as of March 31, 2018.

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, 2018	3.50 to 1.00	December 31, 2019	3.00 to 1.00
June 30, 2018	3.50 to 1.00	March 31, 2020	3.00 to 1.00
September 30, 2018	3.50 to 1.00	June 30, 2020	3.00 to 1.00
December 31, 2018	3.50 to 1.00	September 30, 2020	2.75 to 1.00
March 31, 2019	3.25 to 1.00	December 31, 2020	2.75 to 1.00
June 30, 2019	3.25 to 1.00	March 31, 2021	2.75 to 1.00
September 30, 2019	3.25 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 property disposals, restructuring charges and other transaction costs related to issuances of debt, non-recurring consulting fees, expenses associated with certain lump sum payments to our union employees and the gains or losses from permitted dispositions and discontinued operations. Consolidated Total Debt, as defined

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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, 2018 was 3.32 to 1.00.

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 that reflect improvement over our 2017 results. Means for improving our profitability may include streamlining our support structure and networks, as well as ongoing successful implementation and realization of pricing, productivity and efficiency initiatives, in addition to increased volume and capital expenditures, some of which are outside of our control.

Fair Value Measurement

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

(in millions)	March 31, 2018		December 31, 2017	
	Book Value	Fair value	Book Value	Fair value
Term Loan	\$ 573.5	\$ 599.1	\$ 576.8	\$ 596.9
Lease financing obligations	251.8	254.2	254.6	257.7
Second A&R CDA	74.7	76.2	74.7	75.3
Total debt	\$ 900.0	\$ 929.5	\$ 906.1	\$ 929.9

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. 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:

(in millions)	Three Months	
	2018	2017
Service cost	\$ 0.1	\$ 1.3
Interest cost	10.9	12.8
Expected return on plan assets	(15.1)	(14.8)
Amortization of prior service credit	(0.1)	—
Amortization of prior net pension loss	3.7	3.9
Total net periodic pension cost	\$ (0.5)	\$ 3.2

We expect to contribute \$15.4 million to our Company-sponsored pension plans in 2018 of which we have contributed \$0.3 million through March 31, 2018.

5. Income Taxes

Our effective tax rate for the three months ended March 31, 2018 was 46.9%, compared to 13.9% for the three months ended March 31, 2017. 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 projected for December 31, 2018. The significant items impacting the 2017 rates include a provision for federal alternative minimum tax, 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 that had been projected for December 31, 2017. 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-back and carry-forward periods, reversals of existing deferred tax liabilities and tax planning strategies that potentially enhance the likelihood of the realization of a deferred tax asset. At March 31, 2018 and December 31, 2017, substantially all of our net deferred tax assets were subject to a valuation allowance.

As indicated in the Company's 2017 Form 10-K, certain tax accounting items impacted by the Tax Act were considered provisional due to limited availability of official guidance. No items considered provisional in the 2017 Form 10-K have been finalized as of the quarter ending March 31, 2018.

6. Loss Per Share

Given our net loss position for each of the three months ended March 31, 2018 and March 31, 2017, we do not report dilutive securities for these periods. At March 31, 2018 and 2017, our anti-dilutive unvested shares, options, and stock units are approximately 45,000 and 100,000, respectively.

7. 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. Corporate and other operating losses represent residual operating expenses of the holding company. Corporate identifiable assets primarily consist of cash and cash equivalents and restricted amounts held in escrow, which are more than offset by eliminations with the two business segments. Intersegment revenue primarily relates to transportation services provided between our segments.

As noted in the "Principles of Consolidation" footnote to the consolidated financial statements, 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.

The following table summarizes our operations by business segment:

(in millions)	YRC Freight	Regional Transportation	Corporate/ Eliminations	Consolidated
As of March 31, 2018				
Identifiable assets	\$ 993.8	\$ 628.6	\$ (13.7)	\$ 1,608.7
As of December 31, 2017				
Identifiable assets	\$ 1,042.1	\$ 607.4	\$ (64.0)	\$ 1,585.5
Three Months Ended March 31, 2018				
External revenue	\$ 751.3	\$ 463.3	\$ (0.1)	\$ 1,214.5
Operating income (loss)	\$ (6.9)	\$ 5.2	\$ (2.6)	\$ (4.3)
Three Months Ended March 31, 2017				
External revenue	\$ 728.9	\$ 441.8	\$ (0.1)	\$ 1,170.6
Operating income (loss) ^(a)	\$ (7.5)	\$ 12.2	\$ (4.4)	\$ 0.3

(a) Due to the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, "Operating income (loss)" for prior year has been updated to reflect the reclassification of pension expense.

8. Commitments, Contingencies and Uncertainties

Leases

As of March 31, 2018, our operating lease payment obligations through 2030 totaled \$410.1 million and are expected to increase as we lease additional revenue equipment. Additionally, for the three months ended March 31, 2018, we entered into new operating leases for revenue equipment totaling \$73.0 million in future lease payments, payable over an average lease term of four years.

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.

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, 2018 and 2017.

Reporting Segment Results of Operations — an analysis of our results of operations for the three months ended March 31, 2018 and 2017 for our YRC Freight and Regional Transportation reporting segments.

Certain Non-GAAP Financial Measures — an analysis of selected non-GAAP financial measures for the three months ended March 31, 2018 and 2017 and trailing twelve months ended March 31, 2018 and 2017.

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 income (loss) is operating revenue less operating expenses. Consolidated operating income (loss) includes certain corporate charges that are not allocated to our reporting segments.
- **Operating Ratio:** Operating ratio is a common operating performance measure used in the trucking industry. It is calculated as (i) 100 percent (ii) minus the result of dividing operating income by operating revenue or (iii) plus the result of dividing operating loss by operating revenue, and is expressed as a percentage.
- **Non-GAAP Financial Measures:** We use EBITDA and Adjusted EBITDA, which are non-GAAP financial measures, to assess the following:
 - *EBITDA:* a non-GAAP measure that reflects our earnings before interest, taxes, depreciation, and amortization expense. EBITDA is used for internal management purposes as a financial measure that reflects our core operating performance.

- *Adjusted EBITDA*: a non-GAAP measure that reflects EBITDA, and further adjusts for letter of credit fees, equity-based compensation expense, net gains or losses on property disposals, restructuring charges and other transaction costs related to issuances of debt, nonrecurring consulting fees, expenses associated with certain lump sum payments to our union employees and gains or losses from permitted dispositions and discontinued operations, 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 executive 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 fund restructuring charges and other transaction costs related to debt, nonrecurring consulting fees, letter of credit fees, service interest, principal payments on our outstanding debt or lump sum payments to our union employees required under the Memorandum of Understanding;
- 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.

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 2018 and 2017:

(in millions)	First Quarter		
	2018	2017	Percent Change
Operating revenue	\$ 1,214.5	\$ 1,170.6	3.8 %
Operating income (loss) ^(a)	(4.3)	0.3	N/M*
Nonoperating expenses, net	23.2	29.7	(21.9)%
Net loss	(14.6)	(25.3)	42.3 %

(a) Due to the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, "Operating income (loss)" for prior year has been updated to reflect the reclassification of pension expense.
 (*) not meaningful

First Quarter of 2018 Compared to the First Quarter of 2017

Our consolidated operating revenue increased \$43.9 million, or 3.8%, during the first quarter of 2018 compared to the same period in 2017. The increase in revenue is primarily attributed to an increase in base yield excluding fuel surcharge and fuel surcharge revenue across the organization, while tonnage remained consistent at our Regional Transportation segment and was slightly down at YRC Freight.

Total operating expenses increased \$48.5 million, or 4.1%, for the first quarter of 2018 compared to the first quarter of 2017, and consisted primarily of an increase in purchased transportation expense, higher fuel cost, and higher contractual wages and employee benefit costs.

Salaries, wages and employee benefits. Salaries, wages and employee benefits increased \$11.3 million, or 1.6%, primarily due to an \$8.3 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 \$13.9 million, or 6.4%, primarily due to a \$10.2 million increase in fuel expense, which was largely driven by higher fuel prices on a per gallon basis.

Purchased transportation. Purchased transportation increased \$20.9 million, or 15.5%, primarily due to a \$16.2 million increase in third party costs for logistics solutions and rail purchased transportation due to an increase in rail rates and rail miles. The purchased transportation results also include a \$9.9 million increase in equipment lease expense of which \$5.5 million was attributable to long-term rentals in conjunction with the Company's strategy to reinvest in its fleet. These increases were partially offset by a \$4.0 million decrease from reduced usage of local and over-the-road purchased transportation.

Losses on property disposals. Net losses on disposals of property were \$3.2 million in the first quarter of 2018 compared to \$2.7 million in the first quarter of 2017 primarily reflecting losses on the disposal of revenue equipment.

Nonoperating expenses, net. Nonoperating expenses, net, decreased \$6.5 million in the first quarter of 2018 compared to the first quarter of 2017 primarily driven by a \$3.8 million decrease in total net periodic pension cost and a \$2.0 million decrease in non-cash foreign exchange expense.

Our effective tax rate for the first quarter of 2018 and 2017 was 46.9% and 13.9%, respectively. 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 projected for December 31, 2018. The significant items impacting the 2017 rate include a provision for federal alternative minimum tax, 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 that had been projected for December 31, 2017. 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-back and carry-forward periods, reversals of existing deferred tax liabilities and tax planning strategies that potentially enhance the likelihood of the realization of a deferred tax asset. At March 31, 2018 and December 31, 2017, 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, and YRC Reimer, a subsidiary located in Canada that specializes in shipments into, across and out of Canada. In addition to the United States and Canada, YRC Freight also serves parts of Mexico and Puerto Rico.
- **Regional Transportation** is the reporting segment for our transportation service providers focused on business opportunities in the regional and next-day delivery markets. Regional Transportation is comprised of Holland, New Penn and Reddaway. These companies each provide regional, next-day ground services in their respective regions through a network of facilities located across the United States, Canada, and Puerto Rico.

YRC Freight Results

YRC Freight represented 61.9% of consolidated operating revenue for the first quarter of 2018, compared to 62.3% for the first quarter of 2017. The table below provides summary financial information for YRC Freight for the first quarter of 2018 and 2017:

(in millions)	First Quarter		
	2018	2017	Percent Change
Operating revenue	\$ 751.3	\$ 728.9	3.1%
Operating loss	(6.9)	(7.5)	8.0%
Operating ratio ^(a)	100.9%	101.0%	0.1 pp

(a) pp represents the change in percentage points

First Quarter of 2018 Compared to the First Quarter of 2017

YRC Freight reported operating revenue of \$751.3 million in the first quarter of 2018, an increase of \$22.4 million, or 3.1%, compared to the same period in 2017. The increase in revenue is primarily attributed to an improvement in base yield, excluding fuel surcharge, and an increase in fuel surcharge revenue, partially offset by a decrease in tonnage. The table below summarizes the key revenue metrics for the YRC Freight reporting segment for the first quarter of 2018 compared to the first quarter of 2017:

	First Quarter		
	2018	2017	Percent Change ^(b)
Workdays	63.5	64.0	
Total picked up revenue (in millions) ^(a)	\$ 747.5	\$ 728.2	2.6 %
Total tonnage (in thousands)	1,499	1,547	(3.1)%
Total tonnage per day (in thousands)	23.60	24.18	(2.4)%
Total shipments (in thousands)	2,450	2,586	(5.2)%
Total shipments per day (in thousands)	38.59	40.40	(4.5)%
Total picked up revenue per hundred weight	\$ 24.94	\$ 23.53	6.0 %
Total picked up revenue per hundred weight (excluding fuel surcharge)	\$ 21.99	\$ 21.06	4.4 %
Total picked up revenue per shipment	\$ 305	\$ 282	8.3 %
Total picked up revenue per shipment (excluding fuel surcharge)	\$ 269	\$ 252	6.7 %
Total weight per shipment (in pounds)	1,223	1,197	2.2 %

(in millions)	First Quarter	
	2018	2017
(a) Reconciliation of operating revenue to total picked up revenue:		
Operating revenue	\$ 751.3	\$ 728.9
Change in revenue deferral and other	(3.8)	(0.7)
Total picked up revenue	\$ 747.5	\$ 728.2

(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 \$6.9 million in the first quarter of 2018 compared to an operating loss of \$7.5 million in the first quarter of 2017. Operating expenses increased \$21.8 million, or 3.0%, primarily due to an increase in purchased transportation expense and fuel.

Salaries, wages and employee benefits. Salaries, wages and employee benefits decreased \$0.6 million, or 0.2%, primarily due to a decrease in tonnage that reduced the amount of hours needed to process freight, partially offset by contractual wage and benefit rate increases for union employees.

Fuel, operating expenses and supplies. Fuel, operating expenses and supplies increased \$7.0 million, or 5.1%, primarily due to a \$4.0 million increase in fuel expense, which was driven by higher fuel prices on a per gallon basis.

Purchased transportation. Purchased transportation increased \$18.1 million, or 18.1%, primarily due to a \$16.1 million increase in third party costs for logistics solutions and rail purchased transportation due to an increase in rail rates and rail miles, in addition to an \$8.3 million increase in equipment lease expense of which \$4.6 million was attributable to long-term rentals in conjunction with the Company's strategy to reinvest in its fleet. These increases were partially offset by a \$4.8 million decrease from reduced usage of local and over-the-road purchased transportation.

Other operating expense. Other operating expense decreased \$3.7 million, or 9.2%, primarily due to a \$2.6 million decrease in our property damage and liability claims and a \$1.5 million decrease in cargo claims expense.

Losses on property disposals. Net losses on disposals of property were \$2.8 million in the first quarter of 2018 compared to \$2.1 million in the first quarter of 2017 primarily reflecting losses on the disposal of revenue equipment.

Regional Transportation Results

Regional Transportation represented 38.1% of consolidated operating revenue for the first quarter of 2018, as compared to 37.7% for the first quarter of 2017. The table below provides summary financial information for Regional Transportation for the first quarter of 2018 and 2017:

(in millions)	First Quarter		
	2018	2017	Percent Change
Operating revenue	\$ 463.3	\$ 441.8	4.9 %
Operating income	5.2	12.2	(57.4)%
Operating ratio ^(a)	98.9%	97.2%	(1.7) pp

(a) pp represents the change in percentage points

First Quarter of 2018 Compared to the First Quarter of 2017

Regional Transportation reported operating revenue of \$463.3 million for the first quarter of 2018, an increase of \$21.5 million, or 4.9%, from the first quarter of 2017. The increase in revenue is primarily attributed to an increase in base yield, excluding fuel surcharge, and increased fuel surcharge revenue, while tonnage is comparable to prior year. The table below summarizes the key revenue metrics for the Regional Transportation reporting segment for the first quarter of 2018 compared to the first quarter of 2017:

	First Quarter		Percent Change ^(b)
	2018	2017	
Workdays	63.5	64.0	
Total picked up revenue (in millions) ^(a)	\$ 464.0	\$ 443.1	4.7 %
Total tonnage (in thousands)	1,914	1,925	(0.6)%
Total tonnage per day (in thousands)	30.14	30.07	0.2 %
Total shipments (in thousands)	2,444	2,545	(4.0)%
Total shipments per day (in thousands)	38.49	39.77	(3.2)%
Total picked up revenue per hundred weight	\$ 12.12	\$ 11.51	5.3 %
Total picked up revenue per hundred weight (excluding fuel surcharge)	\$ 10.71	\$ 10.34	3.6 %
Total picked up revenue per shipment	\$ 190	\$ 174	9.0 %
Total picked up revenue per shipment (excluding fuel surcharge)	\$ 168	\$ 156	7.3 %
Total weight per shipment (in pounds)	1,566	1,512	3.5 %

(in millions)	First Quarter	
	2018	2017
(a) Reconciliation of operating revenue to total picked up revenue:		
Operating revenue	\$ 463.3	\$ 441.8
Change in revenue deferral and other	0.7	1.3
Total picked up revenue	<u>\$ 464.0</u>	<u>\$ 443.1</u>

(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 income for Regional Transportation was \$5.2 million for the first quarter of 2018 compared to \$12.2 million for the first quarter of 2017. Operating expenses increased \$28.5 million, or 6.6%, primarily due to an increase in contractual wages and employee benefit costs, and higher fuel costs.

Salaries, wages and employee benefits. Salaries, wages and employee benefits increased \$9.6 million, or 3.5%, primarily due to a \$5.7 million increase in wages and a \$5.4 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 \$11.3 million, or 13.1%, primarily due to a \$6.3 million increase in fuel expense, which was largely driven by higher fuel prices on a per gallon basis, and a \$1.5 million increase in vehicle maintenance expense.

Purchased transportation. Purchased transportation increased \$2.8 million, or 8.2%, primarily due to a \$1.6 million increase in vehicle rent expense which was driven by higher usage of operating leases for revenue equipment.

Other operating expenses. Other operating expenses increased \$4.7 million, or 22.3%, due to a \$3.0 million increase in our property damage and liability claims as a result of less favorable development on prior year claims as compared to the first quarter of 2017 and a \$1.3 million increase in cargo claims expense.

Certain Non-GAAP Financial Measures

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

Consolidated Adjusted EBITDA

The reconciliation of net income (loss) to EBITDA and EBITDA to Adjusted EBITDA (defined in our Term Loan Agreement as “Consolidated EBITDA”) for the first quarter of 2018 and 2017, and the trailing twelve months ended March 31, 2018 and 2017, is as follows:

(in millions)	First Quarter		Trailing Twelve Months Ended	
	2018	2017	March 31, 2018	March 31, 2017
Reconciliation of net income (loss) to Adjusted EBITDA ^(a) :				
Net income (loss)	\$ (14.6)	\$ (25.3)	\$ (0.1)	\$ 8.2
Interest expense, net	25.5	25.2	102.7	102.2
Income tax expense (benefit)	(12.9)	(4.1)	(16.1)	0.8
Depreciation and amortization	37.7	37.1	148.3	156.2
EBITDA	35.7	32.9	234.8	267.4
Adjustments for Term Loan Agreement:				
(Gains) losses on property disposals, net	3.2	2.7	(0.1)	(11.6)
Letter of credit expense	1.7	1.7	6.8	7.2
Restructuring charges	0.6	—	1.5	—
Transaction costs related to issuances of debt	—	2.2	8.1	2.2
Nonrecurring consulting fees	1.5	—	1.5	—
Permitted dispositions and other	0.5	0.1	1.6	3.1
Equity-based compensation expense	1.6	1.4	6.7	6.9
Non-union pension settlement charge	—	—	7.6	—
Other, net ^(b)	0.9	2.2	8.2	2.6
Adjusted EBITDA	\$ 45.7	\$ 43.2	\$ 276.7	\$ 277.8

(a) Certain reclassifications have been made to prior year to conform to current year presentation.

(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 2018 and 2017:

(in millions)	First Quarter	
	2018	2017
Adjusted EBITDA by segment:		
YRC Freight	\$ 22.1	\$ 14.9
Regional Transportation	22.6	29.4
Corporate and other	1.0	(1.1)
Adjusted EBITDA	\$ 45.7	\$ 43.2

The reconciliation of operating income (loss), by segment, to Adjusted EBITDA for the first quarter of 2018 and 2017, is as follows:

YRC Freight segment (in millions)	First Quarter	
	2018	2017
Reconciliation of operating loss to Adjusted EBITDA ^(a) :		
Operating loss	\$ (6.9)	\$ (7.5)
Depreciation and amortization	21.6	21.3
Losses on property disposals, net	2.8	2.1
Letter of credit expense	1.0	1.1
Restructuring charges	0.1	—
Nonrecurring consulting fees	1.5	—
Other, net ^(b)	2.0	(2.1)
Adjusted EBITDA	\$ 22.1	\$ 14.9

Regional Transportation segment (in millions)	First Quarter	
	2018	2017
Reconciliation of operating income to Adjusted EBITDA:		
Operating income	\$ 5.2	\$ 12.2
Depreciation and amortization	16.1	15.8
Losses on property disposals, net	0.4	0.6
Letter of credit expense	0.6	0.5
Other, net ^(b)	0.3	0.3
Adjusted EBITDA	\$ 22.6	\$ 29.4

Corporate and other (in millions)	First Quarter	
	2018	2017
Reconciliation of operating loss to Adjusted EBITDA ^(a) :		
Operating loss	\$ (2.6)	\$ (4.4)
Letter of credit expense	0.1	0.1
Restructuring charges	0.5	—
Transaction costs related to issuances of debt	—	2.2
Permitted dispositions and other	0.5	0.1
Equity-based compensation expense	1.6	1.4
Other, net ^(b)	0.9	(0.5)
Adjusted EBITDA	\$ 1.0	\$ (1.1)

(a) Certain reclassifications have been made to prior year to conform to current year presentation.

(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.

Liquidity and Capital Resources

Our principal sources of liquidity are cash and cash equivalents, available borrowings under our ABL Facility and any prospective cash flow from operations. As of March 31, 2018, our availability under our ABL Facility was \$53.9 million, which 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 \$353.2 million of outstanding letters of credit. Our Managed Accessibility was \$13.2 million, which is the measure of availability management uses based on the ABL requirement to maintain availability in an amount at least equal to or above 10% of the collateral line cap. Our cash and cash equivalents and Managed Accessibility was \$117.2 million as of March 31, 2018.

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Outside of funding normal operations, our principal uses of cash include making contributions to our single-employer pension plans and various multi-employer pension funds 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, 2018, we had \$918.7 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 single-employer pension plans and various multi-employer pension funds. We expect our funding obligations for the remainder of 2018 for our single-employer pension plans and multi-employer pension funds will be \$15.1 million and \$80.7 million, respectively. In addition, we have, and will continue to have, operating lease obligations. As of March 31, 2018, our operating lease payment obligations through 2030 totaled \$410.1 million and are expected to increase as we lease additional revenue equipment. Additionally, for the first quarter of 2018, we entered into new operating leases for revenue equipment totaling \$73.0 million in future lease payments, payable over an average lease term of four years.

Our capital expenditures for the first quarter of 2018 and 2017 were \$23.5 million and \$16.3 million, respectively. These amounts were principally used to fund the purchase of used tractors and trailers, to refurbish engines for our revenue fleet, and for capitalized costs to improve our technology infrastructure.

As of March 31, 2018, 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.

In addition, our revised expected cash contributions for our non-union sponsored pension plans for the next five years are as follows:

(in millions)	Expected Cash Contributions	
2018	\$	15.4
2019		9.8
2020		21.8
2021		14.6
2022		17.2

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, 2018, 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 that reflect improvement over our 2017 results. Means for improving our profitability may include streamlining our support structure and networks, as well as ongoing successful implementation and realization of pricing, productivity and efficiency initiatives, in addition to increased volume and increasing capital expenditures, some of which are outside of our control.

Cash Flows

Operating Cash Flow

Cash flows used in operating activities were \$3.7 million during the first quarter of 2018, compared to \$23.6 million during the first quarter of 2017. The increase in operating cash flows was primarily attributable to an \$11.1 million increase in change to accounts payable, impacted by growth in days payable outstanding, and a \$10.7 million decrease in net loss.

Investing Cash Flow

Cash flows used in investing activities were \$20.5 million during the first quarter of 2018 compared to \$14.8 million during the first quarter of 2017, largely driven by a \$7.2 million increase in acquisition of property and equipment.

Financing Cash Flow

Cash flows used in financing activities for the first quarter of 2018 and 2017 were \$8.4 million and \$10.9 million, respectively, which consist primarily of repayments on our long-term debt. Cash flows used in financing activities for the first quarter of 2017 also included \$3.2 million in debt issuance costs incurred during the quarter.

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, 2018.

Contractual Cash Obligations

The following table reflects our cash outflows that we are contractually obligated to make as of March 31, 2018:

(in millions)	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
ABL Facility ^(a)	\$ 24.6	\$ 7.0	\$ 14.2	\$ 3.4	\$ —
Term Loan ^(b)	841.5	79.0	152.8	609.7	—
Lease financing obligations ^(c)	86.6	38.1	24.3	13.4	10.8
Pension deferral obligations ^(d)	102.4	7.4	14.4	80.6	—
Workers' compensation, property damage and liability claims obligations ^(e)	365.6	101.0	116.3	51.9	96.4
Operating leases ^(f)	410.1	128.0	183.3	79.6	19.2
Other contractual obligations ^(g)	24.7	19.2	3.5	2.0	—
Capital expenditures and other ^(h)	45.1	45.1	—	—	—
Total contractual obligations	\$ 1,900.6	\$ 424.8	\$ 508.8	\$ 840.6	\$ 126.4

(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 \$54.0 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, amended January 30, 2018.

(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 and are not included on the Company's consolidated balance sheets.

(g) Other contractual obligations includes future service agreements and certain maintenance agreements and are not included on the Company's consolidated balance sheets.

(h) Capital expenditure obligations primarily includes noncancelable orders for revenue equipment leases not yet delivered, whereby the cash obligations will be scheduled over the multi-year term of the lease and are not included on the Company's consolidated balance sheets.

Other Commercial Commitments

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

(in millions)	Amount of Commitment Expiration Per Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
ABL Facility availability ^(a)	\$ 53.9	\$ —	\$ —	\$ 53.9	\$ —
Letters of credit ^(b)	353.2	—	—	353.2	—
Surety bonds ^(c)	124.0	122.9	1.1	—	—
Total commercial commitments	<u>\$ 531.1</u>	<u>\$ 122.9</u>	<u>\$ 1.1</u>	<u>\$ 407.1</u>	<u>\$ —</u>

(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. Managed Accessibility was \$13.2 million.

(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 other than operating leases, 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, 2017.

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, 2018 and have concluded that our disclosure controls and procedures were effective as of March 31, 2018.

Effective January 1, 2018, we implemented the human resources and payroll modules of the new comprehensive enterprise resource planning (ERP) system, at several of our companies, including our largest operating company. Although the processes that constitute our internal control over financial reporting were affected by the implementation, the Company performed procedures at each phase as part of its assessment of the effectiveness of internal control over financial reporting. We do not believe that the implementation had a material adverse effect on our internal controls over financial reporting.

We implemented ASU 2014-09, *Revenue from Contracts with Customers*, on January 1, 2018 with no major changes in our internal controls over financial reporting related to our revenue recognition process.

Other than as described above, there was no change in our internal control over financial reporting that occurred during the fiscal quarter ended March 31, 2018 that has materially affected, or is reasonably likely to materially affect, our internal controls 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

There were no material changes during the quarter to the Risk Factors disclosed in Part I, Item 1A - “Risk Factors” in our annual report on Form 10-K for the year ended December 31, 2017.

Item 5. Other Information

We are providing the following disclosure in lieu of providing this information in a current report on Form 8-K.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangement of Certain Officers.

New Chief Executive Officer

On April 30, 2018, the Board appointed Darren D. Hawkins as Chief Executive Officer of the Company. In December 2017, the Company announced the Board’s intention to promote Mr. Hawkins to Chief Executive Officer this year. Mr. Hawkins will receive a salary increase to \$750,000 per year in connection with his promotion. Mr. Hawkins will continue to participate in the 2018 executive compensation program as disclosed in the proxy statement for the Company’s 2018 annual stockholder meeting (the “2018 Executive Compensation Program”). Compensation components will include (i) base salary, (ii) annual short-term incentive compensation, prorated (a) with target at payout of 150% of Mr. Hawkins’s prior base salary from January 1, 2018 to April 30, 2018, and (b) with target at payout of 225% of Mr. Hawkins’s new base salary from May 1, 2018 to December 31, 2018, each of which will be based on 2018 Company revenue and Adjusted EBITDA performance (each performance goal as established by the Compensation Committee of the Board of Directors), (iii) a one-time restricted stock grant of 116,741 shares which vested one-third immediately upon grant and one-third on each of the first and second anniversary of the grant date, and (iv) \$6,000 per month to cover travel expenses related to Mr. Hawkins’s commute from his home near Memphis, Tennessee to Overland Park, Kansas. Mr. Hawkins will be entitled to participate in the Company’s various health and other benefit plans available to senior executives.

In connection with his promotion, Mr. Hawkins also entered into a severance agreement with the Company. Under the terms thereunder, if the Company terminates Mr. Hawkins without cause or if Mr. Hawkins terminates his employment for good reason (as defined in the severance agreement), he will be entitled to continued payment of his annual base salary as in effect at the time of termination for 24 months, as well as reimbursement of certain COBRA health premiums for a period of 18 months. In the event of a change of control (as defined in the severance agreement), Mr. Hawkins will be entitled to (i) a lump sum payment equal to twice the sum of his then-current base salary and target bonus in the year of termination, (ii) reimbursement of certain COBRA health premiums for a period of 18 months and (iii) vesting of outstanding equity awards with performance awards vesting at target levels and outstanding options remaining exercisable for 12 months following termination (but not beyond the original term of such options). For a period of 12 months following any termination, Mr. Hawkins has agreed (i) not to compete with the Company and (ii) not to solicit the Company’s customers or its employees and not to interfere with the Company’s relationships with its suppliers and certain other parties.

The foregoing description of the severance agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the severance agreement, a copy of which is filed as Exhibit 10.5 to this quarterly report on Form 10-Q.

Mr. Welch to Serve as Senior Advisor

On April 30, 2018, James L. Welch, the former Chief Executive Officer of the Company, assumed the role of Senior Advisor. As previously disclosed, Mr. Welch intends to retire on July 31, 2018.

Item 5.07 Submission of Matters to a Vote of Security Holders.

Annual Meeting Results

The holders of our outstanding common stock and Series A Voting Preferred Stock voted together as a single class on all proposals at the Annual Meeting held May 1, 2018. Each share of common stock and Series A Voting Preferred Stock was entitled to one vote.

At the Annual Meeting, holders of our common stock and Series A Voting Preferred Stock voted on the following proposals:

Proposal 1

Each nominee under Proposal 1 was elected to the Board of Directors.

Director Nominees	Number of Votes For	Number of Votes Withheld	Broker Non-Votes
Raymond J. Bromark	22,153,905	1,329,234	5,723,698
Matthew A. Doheny	22,875,846	607,293	5,723,698
Robert L. Friedman	22,890,089	593,050	5,723,698
James E. Hoffman	22,885,819	597,320	5,723,698
Michael J. Kneeland	22,788,277	694,862	5,723,698
James L. Welch	22,875,981	607,158	5,723,698
James F. Winestock	22,738,548	744,591	5,723,698
Patricia M. Nazemetz	22,791,501	691,638	5,723,698

Proposal 2

The appointment of KPMG LLP as our independent registered public accounting firm for 2018 was ratified.

Number of Votes For	Number of Votes Withheld	Number of Votes Abstaining
28,956,171	214,493	36,173

Proposal 3

The advisory vote on named executive officer compensation was approved.

Number of Votes For	Number of Votes Against	Number of Votes Abstaining	Broker Non-Votes
21,347,882	2,092,456	42,801	5,723,698

Item 6. Exhibits

10.1	Amendment No. 1 to Second Amended and Restated Contribution Deferral Agreement among YRC Inc., USF Holland LLC, New Penn Motor Express LLC and USF Reddaway Inc., collectively as primary obligors, the Trustees for the Central States, Southeast and Southwest Areas Pension Fund, the Wilmington Trust Company, as agent, and the other funds party thereto (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed January 31, 2018, File No. 000-12255).
10.2	Amendment No. 3 to Loan and Security Agreement by and among the Company, certain of the Company's subsidiaries party thereto, the lenders party thereto and Citizens Business Capital as agent (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K, filed on January 31, 2018, File No. 000-12255).
10.3	Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on February 15, 2018, File No. 000-12255).
10.4	Welch Stock Agreement (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on February 15, 2018, File No. 000-12255).
10.5*	Severance Agreement, dated as of May 1, 2018, between Darren D. Hawkins and the Company.
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, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

YRC WORLDWIDE INC.

Date: May 3, 2018

/s/ Darren D. Hawkins

Darren D. Hawkins
Chief Executive Officer

Date: May 3, 2018

/s/ Stephanie D. Fisher

Stephanie D. Fisher
Chief Financial Officer

YRC WORLDWIDE INC.
SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT (this "Agreement") is made this 1st day of May, 2018 (the "Effective Date") by and between **YRC WORLDWIDE INC.**, a Delaware corporation (the "Company"), and Darren D. Hawkins (the "Executive").

WHEREAS, in partial consideration for the continued employment of the Executive as Chief Executive Officer by the Company and the severance benefits hereunder, the Company wishes to enter into this Agreement upon the terms and conditions set forth herein and to bind the Executive to certain restrictive covenants in of the Company.

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises contained herein and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions. Capitalized terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in this Section 1.

(a) "Affiliate" means, with respect to any individual or entity, any other individual or entity, which, directly or indirectly, controls, is controlled by or is under common control with such individual or entity.

(b) "Base Salary" means the Executive's annual base compensation rate for services paid by the Company to the Executive at the time immediately prior to the Effective Date, as reflected in the Company's payroll records and which the Board may increase (but not decrease).

(c) "Cause" means: (i) the Executive's willful misconduct or gross negligence in the performance of the Executive's duties to the Company; (ii) the Executive's continued refusal to substantially perform the Executive'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 Executive's indictment for, conviction of, or pleading of guilty or nolo contendere to, a felony or any crime involving moral turpitude; (iv) the Executive'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.

(d) "Change in Control" means an occurrence of one of the following:

(i) any "person," as such term is used in Sections 13(d) and 14(d) of the Securities and Exchange Act of 1934, as amended ("Exchange Act") (other than the Company, any trustee or other fiduciary holding securities under any employee benefit plan of the Company or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Common Stock of the Company ("Excluded Persons")) becoming the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities, excluding an acquisition pursuant to a Business Transaction (as defined below) that does not constitute a "Change in Control" thereunder;

(ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such term is used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two thirds of the directors then still in office who either were directors at the beginning of the two year period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board;

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

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

Notwithstanding the foregoing, an event shall not be considered to be a Change in Control unless such event is also a "change in ownership," a "change in effective control" or a "change in the ownership of a substantial portion of the assets" of the Company within the meaning of Section 409A of the Code.

(e) "Company Group" means the Company and any affiliates or subsidiaries of the Company.

(f) "Good Reason" means the occurrence of any of the following events: (i) reduction in Executive's Base Salary or Target Bonus, (ii) any material diminution in Executive'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 Executive or normally assigned to someone in the Executive's role of an enterprise of the size and structure of the Company, (iii) the assignment of duties to the Executive that are materially inconsistent with the Executive's position with the Company, (iv) a required relocation of the Executive's primary office location of more than fifty (50) miles or (v) a material breach of this Agreement or any other material, written agreement with Executive. For purposes of this Agreement, Executive shall have Good Reason to terminate employment if, within thirty (30) days after Executive knows (or has reason to know) of the occurrence of any of the events described above, Executive 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 Executive actually terminates employment within ninety (90) days following the expiration of such cure period.

(g) "Target Bonus" means the annual target bonus applicable to the Executive for a given year under the annual executive compensation plan as approved by the Board.

2. At-Will Employment. The Executive acknowledges and agrees that the Executive's employment with the Company is and shall remain "at-will" and the Executive's employment with the Company may be terminated at any time and for any reason (or no reason) by the Company or the Executive, with or without notice. During the period of the Executive's employment with the Company, the Executive shall perform such duties and fulfill such responsibilities as reasonably requested by the Company from time to time commensurate with the Executive's position as Chief Executive Officer of the Company.

3. Severance.

(a) Severance Payments - Involuntary Termination. Subject to the Executive's compliance with the provisions of Sections 3(c), 4 and 5 hereof, in the event of a (x) termination of the Executive's employment by the Company for reasons other than Cause, death or physical or mental incapacity or (y) voluntary resignation by the Executive for Good Reason (any termination described in (x) or (y), a "Qualifying Termination"), the Executive shall be entitled to (A) receive continued payment of the Executive's then-current Base Salary for a period beginning on the effective date of such termination and continuing for twenty-four (24) months, payable in accordance with the Company's normal payroll practices as in effect on the date of termination or in a lump sum if mutually agreed to by the Executive and the Company, which discretion is limited to the portion, if any, of the severance that does not constitute deferred compensation within the meaning of Section 409A of the Code, (B) reimbursement for up to 18 months of COBRA premiums paid by the Executive for continued health care, and (C) receive the Accrued Benefits (as defined below). Any severance payment hereunder shall be in lieu of any other severance payment to which the Executive would be entitled pursuant to any other severance plan, program, arrangement, or policy of the Company, and shall be considered a part of, and not in addition to, amounts that may be payable to the Executive under the Worker Adjustment Retraining Notification Act of 1988 or any similar state statute or regulation.

(b) Severance Payments - Change of Control. Subject to the Executive's compliance with the provisions of Sections 3(c), 4 and 5 hereof, in the event of the Executive's Qualifying Termination, within 12 months after a Change of Control, the Executive shall be entitled to (A) receive a lump-sum payment of an amount equal to 2.0 multiplied by the sum of the Executive's then-current rate of Base Salary plus the Executive's Target Bonus for the year of termination (determined without taking into account any reduction thereto giving rise to a Good Reason termination), (B) reimbursement for up to 18 months of COBRA premiums paid by the Executive for continued health care, (C) vesting of outstanding equity awards held by the Executive at the time of such Qualifying Termination with performance awards vesting at target levels and outstanding options remaining exercisable for 12 months following the date of termination (but not beyond the original term), and (D) receive the Accrued Benefits (as defined below). Any severance payment hereunder shall be in lieu of any other severance payment to which the Executive would be entitled pursuant to any other severance plan, program, arrangement, or policy of the Company, and shall be considered

a part of, and not in addition to, amounts that may be payable to the Executive under the Worker Adjustment Retraining Notification Act of 1988 or any similar state statute or regulation.

(c) General Release. The receipt of the payments described in Sections 3(a) and 3(b) hereof shall be conditioned upon the execution and non-revocation by the Executive of a general release in the form attached hereto as Exhibit A (the "Release"). Such release shall be executed and delivered (and no longer subject to revocation, if applicable) within sixty (60) days following termination. Subject to Section 3(d), any amount that would otherwise be payable before the Release becomes irrevocable shall be accumulated and paid promptly after such date.

(d) Section 409A. To the extent the 60-day period referenced in Section 3(c) spans two calendar years, any amount that would be considered to be "non-qualified deferred compensation" within the meaning of Section 409A of the Code that would otherwise be payable in the calendar year that includes the date of termination shall be accumulated and paid in the following calendar year. In addition, if Executive is a "Specified Employee" of the Company for purposes of Code Section 409A at the time of a payment event in Sections 3(a) or (b) and if no exception from Code Section 409A applies in whole or part, the severance or other payments will be made to Executive by the Company on the first day of the seventh month following the date of the Executive's Separation from Service (the "409A Payment Date"). Should this Section 3(d) result in a delay of payments to Executive, the Company will begin to make the payments as described in this Section 3, provided that any amounts that would have been payable earlier but for the application of this Section 3(d), will be paid in lump-sum on the 409A Payment Date along with accrued interest at the rate of interest announced by the Company's primary bank from time to time as its prime rate from the date that payments would otherwise have been made under this Agreement. The balance of the severance payments will be payable in accordance with regular payroll timing and the COBRA premiums will be paid monthly. For purposes of this provision, the term Specified Employee has the meaning in Code Section 409A(a)(2)(B)(i), or any successor provision and the issued treasury regulations and rulings.

(e) Other Terminations of Employment. In the event that the Executive's employment with the Company is terminated for any reason (or no reason), the Executive (or the Executive's legal representative) shall be entitled to the following (with the amounts due under Section 3(e)(i) through 3(e)(iv) hereof to be paid within sixty (60) days following termination of employment, or such earlier date as may be required by applicable law): (i) any unpaid Base Salary through the date of termination; (ii) reimbursement for any earned but unpaid salary or other accrued amounts and any unreimbursed business expenses incurred through the date of termination; and (iii) all other accrued and vested payments and benefits (including, without limitation, annual bonuses and vacation pay) to which the Executive shall be entitled under the terms of any applicable compensation arrangement or employee benefit plan or program of the Company or its affiliates (collectively, Sections 3(e)(i) through 3(e)(iii) hereof shall be hereafter referred to as the "Accrued Benefits"). In the event that the Executive's employment with the Company is terminated by the Company for Cause, or by the Executive for any reason, or as a result of death or physical or mental incapacity, the Company shall have no further obligations to the Executive, except as provided in Section 3(f) hereof and this Section 3(e).

(f) Other Benefits. The benefits payable to the Executive under this Agreement are not in lieu of any benefits payable under any Executive benefit plan program or arrangement of the Company, except as provided specifically herein, and upon termination of employment, the Executive shall receive such benefits or payments, if any, as the Executive may be entitled to receive pursuant to the terms of such plans, programs and arrangements. Except for the obligations of the Company provided by this Agreement (including, without limitation, pursuant to the preceding sentence hereof), the Company shall have no further obligations to the Executive upon termination of employment.

(g) Withholding of Taxes. All payments required to be made by the Company to the Executive under this Agreement shall be subject to the withholding of such amounts for taxes and other payroll deductions as the Company may reasonably determine it should withhold pursuant to any applicable law or regulation.

(h) Limitation on Payments and Benefits. Notwithstanding any provision of this Agreement to the contrary, in the event that any amount or benefit to be paid or provided to the Executive under this Agreement or otherwise constitutes a "parachute payment" within the meaning of Section 280G of the Code, and but for this provision, would be subject to the excise tax imposed by Section 4999 of the Code, then the totality of those amounts shall be either: (a) delivered in full, or (b) delivered as to such lesser extent which would result in no portion of such payments and benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income and employment taxes and the excise tax imposed by Section 4999 of the Code (and any equivalent state or local excise taxes), results in the receipt by the Executive on an after-tax basis, of the greatest amount of such payments and benefits, notwithstanding that all or some portion of such amount may be taxable under Section 4999 of the Code. Any reduction of any amount required by this provision shall be made in accordance with Section 409A of the Code and shall occur in the following order: (1) reduction of cash payments to the Executive under this Agreement or otherwise; (2) reduction of other benefits paid or provided to the Executive; and

(3) reduction of vesting acceleration of equity awards under this Agreement or otherwise. If two or more equity awards are granted on the same date, each award will be reduced on a pro rata basis (dollar-for-dollar).

(i) Claw-back. If, pursuant to Section 10D of the Exchange Act, the Company would not be eligible for continued listing, if applicable, under Section 10D(a) of the Exchange Act if it did not adopt policies consistent with Section 10D(b) of the Exchange Act, then, in accordance with those policies that are so required, any incentive-based compensation payable to Executive under this Agreement or otherwise shall be subject to claw-back in the circumstances, to the extent, and in the manner, required by Section 10D(b)(2) of the Exchange Act, as interpreted by rules of the Securities Exchange Commission.

4. Termination Procedure. Any termination of employment shall be effected through written notice from one party to the other. The termination shall be effective as of the date specified in the notice; provided that in the case of the Executive terminating employment with the Company for Good Reason, the Executive shall be required to give written notice to the Company at least thirty (30) days prior to the desired date of termination.

5. Restrictive Covenants.

(a) Confidentiality. During the course of the Executive's employment with the Company, the Executive will learn confidential information on behalf of the Company Group. The Executive agrees that the Executive shall not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any person, other than in the course of the Executive's assigned duties and for the benefit of the Company Group, either during the period of the Executive's employment or at any time thereafter, any business and technical information or trade secrets, nonpublic, proprietary or confidential information, knowledge or data relating to the Company Group or any of its Affiliates or businesses, or received from third parties subject to a duty on the Company Group's and its Affiliates' part to maintain the confidentiality of such information and to use it only for certain limited purposes, in each case which shall have been obtained by the Executive during the Executive's employment by the Company Group (or any predecessor). The foregoing shall not apply to information that (i) was known to the public prior to its disclosure to the Executive; (ii) becomes generally known to the public subsequent to disclosure to the Executive through no wrongful act of the Executive or any representative of the Executive; or (iii) the Executive is required to disclose by applicable law, regulation or legal process (provided that the Executive provides the Company with prior notice of the contemplated disclosure and cooperates with the Company Group at its expense in seeking a protective order or other appropriate protection of such information).

(b) Noncompetition. The Executive acknowledges that the Executive performs services of a unique nature for the Company that are irreplaceable, and that the Executive's performance of such services to a competing business will result in irreparable harm to the Company. Accordingly, during the Executive's employment by the Company and for a period of twelve (12) months thereafter, the Executive agrees that the Executive will not, directly or indirectly, own, manage, operate, control, be employed by (whether as an Executive, consultant, independent contractor or otherwise, and whether or not for compensation) or render services to any person, firm, corporation or other entity, in whatever form, engaged in competition with the Company or any of its Affiliates or in any other material business in which the Company or any of its direct or indirect subsidiaries is engaged on the date of termination or in which they have planned, on or prior to such date, to be engaged in on or after such date, in any locale of any country in which the Company conducts business. Notwithstanding the foregoing, nothing herein shall prohibit the Executive from being a passive owner of not more than one percent (1%) of the equity securities of a publicly traded corporation engaged in a business that is in competition with the Company or any of its Affiliates, so long as the Executive has no active participation in the business of such corporation.

(c) Nonsolicitation; Noninterference. During the Executive's employment with the Company and for a period of twelve (12) months thereafter, the Executive agrees that the Executive shall not, except in the furtherance of the Executive's duties hereunder, directly or indirectly, individually or on behalf of any other person, firm, corporation or other entity, (i) solicit, aid or induce any customer of the Company or any of its direct or indirect subsidiaries to purchase goods or services then sold by the Company Group or any of its Affiliates from another person, firm, corporation or other entity or assist or aid any other persons or entity in identifying or soliciting any such customer, (ii) solicit, aid or induce any employee, representative or agent of the Company Group to leave such employment or retention or to accept employment with or render services to or with any other person, firm, corporation or other entity unaffiliated with the Company or hire or retain any such employee, representative or agent, or take any action to materially assist or aid any other person, firm, corporation or other entity in identifying, hiring or soliciting any such employee, representative or agent, or (iii) interfere, or aid or induce any other person or entity in interfering, with the relationship between the Company or any of its Affiliates and any of their respective vendors, joint venturers or licensors. An employee, representative or agent shall be deemed covered by this Section 5(c) while so employed or retained and for a period of six (6) months thereafter.

(d) Nondisparagement. The Executive agrees not to make negative comments or otherwise disparage the Company Group, or any of their respective officers, directors, Executives, shareholders, agents or products other than in the good

faith performance of the Executive's duties to the Company while the Executive is employed by the Company or for a period of twelve (12) months thereafter. The foregoing shall not be violated by truthful statements in response to legal process, required governmental testimony or filings, or administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings).

(e) Inventions.

(i) The Executive acknowledges and agrees that all ideas, methods, inventions, discoveries, improvements, work products, developments or works of authorship ("Inventions"), whether patentable or unpatentable, (A) that relate to the Executive's work with the Company, made or conceived by the Executive, solely or jointly with others, during the course of the Executive's service with the Company, or (B) suggested by any work that the Executive performs in connection with the Company, either while performing the Executive's duties with the Company or on the Executive's own time, but only insofar as the Inventions are related to the Executive's work as an Executive or other service provider to the Company, shall belong exclusively to the Company (or its designee), whether or not patent applications are filed thereon. The Executive will keep full and complete written records (the "Records"), in the manner prescribed by the Company, of all Inventions, and will promptly disclose all Inventions completely and in writing to the Company. The Records shall be the sole and exclusive property of the Company, and the Executive will surrender them upon the Executive's termination of employment with the Company, or upon the Company's request. The Executive will assign to the Company the Inventions and all patents that may issue thereon in any and all countries, whether during or subsequent to the Executive's service with the Company, together with the right to file, in the Executive's name or in the name of the Company (or its designee), applications for patents and equivalent rights (the "Applications"). The Executive will, at any time during and subsequent to the Executive's service with the Company, make such applications, sign such papers, take all rightful oaths, and perform all acts as may be requested from time to time by the Company with respect to the Inventions. The Executive will also execute assignments to the Company (or its designee) of the Applications, and give the Company and its attorneys all reasonable assistance (including the giving of testimony) to obtain the Inventions for the Company's benefit, all without additional compensation to the Executive from the Company, but entirely at the Company's expense.

(ii) In addition, the Inventions will be deemed Work for Hire, as such term is defined under the copyright laws of the United States, on behalf of the Company and the Executive agrees that the Company will be the sole owner of the Inventions, and all underlying rights therein, in all media now known or hereinafter devised, throughout the universe and in perpetuity without any further obligations to the Executive. If the Inventions, or any portion thereof, are deemed not to be Work for Hire, the Executive hereby irrevocably conveys, transfers and assigns to the Company, all rights, in all media now known or hereinafter devised, throughout the universe and in perpetuity, in and to the Inventions, including, without limitation, all of the Executive's right, title and interest in the copyrights (and all renewals, revivals and extensions thereof) to the Inventions, including, without limitation, all rights of any kind or any nature now or hereafter recognized, including, without limitation, the unrestricted right to make modifications, adaptations and revisions to the Inventions, to exploit and allow others to exploit the Inventions and all rights to sue at law or in equity for any infringement, or other unauthorized use or conduct in derogation of the Inventions, known or unknown, prior to the date hereof, including, without limitation, the right to receive all proceeds and damages therefrom. In addition, the Executive hereby waives any so-called "moral rights" with respect to the Inventions. To the extent that the Executive has any rights in the results and proceeds of the Executive's service to the Company that cannot be assigned in the manner described herein, the Executive agrees to unconditionally waive the enforcement of such rights. The Executive hereby waives any and all currently existing and future monetary rights in and to the Inventions and all patents that may issue thereon, including, without limitation, any rights that would otherwise accrue to the Executive's benefit by virtue of the Executive being an Executive of or other service provider to the Company.

(f) Return of Company Property. On the date of the Executive's termination of employment with the Company for any reason (or at any time prior thereto at the Company's request), the Executive shall return all property belonging to the Company or its Affiliates (including, but not limited to, any Company-provided laptops, computers, cell phones, wireless electronic mail devices or other equipment, or documents and property belonging to the Company). The Executive may retain the Executive's contact lists and similar address books provided that such items only include contact information.

(g) Reformation. If it is determined by a court of competent jurisdiction in any state that any restriction in this Section 5 is excessive in duration or scope or is unreasonable or unenforceable under applicable law, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the laws of that state.

(h) Tolling. In the event of any violation of the provisions of this Section 5, the Executive acknowledges and agrees that the post-termination restrictions contained in this Section 5 shall be extended by a period of time equal to the period of such violation, it being the intention of the parties hereto that the running of the applicable post-termination restriction period shall be tolled during any period of such violation.

(i) Survival. The obligations contained in Sections 5 and 6 hereof shall survive the termination of the Executive's employment with the Company and shall be fully enforceable thereafter.

6. Cooperation. Upon the receipt of reasonable notice from the Company (including outside counsel), the Executive agrees that while employed by the Company and thereafter, the Executive will respond and provide information with regard to matters in which the Executive has knowledge as a result of the Executive's employment with the Company, and will provide reasonable assistance to the Company, its Affiliates and their respective representatives in defense of any claims that may be made against the Company or its Affiliates, and will assist the Company and its Affiliates in the prosecution of any claims that may be made by the Company or its Affiliates, to the extent that such claims may relate to the period of the Executive's employment with the Company. If, after the Executive's termination of employment for any reason, the Executive is required to testify by deposition, in a judicial proceeding, or in an arbitration proceeding, the Company will compensate the Executive for his time at an hourly rate equal to the Executive's most recent Base Salary divided by 2,080 and promptly reimburse the Executive for all reasonable travel expenses. The Executive agrees to promptly inform the Company if the Executive becomes aware of any lawsuits involving such claims that may be filed or threatened against the Company or its Affiliates. The Executive also agrees to promptly inform the Company (to the extent that the Executive is legally permitted to do so) if the Executive is asked to assist in any investigation of the Company or its Affiliates (or their actions), regardless of whether a lawsuit or other proceeding has then been filed against the Company or its Affiliates with respect to such investigation, and shall not do so unless legally required.

7. Equitable Relief and Other Remedies. The Executive acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 5 or Section 6 hereof would be inadequate and, in recognition of this fact, the Executive agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company shall be entitled to obtain equitable relief in the form of specific performance, a temporary restraining order, a temporary or permanent injunction or any other equitable remedy which may then be available, without the necessity of showing actual monetary damages or the posting of a bond or other security. In the event of a violation by the Executive of Section 5 or Section 6 hereof, any severance being paid to the Executive pursuant to this Agreement or otherwise shall immediately cease, and any severance previously paid to the Executive shall be immediately repaid to the Company.

8. Notices. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given (a) on the date of delivery, if delivered by hand, (b) on the date of transmission, if delivered by confirmed facsimile or electronic mail, (c) on the first business day following the date of deposit, if delivered by guaranteed overnight delivery service, or (d) on the fourth business day following the date delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: At the last address on the records of the Company.

If to the Company: At the Company's principal executives offices, Attention General Counsel.

9. Governing Law. This Agreement shall be governed, construed, performed and enforced in accordance with its express terms, and otherwise in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws.

10. Resolution of Disputes. Any dispute concerning the validity, interpretation, enforcement, or breach of this Agreement, or otherwise arising between the parties, shall be submitted to binding arbitration before the American Arbitration Association ("AAA") for resolution. Such arbitration shall be conducted in the State of Delaware, and the arbitrator will apply Delaware law, including federal law as applied in Delaware courts. The arbitration shall be conducted in accordance with the AAA's Employment Arbitration Rules, as modified by the terms set forth in this Agreement. The arbitration will be conducted by a single arbitrator, who shall be an attorney who specializes in the field of employment law and shall have prior experience arbitrating employment disputes. The award of the arbitrator shall be final and binding on the parties, and judgment on the award may be confirmed and entered in any state or federal court in the State of Delaware. The arbitration shall be conducted on a strictly confidential basis, and Executive shall not disclose the existence of a claim, the nature of a claim, any documents, exhibits, or information exchanged or presented in connection with any such a claim, or the result of any arbitration (collectively, "Arbitration Materials"), to any third party, with the sole exception of Executive's legal counsel, who also shall be bound by all confidentiality terms of this Agreement. In the event of any court proceeding to challenge or enforce an arbitrator's award, the parties hereby consent to the exclusive jurisdiction of the state and federal courts in the State of Delaware, and agree to venue in that jurisdiction. The parties agree to take all steps necessary to protect the confidentiality of the Arbitration Materials in connection with any such proceeding, agree to file all Confidential Information (and documents containing Confidential Information) under seal to the extent possible and agree to the entry of an appropriate protective order encompassing the confidentiality terms of this Agreement. Each party agrees to pay its own costs and fees in connection with any arbitration of a dispute arising under this Agreement, and any

court proceeding arising therefrom, regardless of outcome; provided, however, that if Executive prevails on substantially all claims, then the Company shall reimburse Executive for attorneys' fees reasonably incurred by him.

11. Waiver of Breach. Any waiver of any breach of this Agreement shall not be construed to be a continuing waiver or consent to any subsequent breach on the part either of the Executive or of the Company.

12. Non-Assignment; Successors. This Agreement is personal to each of the parties hereto. Except as provided in this Section 12, no party may assign or delegate any rights or obligations hereunder without first obtaining the advanced written consent of the other party hereto. Any purported assignment or delegation by the Executive in violation of the foregoing shall be null and void *ab initio* and of no force and effect. The Company may assign this Agreement to a person or entity that is an Affiliate of the Company or to any successor to all or substantially all of the business and/or assets of the Company that assumes in writing, or by operation of law, the obligations of the Company hereunder. As used in this Agreement, "Company" shall mean the Company and any successor to its business and/or assets, which assumes and agrees to perform this Agreement by operation of law, or otherwise.

13. Severability. To the extent that any provision of this Agreement or portion thereof shall be invalid or unenforceable, it shall be considered deleted therefrom and the remainder of such provision and of this Agreement shall be unaffected and shall continue in full force and effect.

14. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

15. Entire Agreement. This Agreement constitutes the entire agreement by the Company and the Executive with respect to the subject matter hereof, and supersedes any and all prior agreements or understandings between the Executive and the Company, including the Company's Severance Policy applicable to corporate and operating company executives, with respect to the subject matter hereof, whether written or oral. This Agreement may be amended or modified only by a written instrument executed by the Executive and the Company.

16. Code Section 409A Compliance. The intent of the parties is that payments and benefits under this Agreement be exempt from, or comply with, Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted consistent with such intent. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on the Executive by Code Section 409A or damages for failing to comply with Code Section 409A. For purposes of Code Section 409A, the Executive's right to receive installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first written above.

YRC WORLDWIDE INC.

By: /s/ James E. Hoffman
Name: James E. Hoffman
Title: Chairman of the Board

Executive:

/s/ Darren D. Hawkins
Darren D. Hawkins

Signature Page to Severance Agreement

EXHIBIT A

I, _____, in consideration of and subject to the performance by YRC Worldwide, Inc. (together with its subsidiaries, the "Company"), of its obligations under this General Release (the "Release"), do hereby release and forever discharge as of the date hereof the Company and its respective affiliates and subsidiaries and all their present, former and future directors, officers, agents, representatives, employees, successors and assigns of the Company and/or its respective affiliates and subsidiaries and direct or indirect owners (collectively, the "Released Parties") to the extent provided herein. The Released Parties are intended third-party beneficiaries of this Release, and this Release may be enforced by each of them in accordance with the terms hereof in respect of the rights granted to such Released Parties hereunder.

1. I hereby acknowledge that, in consideration of the waiver and release of claims set forth in this Release, the Company agrees to provide me, in full satisfaction of its obligation to me, with the post-termination payments set forth in Sections 3(a) or 3(b) of the Severance Agreement (the "Agreement"), whichever is applicable. The severance payments are subject to my compliance with the restrictive covenants set forth in Section 5 of the Agreement, which expressly survive the date of termination of my employment with the Company (the "Termination Date"). The severance payments are in addition to any amounts owed to me by the Company.

2. I understand that any payments or benefits paid or granted to me under this Release represent, in part, consideration for signing this Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive certain of the payments and benefits specified in Sections 3(a) or 3(b) of the Agreement unless I execute this Release and do not revoke this Release within the time period permitted hereafter or breach this Release. Such payments and benefits will not be considered compensation for purposes of any employee benefit plan, program, policy or arrangement maintained or hereafter established by the Company or its affiliates.

3. Except as provided in paragraph 4 below and except for the provisions of this Release which expressly survive the termination of my employment with the Company, I knowingly and voluntarily (for myself, my heirs, executors, administrators and assigns) release and forever discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date this Release becomes effective and enforceable) and whether known or unknown, suspected, or claimed against the Company and/or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, ever had, now have or may have by reason of any matter, cause, or thing whatsoever, from the beginning of my initial dealings with the Company to the date of this Release, and particularly, but without limitation of the foregoing general terms, any claims arising from or relating in any way to my employment relationship with Company, the terms and conditions of that employment relationship, and the termination of that employment relationship (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims"). I understand and intend that this Release constitutes a general release of all claims and that no reference herein to a specific form of claim, statute or type of relief is intended to limit the scope of this Release.

4. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 2 above.

5. I agree that this Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this Release. I acknowledge and agree that my

separation from employment with the Company in compliance with the terms of this Release shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

6. I agree that I hereby waive all rights to sue or obtain equitable, remedial or punitive relief from any or all Released Parties of any kind whatsoever, including, without limitation, reinstatement, back pay, front pay, and any form of injunctive relief. Notwithstanding the foregoing, I acknowledge that I am not waiving and am not being required to waive any right that cannot be waived under law, including the right to file an administrative charge or participate in an administrative investigation or proceeding; provided, however, that I disclaim and waive any right to share or participate in any monetary award resulting from the prosecution of such charge or investigation or proceeding.

7. In signing this Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state or local statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this Release and that without such waiver the Company would not have agreed to the terms of Sections 3(a) or 3(b) of the Agreement. I further agree that in the event that I should bring a Claim seeking damages against the Company, or in the event that I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this Release shall serve as a complete defense to such Claims to the maximum extent permitted by law. I further agree that I am not aware of any pending claim or of any facts that could give rise to a claim of the type described in paragraph 2 as of the execution of this Release.

8. I agree that neither this Release, nor the furnishing of the consideration for this Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

9. I agree that I will forfeit all amounts payable by the Company pursuant to this Release if I challenge the validity of this Release. I also agree that if I violate this Release by suing the Company or the other Released Parties, I will pay all costs and expenses of defending against the suit incurred by the Released Parties, including reasonable attorneys' fees, and return all payments received by me pursuant to Sections 3(a) or 3(b) of the Agreement, whichever is applicable, on or after the termination of my employment.

10. I agree that this Release is confidential and agree not to disclose any information regarding the terms of this Release, except to my immediate family and any tax, legal or other counsel that I have consulted regarding the meaning or effect hereof or as required by law, and I will instruct each of the foregoing not to disclose the same to anyone.

11. Any non-disclosure provision in this Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this Release or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), or any other self-regulatory organization or any governmental entity.

12. I hereby acknowledge that the restrictive covenants in Section 5 of the Agreement shall survive my execution of this Release.

13. I represent that I am not aware of any Claim by me, and I acknowledge that I may hereafter discover claims or facts in addition to or different than those which I now know or believe to exist with respect to the subject matter of the release set forth in paragraph 2 above and which, if known or suspected at the time of entering into this Release, may have materially affected this Release and my decision to enter into it.

14. Notwithstanding anything in this Release to the contrary, this Release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach by the Company or by any Released Party of this Release after the date hereof.

15. This Release shall be governed by, construed and interpreted in all respects, in accordance with the laws of the State of Delaware, without regard to conflicts of laws principles thereof.

16. Whenever possible, each provision of this Release shall be interpreted in, such manner as to be effective and valid under applicable law, but if any provision of this Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

BY SIGNING THIS RELEASE, I REPRESENT AND AGREE THAT:

(i) I HAVE READ IT CAREFULLY;

(ii) I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990, AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

(iii) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

(iv) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

(v) I HAVE HAD AT LEAST TWENTY ONE (21) DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE TO CONSIDER IT AND THE CHANGES MADE SINCE MY RECEIPT OF THIS RELEASE ARE NOT MATERIAL OR WERE MADE AT MY REQUEST AND WILL NOT RESTART THE REQUIRED TWENTY ONE (21)-DAY PERIOD;

(vi) I UNDERSTAND THAT I HAVE SEVEN (7) DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED;

(vii) I HAVE SIGNED THIS RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND

(viii) I AGREE THAT THE PROVISIONS OF THIS RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

SIGNED: _____

DATED: _____

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 3, 2018

/s/ Darren D. Hawkins

Darren D. Hawkins
Chief Executive Officer

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

I, 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 3, 2018

/s/ Stephanie D. Fisher

Stephanie D. Fisher
Chief Financial Officer

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

In connection with the quarterly report of YRC Worldwide Inc. on Form 10-Q for the period ended March 31, 2018, 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 3, 2018

/s/ Darren D. Hawkins

Darren D. Hawkins
Chief Executive Officer

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

In connection with the quarterly report of YRC Worldwide Inc. on Form 10-Q for the period ended March 31, 2018, 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 3, 2018

/s/ Stephanie D. Fisher

Stephanie D. Fisher
Chief Financial Officer

