YRC Worldwide Inc.
Form 10-Q
August 08, 2011
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2011

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

(913) 696-6100

(Registrant s telephone number, including area code)

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 x 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 x No ¨

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

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

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

Class	**Outstanding at July 29, 2011**
Common Stock, $0.01 par value per share	47,774,395 shares

Table of Contents

INDEX

Item		Page
	PART I FINANCIAL INFORMATION	
1.	Financial Statements	
	Consolidated Balance Sheets - June 30, 2011 and December 31, 2010	3
	Statements of Consolidated Operations - Three and Six Months Ended June 30, 2011 and 2010	4
	Statements of Consolidated Cash Flows - Six Months Ended June 30, 2011 and 2010	5
	Statement of Consolidated Shareholders Deficit- Six Months Ended June 30, 2011	6
	Notes to Consolidated Financial Statements	7
2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	41
3.	Quantitative and Qualitative Disclosures About Market Risk	63
4.	Controls and Procedures	63
	PART II OTHER INFORMATION	
1.	Legal Proceedings	64
1A.	Risk Factors	64
5.	Other Information	66
6.	Exhibits	66
	Signatures	68

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

YRC Worldwide Inc. and Subsidiaries

(Amounts in thousands except per share data)

	June 30, 2011 (Unaudited)	December 31, 2010
Assets		
Current Assets:		
Cash and cash equivalents	$ 155,926	$ 143,017
Accounts receivable, net	540,515	442,500
Prepaid expenses and other	190,053	182,515
Total current assets	886,494	768,032
Property and Equipment:		
Cost	3,171,235	3,237,971
Less accumulated depreciation	(1,716,628)	(1,687,397)
Net property and equipment	1,454,607	1,550,574
Intangibles, net	130,348	139,525
Other assets	117,973	134,802
Total assets	$ 2,589,422	$ 2,592,933
Liabilities and Shareholders Deficit		
Current Liabilities:		
Accounts payable	$ 157,136	$ 147,112
Wages, vacations and employees benefits	222,618	196,486
Other current and accrued liabilities	318,306	452,226
Current maturities of long-term debt	8,008	222,873
Total current liabilities	706,068	1,018,697
Other Liabilities:		
Long-term debt, less current portion	1,290,826	837,262
Deferred income taxes, net	104,391	118,624
Pension and postretirement	450,087	447,928
Claims and other liabilities	366,843	360,439
Commitments and contingencies		
Shareholders Deficit:		
Preferred stock, $1 par value per share		

Common stock, $0.01 par value per share	479	477
Capital surplus	1,644,694	1,643,277
Accumulated deficit	(1,643,429)	(1,499,514)
Accumulated other comprehensive loss	(234,710)	(239,626)
Treasury stock, at cost (123 shares)	(92,737)	(92,737)
Total YRC Worldwide Inc. shareholders deficit	(325,703)	(188,123)
Non-controlling interest	(3,090)	(1,894)
Total shareholders deficit	(328,793)	(190,017)
Total liabilities and shareholders deficit	$ 2,589,422	$ 2,592,933

The accompanying notes are an integral part of these statements.

Table of Contents

STATEMENTS OF CONSOLIDATED OPERATIONS

YRC Worldwide Inc. and Subsidiaries

For the Three and Six Months Ended June 30

(Amounts in thousands except per share data)

(Unaudited)

	Three Months		Six Months	
	2011	2010	2011	2010
Operating Revenue	$ 1,257,212	$ 1,119,101	$ 2,380,098	$ 2,106,245
Operating Expenses:				
Salaries, wages and employees benefits	704,627	682,934	1,385,445	1,334,012
Equity based compensation (benefit) expense	405	(81,542)	(648)	28,329
Operating expenses and supplies	307,334	243,420	584,530	480,789
Purchased transportation	140,778	120,803	260,440	214,902
Depreciation and amortization	47,557	50,074	96,853	100,706
Other operating expenses	68,955	57,309	136,855	120,504
(Gains) losses on property disposals, net	(7,277)	(2,187)	(10,236)	6,612
Impairment charges				5,281
Total operating expenses	1,262,379	1,070,811	2,453,239	2,291,135
Operating Income (Loss)	(5,167)	48,290	(73,141)	(184,890)
Nonoperating (Income) Expenses:				
Interest expense	40,069	41,385	78,872	82,312
Equity investment impairment		12,338		12,338
Other, net	(77)	(6,697)	(34)	(4,791)
Nonoperating expenses, net	39,992	47,026	78,838	89,859
Income (Loss) from Continuing Operations Before Income Taxes	(45,159)	1,264	(151,979)	(274,749)
Income tax provision (benefit)	(2,576)	224	(7,127)	(5,654)
Net Income (Loss) from Continuing Operations	(42,583)	1,040	(144,852)	(269,095)
Net Loss from Discontinued Operations, net of tax		(11,358)		(15,361)
Net Loss	(42,583)	(10,318)	(144,852)	(284,456)
Less: Net Loss Attributable to Non-Controlling Interest	(448)	(847)	(937)	(847)
Net Loss Attributable to YRC Worldwide Inc.	$ (42,135)	$ (9,471)	$ (143,915)	$ (283,609)
Average Common Shares Outstanding Basic	47,754	43,130	47,697	32,051
Average Common Shares Outstanding Diluted	47,754	43,171	47,697	32,051
Basic Earnings (Loss) Per Share				

Income (Loss) from Continuing Operations	$	(0.88)	$	0.02	$	(3.02)	$	(8.40)
Loss from Discontinued Operations				(0.26)				(0.48)
Net Loss Per Share	$	(0.88)	$	(0.24)	$	(3.02)	$	(8.88)
Diluted Earnings (Loss) Per Share								
Income (Loss) from Continuing Operations	$	(0.88)	$	0.02	$	(3.02)	$	(8.40)
Loss from Discontinued Operations				(0.26)				(0.48)
Net Loss Per Share	$	(0.88)	$	(0.24)	$	(3.02)	$	(8.88)
Amounts attributable to YRC Worldwide Inc. common shareholders:								
Income (Loss) from Continuing Operations	$	(42,135)	$	1,887	$	(143,915)	$	(268,248)
Loss from Discontinued Operations, net of tax				(11,358)				(15,361)
Net Loss	$	(42,135)	$	(9,471)	$	(143,915)	$	(283,609)

The accompanying notes are an integral part of these statements.

Table of Contents

STATEMENTS OF CONSOLIDATED CASH FLOWS

YRC Worldwide Inc. and Subsidiaries

For the Six Months Ended June 30

(Amounts in thousands)

(Unaudited)

	2011	2010
Operating Activities:		
Net loss	$ (144,852)	$ (284,456)
Noncash items included in net loss:		
Depreciation and amortization	96,853	105,228
Equity based compensation (benefit) expense	(648)	28,345
Impairment charges		17,619
(Gains) losses on property disposals, net	(10,236)	8,310
Deferred income tax benefit, net	(663)	(5,784)
Amortization of deferred debt costs	19,604	22,689
Other noncash items, net	1,599	(4,597)
Changes in assets and liabilities, net:		
Accounts receivable	(98,015)	(27,635)
Accounts payable	10,200	17,665
Other operating assets	(21,927)	85,860
Other operating liabilities	86,744	22,284
Net cash used in operating activities	(61,341)	(14,472)
Investing Activities:		
Acquisition of property and equipment	(22,712)	(10,855)
Proceeds from disposal of property and equipment	26,000	35,781
Other	3,088	5,223
Net cash provided by investing activities	6,376	30,149
Financing Activities:		
Asset backed securitization borrowings, net	41,449	1,114
Issuance of long-term debt	60,730	141,795
Repayment of long-term debt	(29,124)	(101,100)
Debt issuance costs	(5,181)	(9,568)
Equity issuance costs		(17,323)
Equity issuance proceeds		15,906
Net cash provided by financing activities	67,874	30,824
Net Increase In Cash and Cash Equivalents	12,909	46,501
Cash and Cash Equivalents, Beginning of Period	143,017	97,788
Cash and Cash Equivalents, End of Period	$ 155,926	$ 144,289

Supplemental Cash Flow Information:		
Interest paid	$ 20,856	$ 20,938
Income tax refunds, net	334	83,288
Accrued interest and fees transferred to long-term debt	170,559	
Pension contribution deferral transfer to long-term debt		4,361
Lease financing transactions	8,985	26,747
Interest paid in stock for the 6% Notes	2,082	

The accompanying notes are an integral part of these statements.

Table of Contents

STATEMENT OF CONSOLIDATED SHAREHOLDERS DEFICIT

YRC Worldwide Inc. and Subsidiaries

For the Six Months Ended June 30

(Amounts in thousands)

(Unaudited)

	2011
Common Stock	
Beginning balance	$ 477
Interest paid in stock for the 6% Notes	2
Ending balance	$ 479
Capital Surplus	
Beginning balance	$ 1,643,277
Share-based compensation	(649)
Interest paid in stock for the 6% Notes	2,080
Other, net	(14)
Ending balance	$ 1,644,694
Accumulated Deficit	
Beginning balance	$ (1,499,514)
Net loss attributable to YRC Worldwide Inc.	(143,915)
Ending balance	$ (1,643,429)
Accumulated Other Comprehensive Loss	
Beginning balance	$ (239,626)
Pension, net of tax:	
Amortization of net losses to net income (loss)	2,978
Foreign currency translation adjustments	1,938
Ending balance	$ (234,710)
Treasury Stock, At Cost	
Beginning and ending balance	$ (92,737)
Noncontrolling Interest	
Beginning balance	$ (1,894)
Net loss attributable to the noncontrolling interest	(937)
Foreign currency translation adjustments	(259)
Ending balance	$ (3,090)

Total shareholders deficit	$	(328,793)

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YRC Worldwide Inc. and Subsidiaries

(Unaudited)

1. Description of Business

YRC Worldwide Inc. (also referred to as YRC Worldwide , the Company , we or our), one of the largest transportation service providers in the world, is a holding company that through wholly owned operating subsidiaries offers its customers a wide range of transportation services. These services include global, national and regional transportation. Our operating subsidiaries include the following:

YRC National Transportation (National Transportation) is the segment for our transportation service providers focused on business opportunities in regional, national and international services. National Transportation provides for the movement of industrial, commercial and retail goods, primarily through regionalized and centralized management and customer facing organizations. This unit includes our less-than-truckload (LTL) subsidiary YRC Inc. (YRC), and YRC Reimer, a subsidiary located in Canada that specializes in shipments into, across and out of Canada. In addition to the United States (U.S.) and Canada, National Transportation also serves parts of Mexico, Puerto Rico and Guam.

Regional Transportation (Regional Transportation) is the segment for our transportation service providers focused on business opportunities in the regional and next-day delivery markets. Regional Transportation is comprised of New Penn Motor Express (New Penn), Holland and Reddaway. These companies each provide regional, next-day ground services in their respective regions through a network of facilities located across the U.S., Canada, Mexico and Puerto Rico.

Truckload (Truckload) reflects the results of Glen Moore, a provider of truckload services throughout the U.S.

At June 30, 2011, approximately 77% of our labor force is subject to various collective bargaining agreements, which predominantly expire in 2015.

2. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of YRC Worldwide and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Investments in non-majority owned affiliates or those in which we do not have control where the entity is either not a variable interest entity or YRC Worldwide is not the primary beneficiary, are accounted for on the equity method. We own a 65% equity interest in Shanghai Jiayu Logistics Co. Ltd. (Jiayu) for which we consolidate the results in our financial statements effective April 1, 2010 and therefore have a noncontrolling (minority) interest included in our consolidated subsidiaries; consequently, a portion of our shareholders deficit, net loss and comprehensive loss for the periods presented are attributable to noncontrolling interests.

Management makes 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 management s opinion, 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 herein have been made. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles 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 Current Report on Form 8-K filed on May 17, 2011.

The board of directors approved a reverse stock split effective September 30, 2010 at a ratio of 1:25. All share numbers and per share amounts in the Consolidated Financial Statements and Notes to the Consolidated Financial Statements have been retroactively adjusted to give effect to the

reverse stock split.

As more fully discussed in notes 3 and 4, as part of the restructuring that closed on July 22, 2011, a significant portion of our debt was refinanced on a long-term basis. Accordingly, we have reclassified our debt under the Credit Agreement (as defined below), the ABS facility, the pension contribution deferral obligations and the 6% Notes due 2014 as of June 30, 2011 from current maturities to long-term debt.

Assets Held for Sale

When we plan to dispose of property or equipment by sale, the asset is carried in the financial statements at the lower of the carrying amount or estimated fair value, less cost to sell, and is reclassified to assets held for sale. Additionally, after the reclassification, there is no further depreciation taken on the asset. For an asset to be classified as held for sale, management must approve and commit to a formal plan, the sale should be anticipated during the ensuing year and the asset must be actively marketed, be available for immediate sale, and meet certain other specified criteria.

At June 30, 2011 and December 31, 2010, the net book value of properties and equipment held for sale was approximately $60.9 million and $71.2 million, respectively. This amount is included in Property and Equipment in the accompanying consolidated balance sheets. We recorded charges of $5.2 million and $7.1 million for the three and six months ended June 30, 2011 and $11.7 million and $23.2 million for the three and six months ended June 30, 2010, respectively, to reduce properties and equipment held for sale to estimated fair value, less cost to sell. These charges are included in (Gains) Losses on Property Disposals, Net in the accompanying statements of consolidated operations.

Impairment of Long-Lived Assets

If facts and circumstances indicate that the carrying amount of held-and-used identifiable amortizable intangibles and property, plant and equipment may be impaired, we perform an evaluation of recoverability in accordance with FASB ASC Topic 360. Our evaluation compares the estimated future undiscounted cash flows associated with the asset or asset group to its carrying amount to determine if a reduction to the carrying amount is required. The carrying amount of an impaired asset would be reduced to fair value if the estimated undiscounted cash flows are insufficient to recover the carrying value of the asset group.

We believe that the accounting estimate related to asset impairment is a critical accounting estimate because: (1) it requires our management to make assumptions about future revenues and expenses over the life of the asset, and (2) the impact that recognizing an impairment would have on our financial position, as well as our results of operations, could be material. Management s assumptions about future revenues and expenses require significant judgment because actual revenues have fluctuated in the past and may continue to do so. In estimating future revenues and expenses, we use our internal business forecasts. We develop our forecasts based on recent revenue and expense data for existing services and other industry and economic factors. To the extent that we are unable to achieve forecasted improvements in shipping volumes and pricing initiatives or realize forecasted cost savings, the Company may incur significant impairment losses on property and equipment or intangible assets.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and asset-backed securitization borrowings approximates their fair value due to the short-term nature of these instruments.

3. Liquidity

The Restructuring

On July 22, 2011, we completed our previously disclosed financial restructuring, including an exchange offer, whereby we refinanced the claims held by our lenders under our existing credit agreement, dated as of August 17, 2007, with JPMorgan Chase Bank, National Association, as administrative agent and the certain financial institutions party thereto as lenders (the Credit Agreement) and entered into other significant financing arrangements (collectively the restructuring). In connection with the completion of the restructuring, we issued approximately 3,717,948 shares of our new Series B Convertible Preferred Stock, par value $1.00 per share (the Series B Preferred Stock), $140.0 million in aggregate principal amount of our new 10% Series A Convertible Senior Secured Notes due 2015 (the Series A Notes) and $100.0 million in aggregate principal amount of our new 10% Series B Convertible Senior Secured Notes due 2015 (the Series B Notes) to our lenders. We also entered into an amended and restated credit agreement, a new asset-based loan facility and an amended and restated contribution deferral agreement with certain multiemployer pension funds, as further described below. On July 22, 2011, the Company also delivered into escrow approximately 1,282,051 shares of our Series B Preferred Stock, which were delivered from escrow on July 25, 2011 to the Teamster-National 401(k) Savings Plan for the benefit of the Company s International Brotherhood of Teamsters (IBT) employees. We also issued one share of our new Series A Voting Preferred Stock, par value $1.00 per share (the Series A Voting Preferred Stock), to the IBT to confer certain board representation rights.

8

Table of Contents

In connection with the closing of the restructuring, obligations under that certain Third Amended and Restated Receivables Purchase Agreement, dated as of April 18, 2008 (as amended, the ABS facility), among us as Performance Guarantor, Yellow Roadway Receivables Funding Corporation (YRRFC) as Seller, Falcon Asset Securitization Company LLC, Three Pillars Funding LLC and Amsterdam Funding Corporation, as Conduits; the financial institutions party thereto, as Committed Purchasers; Wells Fargo Bank, N.A. (successor to Wachovia Bank, National Association), as Wells Fargo Agent and LC Issuer, SunTrust Robinson Humphrey, Inc., as Three Pillars Agent; The Royal Bank of Scotland plc (successor to ABN AMRO Bank N.V.), as Amsterdam Agent; and JPMorgan Chase Bank, N.A., as Falcon Agent and Administrative Agent were paid in full and the ABS Facility was terminated and we cash collateralized the letters of credit (see Standby Letter of Credit Agreement below).

Pursuant to the terms of a support agreement (the TNFINC Support Agreement) with the Teamsters National Freight Industry Negotiating Committee (TNFINC) of the IBT, dated as of April 29, 2011, as a result of the completion of the restructuring, TNFINC has waived its right to terminate, and agrees not to further modify, that certain Agreement for the Restructuring of the YRC Worldwide Inc. Operating Companies, dated as of September 24, 2010 (as amended, the 2010 MOU) such that the collective bargaining agreement will be fully binding on the parties thereto until its specified term of March 31, 2015.

We have filed a preliminary proxy statement with the SEC in connection with a special meeting of our stockholders to approve the merger of a wholly owned subsidiary of the Company with and into the Company with the Company as the surviving entity (the Charter Amendment Merger). In connection with the Charter Amendment Merger, we will amend and restate our certificate of incorporation to increase the amount of authorized shares of common stock to a sufficient number to (i) permit the automatic conversion of the shares of Series B Preferred Stock issued in the restructuring into shares of our common stock at an initial conversion rate of 372.6222 common shares per preferred share, (ii) provide sufficient authorized common shares allow for conversion of the Series A Notes and the Series B Notes into our common stock at an initial conversion provide sufficient authorized common shares rate of 8,822 common shares per $1,000 of the Series A Notes and 16,187 common shares per $1,000 of the Series B Notes and (iii) provide sufficient authorized shares for a new equity incentive plan and future equity issuances.

The table below summarizes the cash flow activity as it relates to the restructuring as of July 22, 2011.

(in millions)

Sources of Funds		Uses of Funds	
Issuance of Series B Notes	$ 100.0	Retirement of ABS facility borrowings	$ 164.2
Borrowings on the ABL Facility	255.0	Collateralization of letters-of-credit under the ABS facility	64.7
Additional borrowings under the revolving credit facility	18.5	Estimated fees, expenses and original issue discount of restructuring	57.0
Company cash	2.4	Restricted cash deposited in escrow	90.0
Total sources of funds	$ 375.9	**Total uses of funds**	$ 375.9

As of July 31, 2011, the Company s cash and cash equivalents and availability under the ABL facility was approximately $286 million and the borrowing base on the Company s $400 million ABL facility was approximately $380 million.

CREDIT FACILITIES

Upon completing the financial restructuring, we now have two primary credit vehicles:

- the amended and restated credit agreement, and
- an asset-backed lending facility.

The amended and restated credit agreement and the asset-backed lending facility are collectively referred to herein as the credit facilities .

Bank Group Credit Agreement

On July 22, 2011, we, as borrower, entered into an amended and restated credit agreement (the Bank Group Credit Agreement) with JPMorgan Chase Bank, National Association, as administrative agent and the certain financial institutions party thereto as lenders, which partially refinanced the existing Credit Agreement with an approximately $307.4 million in aggregate principal amount term loan and the approximate $437.0 million of issued but undrawn and outstanding letters of credit. No amounts under the term loan, once repaid, may be reborrowed. New letters of credit may be issued in substitution or replacement of the rollover letters of credit for the same or a substantially similar purpose substantially concurrently with (and in any event within twenty days of) such substitution or replacement. The Bank Group Credit Agreement also waived the outstanding Milestone Failure (as defined in the Credit Agreement) under the Credit Agreement.

Table of Contents

Maturity and Amortization

The maturity of the term loan and, subject to the ability to replace or substitute letters of credit, letters of credit, will be March 31, 2015. The term loan will not amortize.

Interest and Fees

The term loan, at our option, will bear interest at either (x) 5.50% in excess of the alternate base rate (i.e., the greater of the prime rate and the federal funds effective rate in effect on such day plus 1/2 of 1%) in effect from time to time, or (y) 6.50% in excess of the London interbank offer rate (adjusted for maximum reserves). The London interbank offer rate will be subject to a floor of 3.50% and the alternate base rate will subject to a floor of the then-applicable London interbank offer rate plus 1.0%. The stated interest rate applicable on the July 22, 2011 closing date was 10%.

Issued but undrawn letters of credit are subject to a participation fee equal to 7.50% of the average daily amount of letter of credit exposure. Any commitment available to be used to issue letters of credit will be subject to a commitment fee of 7.50% of the average daily unused commitment. Letters of credit will be subject to a 1% fronting fee or as mutually agreed between the Company and the applicable issuing bank.

Upon a payment event of default, at the election of the required lenders, or automatically following the occurrence of a bankruptcy event of default, the then-applicable interest rate on any outstanding obligations under the Bank Group Credit Agreement will be increased by 2.0%.

Guarantors

All our obligations under the Bank Group Credit Agreement are unconditionally guaranteed by our U.S. subsidiaries (other than the ABL Borrower (as defined below) or (for one year and two days following the closing) the existing special purpose subsidiary that was a borrower under our ABS facility) (collectively, the Guarantors).

Collateral

The collateral securing the obligations under the Bank Group Credit Agreement and guarantees entered into pursuant thereto is substantially similar to the collateral securing the existing Credit Agreement, which includes the following (subject to certain customary exceptions):

- all shares of capital stock of (or other ownership equity interests in) and intercompany debt owned by the Company and each present and future Guarantor; and
- substantially all present and future property and assets of the Company or each Guarantor, except to the extent a security interest would result in a breach, termination or default by the terms of the collateral being granted.

The administrative agent will retain the ability to require a pledge of foreign assets.

The liens on the collateral securing the obligations under the Bank Group Credit Agreement and guarantees entered into pursuant thereto will be junior to:

- the liens securing the obligations under the Contribution Deferral Agreement solely with respect to certain parcels of owned real property on which the pension funds have a senior lien; and
- certain other customary permitted liens.

Mandatory Prepayments

The Bank Group Credit Agreement includes the following mandatory prepayments (none of which shall be subject to a reinvestment right except as set forth below):

75% of the net cash proceeds from certain asset sales (but, in any event, excluding casualty and condemnation events and certain other customary exceptions), except that no prepayment will be required with respect to up to $10 million of net cash proceeds from non real estate asset sales in any fiscal year to the extent reinvested in assets useful to the business;

Table of Contents

50% of excess cash flow swept on an annual basis;

50% of net cash proceeds from equity issuances (subject to certain exceptions, including equity issuances to finance capital expenditures); and

100% of cash proceeds from debt issuances that are not permitted by the Bank Group Credit Agreement.

Covenants

The Bank Group Credit Agreement requires us and our subsidiaries to comply with customary affirmative, negative and financial covenants. Set forth below is a brief description of such covenants,:

The affirmative covenants include the following: (i) delivery of financial statements and other customary financial information; (ii) notices of events of default and other material events; (iii) maintenance of existence, ability to conduct business, properties, insurance and books and records; (iv) payment of certain obligations; (v) inspection rights; (vi) compliance with laws; (vii) use of proceeds; (viii) further assurances; (ix) additional collateral and guarantor requirements; and (x) quarterly conference calls.

The negative covenants include limitations on: (i) liens; (ii) debt (including guaranties); (iii) fundamental changes; (iv) dispositions (including sale leasebacks); (v) affiliate transactions; (vi) restrictive agreements; (vii) restricted payments; (viii) voluntary prepayments of debt; and (ix) amendments to certain material agreements.

The financial covenants include maintenance of the following (each as defined in the Bank Group Credit Agreement):

Maximum total leverage ratio as described below:

Four Consecutive Fiscal Quarters Ending	Maximum Total Ratio
March 31, 2012	9.00 to 1.00
June 30, 2012	9.30 to 1.00
September 30, 2012	7.00 to 1.00
December 31, 2012	5.90 to 1.00
March 31, 2013	5.30 to 1.00
June 30, 2013	4.60 to 1.00
September 30, 2013	4.00 to 1.00
December 31, 2013	3.60 to 1.00
March 31, 2014	3.30 to 1.00
June 30, 2014	3.20 to 1.00
September 30, 2014	3.00 to 1.00
December 31, 2014	3.10 to 1.00

Minimum interest coverage ratio as described below:

Four Consecutive Fiscal Quarters Ending	Minimum Interest Coverage Ratio
March 31, 2012	1.00 to 1.00
June 30, 2012	1.10 to 1.00

September 30, 2012	1.40 to 1.00
December 31, 2012	1.70 to 1.00
March 31, 2013	1.80 to 1.00
June 30, 2013	2.20 to 1.00
September 30, 2013	2.50 to 1.00
December 31, 2013	2.80 to 1.00
March 31, 2014	3.00 to 1.00
June 30, 2014	3.20 to 1.00
September 30, 2014	3.30 to 1.00
December 31, 2014	3.30 to 1.00

Minimum available cash, which includes unrestricted cash in which the administrative agent has a perfected first priority lien and the available commitment under the ABL facility (as defined below), of $50,000,000 at all times (subject to a cure period).

Minimum EBITDA as described below:

Four Consecutive Fiscal Quarters Ending	Minimum Consolidated EBITDA	
September 30, 2011	$	125,000,000
December 31, 2011	$	125,000,000
March 31, 2012	$	160,000,000
June 30, 2012	$	160,000,000
September 30, 2012	$	210,000,000
December 31, 2012	$	250,000,000
March 31, 2013	$	275,000,000
June 30, 2013	$	325,000,000
September 30, 2013	$	370,000,000
December 31, 2013	$	415,000,000
March 31, 2014	$	450,000,000
June 30, 2014	$	475,000,000
September 30, 2014	$	495,000,000
December 31, 2014	$	495,000,000

Maximum capital expenditures covenant as described below, which is subject to a 50% carry-forward of unused amounts to the immediately succeeding fiscal year and use of the available basket amount:

Period	Maximum Capital Expenditures	
For the two consecutive fiscal quarters ending December 31, 2011	$	90,000,000
For the four consecutive fiscal quarters ending December 31, 2012	$	200,000,000
For the four consecutive fiscal quarters ending December 31, 2013	$	250,000,000
For the four consecutive fiscal quarters ending December 31, 2014	$	355,000,000
For the fiscal quarter ending March 31, 2015	$	90,000,000

Events of Default

The Bank Group Credit Agreement contains customary events of default, including: (a) non-payment of obligations (subject to a three business day grace period in the case of interest and fees); (b) breach of representations, warranties and covenants (subject to a thirty-day grace period in the case of certain affirmative covenants); (c) bankruptcy (voluntary or involuntary); (d) inability to pay debts as they become due; (e) cross default to material indebtedness; (f) ERISA events; (g) change in control; (h) invalidity of liens; (i) cross acceleration to material leases; (j) invalidity or illegality of the collective bargaining agreement with the IBT, and (k) failure to maintain certain amounts of additional available cash commencing August 23, 2013.

ABL Facility

On July 22, 2011, YRCW Receivables LLC, a newly formed, bankruptcy remote, wholly-owned subsidiary of the Company (the ABL Borrower), JPMorgan Chase Bank, N.A., as administrative agent (the ABL Administrative Agent) and the lenders party thereto entered into a $225.0 million ABL last out term loan facility, (the Term B Facility) and a $175.0 million ABL first out term loan facility (the Term A Facility, and collectively with the Term B Facility, the ABL facility). The ABL facility will terminate on September 30, 2014 (the Termination Date).

Pursuant to the terms of the ABL facility, YRC Inc., USF Holland Inc. and USF Reddaway Inc. (each, one of our subsidiaries and each, an Originator) will each sell, on an ongoing basis, all accounts receivable originated by that Originator to the ABL Borrower. Under the ABL facility, we were appointed to act as initial servicer of the receivables, but we may delegate our duties to each Originator as a subservicer.

Material terms of the ABL facility include:

the ABL facility is secured by a perfected first priority security interest in and lien (subject to permitted liens) upon all accounts receivable (and the related rights) of the ABL Borrower, together with deposit accounts into which the proceeds from such accounts receivable are remitted (collectively, the ABL Collateral);

the aggregate amount available under the ABL facility is subject to a borrowing base equal to 85% of Net Eligible Receivables, plus 100% of the portion of the ABL facility that has been cash collateralized, minus reserves established by the Agent in its permitted discretion; Net Eligible Receivables means, as of any day, the outstanding balance of eligible receivables, and reduced by specified concentration limits and unapplied cash;

on the closing date, the ABL Borrower drew the full Term B Facility (such loans, the Term B Loans) and $30.0 million under the Term A Facility (such loans, collectively with other loans incurred under the Term A Facility, the Term A Loans); amounts received by the ABL Borrower in connection with the closing date loans were utilized to acquire receivables from the Originators and to pay specified expenses;

subject to certain limitations, including compliance with the borrowing base, the ABL Borrower shall be entitled to request additional Term A Loans (in an aggregate amount not to exceed $175.0 million) prior to the Termination Date;

The ABL facility is subject to payment on the following terms:

loans under the ABL facility are subject to mandatory prepayment in connection with a borrowing base shortfall or loans in excess of the applicable commitment; any mandatory prepayments will be applied to cash collateralize the loans under the ABL facility; provided that any such cash collateral shall be released to the extent any such shortfall is reduced or eliminated;

borrowings under the Term B Facility are payable in equal quarterly amounts equal to 1% per annum, with the remaining balance payable on the Termination Date;

subject to specified exceptions, loans under the Term B Facility may be voluntarily prepaid only upon the termination of commitments under the Term A Facility and payment in full of all Term A Loans thereunder;

loans under the Term A Facility and the commitments in respect thereof (i) may not be prepaid and or terminated on or prior to the first anniversary of the closing date and (ii) shall be subject to a 1% prepayment premium after the first anniversary but on or prior to the second anniversary of the closing date;

interest on outstanding borrowings is payable at a rate per annum equal to the reserve adjusted LIBOR rate (which is the greater of the adjusted LIBOR rate and 1.50%) or the ABR Rate (which is the greatest of the applicable prime rate, the federal funds rate plus 0.5%, and the LIBOR rate plus 1.0%) plus an applicable margin, which, for Term A Loans, will equal 7.00% for LIBOR rate advances and 6.00% for ABR Rate advances, and for Term B Loans, will equal 9.75% for LIBOR rate advances and 8.75% for ABR Rate advances. The stated interest rate applicable on the July 22, 2011 closing date was 8.5% for Term A Loans and 11.25% for Term B Loans;

during the continuance of a termination event, the interest rate on outstanding advances will be increased by 2.00% per annum above the rate otherwise applicable;

a per annum commitment fee equal to 7.00% per annum on the average daily unused portion of the commitment in respect of the Term A Facility will be payable quarterly in arrears;

we were required to deposit an aggregate amount equal to $90.0 million (the Escrow Amount) into escrow accounts held by the ABL Administrative Agent, as escrow agent pursuant to an Incentive Escrow Agreement and a Delivery/Maintenance Escrow Agreement (together, the Escrow Agreements), we expect such amount to remain in escrow for the term of the ABL facility;

we provided a customary, unsecured guaranty of the Originators recourse obligations under the ABL facility;

pursuant to the terms of a standstill agreement (the Standstill Agreement), certain trucks, other vehicles, rolling stock, terminals, depots or other storage facilities, in each case, whether leased or owned, are subject to a standstill period in favor of the collateral agent, the administrative agent and the other secured parties under the ABL facility for a period of 10 business days (absent any exigent circumstances arising as a result of fraud, theft, concealment, destruction, waste or abscondment) with respect to the exercise of rights and remedies by the secured parties with respect to those assets under our other material debt agreements; and

the ABL facility contains certain customary affirmative and negative covenants and Termination Events including, without limitation, specified minimum consolidated EBITDA, unrestricted cash and capital expenditure trigger events (that are consistent with the Credit Agreement), and certain customary provisions regarding borrowing base reporting and delivery of financial statements.

Amended and Restated Contribution Deferral Agreement

On July 22, 2011, the amendment and restatement of the contribution deferral agreement between certain of our subsidiaries and certain multiemployer pension funds (the A&R CDA) became effective, pursuant to that certain Amendment 10 to Contribution Deferral Agreement, dated as of April 29, 2011, by and among YRC Inc., USF Holland, Inc., New Penn Motor Express, Inc. and USF Reddaway Inc., as primary obligors (the Primary Obligors), the Trustees for the Central States, Southeast and Southwest Areas Pension Fund (CS) and the other pension funds party thereto (together with CS, the Funds), and Wilmington Trust

Company, as agent (Agent), by and among the Primary Obligors, the Funds and the Agent, which continues to defer pension payments and deferred interest owed as of July 22, 2011 (each, Deferred Pension Payments and Deferred Interest).

Maturity and Amortization

The maturity of the A&R CDA is March 31, 2015, and there will be no amortization.

Interest

The Deferred Pension Payments and Deferred Interest bears interest at a rate, with respect to each Fund, per annum as set forth in its trust documentation as of February 28, 2011. The interest rates applicable on the July 22, 2011 closing date range from 4.0% to 18.0%.

Application of Certain Payments

In accordance with the reentry arrangements between each Fund and the Primary Obligors, a Fund may require the Primary Obligors to make payments of obligations owed to such Fund under the A&R CDA in lieu of payments required pursuant to the collective bargaining agreement with the IBT or make payments into an escrow arrangement, in each case in an amount equal to such Fund s current monthly contribution amount.

Collateral

The Funds maintain their first lien on existing first priority collateral. The Funds allow the secured parties under the Series A Indenture and Series B Indenture (as each are defined below) a second lien behind the secured parties to the Bank Group Credit Agreement on certain properties and the Funds have a third lien on such collateral.

Most Favored Nations

If any of the Obligors enter into an amendment, modification, supplementation or alteration of the Bank Group Credit Agreement after July 22, 2011 that imposes any mandatory prepayment, cash collateralization, additional interest or fee or any other incremental payment to the Lenders thereunder not required as of July 22, 2011, the Primary Obligors shall pay the Funds 50% of a proportionate additional payment in respect of the Deferred Pension Payments and Deferred Interest, with certain exceptions.

Guarantors

The A&R CDA guarantee is reaffirmed by its guarantors USF Glen Moore Inc. and Transcontinental Lease, S. de R.L. de C.V.

Standby Letter of Credit Agreement

On July 22, 2011, we entered into an arrangement with Wells Fargo, National Association (Wells Fargo) pursuant to which Wells Fargo issued one replacement letter of credit and permitted an existing letter of credit to remain outstanding pursuant to the terms of a Standby Letter of Credit Agreement (the Standby LC Agreement), dated as of July 22, 2011, by and among the Company and Wells Fargo. We pledged certain deposit accounts and securities accounts (collectively, the Pledged Accounts) to Wells Fargo to secure its obligations in respect of the letters of credit pursuant to a Pledge Agreement (the Pledge Agreement), dated as of July 22, 2011, by and among the Company, Wells Fargo and Wells Fargo Securities, LLC. The Pledge Agreement requires that we maintain an amount equal to at least 101% of the face amount of the letters of credit in the Pledged Accounts. The Company is obligated to pay (quarterly in arrears) a fee equal to 1.0% per annum on the average daily amount available to be drawn under each letter of credit during such quarter. In addition, the Standby LC Agreement requires the Company to pay customary and usual fees and expenses in connection with the issuance and maintenance of the letters of credit. To the extent the Company fails to pay amounts due and owing, such amounts will bear interest at Wells Fargo s prime rate plus 2.0%. The Standby LC Agreement includes customary and usual events of default (and related cure periods), including without limitation, failure to pay amounts when due, failure to comply with covenants, cross default to material debt, bankruptcy and insolvency events, the occurrence of any act, event of condition causing a material adverse effect and the occurrence of a change of control. The total amount of letters of credit outstanding under the Standby LC Agreement is $64.7 million.

Indentures

On July 22, 2011, we issued $140.0 million in aggregate principal amount of the Series A Notes and $100.0 million in aggregate principal amount of the Series B Notes.

Series A Indenture

The Series A Notes are governed by an indenture (the Series A Indenture), dated as of July 22, 2011, among us, as issuer, the Guarantors and U.S. Bank National Association, as trustee. Under the terms of the Series A Indenture, the Series A Notes bear interest at a rate of 10% per year and will mature on March 31, 2015. Interest will be payable on a semiannual basis in arrears only in-kind through the issuance of additional Series A Notes.

The Series A Notes become convertible into our common stock, provided that the Charter Amendment Merger has occurred, upon the second anniversary of the issue date of the Series A Notes. After such time, subject to certain limitations on conversion and issuance of shares, holders may convert any outstanding Series A Notes into shares of our common stock at the initial conversion price per share of approximately $0.1134 and an initial conversion rate of 8.822 common shares per $1,000 of the Series A Notes. The conversion price may be adjusted for certain anti-dilution adjustments.

After the Charter Amendment Merger, holders of the Series A Notes will be entitled to vote with our common stock on an as-converted-to-common-stock-basis, *provided*, that, such number of votes shall be limited to 0.1089 votes for each such share of common stock on an as-converted-to-common stock-basis. We may redeem the Series A Notes, in whole or in part, at any time at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the redemption date.

The Series A Indenture contains covenants limiting, among other things, us and our restricted subsidiaries ability to (i) create liens on assets and (ii) merge, consolidated or sell all or substantially all of our and our guarantor s assets. The covenants are subject to important exceptions and qualifications.

The Series A Notes will be initially guaranteed by all of our domestic subsidiaries that guarantee obligations under the Bank Group Credit Agreement. If any of our existing or future domestic subsidiaries guarantees any indebtedness valued in excess of $5.0 million, then such subsidiary will also guarantee our indebtedness under the Series A Notes. In the event of a sale of all or substantially all of the capital stock or assets of any guarantor, the guarantee of such guarantor will be released. The Series A Notes and the guarantees of the Series A Notes will be our and the guarantors senior secured obligations. The Series A Notes and related guarantees will be secured by junior priority liens on substantially the same collateral securing the Bank Group Credit Agreement (other than any leasehold interests and equity interests of subsidiaries to the extent such pledge of equity interests would not require increased financial statement reporting obligations pursuant to Rule 3-16 of Regulation S-X). As of December 31, 2010, the common stock of our largest operating companies, such as YRC Inc., USF Holland Inc., New Penn Motor Express, Inc. and USF Reddaway Inc., would be excluded as collateral under these kick-out provisions.

Series B Indenture

The Series B Notes are governed by an indenture (the Series B Indenture), dated as of July 22, 2011, among us, as issuer, the Guarantors and U.S. Bank National Association, as trustee. Under the terms of the Series B Indenture, the Series B Notes bear interest at a rate of 10% per year and will mature on March 31, 2015. Interest will be payable on a semiannual basis in arrears only in-kind through the issuance of additional Series B Notes.

The Series B Notes become convertible into our common stock upon the consummation of the Charter Amendment Merger. After such time, holders may convert any outstanding Series B Notes into shares of our common stock at the initial conversion price per share of approximately $0.0618 and an initial conversion rate of 16,187 common shares per $1,000 of the Series B Notes. The conversion price may be adjusted for certain anti-dilution adjustments. Upon conversion, holders of Series B Notes will not receive any cash payment representing accrued and unpaid interest; however, such holders will receive a make whole premium paid in shares of our common stock for the Series B Notes that were converted.

After the Charter Amendment Merger, holders of the Series B Notes will be entitled to vote with our common stock on an as-converted-to-common-stock-basis, *provided*, that, such number of votes shall be limited to 0.0594 votes for each such share of common stock on an as-converted-to-common-stock-basis. If a change of control of the Company occurs, we must give the holders of the Series B Notes the right to sell their Series B Notes to us at 101% of their face amount, plus accrued and unpaid interest to the repurchase date.

The Series B Indenture contains covenants limiting, among other things, our and our restricted subsidiaries ability to:

- pay dividends or make certain other restricted payments or investments;
- incur additional indebtedness and issue disqualified stock or subsidiary preferred stock;

- create liens on assets;
- sell assets;
- merge, consolidate, or sell all or substantially all of our or the guarantors assets;
- enter into certain transactions with affiliates; and
- create restrictions on dividends or other payments by our restricted subsidiaries.

These covenants are subject to important exceptions and qualifications.

The Series B Notes will be initially guaranteed by all of our domestic subsidiaries that guarantee obligations under the Bank Group Credit Agreement. If any of our existing or future domestic subsidiaries guarantees any indebtedness valued in excess of $5.0 million, then such subsidiary will also guarantee our indebtedness under the Series B Notes. In the event of a sale of all or substantially all of the capital stock or assets of any guarantor, the guarantee of such guarantor will be released. The Series B Notes and the guarantees of the Series B Notes will be our and the guarantors senior secured obligations. The Series B Notes and related guarantees will be secured by junior priority liens on substantially the same collateral securing the Bank Group Credit Agreement (other than any leasehold interests and equity interests of subsidiaries to the extent such pledge of equity interests would require increased financial statement reporting obligations pursuant to Rule 3-16 of Regulation S-X). As of December 31, 2010, the common stock of our largest operating companies, such as YRC Inc., USF Holland Inc., New Penn Motor Express, Inc. and USF Reddaway Inc., would be excluded as collateral under these kick-out provisions.

Registration Rights Agreements

On July 22, 2011, we and the guarantor subsidiaries entered into registration rights agreements with those holders of our Series A Notes, Series B Notes and Series B Preferred Stock who may be deemed to be our affiliates upon the closing of the exchange offer. Pursuant to the registration rights agreements, we have agreed to prepare and file with the SEC a registration statement covering the resale of such Series A Notes and Series B Notes, as applicable, and the shares of our common stock such securities are convertible into, as well as the shares of our common stock underlying the Series B Preferred Stock, on or prior to the filing deadline. The filing deadline for each of the initial registration statements is the fifth business day following the date of the consummation of the Charter Amendment Merger. We use our commercially reasonable efforts to cause each such registration statement to be declared effective by the SEC as soon as practicable, but no later than the effectiveness deadline. The effectiveness deadline for each initial registration statement is sixty (60) days after the filing deadline; subject to certain exceptions.

In the case of the registration statement for the Series A Notes and the registration statement for the Series B Notes, if (i) such registration statement is not filed with the SEC on or prior to its filing deadline, (ii) such registration statement is not declared effective on or prior to its effectiveness deadline, or (iii) after such registration statement has been declared effective, we fail to keep the registration statement effective or the prospectus forming a part of such registration statement is not usable for more than an aggregate of 30 trading days (which need not be consecutive) (other than during a grace period) or (iv) a grace period exceeds the length of an allowable grace period (each of the events described in clauses (i) through (iv), an event) then, in each case, we will be required to pay as partial liquidated damages to such holders of Series A Notes or Series B Notes, as applicable, an amount equal to 0.25% of the aggregate principal amount of such holders Series A Notes or Series B Notes, as applicable, for the first 30 days from the date of the event until the event is cured (which rate will be increased by an additional 0.25% per annum for each subsequent 30-day period that liquidated damages continue to accrue, provided that the rate at which such liquidated damages accrue may in no event exceed 2.00% per annum). All liquidated damages will be paid on the same day that interest is payable on the Series A Notes or Series B Notes, as applicable, and will be paid-in-kind in Series A Notes or Series B Notes, as applicable.

6% Notes

The 6% Notes indenture provides that the maximum number of shares of our common stock that can be issued in respect of the 6% Notes upon conversion or with respect to the payment of interest or in connection with the make whole premium or otherwise shall be limited to 8,075,200 shares of common stock for $70 million in aggregate principal amount of the 6% Notes, subject to certain adjustments. If the limit is reached, no holder is entitled to any other consideration on account of shares not issued. This limitation terminates if the holders of our common stock approve the termination of this limitation. As of August 8, 2011, a maximum of 5,284,781 shares of the Company s common stock would be

available for future issuances in respect of the 6% Notes. Such limitation on the number of shares of common stock issuable in respect of the 6% Notes applies on a pro rata basis to the approximately $69.4 million in aggregate principal amount of outstanding 6% Notes.

Table of Contents

Series A Notes

As of August 8, 2011, there is outstanding $140.0 million in aggregate principal amount of Series A Notes. The Series A Notes are not currently convertible into our common stock.

Series B Notes

As of August 8, 2011, there is outstanding $100.0 million in aggregate principal amount of Series B Notes. The Series B Notes are not currently convertible into our common stock.

Risks and Uncertainties Regarding Future Liquidity

To continue to have sufficient liquidity to meet our cash flow requirements after the closing of the restructuring, including paying cash interest and letter of credit fees, making contributions to multiemployer pension funds and funding capital expenditures:

- our operating results, pricing and shipping volumes must continue to improve;
- we must continue to have access to our credit facilities;
- the cost savings under our labor agreements, including wage reductions and savings due to work rule changes, must continue;
- we must complete real estate sale transactions currently under contract as anticipated; and
- we must continue to implement and realize substantial cost savings measures to match our costs with business levels and to continue to become more efficient.

Some or all of these factors are beyond our control and as such we anticipate that we will continue to face risks and uncertainties regarding liquidity.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The uncertainty regarding the Company s ability to generate sufficient cash flows and liquidity to fund operations raises substantial doubt about the Company s ability to continue as a going concern (which contemplates the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future). Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We expect to continue to monitor our liquidity carefully, work to reduce this uncertainty and address our cash needs through a combination of one or more of the following actions:

- we continue to, and expect to implement further cost actions and efficiency improvements;
- we will continue to aggressively seek additional and return business from customers;
- we will continue to attempt to reduce our collateral requirements related to our insurance programs;

- if appropriate, we may sell additional equity or pursue other capital market transactions;

- we may consider selling non-strategic assets or business lines; and

- we expect to carefully manage receipts and disbursements, including amounts and timing, focusing on reducing days sales outstanding and managing days payables outstanding.

Notwithstanding the restructuring, our balance sheet remains significantly leveraged, a significant portion of our debt would mature prior to or during 2015 and we will continue to face potentially significant future funding obligations for our single and multiemployer pension plans. After giving effect to the restructuring as of July 22, 2011, we have approximately $1.4 billion in aggregate principal amount of outstanding indebtedness. Our substantial level of indebtedness increases the risk that we may be unable to generate cash sufficient to pay amounts due in respect of our indebtedness. We also have, and will continue to have, significant operating lease obligations. As of June 30, 2011, our minimum rental expense under operating leases for the remainder of 2011 and full year 2012 was $28.7 million and $43.4 million, respectively. As of June 30, 2011, our operating lease obligations totaled $148.5 million. While we expect that cash generated from operations, together with the proceeds of the ABL facility and the Series B Notes, will be sufficient to allow us to fund our operations, to increase working capital as necessary to support our strategy and to fund planned expenditures for the foreseeable future, we cannot give assurances that we will not face challenges in our liquidity and financial condition in the future.

Table of Contents

4. Debt and Financing

Total debt consisted of the following:

(in millions)	June 30, 2011	December 31, 2010
Revolving credit facility (capacity $700.1 and $713.7)	$ 173.6	$ 142.9
Term loan (par value of $251.6 and $257.1)	252.1	257.8
ABS borrowings, secured by accounts receivable (capacity $325.0, borrowing base $238.4 and $189.3)	164.2	122.8
6% convertible senior notes ($69.4 par value)	57.5	56.1
Pension contribution deferral obligations	146.6	139.1
Lease financing obligations	331.2	338.4
5.0% and 3.375% contingent convertible senior notes (stated at par value)	1.9	1.9
Deferred interest and fees	170.5	
Other	1.2	1.1
Total debt	$ 1,298.8	$ 1,060.1
Current maturities of 5.0% and 3.375% contingent convertible senior notes and other	(3.0)	(2.9)
Current maturities of lease financing obligations	(5.0)	(4.4)
Current maturities of pension contribution deferral obligations		(92.7)
ABS borrowings		(122.8)
Long-term debt	$ 1,290.8	$ 837.3

Classification

As previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010, we failed to satisfy the Pension Fund Condition (as defined in the Credit Agreement) by March 10, 2011 and therefore triggered a Milestone Failure (as defined in the Credit Agreement) and, as a result, the Required Lenders (at least 51% of exposure as defined in the Credit Agreement) had the right, to declare an event of default under the Credit Agreement. Accordingly, we classified our debt under the Credit Agreement as current maturities of long-term debt in our Form 10-Q for the period ended March 31, 2011. We also classified the 6% Notes and the pension contribution deferral obligations as current maturities of long-term debt in our Form 10-Q for the period ended March 31, 2011, due to cross-default provisions within the respective lending agreements.

As part of the restructuring that closed on July 22, 2011 the lenders under the Credit Agreement waived the existence of the Milestone Failure and agreed that the Milestone Failure shall not provide any basis for a Milestone Default (as defined in the Credit Agreement).

The restructuring refinanced the claims held by our lenders under the Credit Agreement, which included deferred interest and fees, with debt obligations maturing March 31, 2015, and the issuance of Series B Preferred Stock.

The restructuring included the amendment and restatement of the Contribution Deferral Agreement, which converted accrued interest to principal and extended the maturity date to March 31, 2015 for our pension contribution deferral obligations, with no principal amortization.

Accordingly, we have classified our debt and deferred interest and fees under the Credit Agreement and our pension contribution deferral obligations as long-term debt at June 30, 2011. We have also classified our 6% Notes due 2014 as long-term debt at June 30, 2011.

On July 22, 2011, we refinanced our ABS facility with an ABL facility and extended the maturity from October 2011 to September 2014. Accordingly, we have classified our debt under the ABS facility as of June 30, 2011 as long-term debt.

Interest and Fee Deferrals

The following table presents accrued interest and fees that had been deferred under the terms of the Credit Agreement, ABS facility and Contribution Deferral Agreement as of June 30, 2011:

(in millions)	June 30, 2011	December 31, 2010
Interest deferrals		
Credit Agreement	$ 134.3	$ 96.3
ABS facility	10.8	2.7
Pension contribution deferral agreement	4.5	9.1
Amendment and commitment fee deferrals		
Credit Agreement	31.8	31.8
ABS facility	15.0	15.0
Total interest and fee deferrals	$ 196.4	$ 154.9

As part of the restructuring that closed on July 22, 2011, the $166.1 million of deferred interest and amendment fees related to the Credit Agreement were exchanged for Series B Preferred Stock and Series A Notes, the $25.8 million of deferred interest and amendment and commitment fees related to the ABS facility were waived, and the $4.5 million of deferred interest related to the pension Contribution Deferral Agreement was capitalized into the outstanding aggregate principal amount.

Fair Value Measurement

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

	June 30, 2011		December 31, 2010	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Credit Agreement and ABS Facility borrowings	$ 589.9	$ 612.6	$ 523.5	$ 396.8
Notes and other obligations	207.2	75.1	198.2	116.6
Lease financing obligations	331.2	331.2	338.4	338.4
Deferred interest and fees	170.5	170.5		
Total debt	$ 1,298.8	$ 1,189.4	$ 1,060.1	$ 851.8

The fair values of our outstanding debt were estimated based on observable prices (level two inputs for fair value measurements), where available, or using the quarter end conversion price for convertible notes (level three inputs for fair value measurements). The carrying amount of the lease financing obligations approximates fair value.

5. Other Assets

The primary components of other assets are as follows:

(in millions)	June 30, 2011	December 31, 2010
Equity method investments:		
JHJ International Transportation Co., Ltd.	$ 50.4	$ 51.4

Deferred debt costs		46.7		61.9
Other		20.9		21.5
Total	$	118.0	$	134.8

During the six months ended June 30, 2011 and 2010, we received dividends in the amount of $2.3 million and $1.9 million, respectively, from our China joint venture, JHJ International Transportation Co., Ltd.

Table of Contents

6. Employee Benefits
Components of Net Periodic Pension and Other Postretirement Cost

The following table sets forth the components of our company-sponsored pension costs for the three and six months ended June 30:

	Three Months		Six Months	
(in millions)	2011	2010	2011	2010
Service cost	$ 0.9	$ 0.9	$ 1.8	$ 1.8
Interest cost	15.3	15.0	30.6	30.1
Expected return on plan assets	(10.7)	(13.1)	(21.5)	(26.2)
Amortization of net loss	2.4	1.6	4.8	3.1
Net periodic pension cost	$ 7.9	$ 4.4	$ 15.7	$ 8.8
Settlement cost		0.1		0.1
Total periodic pension cost	$ 7.9	$ 4.5	$ 15.7	$ 8.9

We expect to contribute $30.2 million to our company-sponsored pension plans in 2011 of which $8.6 million has been paid during the six months ended June 30, 2011.

Pursuant to the 2010 MOU, we agreed to resume making union pension contributions related to the periods beginning June 1, 2011. We expect to contribute approximately $42.0 million to these funds during 2011.

7. Income Taxes
Effective Tax Rate

Our effective tax rates for the three and six months ended June 30, 2011 were 5.7% and 4.7%, respectively, compared to 17.7% and 2.1%, respectively for the three and six months ended June 30, 2010. Significant items impacting the 2011 rate include a state tax benefit, certain permanent items and an increase in the valuation allowance established for the net deferred tax asset balance projected for December 31, 2011. We recognize valuation allowances on deferred tax assets if, based on the weight of the evidence, we believe that some or all of our deferred tax assets will not be realized. Changes in valuation allowances are included in our tax provision 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.

Tax Payments

Taxes paid in the three months ended June 30, 2011 included a $9.4 million reimbursement to the Internal Revenue Service (IRS) of an excess refund received during the first quarter of 2010 from the carry-back of the 2009 Net Operating Loss. Interest of $0.5 million on the excess refund was also paid to the IRS during the three months ended June 30, 2011.

8. Shareholders Deficit
The following reflects the activity in the shares of our common stock for the six months ended June 30:

(in thousands)	2011
Beginning balance	47,684

Shares forfeited under share-based compensation arrangements	(24)
Interest paid in stock for the 6% Notes	219
Ending balance	47,879

Table of Contents

9. Earnings (Loss) Per Share

Dilutive securities, consisting of options to purchase our common stock or rights to receive common stock in the future, are included in our calculation of diluted weighted average common shares and totaled 41,000 for the three months ended June 30, 2010. Given our net loss position for the six months ended June 30, 2010 and for the three and six months ended June 30, 2011 there were no dilutive securities for these periods.

Antidilutive options and share units were 11,186,700 for the three and six months ended June 30, 2011 and 10,820,000 and 10,861,000 for the three and six months ended June 30, 2010, respectively. Antidilutive 6% convertible senior note conversion shares, including the make whole premium, were convertible into 5,284,781 and 5,884,000 common shares on June 30, 2011 and 2010, respectively.

For the six months ended June 30, 2010, the dilutive securities included preferred stock.

10. Business Segments

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

We have the following reportable segments, which are strategic business units that offer complementary transportation services to their customers. National Transportation includes carriers that provide comprehensive regional, national and international transportation services. Regional Transportation is comprised of carriers that focus primarily on business opportunities in the regional and next-day delivery markets. Truckload consists of Glen Moore, a domestic truckload carrier. The results of Jiayu are reflected in our consolidated results as part of the Corporate segment.

The accounting policies of the segments are the same as those described in the Summary of Accounting Policies note in our Annual Report on Form 10-K for the year ended December 31, 2010. We charge management fees and other corporate services to our segments based on the direct benefits received or as a percentage of revenue. In addition to Jiayu, corporate and other operating losses represent residual operating expenses of the holding company, including compensation and benefits and professional services for all periods presented. Corporate identifiable assets primarily refer to cash, cash equivalents, investments in equity method affiliates and deferred debt issuance costs. Intersegment revenue primarily relates to transportation services between our segments.

Beginning in 2011, all restructuring professional fees are included in our Corporate segment. Such costs are included in our Corporate segment as they primarily relate to our financial restructuring and other financing or capital structure actions, and not the operations of our strategic business units. We have recast segment operating income (loss) for prior periods to conform to the current year measure of segment performance. Operating loss for our Corporate segment was increased by $9.3 million and $21.5 million for the three and six months ended June 30, 2010, for the aggregate of restructuring professional fees previously reported in our other segments. Operating income for our National Transportation and Regional Transportation segments were increased by $7.3 million and $1.9 million, respectively, for the three months ended June 30, 2010 for professional fees previously reported in these segments. Operating loss for our Truckload segment was reduced by $0.1 million for the three months ended June 30, 2010 for professional fees previously reported in this segment. Operating loss for our National Transportation, Regional Transportation, and Truckload segments were reduced by $16.9 million, $4.4 million, and $0.2 million, respectively, for the six months ended June 30, 2010 for professional fees previously reported in these segments.

Table of Contents

The following table summarizes our operations by business segment:

(in millions)	National Transportation	Regional Transportation	Truckload	Corporate/ Eliminations	Consolidated
As of June 30, 2011					
Identifiable assets	$ 1,582.0	$ 882.1	$ 44.4	$ 80.9	$ 2,589.4
As of December 31, 2010					
Identifiable assets	1,612.3	864.3	49.8	66.5	2,592.9
Three months ended June 30, 2011					
External revenue	826.9	401.3	22.3	6.7	1,257.2
Intersegment revenue		0.4	3.2	(3.6)	
Operating income (loss)	7.0	14.7	(3.7)	(23.2)	(5.2)
Three months ended June 30, 2010					
External revenue	741.6	351.3	19.1	7.1	1,119.1
Intersegment revenue		0.2	9.2	(9.4)	
Operating income (loss)	40.4	24.3	(1.9)	(14.5)	48.3
Equity investment impairment				12.3	12.3
Six months ended June 30, 2011					
External revenue	1,557.0	767.0	44.1	12.0	2,380.1
Intersegment revenue		0.8	6.6	(7.4)	
Operating income (loss)	(44.3)	13.6	(7.6)	(34.8)	(73.1)
Six months ended June 30, 2010					
External revenue	1,404.7	660.3	36.7	4.5	2,106.2
Intersegment revenue		0.3	18.4	(18.7)	
Operating income (loss)	(135.1)	(12.9)	(4.8)	(32.1)	(184.9)
Equity investment impairment				12.3	12.3

11. Comprehensive Loss

Comprehensive loss for the three and six months ended June 30 follows:

	Three Months		Six Months	
(in millions)	2011	2010	2011	2010
Net loss attributable to YRC Worldwide Inc.	$ (42.1)	$ (9.5)	$ (143.9)	$ (283.6)
Other comprehensive income (loss) attributable to YRC Worldwide Inc., net of tax:				
Pension:				
Amortization of net losses to net income (loss)	1.5	1.0	3.0	1.9
Deferred tax rate adjustment				(1.1)
Changes in foreign currency translation adjustments	(0.2)	(7.4)	1.9	(5.6)
Other comprehensive income (loss) attributable to YRC Worldwide Inc.	1.3	(6.4)	4.9	(4.8)
Comprehensive loss attributable to YRC Worldwide Inc.	$ (40.8)	$ (15.9)	$ (139.0)	$ (288.4)

For the three and six months ended June 30, 2011 and the three and six months ended June 31, 2010, other comprehensive loss for our minority interest was immaterial.

12. Discontinued Operations

YRC Logistics was historically reported as a separate segment in our consolidated financial statements. As a result of the sale of the majority of YRC Logistics and the closure of the pooled distribution business line in 2010, we have presented the related financial results of YRC Logistics as discontinued operations in all periods presented herein.

Shared services and corporate costs previously allocated to this segment, totaled $2.5 million and $6.6 million for the three and six months ended June 30, 2010, respectively, and are included in continuing operations in our Corporate and other segment.

Table of Contents

The financial results included in discontinued operations for the three and six months ended June 30, 2010 are as follows:

(in millions)	Three months	Six months
Revenue	$ 76.3	$ 152.4
Operating loss	(11.6)	(15.2)
Loss from operations before income taxes benefit	(11.9)	(16.0)
Income tax benefit	(0.6)	(0.6)
Net loss from discontinued operations	$ (11.3)	$ (15.4)

13. Commitments and Contingencies

401(k) Class Action Suit

Four class action complaints were filed in the U.S. District Court for the District of Kansas against the Company and certain of its officers and directors, alleging violations of the Employee Retirement Income Security Act of 1974, as amended (ERISA), based on similar allegations and causes of action. On November 17, 2009, Eva L. Hanna and Shelley F. Whitson, former participants in the Yellow Roadway Corporation Retirement Plan, filed a class action complaint on behalf of certain persons participating in the plan (or plans that merged with the plan) from April 6, 2009 to the present; on December 7, 2009, Daniel J. Cambra, a participant in the Yellow Roadway Corporation Retirement Savings Plan, filed a class action complaint on behalf of certain persons participating in the plan (or plans that merged with the plan) from October 25, 2007 to the present; on January 15, 2010, Patrick M. Couch, a participant in one of the merged 401(k) plans, filed a class action complaint on behalf of certain persons participating in the plan (or plans that merged with the plan) from March 23, 2006 to the present; and on April 21, 2010, Tawana Franklin, a participant in YRC Worldwide 401(k) Plan, filed a class action complaint on behalf of certain persons participating in the plan (or plans that merged with the plan) from October 25, 2007 to the present.

In general, the complaints allege that the defendants breached their fiduciary duties under ERISA by providing participants Company common stock as part of their matching contributions and by not removing the stock fund as an investment option in the plans in light of the Company s financial condition. Although some Company matching contributions were made in Company common stock, participants were not permitted to invest their own contributions in the Company stock fund. The complaints allege that the defendants failed to prudently and loyally manage the plans and assets of the plans; imprudently invested in Company common stock; failed to monitor fiduciaries and provide them with accurate information; breached the duty to properly appoint, monitor, and inform the Benefits Administrative Committee; misrepresented and failed to disclose adverse financial information; breached the duty to avoid conflict of interest; and are subject to co-fiduciary liability. Each of the complaints seeks, among other things, an order compelling defendants to make good to the plan all losses resulting from the alleged breaches of fiduciary duty, attorneys fees, and other injunctive and equitable relief. Based on the four separate complaints previously filed, the Company believes the allegations are without merit.

On March 3, 2010, the Court entered an order consolidating three of the four cases and, on April 1, 2010, the plaintiffs filed a consolidated complaint. The consolidated complaint asserts the same claims as the previously-filed complaints but names as defendants certain former officers of the Company in addition to those current officers and directors that have already been named. The fourth case (Franklin) was consolidated with the first three cases on May 12, 2010. On April 6, 2011, the court certified a class consisting of all 401(k) Plan participants or beneficiaries who held YRCW stock in their accounts between October 25, 2007 and the present.

An agreement in principle has been reached with plaintiffs counsel to settle this litigation. The agreed to settlement will be paid entirely by our insurer. The parties are working together to prepare the settlement agreement and the initial papers for filing with the Court. Because the case was certified as a class action, the Court must approve the settlement after providing notice to members of the class and an opportunity to be object. However, because this is a mandatory class, class members cannot opt out of the settlement. We have every reason to believe the Court will approve the settlement. If approved, the settlement will be binding on all class members and will provide a complete release of claims as to all of the named defendants. The named defendants and their immediate family members are excluded from the class and will not share in the settlement.

23

ABF Lawsuit

On November 1, 2010, ABF Freight System, Inc. (ABF) filed a complaint in the U.S. District court for the Western District of Arkansas against several parties, including YRC Inc., New Penn Motor Express, Inc. and USF Holland Inc. (each a subsidiary of the Company and collectively, the YRC Defendants) and the International Brotherhood of Teamsters and the local Teamster unions party to the National Master Freight Agreement (NMFA) alleging violation of the NMFA due to modifications to the NMFA that have provided relief to the YRC Defendants without providing the same relief to ABF. The complaint seeks to have the modifications to the NMFA declared null and void and seeks damages of $750 million from the named defendants. The Company believes the allegations are without merit and intends to vigorously defend the claims.

On December 17, 2010, the U.S. District Court for the Western District of Arkansas dismissed the complaint. ABF appealed the dismissal on January 18, 2011 to the U.S. Court of Appeals for the 8th Circuit. The Court of Appeals heard oral arguments on April 12, 2011. On July 6, 2011, the Court of Appeals vacated the U.S. District Court s dismissal of the litigation on jurisdictional grounds and remanded the case back to the U.S. District Court for further proceedings. The ultimate outcome of this case is not determinable. Therefore, we have not recorded any liability for this matter.

Securities Class Action Suit

On February 7, 2011, a putative class action was filed by Bryant Holdings LLC in the United States District Court for the District of Kansas on behalf of purchasers of the Company s securities between April 24, 2008 and November 2, 2009, inclusive (the Class Period), seeking to pursue remedies under the Securities Exchange Act of 1934, as amended. The complaint alleges that, throughout the Class Period, the Company and certain of its officers failed to disclose material adverse facts about the Company s true financial condition, business and prospects. Specifically, the complaint alleges that defendants statements were materially false and misleading because they misrepresented and overstated the financial condition of the Company and caused shares of the Company s common stock to trade at artificially inflated levels throughout the Class Period. Bryant Holdings LLC seeks to recover damages on behalf of all purchasers of the Company s securities during the Class Period. The Company believes the allegations are without merit and intends to vigorously defend the claims. On April 8, 2011, an individual (Stan Better) and a group of investors (including Bryant Holdings LLC) filed competing motions seeking to be named the lead plaintiff in the lawsuit. On May 6, 2011, the parties attempting to be named lead plaintiff filed a stipulation requesting that the Court appoint them as co-lead plaintiffs in the lawsuit. The parties have agreed that the Company will not be required to file an answer or other responsive pleading until such time as the Court has named the lead plaintiff and the lead plaintiff has filed an amended complaint. The ultimate outcome of this case is not determinable. Therefore, we have not recorded any liability for this matter.

14. Related Party Transactions

Subsequent to June 30, 2011, we have the following related party transactions:

On July 22, 2011, Harry Wilson was elected as a director of the Company. Mr. Wilson is Chairman and Chief Executive Officer of MAEVA Advisors, LLC (MAEVA) which provided certain financial advisory services in connection with the Restructuring to the Joint Management and Labor Committee of the Company (the JMLC) pursuant to a letter agreement dated January 19, 2011 between the JMLC and MAEVA. The letter agreement was terminated effective immediately following the closing of the restructuring except for the provisions that the Company s board of directors will consider and vote on an additional fee proposal from MAEVA for services provided to the JMLC in connection with the Restructuring and the indemnification of MAEVA against losses in connection with the services provided by MAEVA under the letter agreement. During the term of the engagement, the Company paid approximately $4.1 million to MAEVA, including a $3.0 million success fee at the closing of the restructuring, plus reimbursement for reasonable and actual expenses.

On July 22, 2011, the Company s board of directors approved Jamie G. Pierson to serve as interim chief financial officer of the Company, beginning on the day following the date on which the Company files its Form 10-Q for the second quarter of 2011 (which is expected to be on or prior to August 9, 2011). Mr. Pierson has been working with the Company since early 2009 and has been instrumental in the Company s Restructuring. It is anticipated that Mr. Pierson will be interim chief financial officer until the board of directors and Mr. Welch, the newly appointed chief executive officer, find a permanent replacement.

In connection with the appointment, the Company entered into a letter agreement (the Letter Agreement) with Alvarez & Marsal North America, LLC (A&M) that replaced a February 2011 letter agreement between the Company and A&M. During 2011, the Company paid A&M approximately $3.7 million for the services of Mr. Pierson and the other personnel pursuant to the February 2011 letter agreement. Pursuant to the Letter Agreement, Mr. Pierson will serve as interim chief financial officer and additional A&M engagement personnel will provide services

as set forth in the Letter Agreement. Mr. Pierson and the other

engagement personnel agreed to, among other things, assist our chief executive officer in performing a financial review of the Company, develop additional business plans and alternatives for maximizing the enterprise value of the Company, and identify and implement possible cost reduction and operations improvement opportunities. Mr. Pierson and the other engagement personnel will report directly to the Company s board of directors and the chief executive officer, or such other officers as directed by the board of directors.

The Company agreed to pay A&M between $225.00 to $775.00 per hour with respect to the services provided by Mr. Pierson and the other engagement personnel. The Company will pay A&M $650.00 per hour for Mr. Pierson s services. Mr. Pierson and the other engagement personnel are independently compensated pursuant to arrangements with A&M, over which the Company has no control, and they will not receive any compensation directly from the Company or participate in any of the Company s employee benefits. In addition, the Company agreed to pay A&M for reasonable out-of-pocket expenses. The Letter Agreement may be terminated by either party by giving 15 days written notice.

15. Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income . This ASU allows an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders equity. The amendments to the Codification in the ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU 2011-05 will be applied retrospectively. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. Based on the Company s evaluation of this ASU, the adoption of this amendment will only impact the presentation of comprehensive income on the Company s consolidated condensed financial statements.

In May 2011, the FASB has issued Accounting Standards Update (ASU) No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements. This ASU represents the converged guidance of the FASB and the International Accounting Standards Board (the Boards) on fair value measurement, resulting in common requirements for measuring fair value and for disclosing information about fair value measurements, including a consistent meaning of the term fair value. The amendments to this ASU are to be applied prospectively. ASU No. 2011-04 is effective during interim and annual periods beginning after December 15, 2011. Based on the Company s evaluation of this ASU, the adoption of this amendment will not have a material impact on the Company s consolidated condensed financial statements.

16. Guarantees of the 5.0% and 3.375% Net Share Settled Contingent Convertible Senior Notes Due 2023

In August 2003, YRC Worldwide issued 5.0% contingent convertible senior notes due 2023. In November 2003, we issued 3.375% contingent convertible senior notes due 2023. In December 2004, we completed exchange offers pursuant to which holders of the contingent convertible senior notes could exchange their notes for an equal amount of net share settled contingent convertible senior notes. Substantially all notes were exchanged as part of the exchange offers. In connection with the net share settled contingent convertible senior notes, the following 100% owned subsidiaries of YRC Worldwide have issued guarantees in favor of the holders of the net share settled contingent convertible senior notes: YRC Inc., YRC Enterprise Services, Inc., Roadway LLC and Roadway Next Day Corporation. Each of the guarantees is full and unconditional and joint and several. Effective August 4, 2010, Globe.com Lines, Inc. was released as a guarantor in connection with its merger with and into its parent YRC Logistics Global, LLC. Effective August 13, 2010 YRC Logistics, Inc. and YRC Logistics Global, LLC were released as guarantors in connection with the sale of YRC Logistics.

The condensed consolidating financial statements are presented in lieu of separate financial statements and other related disclosures of the subsidiary guarantors and issuer because management does not believe that separate financial statements and related disclosures would be material to investors. There are currently no significant restrictions on the ability of YRC Worldwide or any guarantor to obtain funds from its subsidiaries by dividend or loan.

The following represents condensed consolidating financial information as of June 30, 2011 and December 31, 2010 with respect to the financial position and for the three and six months ended June 30, 2011 and 2010 for results of operations and for the six months ended June 30, 2011 and 2010 for the statements of cash flows of YRC Worldwide and its subsidiaries. The Parent column presents the financial information of YRC Worldwide, the primary obligor of the contingent convertible senior notes. The Guarantor Subsidiaries column presents the financial information of all guarantor subsidiaries of the net share settled contingent convertible senior notes. The Non-Guarantor Subsidiaries column presents the financial information of all non-guarantor subsidiaries, including those subsidiaries that are governed by foreign laws and Yellow Roadway Receivables Funding Corporation, the special-purpose entity that is associated with our ABS facility.

Condensed Consolidating Balance Sheets

June 30, 2011

(in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ 121	$ 9	$ 26	$	$ 156
Intercompany advances receivable		(40)	40		
Accounts receivable, net	10	(5)	537	(1)	541
Prepaid expenses and other	(4)	162	32		190
Total current assets	127	126	635	(1)	887
Property and equipment		2,216	955		3,171
Less accumulated depreciation		(1,333)	(384)		(1,717)
Net property and equipment		883	571		1,454
Investment in subsidiaries	2,372	(9)	119	(2,482)	
Receivable from affiliate	(660)	542	118		
Intangibles and other assets	313	183	102	(350)	248
Total assets	$ 2,152	$ 1,725	$ 1,545	$ (2,833)	$ 2,589
Intercompany advances payable	$ 162	$ 247	$ (209)	$ (200)	$
Accounts payable	27	71	60	(1)	157
Wages, vacations and employees benefits	24	133	66		223
Other current and accrued liabilities	119	125	74		318
Current maturities of long-term debt	7		1		8
Total current liabilities	339	576	(8)	(201)	706
Payable to affiliate			150	(150)	

Long-term debt, less current portion	1,127		164		1,291
Deferred income taxes, net	142	(126)	88		104
Pension and postretirement	450				450
Claims and other liabilities	361	6			367
Commitments and contingencies					
YRC Worldwide Inc. Shareholders equity (deficit)	(267)	1,269	1,154	(2,482)	(326)
Non-controlling interest			(3)		(3)
Total shareholders equity (deficit)	(267)	1,269	1,151	(2,482)	(329)
Total liabilities and shareholders equity (deficit)	$ 2,152	$ 1,725	$ 1,545	$ (2,833)	$ 2,589

Table of Contents

December 31, 2010

(in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ 120	$ 9	$ 14	$	$ 143
Intercompany advances receivable		(31)	31		
Accounts receivable, net	9	(5)	438		442
Prepaid expenses and other	(46)	190	39		183
Total current assets	83	163	522		768
Property and equipment		2,290	948		3,238
Less accumulated depreciation		(1,331)	(356)		(1,687)
Net property and equipment		959	592		1,551
Investment in subsidiaries	2,226	(13)	174	(2,387)	
Receivable from affiliate	(549)	503	46		
Intangibles and other assets	327	185	112	(350)	274
Total assets	$ 2,087	$ 1,797	$ 1,446	$ (2,737)	$ 2,593
Intercompany advances payable	$ 121	$ 298	$ (219)	$ (200)	$
Accounts payable	20	75	52		147
Wages, vacations and employees benefits	25	120	51		196
Other current and accrued liabilities	259	126	68		453
Current maturities of long-term debt	99		124		223
Total current liabilities	524	619	76	(200)	1,019
Payable to affiliate			150	(150)	
Long-term debt, less current portion	837				837
Deferred income taxes, net	75	(53)	97		119
Pension and postretirement	448				448
Claims and other liabilities	354	6			360
Commitments and contingencies					
YRC Worldwide Inc. Shareholders equity (deficit)	(151)	1,225	1,125	(2,387)	(188)
Non-controlling interest			(2)		(2)
Total Shareholders equity (deficit)	(151)	1,225	1,123	(2,387)	(190)
Total liabilities and shareholders equity (deficit)	$ 2,087	$ 1,797	$ 1,446	$ (2,737)	$ 2,593

Table of Contents

Condensed Consolidating Statements of Operations

For the three months ended June 30, 2011

(in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$	$ 784	$ 476	$ (3)	$ 1,257
Operating expenses:					
Salaries, wages and employees benefits	2	446	257		705
Operating expenses and supplies	15	164	128		307
Purchased transportation		106	37	(3)	140
Depreciation and amortization		29	18	1	48
Other operating expenses	5	40	24		69
(Gains) losses on property disposals, net		(6)	(1)		(7)
Total operating expenses	22	779	463	(2)	1,262
Operating income (loss)	(22)	5	13	(1)	(5)
Nonoperating (income) expenses:					
Interest expense	33	1	6		40
Other, net	74	(26)	(47)	(1)	
Nonoperating (income) expenses, net	107	(25)	(41)	(1)	40
Income (loss) from continuing operations before income taxes	(129)	30	54		(45)
Income tax provision (benefit)	(2)				(2)
Net income (loss)	(127)	30	54		(43)
Less: Net loss attributable to non-controlling interest			(1)		(1)
Net income (loss) attributable to YRC Worldwide Inc.	$ (127)	$ 30	$ 53	$	$ (42)

For the three months ended June 30, 2010

(in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$	$ 702	$ 428	$ (11)	$ 1,119
Operating expenses:					
Salaries, wages and employees benefits	3	366	232		601
Operating expenses and supplies	(4)	148	100		244
Purchased transportation		99	33	(11)	121
Depreciation and amortization		31	19		50
Other operating expenses	1	35	21		57
(Gains) losses on property disposals, net		(3)	1		(2)
Impairment charges					
Total operating expenses		676	406	(11)	1,071
Operating income (loss)		26	22		48
Nonoperating (income) expenses:					

Interest expense	32		9		41
Equity investment impairment			12		12
Other, net	43	(18)	(31)		(6)
Nonoperating (income) expenses, net	75	(18)	(10)		47
Income (loss) from continuing operations before income taxes	(75)	44	32		1
Income tax provision (benefit)	1	(1)			
Net income (loss) from continuing operations	(76)	45	32		1
Net income (loss) from discontinued operations, net of tax		2	(14)		(12)
Net income (loss)	(76)	47	18		(11)
Less: Net loss attributable to non-controlling interest			(1)		(1)
Net income (loss) attributable to YRC Worldwide Inc.	$ (76)	$ 47	$ 19	$	$ (10)

Table of Contents

For the six months ended June 30, 2011

(in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$	$ 1,475	$ 912	$ (7)	$ 2,380
Operating expenses:					
Salaries, wages and employees benefits	2	876	507		1,385
Operating expenses and supplies	21	316	247		584
Purchased transportation		197	70	(7)	260
Depreciation and amortization		59	37	1	97
Other operating expenses	7	80	50		137
(Gains) losses on property disposals, net		(6)	(4)		(10)
Total operating expenses	30	1,522	907	(6)	2,453
Operating income (loss)	(30)	(47)	5	(1)	(73)
Nonoperating (income) expenses:					
Interest expense	65	1	13		79
Other, net	142	(51)	(90)	(1)	
Nonoperating (income) expenses, net	207	(50)	(77)	(1)	79
Income (loss) from continuing operations before income taxes	(237)	3	82		(152)
Income tax provision (benefit)	(7)				(7)
Net loss	(230)	3	82		(145)
Less: Net loss attributable to non-controlling interest			(1)		(1)
Net income (loss) attributable to YRC Worldwide Inc.	$ (230)	$ 3	$ 83	$	$ (144)

For the six months ended June 30, 2010

(in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$	$ 1,329	$ 800	$ (23)	$ 2,106
Operating expenses:					
Salaries, wages and employees benefits	8	872	482		1,362
Operating expenses and supplies	(8)	286	203		481
Purchased transportation		182	56	(23)	215
Depreciation and amortization		62	39		101
Other operating expenses	2	81	37		120
(Gains) losses on property disposals, net		1	6		7
Impairment charges			5		5
Total operating expenses	2	1,484	828	(23)	2,291
Operating income (loss)	(2)	(155)	(28)		(185)
Nonoperating (income) expenses:					
Interest expense	64	1	17		82
Equity investment impairment			12		12
Other, net	81	(27)	(58)		(4)

Nonoperating (income) expenses, net	145	(26)	(29)		90
Income (loss) from continuing operations before income taxes	(147)	(129)	1		(275)
Income tax provision (benefit)	(5)	(1)			(6)
Net income (loss) from continuing operations	(142)	(128)	1		(269)
Net income (loss) from discontinued operations, net of tax		4	(20)		(16)
Net loss	(142)	(124)	(19)		(285)
Less: Net loss attributable to non-controlling interest			(1)		(1)
Net income (loss) attributable to YRC Worldwide Inc.	$ (142)	$ (124)	$ (18)	$	$ (284)

29

Table of Contents

Condensed Consolidating Statements of Cash Flows

For the six months ended June 30, 2011

(in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash provided by (used in) operating activities	$ (164)	$ 12	$ 91	$	$ (61)
Investing activities:					
Acquisition of property and equipment		(5)	(18)		(23)
Proceeds from disposal of property and equipment		14	12		26
Other	2		1		3
Net cash provided by (used in) investing activities	2	9	(5)		6
Financing activities:					
Asset backed securitization borrowings, net			41		41
Borrowing of long-term debt, net	31		1		32
Debt issuance costs	(5)				(5)
Intercompany advances / repayments	137	(21)	(116)		
Net cash provided by (used in) financing activities	163	(21)	(74)		68
Net increase in cash and cash equivalents	1		12		13
Cash and cash equivalents, beginning of period	120	9	14		143
Cash and cash equivalents, end of period	$ 121	$ 9	$ 26	$	$ 156

For the six months ended June 30, 2010

(in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash provided by (used in) operating activities	$ (16)	$ (66)	$ 67	$	$ (15)
Investing activities:					
Acquisition of property and equipment		(5)	(6)		(11)
Proceeds from disposal of property and equipment		32	4		36
Other	2		3		5
Net cash provided by investing activities	2	27	1		30
Financing activities:					
Asset backed securitization borrowings, net			1		1
Borrowing of long-term debt, net	92	(6)	(45)		41
Debt issuance costs	(9)		(1)		(10)
Equity issuance costs	(17)				(17)
Equity issuance proceeds	16				16
Intercompany advances / repayments	(22)	42	(20)		

Net cash provided by (used in) financing activities	60	36	(65)		31
Net increase (decrease) in cash and cash equivalents	46	(3)	3		46
Cash and cash equivalents, beginning of period	69	9	20		98
Cash and cash equivalents, end of period	$ 115	$ 6	$ 23	$	$ 144

30

Table of Contents

17. Guarantees of the 6% Convertible Senior Notes Due 2014

On February 23, 2010, and August 3, 2010, we issued $70 million in aggregate principal amount of our new 6% convertible senior notes due 2014 (the 6% notes). In connection with the 6% notes, the following 100% owned subsidiaries of YRC Worldwide have issued guarantees in favor of the holders of the notes: YRC Inc., YRC Enterprise Services, Inc., Roadway LLC, Roadway Next Day Corporation, YRC Regional Transportation, Inc., USF Sales Corporation, USF Holland Inc., USF Reddaway Inc., USF Glen Moore Inc., YRC Logistics Services, Inc. and IMUA Handling Corporation. Each of the guarantees is full and unconditional and joint and several. Effective August 4, 2010, Globe.com Lines, Inc. was released as a guarantor in connection with its merger with and into its parent YRC Logistics Global, LLC. Effective August 13, 2010, YRC Logistics, Inc. and YRC Logistics Global, LLC were released as guarantors in connection with the sale of YRC Logistics.

The condensed consolidating financial statements are presented in lieu of separate financial statements and other related disclosures of the subsidiary guarantors and issuer because management does not believe that such separate financial statements and related disclosures would be material to investors. There are currently no significant restrictions on the ability of YRC Worldwide or any guarantor to obtain funds from its subsidiaries by dividend or loan.

The following represents condensed consolidating financial information as of June 30, 2011 and December 31, 2010, with respect to the financial position and for the three and six months ended June 30, 2011 and 2010, for results of operations and for the six months ended June 30, 2011 and 2010 for the statement of cash flows of YRC Worldwide and its subsidiaries. The Parent column presents the financial information of YRC Worldwide, the primary obligor of the 6% notes. The Guarantor Subsidiaries column presents the financial information of all guarantor subsidiaries of the 6% notes. The Non-Guarantor Subsidiaries column presents the financial information of all non-guarantor subsidiaries, including those subsidiaries that are governed by foreign laws and Yellow Roadway Receivables Funding Corporation, the special-purpose entity that is associated with our ABS facility.

Condensed Consolidating Balance Sheets

June 30, 2011

(in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ 121	$ 11	$ 24	$	$ 156
Intercompany advances receivable, net		(46)	46		
Accounts receivable, net	10	(4)	535		541
Prepaid expenses and other	(4)	204	(10)		190
Total current assets	127	165	595		887
Property and equipment		2,980	191		3,171
Less accumulated depreciation		(1,620)	(97)		(1,717)
Net property and equipment		1,360	94		1,454
Investment in subsidiaries	2,372	125	(15)	(2,482)	
Receivable from affiliate	(660)	938	(278)		
Intangibles and other assets	313	223	62	(350)	248
Total assets	$ 2,152	$ 2,811	$ 458	$ (2,832)	$ 2,589
Intercompany advances payable	$ 162	$ 192	$ (154)	$ (200)	$
Accounts payable	27	95	35		157
Wages, vacations and employees benefits	24	185	14		223
Other current and accrued liabilities	119	179	20		318
Current maturities of long-term debt	7		1		8
Total current liabilities	339	651	(84)	(200)	706
Payable to affiliate			150	(150)	
Long-term debt, less current portion	1,127		164		1,291
Deferred income taxes, net	142	(48)	10		104

Pension and postretirement	450				450
Claims and other liabilities	361	6			367
Commitments and contingencies					
YRC Worldwide Inc. Shareholders equity (deficit)	(267)	2,202	221	(2,482)	(326)
Non-controlling interest			(3)		(3)
Total shareholders equity (deficit)	(267)	2,202	218	(2,482)	(329)
Total liabilities and shareholders equity (deficit)	$ 2,152	$ 2,811	$ 458	$ (2,832)	$ 2,589

Table of Contents

December 31, 2010

(in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ 120	$ 10	$ 13	$	$ 143
Intercompany advances receivable, net		(38)	38		
Accounts receivable, net	9	2	431		442
Prepaid expenses and other	(46)	240	(11)		183
Total current assets	83	214	471		768
Property and equipment		3,050	188		3,238
Less accumulated depreciation		(1,596)	(91)		(1,687)
Net property and equipment		1,454	97		1,551
Investment in subsidiaries	2,226	130	31	(2,387)	
Receivable from affiliate	(549)	840	(291)		
Intangibles and other assets	327	230	67	(350)	274
Total assets	$ 2,087	$ 2,868	$ 375	$ (2,737)	$ 2,593
Intercompany advances payable	$ 121	$ 269	$ (190)	$ (200)	$
Accounts payable	20	96	31		147
Wages, vacations and employees benefits	25	158	13		196
Other current and accrued liabilities	259	183	11		453
Current maturities of long-term debt	99		124		223
Total current liabilities	524	706	(11)	(200)	1,019
Payable to affiliate			150	(150)	
Long-term debt, less current portion	837				837
Deferred income taxes, net	75	34	10		119
Pension and postretirement	448				448
Claims and other liabilities	354	6			360
Commitments and contingencies					
YRC Worldwide Inc. Shareholders equity (deficit)	(151)	2,122	228	(2,387)	(188)
Non-controlling interest			(2)		(2)
Total shareholders equity (deficit)	(151)	2,122	226	(2,387)	(190)
Total liabilities and shareholders equity (deficit)	$ 2,087	$ 2,868	$ 375	$ (2,737)	$ 2,593

Table of Contents

Condensed Consolidating Statements of Operations

For the three months ended June 30, 2011

(in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$	$ 1,143	$ 114	$	$ 1,257
Operating expenses:					
Salaries, wages and employees benefits	2	649	54		705
Operating expenses and supplies	15	268	24		307
Purchased transportation		118	22		140
Depreciation and amortization		44	4		48
Other operating expenses	5	60	4		69
Gains on property disposals, net		(7)			(7)
Total operating expenses	22	1,132	108		1,262
Operating income (loss)	(22)	11	6		(5)
Nonoperating (income) expenses:					
Interest expense	33	1	6		40
Other, net	74	(50)	(24)		
Nonoperating (income) expenses, net	107	(49)	(18)		40
Income (loss) from continuing operations before income taxes	(129)	60	24		(45)
Income tax provision (benefit)	(2)				(2)
Net income (loss)	(127)	60	24		(43)
Less: Net loss attributable to non-controlling interest			(1)		(1)
Net income (loss) attributable to YRC Worldwide Inc.	$ (127)	$ 60	$ 23	$	$ (42)

For the three months ended June 30, 2010

(in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$	$ 1,016	$ 104	$ (1)	$ 1,119
Operating expenses:					
Salaries, wages and employees benefits	3	548	50		601
Operating expenses and supplies	(4)	228	20		244
Purchased transportation		102	20	(1)	121
Depreciation and amortization		46	4		50
Other operating expenses	1	53	3		57
Gains on property disposals, net		(2)			(2)
Total operating expenses		975	97	(1)	1,071
Operating income (loss)		41	7		48
Nonoperating (income) expenses:					
Interest expense	33		8		41

Equity investment impairment			12		12
Other, net	43	(30)	(19)		(6)
Nonoperating (income) expenses, net	76	(30)	1		47
Income (loss) from continuing operations before income taxes	(76)	71	6		1
Income tax provision (benefit)	1	(1)			
Net income (loss) from continuing operations	(77)	72	6		1
Net loss from discontinued operations, net of tax		(12)			(12)
Net income (loss)	(77)	60	6		(11)
Less: Net loss attributable to non-controlling interest			(1)		(1)
Net income (loss) attributable to YRC Worldwide Inc.	$ (77)	$ 60	$ 7	$	$ (10)

33

For the six months ended June 30, 2011

(in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$	$ 2,165	$ 215	$	$ 2,380
Operating expenses:					
Salaries, wages and employees benefits	2	1,276	107		1,385
Operating expenses and supplies	21	516	47		584
Purchased transportation		219	41		260
Depreciation and amortization		89	8		97
Other operating expenses	7	122	8		137
Losses on property disposals, net		(10)			(10)
Total operating expenses	30	2,212	211		2,453
Operating income (loss)	(30)	(47)	4		(73)
Nonoperating (income) expenses:					
Interest expense	65	2	12		79
Other, net	142	(97)	(45)		
Nonoperating (income) expenses, net	207	(95)	(33)		79
Income (loss) from continuing operations before income taxes	(237)	48	37		(152)
Income tax provision (benefit)	(7)				(7)
Net loss	(230)	48	37		(145)
Less: Net loss attributable to non-controlling interest			(1)		(1)
Net income (loss) attributable to YRC Worldwide Inc.	$ (230)	$ 48	$ 38	$	$ (144)

For the six months ended June 30, 2010

(in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$	$ 1,920	$ 190	$ (4)	$ 2,106
Operating expenses:					
Salaries, wages and employees benefits	8	1,249	105		1,362
Operating expenses and supplies	(8)	449	40		481
Purchased transportation		186	33	(4)	215
Depreciation and amortization		93	8		101
Other operating expenses	2	112	6		120
Losses on property disposals, net		5	2		7
Impairment charges			5		5
Total operating expenses	2	2,094	199	(4)	2,291
Operating income (loss)	(2)	(174)	(9)		(185)
Nonoperating (income) expenses:					
Interest expense	65	2	15		82
Equity investment impairment			12		12
Other, net	81	(51)	(34)		(4)

Nonoperating (income) expenses, net	146	(49)	(7)		90
Income (loss) from continuing operations before income taxes	(148)	(125)	(2)		(275)
Income tax provision (benefit)	(5)	(1)			(6)
Net income (loss) from continuing operations	(143)	(124)	(2)		(269)
Net loss from discontinued operations, net of tax		(16)			(16)
Net loss	(143)	(140)	(2)		(285)
Less: Net loss attributable to non-controlling interest			(1)		(1)
Net income (loss) attributable to YRC Worldwide Inc.	$ (143)	$ (140)	$ (1)	$	$ (284)

34

Table of Contents

Condensed Consolidating Statement of Cash Flows

For the six months ended June 30, 2011

(in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash provided by (used in) operating activities	$ (164)	$ 154	$ (51)	$	$ (61)
Investing activities:					
Acquisition of property and equipment		(21)	(2)		(23)
Proceeds from disposal of property and equipment		26			26
Other	2	1			3
Net cash provided by (used in) investing activities	2	6	(2)		6
Financing activities:					
Asset backed securitization borrowings, net			41		41
Borrowing of long-term debt, net	31		1		32
Debt issuance costs	(5)				(5)
Intercompany advances / repayments	137	(159)	22		
Net cash provided by (used in) financing activities	163	(159)	64		68
Net increase in cash and cash equivalents	1	1	11		13
Cash and cash equivalents, beginning of Period	120	10	13		143
Cash and cash equivalents, end of period	$ 121	$ 11	$ 24	$	$ 156

For the six months ended June 30, 2010

(in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash provided by (used in) operating activities	$ (16)	$ (18)	$ 19	$	$ (15)
Investing activities:					
Acquisition of property and equipment		(8)	(3)		(11)
Proceeds from disposal of property and equipment		35	1		36
Other	2		3		5
Net cash provided by investing activities	2	27	1		30
Financing activities:					
Asset backed securitization borrowings, net			1		1
Borrowing of long-term debt, net	92	(51)			41
Debt issuance costs	(9)		(1)		(10)
Equity issuance costs	(17)				(17)
Equity issuance proceeds	16				16
Intercompany advances / repayments	(22)	40	(18)		
Net cash provided by (used in) financing activities	60	(11)	(18)		31

Net increase (decrease) in cash and cash equivalents	46	(2)	2		46
Cash and cash equivalents, beginning of period	69	10	19		98
Cash and cash equivalents, end of period	$ 115	$ 8	$ 21	$	$ 144

Table of Contents

18. Guarantees of the 10% Series A Convertible Senior Secured Notes and the 10% Series B Convertible Senior Secured Notes Due 2015

On July 22, 2011, we issued $140 million in aggregate principal amount of new 10% series A convertible senior secured notes and $100 million in aggregate principal amount of new 10% series B convertible senior secured notes both due 2015 (collectively the New Convertible Secured Notes). In connection with the New Convertible Secured Notes, the following 100% owned subsidiaries of YRC Worldwide issued guarantees in favor of the holders of the New Convertible Secured Notes: YRC Inc., YRC Enterprise Services, Inc., Roadway LLC, Roadway Reverse Logistics, Inc., Roadway Express International, Inc., Roadway Next Day Corporation, New Penn Motor Express Inc., YRC Regional Transportation, Inc., USF Sales Corporation, USF Holland Inc., USF Reddaway Inc., USF Glen Moore Inc., YRC Logistics Services, Inc., IMUA Handling Corporation, USF Bestway Inc., USF Dugan Inc., USF RedStar LLC, USF Technology Services Inc., USF Canada Inc., USF Mexico Inc., USFreightways Corporation, YRC Mortgages, LLC, YRC Association Solutions Inc., YRC International Investments Inc., and Express Lane Services Inc. Each of the guarantees is full and unconditional and joint and several.

The condensed consolidating financial statements are presented in lieu of separate financial statements and other related disclosures of the subsidiary guarantors and issuer because management does not believe that such separate financial statements and related disclosures would be material to investors. There are currently no significant restrictions on the ability of YRC Worldwide or any guarantor to obtain funds from its subsidiaries by dividend or loan.

The following represents condensed consolidating financial information as of June 30, 2011 and December 31, 2010, with respect to the financial position and for the three and six months ended June 30, 2011 and 2010, for results of operations and cash flows of YRC Worldwide and its subsidiaries. The Parent column presents the financial information of YRC Worldwide, the primary obligor of the New Convertible Secured Notes. The Guarantor Subsidiaries column presents the financial information of all guarantor subsidiaries of the New Convertible Secured Notes. The Non-Guarantor Subsidiaries column presents the financial information of all non-guarantor subsidiaries, including those subsidiaries that are governed by foreign laws and Yellow Roadway Receivables Funding Corporation, the special-purpose entity that is associated with our ABS facility.

Condensed Consolidating Balance Sheets

June 30, 2011

(in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ 121	$ 13	$ 22	$	$ 156
Intercompany advances receivable		(46)	46		
Accounts receivable, net	10	27	504		541
Prepaid expenses and other	(4)	187	7		190
Total current assets	127	181	579		887
Property and equipment		3,112	59		3,171
Less accumulated depreciation		(1,677)	(40)		(1,717)
Net property and equipment		1,435	19		1,454
Investment in subsidiaries	2,372	119	(9)	(2,482)	
Receivable from affiliate	(660)	1,064	(404)		
Intangibles and other assets	313	264	21	(350)	248
Total assets	$ 2,152	$ 3,063	$ 206	$ (2,832)	$ 2,589
Intercompany advances payable	$ 162	$ 192	$ (154)	$ (200)	$
Accounts payable	27	101	29		157
Wages, vacations and employees benefits	24	195	4		223
Other current and accrued liabilities	119	181	18		318
Current maturities of long-term debt	7		1		8
Total current liabilities	339	669	(102)	(200)	706

Payable to affiliate		150		(150)	
Long-term debt, less current portion	1,127		164		1,291
Deferred income taxes, net	142	(44)	6		104
Pension and postretirement	450				450
Claims and other liabilities	361	6			367
Commitments and contingencies					
YRC Worldwide Inc. Shareholders equity (deficit)	(267)	2,282	141	(2,482)	(326)
Non-controlling interest			(3)		(3)
Total Shareholders equity (deficit)	(267)	2,282	138	(2,482)	(329)
Total liabilities and shareholders equity (deficit)	$ 2,152	$ 3,063	$ 206	$ (2,832)	$ 2,589

36

Table of Contents

December 31, 2010

(in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ 120	$ 9	$ 14	$	$ 143
Intercompany advances receivable		(38)	38		
Accounts receivable, net	9	31	402		442
Prepaid expenses and other	(46)	222	7		183
Total current assets	83	224	461		768
Property and equipment		3,180	58		3,238
Less accumulated depreciation		(1,649)	(38)		(1,687)
Net property and equipment		1,531	20		1,551
Investment in subsidiaries	2,226	145	16	(2,387)	
Receivable from affiliate	(549)	946	(397)		
Intangibles and other assets	327	274	23	(350)	274
Total assets	$ 2,087	$ 3,120	$ 123	$ (2,737)	$ 2,593
Intercompany advances payable	$ 121	$ 269	$ (190)	$ (200)	$
Accounts payable	20	100	27		147
Wages, vacations and employees benefits	25	167	4		196
Other current and accrued liabilities	259	186	8		453
Current maturities of long-term debt	99		124		223
Total current liabilities	524	722	(27)	(200)	1,019
Payable to affiliate		150		(150)	
Long-term debt, less current portion	837				837
Deferred income taxes, net	75	38	6		119
Pension and postretirement	448				448
Claims and other liabilities	354	6			360
Commitments and contingencies					
YRC Worldwide Inc. Shareholders equity (deficit)	(151)	2,204	146	(2,387)	(188)
Non-controlling interest			(2)		(2)
Total Shareholders equity (deficit)	(151)	2,204	144	(2,387)	(190)
Total liabilities and shareholders equity (deficit)	$ 2,087	$ 3,120	$ 123	$ (2,737)	$ 2,593

Condensed Consolidating Statements of Operations

For the three months ended June 30, 2011

(in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$	$ 1,209	$ 48	$	$ 1,257
Operating expenses:					
Salaries, wages and employees benefits	2	685	18		705
Operating expenses and supplies	15	281	11		307
Purchased transportation		124	16		140
Depreciation and amortization		47	1		48
Other operating expenses	5	63	1		69
Gains on property disposals, net		(7)			(7)
Total operating expenses	22	1,193	47		1,262
Operating loss	(22)	16	1		(5)
Nonoperating (income) expenses:					
Interest expense	33	1	6		40
Other, net	74	(58)	(16)		
Nonoperating (income) expenses, net	107	(57)	(10)		40
Income (loss) from continuing operations before income taxes	(129)	73	11		(45)
Income tax benefit	(2)				(2)
Net income (loss)	(127)	73	11		(43)
Less: Net income (loss) attributable to non-controlling interest			(1)		(1)
Net income (loss) attributable to YRC Worldwide, Inc.	$ (127)	$ 73	$ 10	$	$ (42)

For the three months ended June 30, 2010

(in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$	$ 1,073	$ 47	$ (1)	$ 1,119
Operating expenses:					
Salaries, wages and employees benefits	3	579	19		601
Operating expenses and supplies	(4)	237	11		244
Purchased transportation		105	17	(1)	121
Depreciation and amortization		50			50
Other operating expenses	1	56			57
(Gains) losses on property disposals, net		(3)	1		(2)
Total operating expenses		1,024	48	(1)	1,071
Operating loss		49	(1)		48
Nonoperating (income) expenses:					
Interest expense	33		8		41

Equity investment impairment			12		12
Other, net	43	(33)	(16)		(6)
Nonoperating (income) expenses, net	76	(33)	4		47
Income (loss) from continuing operations before income taxes	(76)	82	(5)		1
Income tax benefit	1	(1)			
Net income (loss) from continuing operations	(77)	83	(5)		1
Net loss from discontinued operations, net of tax		(12)			(12)
Net income (loss)	(77)	71	(5)		(11)
Less: Net income (loss) attributable to non-controlling interest			(1)		(1)
Net income (loss) attributable to YRC Worldwide Inc.	$ (77)	$ 71	$ (4)	$	$ (10)

Table of Contents

For the six months ended June 30, 2011

(in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$	$ 2,289	$ 91	$	$ 2,380
Operating expenses:					
Salaries, wages and employees benefits	2	1,348	35		1,385
Operating expenses and supplies	21	541	22		584
Purchased transportation		230	30		260
Depreciation and amortization		95	2		97
Other operating expense					