YRC Worldwide Inc.
Form 10-K
March 10, 2014
Table of Contents

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

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number: 0-12255

YRC Worldwide Inc.
(Exact name of registrant as specified in its charter)

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

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

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value per share	The NASDAQ Stock Market LLC

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

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes o No ý

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes o No ý

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 ý No o

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 ý No o

Table of Contents

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by referenced in Part III of this Form 10-K or any amendment to this Form 10-K. ý

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	o	Accelerated filer	ý
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

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

As of June 30, 2013, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $264.6 million based on the closing price as reported on the NASDAQ Global Select Market.

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

Class	Outstanding at March 4, 2014
Common Stock, $0.01 par value per share	28,901,590 shares

DOCUMENTS INCORPORATED BY REFERENCE

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

Table of Contents

INDEX

Table of Contents

Note on Forward-Looking Statements

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

PART I

Item 1. Business

General Description of the Business

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

- YRC Freight is the reporting segment focused on business opportunities in national, regional and international services. YRC Freight provides for the movement of industrial, commercial and retail goods, primarily through centralized management and customer facing organizations. This segment includes our LTL subsidiary YRC Inc. (“YRC Freight”) and Reimer Express (“YRC Reimer”), a subsidiary located in Canada that specializes in shipments into, across and out of Canada. In addition to the United States and Canada, YRC Freight also serves parts of Mexico, Puerto Rico and Guam.

- Regional Transportation is the reporting segment for our transportation service providers focused on business opportunities in the regional and next-day delivery markets. Regional Transportation is comprised of USF Holland

("Holland"), New Penn Motor Express (“New Penn”) and USF Reddaway ("Reddaway"). These companies each provide regional, next-day ground services in their respective regions through a network of facilities located across the United States, Canada, Mexico and Puerto Rico.

In 2011, we reported Truckload as a separate segment, which consisted of Glen Moore, a former domestic truckload carrier. On December 15, 2011, we sold the majority of Glen Moore’s assets to a third party and concluded its operations.

For revenue and other information regarding our reporting segments, see the "Business Segments" footnote of our consolidated financial statements.

Incorporated in Delaware in 1983 and headquartered in Overland Park, Kansas, we employed approximately 32,000 people as of December 31, 2013. The mailing address of our headquarters is 10990 Roe Avenue, Overland Park, Kansas 66211, and our telephone number is (913) 696-6100. Our website is www.yrcw.com. Through the “SEC Filings” link on our website, we make available

Table of Contents

the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the SEC: our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. All of these filings may be viewed or printed from our website free of charge.

Narrative Description of the Business

YRC Freight

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

YRC Freight serves manufacturing, wholesale, retail and government customers throughout North America. YRC Freight's 20,000 employees are dedicated to operating its extensive network which supports approximately 11 million shipments annually. YRC Freight shipments have an average shipment size of approximately 1,000 lbs. and travel an average distance of roughly 1,300 miles. Operations research and engineering teams centrally coordinate the equipment, routing, sequencing and timing necessary to efficiently transport shipments through its network. On December 31, 2013, YRC Freight's revenue fleet was comprised of approximately 8,500 tractors, including approximately 7,500 owned tractors and 1,000 leased tractors, and approximately 33,000 trailers, including approximately 29,000 owned trailers and 4,000 leased trailers. The YRC Freight network includes 267 strategically located service facilities including 124 owned facilities with 8,374 doors and 143 leased facilities with 6,380 doors.

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

- Standard LTL: One-stop shopping for all big-shipment national LTL freight needs with centralized customer service for LTL shipping among the countries of North America. Flexibility, convenience and reliability that comes with one national freight shipping provider.

- Guaranteed Standard: a guaranteed on-time service with more direct points than any other guaranteed standard delivery service in North America. Our guaranteed multiple-day window service is designed to meet retail industry needs to reduce chargeback fees.

- Time-Critical: for expedited and specialized shipments including emergency and window deliveries via ground or air anywhere in North America with shipment arrival timed to the hour or day, proactive notification and a 100% on-time guarantee.

- Specialized Solutions: includes a variety of services to meet industry and customer-specific needs with offerings such as Custom Projects, Consolidation and Distribution, Reverse Logistics, Residential White Glove, Exhibit Services and Shipment Protection through Insulated Covers and our patented Sealed Divider and Sealed Trailer services that are designed for products that are difficult or expensive to package for shipping, are of high value, or need verifiable security throughout the transit.

- my.yrcfreight.com: a secure e-commerce website offering online resources for supply chain visibility and shipment management in real time.

YRC Freight includes the operations of its wholly owned Canadian subsidiary, YRC Reimer. Founded in 1952, YRC Reimer offers Canadian shippers a selection of direct connections within Canada, throughout North America and around the world. YRC Reimer is also a part of YRC Freight and its operating network and information systems are completely integrated with those of YRC Freight, enabling YRC Reimer to provide seamless cross-border services between Canada, Mexico and the United States and markets overseas.

Table of Contents

YRC Freight represented 64%, 66% and 66% of our consolidated revenue in 2013, 2012 and 2011, respectively.

Regional Transportation

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

- Holland: headquartered in Holland, Michigan, provides local next-day, regional and expedited services through a network located in 21 states in the Midwestern and Southeastern portions of the United States. Holland also provides service to the provinces of Ontario and Quebec, Canada.
- New Penn: headquartered in Lebanon, Pennsylvania, provides local next-day, day-definite, and time-definite services through a network located in the Northeastern United States; Quebec, Canada; and Puerto Rico.
- Reddaway: headquartered in Tualatin, Oregon, provides local next-day, regional and expedited services through a network located in California, the Pacific Northwest, the Rocky Mountain States and the Southwest. Additionally, Reddaway provides services to Alaska, Hawaii and to the provinces of Alberta and British Columbia, Canada.

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

- Regional delivery: including next-day local area delivery and second-day services; consolidation/distribution services; protect-from-freezing and hazardous materials handling; and a variety of other specialized offerings.
- Expedited delivery: including day-definite, hour-definite and time-definite capabilities.
- Interregional delivery: combining our best-in-class regional networks with reliable sleeper teams, Regional Transportation provides reliable, high-value services between our regional operations.
- Cross-border delivery: through strategic partnerships, the Regional Transportation companies provide full-service capabilities between the U.S. and Canada, Mexico and Puerto Rico.
- my.yrcregional.com and NewPenn.com: are e-commerce websites offering secure and customized online resources to manage transportation activity.

The Regional Transportation companies serve manufacturing, wholesale, retail and government customers throughout North America. At December 31, 2013, the Regional Transportation network includes 126 service facilities including 64 owned facilities with 3,950 doors and 62 leased facilities with 2,832 doors. The Regional Transportation revenue fleet includes approximately 6,000 tractors including approximately 5,500 owned and 500 leased and approximately 13,500 trailers including approximately 12,500 owned and 1,000 leased. Regional Transportation's 12,000 employees are dedicated to supporting the delivery of almost 11 million shipments annually.

The Regional Transportation companies accounted for 36%, 34% and 32% of our consolidated operating revenue in 2013, 2012 and 2011, respectively.

Parent Company

YRC Worldwide Inc., headquartered in Overland Park, Kansas, has approximately 300 employees. The parent company provides centrally managed support to our operating companies and these services span a variety of functions, including components of finance, legal, risk management and security.

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

Recent Developments

In January 2014, we modified our primary labor agreement with our union workforce to, among other things, extend the expiration date of our previous agreement from March 31, 2015 to March 31, 2019. This extension also extended the contribution rates under

Table of Contents

our multi-employer pension plan. The modification provided for a lump sum payment in lieu of wage increases in 2014 and 2015, but provided for wage increases in 2016 through 2019. Finally, the modification provided for certain changes to work rules and our use of purchased transportation in certain situations.

On January 31, 2014, we consummated a series of private placements pursuant to which: (i) we sold (the “Sales”), in the aggregate, a combination of shares of Common Stock, par value $0.01 per share (the “Common Stock”), and shares of the Company’s new Class A Convertible Preferred Stock, par value $1.00 per share (the “Convertible Preferred Stock”), for an aggregate purchase price of $250.0 million in cash and (ii) certain existing holders of the Company’s 10% Series B Convertible Senior Secured Notes due 2015 (the “Series B Notes”) exchanged or converted their Series B Notes in an aggregate principal amount of approximately $50.6 million, plus, in the case of exchanged Series B Notes, accrued and unpaid interest thereon up to and including January 15, 2014, for an aggregate of 3,394,501 shares of Common Stock (the “Series B Note Exchanges”). We used the proceeds therefrom to, among other things, (i) repay our 6% convertible senior notes, which matured in February of 2014 and (ii) discharge our 10% Series A Convertible Senior Secured Notes due 2015 (the "Series A Notes").

In connection with the Series B Note Exchanges, on January 31, 2014, we amended the indenture governing the Series B Notes to eliminate substantially all of the restrictive covenants, certain events of default and other related provisions contained in the indenture and to release and discharge the liens on the collateral securing the Series B Notes.

Effective January 31, 2014, certain of our subsidiaries, various pension funds party thereto, and Wilmington Trust Company, as agent for such pension funds, entered into the Second Amended and Restated Contribution Deferral Agreement, which, among other things (i) amended and restated the previously effective Amended and Restated Contribution Deferral Agreement, effective as of July 22, 2011 (the “Prior A&R CDA”), (ii) released the agent’s security interest in third priority collateral on the Collateral Release Date (as defined therein), (iii) limited the value of obligations secured by the collateral to the Secured Obligations (as defined therein) and (iv) extended the maturity of deferred pension payments and deferred interest from March 31, 2015 to December 31, 2019.

On February 13, 2014, we repaid our existing asset-based loan (“ABL”) facility and our term loan with proceeds from a new $450 million ABL facility and a new $700 million term loan facility. These transactions extended the maturity of our credit facilities and will reduce our annual cash interest expense.

We refers to transactions described above collectively as the "2014 Financing Transactions." For additional information, please see the "2014 Financing Transactions" footnote to our consolidated financial statements.

Competition

Transportation and logistics professionals use a broad range of providers to meet their supply chain needs in an efficient and cost-effective manner. As one of the leading providers of LTL services in North America, we utilize our portfolio of branded companies to provide freight transportation services that are focused on exceeding client expectations.
Few North American based transportation carriers offer comparable freight management capabilities. By integrating traditional LTL ground, expedited, air and ocean transportation capabilities, we provide a critical freight management link that helps business organizations solve supply chain challenges. Our market studies show that customers prefer using LTL providers based on “service value,” which is the relationship between overall quality and price. We believe that we can compete well against LTL and other transportation services competitors from an overall value perspective.
Our companies operate in a highly competitive environment. Given the growth of U.S. import/export trade, our competitors include global, integrated freight transportation services providers; global forwarders; national freight services providers including intermodal providers; regional or interregional carriers; third party logistics providers; and small, intraregional transportation companies. Our companies also have competitors within several different

modes of transportation including: LTL, truckload, air and ocean cargo, intermodal rail, transportation consolidators and privately owned fleets.
Ground-based transportation includes private fleets and "for-hire" provider groups. The private provider segment consists of fleets owned by companies who move their own goods and materials. The "for-hire" groups are classified based on the typical shipment sizes that they handle. Truckload refers to providers transporting shipments that generally fill an entire 48-foot or 53-foot trailer and LTL refers to providers transporting goods from multiple shippers in a single trailer.
LTL transportation providers consolidate numerous shipments generally ranging from 100 to 10,000 pounds from varying businesses at individual service centers in close proximity to where those shipments originated. Utilizing expansive networks of pickup and delivery operations around local service centers, shipments are moved between origin and destination using distribution

Table of Contents

centers when necessary, where consolidation and deconsolidation of shipments occur. Depending on the distance shipped, shared load providers are often classified into one of four sub-groups:

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

YRC Freight provides services in all four sub-groups in North America. Holland, New Penn and Reddaway compete in the regional, interregional and national transportation marketplace. Each brand competes against a number of providers in these markets from small firms with one or two vehicles to global competitors with thousands of physical assets. While we have competitors with a similar multi-dimensional approach, there are few in the traditional LTL segment with as comprehensive an offering in those categories as our carriers provide.

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

Regulation

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

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

Environmental Matters

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

Our operating companies store fuel for use in our revenue equipment in approximately 288 underground storage tanks (“USTs”) located throughout the U.S. Maintenance of such USTs is regulated at the federal and, in some cases, state level. The USTs are required to have leak detection systems and must be extracted if we exit the property. Traditionally upon sale of properties containing USTs, the UST is considered an asset in the transaction and, as such, we contractually transfer this removal obligation to the buyer, or remove the UST at closing at the Buyer's expense.

During 2013, we spent approximately $7.9 million to comply with U.S. federal, state and local provisions regulating the discharge of materials into the environment or otherwise relating to the protection of the environment (collectively, “Environmental Regulations”). In 2014, we expect to spend approximately $8.1 million to comply with the Environmental Regulations. Based upon current information, we believe that our compliance with Environmental Regulations will not have a material adverse effect upon our capital expenditures, results of operations or competitive position because we have either made adequate reserves for such compliance expenditures or the cost for such compliance is expected to be small in comparison with our overall expenses.

The Comprehensive Environmental Response, Compensation and Liability Act (known as the “Superfund Act”) imposes liability for the release of a “hazardous substance” into the environment. Superfund liability is imposed without regard to fault and even if the waste disposal was in compliance with then current laws and regulations. With the joint and several liabilities imposed under the Superfund Act, a potentially responsible party (“PRP”) may be required to pay more than its proportional share of such environmental remediation. Several of our subsidiaries have been identified as PRPs at various sites discussed below. The U.S. Environmental Protection Agency (the “EPA”) and appropriate state agencies are supervising investigative and cleanup activities at these sites. The EPA has identified the former Yellow Transportation (now a part of YRC Freight) as a PRP for three locations: Angeles Chemical Co., Santa Fe Springs, CA; Alburn Incinerator, Inc., Chicago, IL and Omega Chemical, Whittier, CA. We estimate that the combined potential costs at these sites will not exceed $0.2 million. With respect to these sites, it appears that YRC Freight delivered minimal amounts of waste to these sites, which is de minimis in relation to other respondents. The EPA has identified the former Roadway Express (now a part of YRC Freight) as a PRP for three locations: Ward Transformer, Raleigh, NC; Roosevelt Irrigation District, Phoenix, AZ and Berry's Creek, Carlstadt, NJ. We estimate that the potential cost for the Ward Transformer site to be $0.4 million. The EPA has notified YRC Inc. and 140 other potential parties of their potential responsibility status at the Berry's Creek site where YRC Freight owns and operates a service center in the watershed area that discharges into Berry's Creek. We estimate the Berry's Creek potential cost to be $0.6 million. Roosevelt Irrigation District has notified YRC Freight and other potential parties of their responsibility for remediation of contaminated groundwater wells. We estimate YRC Freight's potential cost for Roosevelt Irrigation District to be $0.6 million. The EPA has identified USF Red Star, a non-operating subsidiary, as a PRP at three locations: Booth Oil, N. Tonawanda, NY and two separate landfills in Byron, NY, and Moira, NY. We believe the potential combined costs at these sites to be $0.3 million. The EPA has identified Holland as a PRP for one location, Horton Sales Piedmont Site, Greenville County, SC. We believe the potential cost at this site will be insignificant.

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

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

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

This section, “Environmental Matters,” contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E Exchange Act. See the introduction section immediately prior to "Part I" and Risk Factors in "Item 1A" of this report regarding these statements. Our expectations regarding our compliance with Environmental Regulations and our expenditures to comply with Environmental Regulations, including (without limitation) our capital expenditures on environmental control equipment, and the effect that liability from Environmental Regulation or Superfund sites may have on our competitive position, financial condition or results of operations, are only our expectations regarding these matters. These expectations may be substantially different from actual results, which may be affected by the following factors: changes in Environmental Regulations; unexpected, adverse outcomes with respect to sites where we have been named as a PRP, including (without limitation) the sites

Table of Contents

described above, and to sites in which we are investigating potential violations of Environmental Regulations; the discovery of new sites of which we are not aware and where additional expenditures may be required to comply with Environmental Regulations; an unexpected discharge of hazardous materials in the course of our business or operations; an acquisition of one or more new businesses; a catastrophic event causing discharges into the environment of hydrocarbons; the inability of other PRPs to pay their share of liability for a Superfund site; and a material change in our allocation of the volume of discharge and a resulting change in our liability as a PRP with respect to a site.

Economic Factors and Seasonality

Our business is subject to a number of general economic factors that may have a material adverse effect on the results of our operations, many of which are largely out of our control. These include the impact of the recent severe recession and resulting slow-growth economy and recessionary economic cycles and downturns in individual customer's business cycles, particularly in market segments and industries, such as retail and manufacturing, where we have a significant concentration of customers. Economic conditions may adversely affect our customers' business levels, the amount of transportation services they need and their ability to pay for our services. We operate in a highly price-sensitive and competitive industry, making industry pricing actions, quality of customer service, effective asset utilization and cost control major competitive factors. All of our revenues are subject to seasonal variations. Customers tend to reduce shipments just prior to and then after the winter holiday season, and operating expenses as a percent of revenue tend to be higher, and operating cash flows as a percent of revenue tend to be lower, in the winter months primarily due to colder weather and seasonally lower levels of shipments and the seasonal timing of expenditures. Generally, most of the first quarter and the latter part of the fourth quarter are the seasonally weakest while the second and third quarters are the seasonally strongest. The availability and cost of labor and other operating cost inputs, such as fuel and equipment maintenance and equipment replacements, can significantly impact our overall cost structure, competitive position within our industry and our resulting earnings and cash flows.

Financial Information About Geographic Areas

Our revenue from foreign sources is largely derived from Canada and Mexico. We have certain long-lived assets located in these areas as well. We discuss this information in the "Business Segments" footnote to our consolidated financial statements.

Table of Contents

Item 1A. Risk Factors

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

Liquidity Risks

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

As of December 31, 2013, we had $1,363.4 million in aggregate principal of outstanding indebtedness. Although our 2014 Financing Transactions reduced our outstanding indebtedness and extended the maturities for a substantial portion of our debt to 2019, we remain substantially levered. Refer to the "2014 Financing Transactions" footnote to our consolidated financial statements for more details.

We also have, and will continue to have, significant lease obligations. As of December 31, 2013, our expected minimum cash payments under our operating leases for 2014 are $56.1 million and our operating lease obligations totaled $166.6 million, which are primarily payable through 2019. We currently plan to procure a portion of our new revenue equipment using operating leases in 2014 and beyond in the same manner. We expect our funding obligations in 2014 under our single-employer pension plans and the multi-employer pension funds will be approximately $168.6 million. Despite the extended maturities and substantial interest savings resulting from the new facility, our substantial indebtedness, lease obligations and pension funding obligations could continue to have a significant impact on our business.

For example, it could:

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

In addition, the failure to comply with our financial covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our indebtedness.

Our ability to fund working capital needs and capital expenditures will depend on our ability to generate cash in the future.

Our ability to generate cash in the future, to a certain extent, is subject to general economic, financial, competitive, business, legislative, regulatory and other factors that are beyond our control. We believe that our results of operations will provide sufficient liquidity to fund our operations and meet our covenants for the foreseeable future, including the next twelve months.

Our ability to satisfy our liquidity needs beyond 2014 is dependent on a number of factors, some of which are outside of our control. These factors include:

- we must achieve improvements in our operating results in our YRC Freight operating segment, which rely upon pricing and shipping volumes and network efficiencies;
- we must continue to comply with covenants and other terms of our credit facilities;
- we must continue to implement and realize cost saving measures to match our costs with business levels in a manner that does not harm operations and our productivity and efficiency initiatives must be successful; and

Table of Contents

- we must be able to generate operating cash flows that are sufficient to meet cash requirements for pension contributions to our single and multi employer pension funds, cash interest and principal payments on our funded debt, payments on our equipment leases, and for capital expenditures or additional lease payments for new revenue equipment.

A failure to meet our liquidity needs could materially and adversely affect on our business, financial condition, liquidity and results of operations.

We incurred net losses in each of fiscal 2013, 2012 and 2011. We may not obtain the projected benefits and cost savings from productivity and efficiency initiatives. If we incur future net losses we may need additional capital to meet our future cash requirements and execute our business strategy.

Our business experienced net losses in each of fiscal 2013, 2012 and 2011. Contributing factors to our net losses in fiscal 2013, 2012 and 2011 were the challenges facing transportation services generally as a result of the prolonged slow economic recovery, competitive pressures in the LTL industry stemming from excess capacity that resulted in lower profit margins, interest expense and financing costs, and our operating cost structure. In each of 2009, 2011 and 2014, we implemented financial restructurings to improve our balance sheet and to provide additional operating liquidity. Since our restructuring in 2011, our senior management team and board of directors have put strategies in place that are focused on driving productivity and efficiency improvements. These efforts have been concentrated on improving pricing and shipping volumes as well as customer mix, redeploying shared services and, in turn, driving more autonomy, responsibility and accountability to our operating companies, streamlining operations and our transportation network, and divesting non-core assets. There is no assurance that these changes and improvements will be successful, that their implementation will have a positive impact on our operating results or that we will not have to initiate additional changes and improvements in order to achieve the projected benefits and cost savings. For example, our operating results for the second and quarters of 2013 were adversely affected by driver shortages and challenges in implementing our network optimization. If we incur future net losses, we may experience liquidity challenges and we may need to raise additional capital to meet our future cash requirements and to execute our business strategy.

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

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

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

The restrictions could adversely affect our ability to:

- finance our operations;

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

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

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

Table of Contents

The documents governing our indebtedness contain financial covenants, affirmative covenants requiring us to take certain actions and negative covenants restricting our ability to take certain actions. During the next twelve months, the thresholds required under the financial covenants in our credit facilities are subject to significant step-ups, specifically our maximum total leverage ratio. In the event our operating results indicate we will not meet our maximum total leverage ratio, we will take action to improve our maximum total leverage ratio which will include paying down our outstanding indebtedness with either cash on hand or from cash proceeds from equity issuances. The issuance of equity is outside of our control and there can be no assurance that management will be able to issue additional equity at terms that are agreeable to us. If we are unsuccessful in meeting our financial covenants, we will need to seek an amendment or waiver from our lenders or otherwise we will be in default under our credit facilities, which would enable lenders thereunder to accelerate the repayment of amounts outstanding and exercise remedies with respect to collateral. If our lenders under our credit facilities demand payment, we will not have sufficient cash and cash flows from operations to repay such indebtedness. In addition, a default under our credit facilities or the lenders exercising their remedies thereunder would trigger cross-default provisions in our other indebtedness and certain other operating agreements. Our ability to amend our credit facilities or otherwise obtain waivers from our lenders depends on matters that are outside of our control and there can be no assurance that we will be successful in that regard. In addition, any covenant breach or event of default could harm our credit rating and our ability to obtain additional financing on acceptable terms. The occurrence of any of these events could have a material adverse effect on our financial condition and liquidity.

Risks Related to Our Common Stock

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

The market price for our Common Stock has been highly volatile and subject to wide fluctuations. During the period from July 22, 2011 following the completion of our 2011 restructuring until February 25, 2014, the market price of our Common Stock ranged from $303.00 (as adjusted to give retroactive effect to our December 1, 2011 1:300 reverse stock split) to $4.56 per share. We expect the market price of our Common Stock to continue to be volatile and subject to wide fluctuations in response to a wide variety of factors, including the following:

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

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

We issued a substantial number of shares of Common Stock and shares of Convertible Preferred Stock convertible into shares of our Common Stock in connection with our 2014 Financing Transactions and have agreed to register such shares of Common Stock under the Securities Act, which could lead to significant sales of our Common Stock and may adversely affect the market price of our Common Stock.

Pursuant to the 2014 Financing Transactions, we issued an aggregate of 17,727,835 shares of our Common Stock and 583,334 shares of our Convertible Preferred Stock, which may become convertible into 2,333,336 shares of our Common Stock upon stockholder approval of an amendment to our certificate of incorporation, subject to certain limitations. We are unable to predict the potential effects of such issuance of Common Stock, including the shares of Common Stock to be issued upon conversion of the Convertible Preferred Stock, on the trading activity and market price of our Common Stock. Pursuant to a registration rights agreement we entered into in connection with the sale of equity and the exchange of our Series B Notes, we have granted certain registration rights for the resale of shares of our Common Stock issued in the Sales and Series B Notes Exchanges, including the shares of our Common Stock issuable upon conversion of the Convertible Preferred Stock. These registration rights would facilitate the resale of such shares of Common Stock into the public market, and would increase the number of shares of our Common Stock available for public trading. Sales of a substantial number of shares of our Common Stock in the public market, or the perception that such sales may occur, could have a material adverse effect on the market price of our Common Stock.

Table of Contents

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

In the future, we may issue significant numbers of additional shares of our Common Stock to raise capital or in connection with a restructuring or refinancing of our maturing indebtedness. Shares of our Common Stock are reserved for issuance on conversion of our remaining convertible notes, exercise of outstanding stock options and vesting of outstanding share units. As of December 31, 2013, we had outstanding options to purchase an aggregate of approximately 33,000 shares of Common Stock, outstanding nonvested restricted stock and share units representing the right to receive a total of approximately 658,000 shares of Common Stock upon vesting and an aggregate of approximately 854,000 shares of our Common Stock was reserved for future issuance under our 2011 Incentive and Equity Award Plan (the "2011 Plan"). We have registered under the Securities Act all of the shares of Common Stock that we may issue upon the exercise of our outstanding options and the vesting of outstanding share units and on account of future awards made under the 2011 Plan. All of these registered shares can be freely sold in the public market upon issuance, except for shares issued to our directors and executive officers, which sales are subject to certain volume restrictions. If a large number of these shares are sold in the public market, the sales could reduce the trading price of our Common Stock.

We cannot predict the size of future issuances or the effect, if any, that such issuances may have on the market price for our Common Stock. Sales of significant amounts of our Common Stock or equity-related securities in the public market, or the perception that such sales may occur, could adversely affect prevailing trading prices of our Common Stock and the value of our remaining convertible notes and could impair our ability to raise capital through future offerings of equity or equity-related securities. Further sales of shares of our Common Stock or the availability of shares of our Common Stock for future sale, including sales of our Common Stock by investors who view our remaining convertible notes as a more attractive means of equity participation in our Company or in connection with hedging and arbitrage activity that may develop with respect to our Common Stock, could adversely affect the trading price of our Common Stock.

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

We do not anticipate that we will be able to pay any dividends on shares of our Common Stock in the foreseeable future. We intend to retain any future earnings to fund operations, to service debt and to use for other corporate needs.

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

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

Business Risks

We are a holding company and we are dependent on the ability of our subsidiaries to distribute funds to us.

We are a holding company and our subsidiaries conduct substantially all of our consolidated operations and own substantially all of our consolidated assets. Consequently, our cash flow and our ability to make payments on our indebtedness substantially depends upon our subsidiaries' cash flow and payments of funds to us by our subsidiaries. Our subsidiaries' ability to make any advances, distributions or other payments to us may be restricted by, among other things, debt instruments, tax considerations and legal restrictions. If we are unable to obtain funds from our subsidiaries as a result of these restrictions, we may not be able to pay principal of, or cash interest on, our indebtedness when due, and we cannot assure you that we will be able to obtain the necessary funds from other sources.

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

Our business is subject to a number of general economic factors that may adversely affect our business, financial condition and results of operations, many of which are largely out of our control. These factors include recessionary economic cycles and downturns in customers' business cycles and changes in their business practices, particularly in market segments and industries,

Table of Contents

such as retail and manufacturing, where we have a significant concentration of customers. Economic conditions may adversely affect our customers' business levels, the amount of transportation services they need and their ability to pay for our services. Because a portion of our costs are fixed, it may be difficult for us to quickly adjust our cost structure proportionally with fluctuations in volume levels. Customers encountering adverse economic conditions represent a greater potential for loss, and we may be required to increase our reserve for bad-debt losses. Further, we depend on our suppliers for equipment, parts and services that are critical to our business. A disruption in the availability of these supplies or a material increase in their cost due to adverse economic conditions or financial constraints of our suppliers could adversely impact our business, results of operations and liquidity.

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

We are subject to business risks and increasing costs associated with the transportation industry that are largely out of our control, any of which could adversely affect our business, financial condition and results of operations. The factors contributing to these risks and costs include weather, excess capacity in the transportation industry, interest rates, fuel prices and taxes, fuel surcharge collection, terrorist attacks, license and registration fees, insurance premiums, self-insurance levels, and letters of credit required to support outstanding claims, difficulty in recruiting and retaining qualified drivers, the risk of widespread disruption of our technology systems, and increasing equipment and operational costs. Our results of operations may also be adversely affected by seasonal factors. Further, the future availability and support available for our current technology may make it necessary for us to upgrade or change these systems, which may be costly and could disrupt or reduce the efficiency of our operations.

We operate in a highly competitive industry, and our business will suffer if we are unable to adequately address potential downward pricing pressures and other factors that could have a material adverse effect on our business, financial condition and results of operations.

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

- We compete with many other transportation service providers of varying sizes and types, some of which have a lower cost structure, more equipment and greater capital resources than we do or have other competitive advantages.
- Some of our competitors periodically reduce their prices to gain business, especially during times of reduced growth rates in the economy, which limits our ability to maintain or increase prices or maintain or grow our business.
- Our customers may negotiate rates or contracts that minimize or eliminate our ability to offset fuel price increases through fuel surcharges.
- Many customers reduce the number of carriers they use by selecting so-called “core carriers” as approved transportation service providers, and in some instances, we may not be selected.
- Many customers periodically accept bids from multiple carriers for their shipping needs, which may depress prices or result in the loss of some business to competitors.
- The trend towards consolidation in the ground transportation industry may create other large carriers with greater financial resources and other competitive advantages relating to their size.
- Advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher prices to cover the cost of these investments.
- Competition from non-asset-based logistics and freight brokerage companies may adversely affect our customer relationships and prices.
- As a union carrier, we may have a competitive disadvantage against non-union carriers with lower cost structures and greater operating flexibility.

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

Virtually all of our operating subsidiaries have employees who are represented by the International Brotherhood of Teamsters ("IBT"). These employees represent the majority of our workforce at December 31, 2013. Salaries, wages and employee benefits composes over half of our operating costs.

Each of our YRC Freight, New Penn, and Holland subsidiaries employ most of their unionized employees under the terms of a common national master freight agreement with the IBT, as supplemented by additional regional supplements and local agreements, a significant majority of which will expire on March 31, 2019. The IBT also represents a number of employees at Reddaway, and Reimer under more localized agreements, which have wages, benefit contributions and other terms and conditions that better fit the cost structure and operating models of these business units.

Table of Contents

Our subsidiaries are regularly subject to grievances, arbitration proceedings and other claims concerning alleged past and current non-compliance with applicable labor law and collective bargaining agreements.

Neither we nor any of our subsidiaries can predict the outcome of any of these matters. These matters, if resolved in a manner unfavorable to us, could have a material adverse effect on our business, financial condition, liquidity and results of operations.

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

Our future funding obligations for our U.S. single-employer defined benefit pension plans qualified with the Internal Revenue Service depend upon their funded status, the future performance of assets set aside in trusts for these plans, the level of interest rates used to determine funding levels and actuarial experience and any changes in government laws and regulations.

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

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

We believe that based on information obtained from public filings and from plan administrators and trustees, our portion of the contingent liability in the case of a full withdrawal from or termination of all of the multi-employer pension plans would be an estimated $10 billion on a pre-tax basis. If we were subject to withdrawal liability with respect to a plan, ERISA provides that a withdrawing employer can pay the obligation in a lump sum or over time based upon an annual payment that is the product of the highest contribution rate to the relevant plan multiplied by the average of the three highest consecutive years measured in contribution base units, which, in some cases, could be up to 20 years. Even so, our applicable subsidiaries have no current intention of taking any action that would subject us to payment of material withdrawal obligations, however we cannot provide any assurance that such obligations will not arise in the future which would have a material adverse effect on our business, financial condition, liquidity and results of operations.

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

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

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

Our business is capital intensive. Our capital expenditures focus primarily on revenue equipment replacement, land and structures and investments in information technology. In light of our operating results over the past few years and our liquidity needs, we have deferred certain capital expenditures in recent years and may need to continue to do so in the future, including the next twelve months. As a result, the average age of our fleet has increased and we will need to update our fleet periodically. If we are unable to generate sufficient cash from operations to fund our capital requirements, we may have to limit our growth, utilize our existing liquidity, or enter into additional financing arrangements, including leasing arrangements, or operate our revenue equipment (including tractors and trailers) for longer periods resulting in increased maintenance costs, any of which could reduce our operating income. If our cash from operations and existing financing arrangements are not sufficient to fund our capital expenditure

Table of Contents

requirements, we may not be able to obtain additional financing at all or on terms acceptable to us. In addition, our credit facilities contain provisions that limit our level of annual capital expenditures.

We operate in an industry subject to extensive government regulations, and costs of compliance with, or liability for violation of, existing or future regulations could significantly increase our costs of doing business.

The U.S. Departments of Transportation and Homeland Security and various federal, state, local and foreign agencies exercise broad powers over our business, generally governing such activities as authorization to engage in motor carrier operations, safety and permits to conduct transportation business. Our drivers are also subject to hours-of-service rules from the Federal Motor Carrier Safety Administration ("FMCSA"). In the future, we may become subject to new or more restrictive regulations that the FMSCA, Departments of Transportation and Homeland Security, the Occupational Safety and Health Administration, the Environmental Protection Agency or other authorities impose, including regulations relating to engine exhaust emissions, the hours of service that our drivers may provide in any one time period, security and other matters. Compliance with these regulations could substantially impair equipment productivity and increase our costs.

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

Our operations are subject to Environmental Regulations dealing with, among other things, the handling of hazardous materials, underground fuel storage tanks and discharge and retention of storm water. We operate in industrial areas, where truck terminals and other industrial activities are located, and where groundwater or other forms of environmental contamination may have occurred. Our operations involve the risks of fuel spillage or seepage, environmental damage and hazardous waste disposal, among others. If we are involved in a spill or other accident involving hazardous substances, or if we are found to be in violation of applicable environmental laws or regulations, it could significantly increase our cost of doing business. Under specific environmental laws and regulations, we could be held responsible for all of the costs relating to any contamination at our past or present terminals and at third-party waste disposal sites. If we fail to comply with applicable environmental laws and regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

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

Our business may be harmed by anti-terrorism measures.

In the aftermath of the terrorist attacks on the United States, federal, state and municipal authorities have implemented and are implementing various security measures, including checkpoints and travel restrictions on large trucks. Although many companies would be adversely affected by any slowdown in the availability of freight transportation, the negative impact could affect our business disproportionately. For example, we offer specialized services that guarantee on-time delivery. If the security measures disrupt or impede the timing of our deliveries, we may fail to meet the needs of our customers, or may incur increased expenses to do so. We cannot assure you that these measures will not significantly increase our costs and reduce our operating margins and income.

The outcome of IRS audits to which we and our subsidiaries are a party could have a material adverse effect on our businesses, financial condition and results of operations.

The IRS may issue adverse tax determinations in connection with its audit of our prior year tax returns. See the "Income Taxes" footnote to our consolidated financial statements. We may incur significant expenses defending ourselves in these audits. We may be required to pay significant taxes and/or interest to resolve these audits. These costs could have a material adverse effect on our businesses, financial condition, liquidity and results of operations.

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

We have been and continue to be involved in legal proceedings, claims and other litigation that arise in the ordinary course of business. Litigation may be related to labor and employment, competitive matters, personal injury, property damage, safety and

Table of Contents

contract compliance, environmental liability, our past financial restructurings and other matters. We are currently subject to putative class action litigation in connection with public statements made by prior management regarding our financial restructuring in 2009. We discuss legal proceedings in the "Commitments, Contingencies and Uncertainties" footnote to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. Some or all of our expenditures to defend, settle or litigate these matters may not be covered by insurance or could impact our cost and ability to obtain insurance in the future. Litigation can be expensive, lengthy and disruptive to normal business operations, including to our management due to the increased time and resources required to respond to and address the litigation. The results of complex legal proceedings are often uncertain and difficult to predict. An unfavorable outcome of any particular matter or any future legal proceedings could have a material adverse effect on our business, financial condition, liquidity or results of operations. In the future, we could incur judgments or enter into settlements of claims that could harm our financial position, liquidity and results of operations.

We may not obtain further benefits and cost savings from operational changes and performance improvement initiatives.

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

Our actual operating results may differ significantly from our projections.

From time to time, we use projections regarding our future performance. These projections, which are forward-looking statements, are prepared by our management and are qualified by, and subject to, the assumptions and the other information contained or referred to in the introductory section immediately prior to "Part I" of this Report. Our projections are not prepared with a view toward compliance with published guidelines of the American Institute of Certified Public Accountants, and neither our registered public accountants nor any other independent expert or outside party compiles or examines the projections and, accordingly, no such person expresses any opinion or any other form of assurance with respect thereto.

Projections are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change.

Projections are necessarily speculative in nature, and it can be expected that some or all of the assumptions and estimates relating to the projections furnished by us will not materialize or will vary significantly from actual results. Accordingly, our projections are only an estimate of what management believes is realizable as of the date of release. Actual results will vary from the projections and the variations may be material. Investors should also recognize that the reliability of any forecasted financial data diminishes the farther in the future that the data is projected. In light of the foregoing, investors are urged not to rely upon, or otherwise consider, our projections in making investment decisions in respect of our securities.

Any failure to successfully implement our operating strategy, the failure of some or all of the assumptions and estimates relating to the projections used by us or the occurrence of any of the adverse events or circumstances described in this Annual Report on Form 10-K and in our other filings with the SEC could result in the actual operating results being different from the projections, and such differences may be adverse and material.

Table of Contents

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

At December 31, 2013, we operated a total of 393 transportation service facilities located in 50 states, Puerto Rico, Canada and Mexico for our YRC Freight and Regional Transportation segments. Of this total, 188 are owned and 205 are leased, generally with lease terms ranging from one month to ten years with right of renewal options. The number of customer freight servicing doors totaled 21,536, of which 12,324 are at owned facilities and 9,212 are at leased facilities. The transportation service centers vary in size ranging from one to three doors at small local facilities, to 426 doors at the largest consolidation and distribution facility. In addition, we and our subsidiaries own and occupy general office buildings in Lebanon, Pennsylvania; and Holland, Michigan. We also lease and occupy general office buildings in Overland Park, Kansas, Tualatin, Oregon and Winnipeg, Manitoba. Our owned transportation service facilities and office buildings serve as collateral under our credit agreements.

Our facilities and equipment are adequate to meet current business requirements in 2014. Refer to “Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations” for a more detailed discussion of expectations regarding capital spending in 2014.

Item 3. Legal Proceedings

We discuss legal proceedings in the “Commitments, Contingencies and Uncertainties” footnote to our consolidated financial statements.

Item 4. Mine Safety Disclosures

Not applicable.

Table of Contents

Executive Officers of the Registrant

The following are our executive officers, each of whom serves until his or her successor has been elected and qualified or until his or her earlier resignation or removal:

Name	Age	Position(s) Held
James L. Welch	59	Chief Executive Officer of YRC Worldwide Inc. (since July 2011); President of YRC Freight (subsidiary of the Company) (September 2013-February 2014); President and Chief Executive Officer, Dynamex Inc. (transportation and logistics services) (2008-July 2011); Interim Chief Executive Officer, JHT Holdings (truck transportation) (2007-2008); President and Chief Executive Officer (2000-2007), and various other positions (1978-2000), Yellow Transportation (subsidiary of the Company); Current Director: SkyWest Inc. (regional airline) (since 2007), Erickson Air-Crane, Inc. (since 2012) Former Director: Dynamex Inc., Spirit AeroSystems Holdings Inc. (commercial airplane assemblies and components), and Roadrunner Transportation (transportation and logistics services).
Jamie G. Pierson	44	Executive Vice President and Chief Financial Officer of YRC Worldwide Inc. (since November 2011); Interim Chief Financial Officer of YRC Worldwide Inc. (August 2011-November 2011); Managing Director, Alvarez & Marsal North America, LLC (professional services) (2008-November 2011); Vice President - Corporate Development and Integration, Greatwide Logistics Services, Inc. (transportation and logistics) (2007-2008); Director, FTI Capital Advisors, LLC (investment bank) (2002-2007); Vice President, FTI Consulting, Inc. (2001-2002); Vice President, Stonegate Securities, Inc. (investment bank) (2000-2001); Associate, Houlihan Lokey Howard & Zukin (investment bank) (1997-2000).
Michelle A. Friel	44	Executive Vice President, General Counsel and Secretary of YRC Worldwide Inc. (since February 2012); Senior Vice President, General Counsel and Secretary of Spirit AeroSystems Holdings, Inc. (2010-2012); Associate General Counsel of Spirit AeroSystems Holdings, Inc. (2009-2010); Vice President - Legal and Assistant General Counsel of YRC Worldwide Inc. (2003-2009).
Darren D. Hawkins	44	President (since February 2014), Senior Vice President - Sales and Marketing (January 2013-February 2014) of YRC Freight; Director of Operations (December 2011-January 2013) and Director of Sales (January 2009-December 2011) for Con-Way Freight, a subsidiary of Con-Way, Inc.; various positions of increasing responsibility with Yellow Transportation (1991-2009).
Scott D. Ware	53	President (since May 2012), Vice President Operations & Linehaul (2009-2012) and Vice President Linehaul (2007-2009) of USF Holland Inc. (subsidiary of the Company); Director of Linehaul of SAIA Inc. (2002-2007); Director of Linehaul of JEVIC (2000-2002); various industry management roles with Preston, Overnite, Con-Way and Spartan Express (1985-2000).
Thomas J. O'Connor	53	President of Reddaway (subsidiary of the Company) (since January 2007); President of USF Bestway (subsidiary of the Company) (2005-2007); Vice President - Western Division and officer of the Company (1999-2005), District Manager (1995-1999) and various management positions of increasing responsibility (1982-1995) of Roadway Express, Inc. (subsidiary of the Company).

Steven D. Gast	60	President (since January 2006), Vice President of Finance and Administration (2001-2006) and Vice President of Pricing and Strategic Planning (1997-2001) of New Penn (subsidiary of the Company).
Mark D. Boehmer	53	Vice President and Treasurer of YRC Worldwide (since July 2013); Vice President and Treasurer of Sealy Corporation (bedding manufacturer) (2003-2013).
Stephanie D. Fisher	37	Vice President and Controller of YRC Worldwide (since May 2012); Director - Financial Reporting and various positions in the Company's Corporate Accounting department (2004-2012); Member of the Supervisory Committee of CommunityAmerica Credit Union (since December 2010, Chairman of the Committee since May 2012).

Table of Contents

PART II

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

As of March 4, 2014, 175 shareholders of record held YRC Worldwide common stock. Trading activity averaged 621,240 shares per day during 2013, up from 135,359 per day in 2012. The NASDAQ Stock Market quotes prices for our common stock under the symbol “YRCW.” As part of our 2014 Financing Transactions, on January 31, 2014, we issued 583,334 shares of YRC Worldwide preferred stock (that are convertible into 2,333,336 shares of Common Stock upon meeting certain conditions). These preferred shares were outstanding as of March 4, 2014.

On July 22, 2011, we issued an aggregate of 4,999,999 shares of Series B Preferred Stock to satisfy a portion of the outstanding credit agreement claims (3,717,948 shares) and to satisfy our obligation to the IBT for their modifications and extension of the labor agreement in October 2010 (1,282,051 shares). The 4,999,999 shares of Series B Preferred Stock were converted into 6,210,369 shares of common stock in September 2011. No shares of Series B Preferred Stock remain outstanding. See additional details in the "Shareholders' Deficit" footnote to our consolidated financial statements.

The board of directors approved a reverse stock split effective December 1, 2011 at a ratio of 1:300. The reverse stock split was effective on NASDAQ on December 2, 2011. Fractional shares were not issued in connection with the reverse stock split. Instead, fractional shares were collected and pooled by our transfer agent and sold in the open market and the proceeds were allocated to the stockholders' respective accounts pro rata exchange for their fractional shares.

The reverse stock split reduced the number of shares of our common stock available for issuance under our employee and director equity plans in proportion to the reverse stock split ratio. Under the terms of our outstanding equity awards, the reverse stock split reduced the number of shares of our common stock issuable upon exercise or vesting of such awards in proportion to the reverse stock split ratio and caused a proportionate increase in the exercise price of such awards to the extent they were stock options. The number of shares of our common stock issuable upon exercise or vesting of outstanding equity awards was rounded to the nearest whole share and no cash payment was made in respect of such rounding. Shareholders' Deficit was retroactively adjusted to give effect to the reverse stock splits for all periods presented by reclassifying from Common stock to Capital surplus, the par value of the share reduction in connection with the reverse splits. All share numbers and per share amounts in this report and the Consolidated Financial Statements and Notes to the Consolidated Financial Statements have been retroactively adjusted to give effect to the reverse stock split.

Table of Contents

Quarterly Financial Information (unaudited)

(in millions, except per share and share data)	2013 First Quarter	Second Quarter	Third Quarter	Fourth Quarter [c]
Operating revenue	$1,162.5	$1,242.5	$1,252.7	$1,207.7
(Gains) losses on property disposals, net	(4.5)	1.3	1.3	(0.3)
Operating (loss) income	9.9	14.3	5.8	(1.6)
Net (income) loss	(24.5)	(15.1)	(44.4)	0.4
Diluted loss per share[b]	(2.93)	(1.72)	(4.45)	(1.71)
Common stock:				
High	9.60	30.49	36.99	20.58
Low	5.75	6.69	14.39	7.06

(in millions, except per share and share data)	2012 [a] First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenue	$1,194.3	$1,250.8	$1,236.8	$1,168.6
(Gains) losses on property disposals, net	8.3	(6.5)	(2.3)	(9.2)
Operating (loss) income	(48.7)	15.5	27.3	30.0
Net (loss) income	(81.6)	(22.6)	3.0	(35.3)
Less: Net income attributable to non-controlling interest	3.9	—	—	—
Net (loss) income attributable to YRC Worldwide Inc.	(85.5)	(22.6)	3.0	(35.3)
Diluted loss per share[b]	(12.40)	(3.21)	(4.30)	(4.53)
Common stock:				
High	13.99	8.05	7.46	7.74
Low	6.48	4.61	5.07	6.52

(a) The fourth quarter of 2012 includes a $30.8 million impairment charge on our JHJ International Transportation Co, Ltd. ("JHJ") equity investment as a non-operating expense. Certain convertible securities contain a make-whole interest premium that requires us to pay interest as if the security were held to maturity. In calculating the third quarter 2012 diluted earnings per share under the if-converted method, this make-whole interest premium resulted in expense that exceeded our earnings and resulted in a diluted loss per share.

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

(c) The fourth quarter 2013 results were impacted by the 2013 tax rate, which included a benefit recognized due to application of ASC 740 rules regarding intra-period tax allocation.

Purchases of Equity Securities by the Issuer

We did not repurchase any shares of our common stock in 2013, 2012 and 2011. Our credit agreement as of December 31, 2013 did not permit us to purchase shares of our common stock.

Dividends

We did not declare any cash dividends on our common stock in 2013, 2012 and 2011. Our credit agreement as of December 31, 2013 did not permit us to declare dividends on any of our outstanding capital stock.

22

Table of Contents

Common Stock Performance

Set forth below is a line graph comparing the quarterly percentage change in the cumulative total stockholder return of the Company's common stock against the cumulative total return of the S&P Composite-500 Stock Index and the Dow Jones Transportation Average Stock Index for the period of five years commencing December 31, 2008 and ending December 31, 2013.

Table of Contents

Item 6. Selected Financial Data

Our selected financial data below should be read in conjunction with "Management’s Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements and Supplementary Data" included in this Form 10-K.

(in millions, except share and per share data)	2013	2012	2011	2010	2009
For the Year					
Operating revenue	$4,865.4	$4,850.5	$4,868.8	$4,334.6	$4,871.0
Operating income (loss)	28.4	24.1	(138.2)	(227.9)	(882.0)
Net loss from continuing operations	(83.6)	(136.5)	(354.4)	(304.7)	(631.7)
Net income (loss) from discontinued operations, net of tax	—	—	—	(23.1)	12.2
Net loss	(83.6)	(136.5)	(354.4)	(327.8)	(619.5)
Less: Net income (loss) attributable to non-controlling interest	—	3.9	(3.1)	(2.0)	—
Net loss attributable to YRC Worldwide Inc.	(83.6)	(140.4)	(351.3)	(325.8)	(619.5)
Amortization of beneficial conversion feature on preferred stock	—	—	(58.0)	—	—
Net loss attributable to common shareholders	(83.6)	(140.4)	(409.3)	(325.8)	(619.5)
Acquisition of property and equipment	(66.9)	(66.4)	(71.6)	(19.2)	(36.3)
Proceeds from disposal of property and equipment	9.8	50.4	67.5	85.7	133.1
Disposition of affiliates, net of cash sold	—	—	—	34.3	31.9
Net cash provided by (used in) operating activities	12.1	(25.9)	(26.0)	0.7	(379.3)
Net cash provided by (used in) investing activities	(23.5)	19.8	(156.6)	106.0	135.1
Net cash provided by (used in) financing activities	(21.0)	14.3	240.1	(61.5)	16.7
At Year-End					
Total assets	$2,064.9	$2,225.5	$2,485.8	$2,571.6	$3,008.0
Total debt	1,363.4	1,375.4	1,354.7	1,060.1	1,132.9
Total YRC Worldwide Inc. shareholders' equity (deficit)	(597.4)	(629.1)	(353.9)	(209.5)	149.4
Non-controlling interest	—	—	(4.6)	(1.9)	—
Total shareholders' equity (deficit)	(597.4)	(629.1)	(358.5)	(211.4)	149.4
Measurements					
Basic & Diluted per share data:					
Net loss from continuing operations attributable to YRC Worldwide Inc.	$(8.96)	$(19.20)	$(196.12)	$(2,293.30)	$(79,519.96)
Net income (loss) from discontinued operations	—	—	—	(174.87)	1,540.16
Net loss	(8.96)	(19.20)	(196.12)	(2,468.17)	(77,979.80)
	9,332	7,311	2,087	132	8

Average common shares outstanding (in thousands)										
Other Data										
Number of employees	32,000		32,000		32,000		32,000		36,000	
Operating ratio: [a]										
YRC Freight	101.0	%	101.2	%	102.8	%	105.9	%	121.0	%
Regional Transportation	95.4	%	95.7	%	97.9	%	99.8	%	109.6	%
Truckload	N/A		N/A		119.1	%	109.3	%	107.7	%
Consolidated	99.4	%	99.5	%	102.8	%	105.3	%	118.1	%

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

Table of Contents

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

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

Overview

MD&A includes the following sections:

Our Business: a brief description of our business and a discussion of how we assess our operating results
Consolidated Results of Operations: an analysis of our consolidated results of operations for the years ended December 31, 2013, 2012 and 2011
Reporting Segment Results of Operations: an analysis of our results of operations for the years ended December 31, 2013, 2012 and 2011 for our two reporting segments: YRC Freight and Regional Transportation
Non-GAAP Financial Measures: an analysis of our results using certain non-GAAP financial measures, for the years ended December 31, 2013, 2012 and 2011
Financial Condition/Liquidity and Capital Resources: a discussion of our major sources and uses of cash as well as an analysis of our cash flows and aggregate contractual obligations and commercial commitments

Our Business

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

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

- Operating Revenue: Operating revenue has two primary components: volume (commonly evaluated using tonnage, tonnage per day, number of shipments, shipments per day or weight per shipment) and yield or price (commonly evaluated using picked up revenue, revenue per hundredweight or revenue per shipment). Yield includes fuel surcharge revenue which is common in the trucking industry and represents an amount charged to customers that adjusts with changing fuel prices. We base our fuel surcharges on a published national index and adjust them weekly. Rapid material changes in the index or our cost of fuel can positively or negatively impact our revenue and operating income versus prior periods as there is a lag in our adjustment of base rates in response to changes in fuel surcharge. We believe that fuel surcharge is an accepted and important component of the overall pricing of our services to our customers. Without an industry accepted fuel surcharge program, our base pricing for our transportation services would require changes. We believe the distinction between base rates and fuel surcharge has blurred over time, and it is impractical to clearly separate all the different factors that influence the price that our customers are willing to pay. In general, under our present fuel surcharge program, we believe rising fuel costs are beneficial to us and falling fuel costs are detrimental to us in the short term, which are mitigated over time.

- Operating Income (Loss): Operating income (loss) is operating revenue less any operating expenses. Consolidated operating income (loss) includes certain corporate charges that are not allocated to our reporting segments.

- Operating Ratio: Operating ratio is a common operating performance measure used in the trucking industry. It is calculated as (i) 100 percent (ii) minus the result of dividing operating income by operating revenue or (iii) plus the result of dividing operating loss by operating revenue, and is expressed as a percentage.

- Non-GAAP Financial Measures: We use adjusted EBITDA and adjusted free cash flow (deficit), which are non-GAAP financial measures, to assess our performance. Adjusted EBITDA reflects earnings before interest, taxes, depreciation, and amortization expense, and further adjusts for letter of credit fees, equity-based compensation expense, net gains or

25

Table of Contents

losses on property disposals and certain other items, including restructuring professional fees, expenses associated with certain lump sum payments to our IBT employees and the impact of permitted dispositions and discontinued operations as defined in our credit facilities. Adjusted EBITDA is used for internal management purposes as a financial measure that reflects core operating performance and to measure compliance with certain financial covenants in our credit facilities. Adjusted free cash flow (deficit) is a non-GAAP measure that reflects our operating cash flow minus gross capital expenditures and excludes restructuring costs included in operating cash flow. Our non-GAAP financial measures have the following limitations:

- Adjusted EBITDA does not reflect the interest expense or the cash requirements necessary to fund restructuring professional fees, letter of credit fees, service interest or principal payments on our outstanding debt;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and adjusted EBITDA does not reflect any cash requirements for such replacements;
- Equity based compensation is an element of our long-term incentive compensation package, although adjusted EBITDA excludes employee equity-based compensation expense when presenting our ongoing operating performance for a particular period;
- Adjusted free cash flow (deficit) excludes the cash usage by our restructuring activities, debt issuance costs, equity issuance costs and principal payments on our outstanding debt and the resulting reduction in our liquidity position from those cash outflows; and
- Other companies in our industry may calculate adjusted EBITDA and adjusted free cash flow (deficit) differently than we do, limiting its usefulness as a comparative measure.

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

Consolidated Results of Operations

Our consolidated results for 2013, 2012 and 2011 include the consolidated results of our reporting segments and unallocated corporate charges. A more detailed discussion of the operating results of our reporting segments is presented in the "Reporting Segment Results of Operations" section below.

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

				Percent Change	
(in millions)	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Operating revenue	$4,865.4	$4,850.5	$4,868.8	0.3 %	(0.4)%
Operating income (loss)	28.4	24.1	(138.2)	17.8 %	NM[a]
Nonoperating expenses, net	157.9	175.6	223.7	(10.1)%	(21.5)%
Net loss from continuing operations	(83.6)	(136.5)	(354.4)	38.8 %	61.5 %

[a]Not Meaningful

2013 Compared to 2012

Our consolidated operating revenue increased $14.9 million in 2013 compared to 2012. The increase in revenue is largely attributable to the increase in volumes at our Regional Transportation reporting segment.

Operating expenses in 2013 increased $10.6 million or 0.2% compared to 2012. The increase in operating expenses was primarily driven by a $23.7 million increase in purchased transportation and a $14.6 million increase in salaries, wages and benefits. These increases were partially offset by a $13.7 million decrease in other operating expense and a $12.0 million decrease in operating expenses and supplies.

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- The $23.7 million increase in purchased transportation was primarily driven by increased purchased rail transportation costs.
- The $14.6 million increase in salaries, wages and benefits was primarily driven by a $28.1 million increase in wages to support higher shipping volumes primarily at our Regional Transportation reporting segment. This was partially offset by a $10.0 million decrease in Workers' Compensation expense from our safety and settlement initiatives.

Table of Contents

- The $13.7 million decrease in other operating expense was driven by a $9.2 million decrease in bodily injury and property damage expense due to our settlement initiatives and a $3.5 million decrease in cargo claims driven by favorable claim development compared to 2012.
- The $12.0 million decrease in operating expenses and supplies was primarily driven by a $16.5 million decrease in fuel expenses, partially offset by a $6.8 million increase in vehicle maintenance expenses to support our aging fleet.

Our consolidated operating income during 2013 includes a $2.2 million net gain from the sale of property and equipment compared to a $9.7 million net gain in 2012.

Nonoperating expenses decreased $17.7 million or 10.1% in 2013 compared to 2012. Nonoperating costs in 2012 include a $30.8 million impairment charge for our equity investment in JHJ. The adjustment was required as the estimated fair value, using a discounted cash flow model, was less than our investment. The impairment charge is reflective of market information obtained in the fourth quarter of 2012. This decrease was partially offset by a $13.1 million increase in interest expense driven by additional make whole interest on our Series B Notes that converted to equity during 2013.

Our effective tax rate for continuing operations for the years ended December 31, 2013 and 2012 was 35.4% and 9.9%, respectively. Significant items impacting the 2013 rate include a benefit recognized due to application of ASC 740 rules regarding intra-period tax allocation, a state tax provision, a foreign tax provision, certain permanent items, a decrease in the reserve for uncertain tax positions and an increase in the valuation allowance established for the net deferred tax asset balance at December 31, 2013. We recognize valuation allowances on deferred tax assets if, based on the weight of the evidence, we believe that some or all of our deferred tax assets will not be realized. Changes in valuation allowances are included in our tax provision or in equity if directly related to other comprehensive income (loss), unless affected by a specific intra-period allocation as happened in 2013 and explained in the "Income Taxes" footnote to our consolidated financial statements, in the period of change. In determining whether a valuation allowance is warranted, we evaluate factors such as prior years' earnings history, expected future earnings, loss carry-back and carry-forward periods, reversals of existing deferred tax liabilities and tax planning strategies that potentially enhance the likelihood of the realization of a deferred tax asset. Accordingly, as of December 31, 2013 and 2012, we have a full valuation allowance against our net deferred tax assets, exclusive of a deferred tax liability related to a foreign jurisdiction.

Since our debt recapitalization in July 2011, we have experienced significant changes in the ownership of our stock, as measured for Federal income tax purposes. On July 25, 2013, we reached the threshold that would trigger a change defined by IRC Code Sec. 382. Subsequent to the balance sheet date, another such ownership change occurred in January 2014. These changes will likely limit substantially the use of tax Net Operating Loss carryovers (NOLs) generated in 2013 and prior to offset future taxable income. While Sec. 382 changes may adversely affect future cash flow, they have no impact on our current financial statements. The deferred tax assets resulting from the existing NOLs for which a Sec. 382 changes would limit financial statement recognition are already fully offset by a valuation allowance.

On September 13, 2013, the U.S. Department of the Treasury and the IRS released final regulations providing guidance on the application of IRC Section 263(a) to amounts paid to acquire, produce, or improve tangible property, as well as rules for materials and supplies (“Tangible Property Regulations”). While the final regulations are generally effective for taxable years beginning on or after January 1, 2014, taxpayers are permitted to early adopt provisions for years beginning on or after January 1, 2012. The Company believes that the implementation of these regulations will have no material impact on its financial statements.

2012 Compared to 2011

Our consolidated operating revenue decreased $18.3 million in 2012 compared to 2011. The decrease in revenue is largely attributable to the December 2011 sale of our Truckload reporting segment, which represented $98.9 million or approximately 2% of our consolidated revenue in 2011. This decline was partially offset by an increase in yields due to customer mix management and volume increases in our Regional Transportation reporting segment.

Operating expenses in 2012 decreased $180.6 million or 3.6% compared to 2011. The decrease is partially attributable to the sale of our Truckload reporting segment, which had $117.8 million of operating expenses in 2011. Overall operating expenses decreased due to a $65.6 million decrease in operating expenses and supplies, a $46.6 million decrease in purchased transportation and a $27.8 million decrease in other operating expense.

- The $65.6 million decrease in operating expenses and supplies was primarily driven by lower professional service fees of $43.9 million or 34.5% and lower fuel expenses of $25.9 million or 4.4%. The $43.9 million decrease in professional service fees were primarily related to the 2011 restructuring fees which were not allocated to our reporting segments during that period.

Table of Contents

- The $46.6 million decrease in purchased transportation was primarily a result of lower volumes moved through purchased transportation lines.
- The $27.8 million decrease in other operating expense is primarily driven by a $14.3 million or 23.6% decrease in bodily injury and property damage claims outstanding driven by our employee safety initiatives.

Our consolidated operating income during 2012 includes a $9.7 million net gain from the sale of property and equipment compared to a $8.2 million net gain in 2011.

Nonoperating expenses decreased $48.1 million or 21.5% in 2012 compared to 2011. Nonoperating costs in 2012 include a $30.8 million impairment charge for our equity investment in JHJ. The adjustment was required as the estimated fair value, using a discounted cash flow model, was less than our investment. The impairment charge is reflective of market information obtained in the fourth quarter of 2012. Nonoperating costs in 2011 included a fair value adjustment on our derivative liabilities of $79.2 million and restructuring transaction costs of $17.8 million. The fair value adjustment resulted from conversion features embedded in the Series A Notes and Series B Notes issued in the July 22, 2011 restructuring. At the closing of the restructuring, the Company did not have enough authorized and unissued common shares to satisfy those conversion features. At a September 16, 2011 special meeting, shareholders approved an increase in the amount of authorized common shares to allow for the conversions. The conversion features were revalued after the shareholder meeting resulting in the fair value adjustment. The increase in the fair value of the conversion options is primarily related to market volatility of our common stock and is due to the fact that the Series B Note holders now have the ability to convert the notes to common shares. The restructuring transaction costs relate to modifications to our credit agreement, contribution deferral agreement, and issuance of Series A Notes. In addition, we recognized a $25.8 million net gain on extinguishment of debt during 2011 primarily related to the retirement of the ABS facility.

Our effective tax rate for continuing operations for the years ended December 31, 2012 and 2011 was 9.9% and 2.1%, respectively. Significant items impacting the 2012 rate include a state tax provision, a foreign tax provision, certain permanent items, an increase in the reserve for uncertain tax positions, a favorable Tax Court settlement and an increase in the valuation allowance established for the net deferred tax asset balance at December 31, 2012. We recognize valuation allowances on deferred tax assets if, based on the weight of the evidence, we believe that some or all of our deferred tax assets will not be realized. Changes in valuation allowances are included in our tax provision or in equity if directly related to other comprehensive income (loss) in the period of change. In determining whether a valuation allowance is warranted, we evaluate factors such as prior years' earnings history, expected future earnings, loss carry-back and carry-forward periods, reversals of existing deferred tax liabilities and tax planning strategies that potentially enhance the likelihood of the realization of a deferred tax asset. Accordingly, as of December 31, 2012 and 2011, we have a full valuation allowance against our net deferred tax assets.

Reporting Segment Results of Operations

We evaluate our business using our two reporting segments:

- YRC Freight is the reporting segment for our transportation service providers focused on business opportunities in national, regional and international markets. YRC Freight provides for the movement of industrial, commercial and retail goods, primarily through centralized management and customer facing organizations. This unit includes our LTL subsidiary YRC Inc. and Reimer Express, a subsidiary located in Canada that specializes in shipments into, across and out of Canada. In addition to the United States and Canada, YRC Freight also serves parts of Mexico, Puerto Rico and Guam.
- Regional Transportation is the reporting segment for our transportation service providers focused on business opportunities in the regional and next-day delivery markets. The Regional Transportation companies each provide regional, next-day ground services in their respective regions through a network of facilities located across the United States, Canada, Mexico and Puerto Rico.

In 2011, we reported Truckload as a separate segment, which consisted of Glen Moore, a former domestic truckload carrier that represented approximately 2% of our consolidated revenue in 2011. On December 15, 2011, we sold the majority of Glen Moore's assets to a third party and concluded operations. The Truckload reporting segment reported operating revenue of $98.9 million and an operating loss of $18.9 million in 2011.

Table of Contents

YRC Freight Results

YRC Freight represented 64%, 66% and 66% of our consolidated revenue in 2013, 2012 and 2011, respectively. The table below provides summary financial information for YRC Freight for the years ended December 31:

(in millions)	2013	2012	2011	Percent Change 2013 vs. 2012	Percent Change 2012 vs. 2011
Operating revenue	$3,136.8	$3,206.9	$3,203.0	(2.2)%	0.1%
Operating loss	(31.2)	(37.3)	(88.5)	16.4%	57.9%
Operating ratio[a]	101.0%	101.2%	102.8%	0.2pp	1.6pp

(a) pp represents the change in percentage points

2013 Compared to 2012

YRC Freight reported operating revenue of $3,136.8 million in 2013, an decrease of $70.1 million or 2.2% compared to 2012. The table below summarizes the key revenue metrics for the YRC Freight reporting segment for the years ended December 31:

	2013	2012	Percent Change[b]
Workdays	252.5	252.0	
Total picked up revenue (in millions) [a]	$3,126.5	$3,186.5	(1.9)%
Total tonnage (in thousands)	6,717	6,815	(1.4)%
Total tonnage per workday (in thousands)	26.60	27.04	(1.6)%
Total shipments (in thousands)	11,444	11,791	(2.9)%
Total shipments per workday (in thousands)	45.32	46.79	(3.1)%
Total revenue per hundred weight	$23.27	$23.38	(0.4)%
Total revenue per shipment	$273	$270	1.1%
Total weight per shipment (in pounds)	1,174	1,156	1.6%

(in millions)	2013	2012
[a]Reconciliation of operating revenue to total picked up revenue:		
Operating revenue	$3,136.8	$3,206.9
Change in revenue deferral and other	(10.3)	(20.4)
Total picked up revenue	$3,126.5	$3,186.5

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

Operating loss for YRC Freight was $31.2 million in 2013 compared to $37.3 million in 2012. The operating loss improvement was driven by a $76.2 million decrease in operating costs, which was partially offset by a $70.1 million decrease in revenue. The decrease in revenue was largely driven by decreases in shipping volumes as noted in the table above. We believe these decreases were a result of driver shortages in the summer months and service declines due to challenges implementing our network optimization plan. The operating cost decreases were driven by a $41.2 million or 5.5% decrease in operating expenses and supplies, a $33.3 million or 1.8% decrease in salaries, wages and benefits, and a $16.6 million or 10.3% decrease in other operating expenses. These decreases were partially offset by higher purchased transportation costs of $18.4 million or 4.5%.

- The $41.2 million decrease in operating expenses and supplies was driven by a $18.9 million decrease in fuel driven by a decrease in shipping volumes and slightly lower fuel prices and a $17.5 million decrease in professional services.
- The decrease in salaries, wages and employees' benefits of $33.3 million during 2013 is driven by a $14.1 million decrease in workers' compensation expense primarily driven by safety initiatives and favorable development of prior year claims and $10.6 million in lower salaries and wages due to lower shipping volumes partially offset by annual wage increases.

29

Table of Contents

- The $16.6 million reduction in other operating expense was driven by a $10.7 million decrease in our bodily injury and property damage expense due to our system-wide employee safety initiatives and favorable development of prior year claims and a $3.9 million decrease in cargo claims compared to 2012 due to improved claims frequency.
- The $18.4 million increase in purchased transportation costs was driven by increased purchased rail transportation costs due to a higher percentage of loaded rail miles in 2013.

Gains on disposals of property were $3.0 million in 2013 compared to $10.0 million in 2012.

2012 Compared to 2011

YRC Freight reported operating revenue of $3,206.9 million in 2012, an increase of $3.9 million compared to 2011. The table below summarizes the key revenue metrics for the YRC Freight reporting segment for the years ended December 31:

	2012	2011	Percent Change[b]
Workdays	252.0	253.0	
Total picked up revenue (in millions) [a]	$3,186.5	$3,182.7	0.1 %
Total tonnage (in thousands)	6,815	7,021	(2.9)%
Total tonnage per workday (in thousands)	27.04	27.75	(2.5)%
Total shipments (in thousands)	11,791	12,121	(2.7)%
Total shipments per workday (in thousands)	46.79	47.91	(2.3)%
Total revenue per hundred weight	$23.38	$22.67	3.1 %
Total revenue per shipment	$270	$263	2.9 %
Total weight per shipment (in pounds)	1,156	1,158	(0.2)%

(in millions)	2012	2011
[a] Reconciliation of operating revenue to total picked up revenue:		
Operating revenue	$3,206.9	$3,203.0
Change in revenue deferral and other	(20.4)	(20.3)
Total picked up revenue	$3,186.5	$3,182.7

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

Operating loss for YRC Freight was $37.3 million in 2012 compared to $88.5 million in 2011. The $3.9 million increase in revenue along with a $47.3 million decrease in cost drove the operating loss improvement. The cost decreases were driven by lower purchased transportation costs of $38.8 million or 8.6%, lower salaries, wages and employees' benefits of $35.6 million or 1.9% and a $10.3 million or 6.0% decrease in other operating expenses. These decreases were partially offset by higher operating expenses and supplies of $35.8 million or 5.0%.

- The $38.8 million decrease in purchased transportation was primarily a result of lower volumes moved through purchased transportation lines. Our aggregate purchased rail transportation costs decreased 7.2% while all other purchased transportation costs decreased 10.3%.

- The decrease in salaries, wages and employees' benefits of $35.6 million during 2012 was driven by a $31.5 million decrease in workers' compensation expense primarily driven by our employee safety initiatives and $11.7 million in lower wages due to more efficient workforce deployment. These decreases were partially offset by a $24.5 million increase in benefits resulting from a full year of multi-employer pension contribution expense, as we resumed contributions in June 2011.

- The reduction of $10.3 million in other operating expense was driven by a decrease in our bodily injury and property damage expense due to our employee safety initiatives and a decrease in cargo claims compared to 2011.

Table of Contents

- The $35.8 million increase in Operating expenses and supplies was due mostly to increases in equipment maintenance driven by our aging fleet, fuel costs as a result of increased diesel prices and professional services compared to 2011.

Gains on disposals of property were $10.0 million in 2012 compared to $10.5 million in 2011.

Regional Transportation Results

Regional Transportation represented 36%, 34% and 32% of consolidated revenue in 2013, 2012 and 2011, respectively. The table below provides summary financial information for Regional Transportation for the years ended December 31:

(in millions)	2013	2012	2011	Percent Change 2013 vs. 2012	2012 vs. 2011
Operating revenue	$1,728.6	$1,640.6	$1,554.3	5.4 %	5.6 %
Operating income	79.9	70.0	32.9	14.1 %	112.8 %
Operating ratio[a]	95.4 %	95.7 %	97.9 %	0.3pp	2.2pp

(a) pp represents the change in percentage points

2013 Compared to 2012

Regional Transportation reported operating revenue of $1,728.6 million for 2013, representing an increase of $88.0 million, or 5.4%, from the same period in 2012. The table below summarizes the key revenue metrics for the Regional Transportation reporting segment for the years ended December 31:

	2013	2012	Percent Change[b]
Workdays	251.5	252.0	
Total picked up revenue (in millions)[a]	$1,729.6	$1,641.1	5.4 %
Total tonnage (in thousands)	7,628	7,321	4.2 %
Total tonnage per workday (in thousands)	30.33	29.05	4.4 %
Total shipments (in thousands)	10,452	10,002	4.5 %
Total shipments per workday (in thousands)	41.56	39.69	4.7 %
Total revenue per hundred weight	$11.34	$11.21	1.2 %
Total revenue per shipment	$165	$164	0.9 %
Total weight per shipment (in pounds)	1,460	1,464	(0.3)%

(in millions)	2013	2012
[a] Reconciliation of operating revenue to total picked up revenue:		
Operating revenue	$1,728.6	$1,640.6
Change in revenue deferral and other	1.0	0.5
Total picked up revenue	$1,729.6	$1,641.1

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

Operating income for Regional Transportation was $79.9 million for 2013, an increase of $9.9 million from the same period in 2012, consisting of a $88.0 million increase in revenue, partially offset by a $78.1 million increase in operating expenses. The increase in revenue was driven by increases in shipping volumes and yield as indicated in the table above. We believe these increases were driven by a moderate improvement in the economic conditions in the areas where our regional carriers operate. The increase in operating expenses was driven by a $47.7 million or 5.1% increase in salaries, wages and benefits and a $18.2 million or 4.4% increase in operating expense and supplies.

- Salaries, wages and employees' benefits expense increased by $47.7 million primarily as a result of an increase in wages and associated benefits compared to the prior year driven by an increase shipping volumes.

Table of Contents

- Operating expenses and supplies increased by $18.2 million due to a $6.7 million increase in vehicle maintenance driven by our aging fleet and a $2.7 million increase in fuel expenses as a result of higher shipping volumes.

Net losses on property disposals were $0.6 million in 2013 compared to $0.7 million in 2011.

2012 Compared to 2011

Regional Transportation reported operating revenue of $1,640.6 million for 2012, representing an increase of $86.3 million, or 5.6%, from the same period in 2011. The table below summarizes the key revenue metrics for the Regional Transportation reporting segment for the years ended December 31:

	2012	2011	Percent Change[b]	
Workdays	252.0	252.0		
Total picked up revenue (in millions)[a]	$1,641.1	$1,554.3	5.6	%
Total tonnage (in thousands)	7,321	7,155	2.3	%
Total tonnage per workday (in thousands)	29.05	28.39	2.3	%
Total shipments (in thousands)	10,002	9,870	1.3	%
Total shipments per workday (in thousands)	39.69	39.17	1.3	%
Total revenue per hundred weight	$11.21	$10.86	3.2	%
Total revenue per shipment	$164	$157	4.2	%
Total weight per shipment (in pounds)	1,464	1,450	1.0	%

(in millions)	2012	2011
[a] Reconciliation of operating revenue to total picked up revenue:		
Operating revenue	$1,640.6	$1,554.3
Change in revenue deferral and other	0.5	—
Total picked up revenue	$1,641.1	$1,554.3

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

Operating income for Regional Transportation was $70.0 million for 2012, an increase of $37.1 million from the same period in
2011, consisting of an $86.3 million increase in revenue, partially offset by a $49.2 million increase in operating expenses. The increase in operating expenses was driven by a $36.7 million or 4.1% increase in salaries, wages and benefits and a $10.0 million or 2.5% increase in operating expense and supplies.

- Salaries, wages and employees' benefits expense increased by $36.7 million primarily as a result of an increase in benefits compared to the prior year due to a full year of multi-employer pension contribution expense, as we resumed contributions in June 2011, and higher salary and wages due to increased shipment volumes. These increases were offset by a decline in workers' compensation expenses driven by our employee safety initiatives.

- Operating expenses and supplies increased by $49.2 million due to higher costs related to vehicle maintenance driven by our aging fleet and fuel expenses as a result of higher business volumes.

Net losses on property disposals and impairments were $0.7 million in 2012 compared to a gain on property disposals of $2.7
million in 2011.

Certain Non-GAAP Financial Measures

As discussed in the "Our Business" section, we use certain non-GAAP financial measures to assess performance. These measures should be considered in addition to the results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, our GAAP financial measures.

Table of Contents

Consolidated Adjusted EBITDA

The reconciliation of operating income (loss) to adjusted EBITDA for the years ended December 31, 2013, 2012 and 2011 is as follows:

(in millions)	2013	2012	2011
Reconciliation of operating income (loss) to adjusted EBITDA:			
Operating income (loss)	$28.4	$24.1	$(138.2)
Depreciation and amortization	172.3	183.8	195.7
Gains on property disposals, net	(2.2)	(9.7)	(8.2)
Letter of credit expense	33.9	36.3	35.2
Restructuring professional fees	12.0	3.0	44.0
Gain (loss) on permitted dispositions and other	1.7	(4.0)	6.2
Equity based compensation expense	5.8	3.8	15.5
Other nonoperating, net	5.8	3.9	3.8
Add: Truckload EBITDA loss [a]	—	—	5.2
Adjusted EBITDA	$257.7	$241.2	$159.2

(a) Due to the sale of the Glen Moore assets in December 2011, we modified our 2011 adjusted EBITDA by the amount of the Truckload EBITDA loss to be comparable to our 2012 and 2013 calculations.

Consolidated Adjusted Free Cash Flow (Deficit)

The reconciliation of adjusted EBITDA to adjusted free cash flow (deficit) for the years ended December 31, 2013, 2012 and 2011, is as follows:

(in millions)	2013	2012	2011
Adjusted EBITDA	$257.7	$241.2	$159.2
Total restructuring professional fees	(12.0)	(3.0)	(44.0)
Cash paid for interest	(120.5)	(120.5)	(67.5)
Cash paid for letter of credit fees	(34.1)	(38.0)	(16.7)
Working Capital cash flows excluding income tax, net	(87.8)	(111.5)	(50.5)
Net cash provided by (used in) operating activities before income taxes	3.3	(31.8)	(19.5)
Cash received (paid) for income taxes, net	8.8	5.9	(6.5)
Net cash provided by (used in) operating activities	12.1	(25.9)	(26.0)
Acquisition of property and equipment	(66.9)	(66.4)	(71.6)
Total restructuring professional fees	12.0	3.0	44.0
Adjusted Free Cash Flow (Deficit)	$(42.8)	$(89.3)	$(53.6)

Segment Adjusted EBITDA

The following represents adjusted EBITDA by segment for the years ended December 31, 2013, 2012 and 2011 is as follows:

(in millions)	2013	2012	2011
Adjusted EBITDA by segment:			
YRC Freight	$105.2	$104.9	$43.7
Regional Transportation	150.5	140.2	103.1

Corporate and other	2.0	(3.9)	12.4
Adjusted EBITDA	$257.7	$241.2	$159.2

Table of Contents

The reconciliation of operating income (loss), by segment, to adjusted EBITDA for the years ended December 31, 2013, 2012 and 2011 is as follows:

YRC Freight segment (in millions)	2013	2012	2011
Reconciliation of operating loss to adjusted EBITDA:			
Operating loss	$(31.2)	$(37.3)	$(88.5)
Depreciation and amortization	109.1	119.8	102.9
Gains on property disposals, net	(3.0)	(9.9)	(10.5)
Letter of credit expense	25.8	29.6	28.1
Equity based compensation expense	—	—	10.3
Other nonoperating expenses, net	4.5	2.7	1.4
Adjusted EBITDA	$105.2	$104.9	$43.7

Regional Transportation segment (in millions)	2013	2012	2011
Reconciliation of operating income to adjusted EBITDA:			
Operating income	$79.9	$70.0	$32.9
Depreciation and amortization	63.1	63.3	61.6
(Gains) losses on property disposals, net	0.6	0.7	(2.7)
Letter of credit expense	6.8	6.2	6.6
Equity based compensation expense	—	—	4.6
Other nonoperating expenses, net	0.1	—	0.1
Adjusted EBITDA	$150.5	$140.2	$103.1

Corporate and other segment (in millions)	2013	2012	2011
Reconciliation of operating loss to adjusted EBITDA:			
Operating loss	$(20.3)	$(8.6)	$(63.7)
Depreciation and amortization	0.1	0.7	23.3
(Gains) losses on property disposals, net	0.2	(0.5)	(0.6)
Letter of credit expense	1.3	0.5	0.2
Restructuring professional fees	12.0	3.0	44.0
Gain (loss) on permitted dispositions and other	1.7	(4.0)	6.2
Equity based compensation expense	5.8	3.8	0.6
Other nonoperating expenses, net	1.2	1.2	2.4
Adjusted EBITDA	$2.0	$(3.9)	$12.4

Financial Condition/Liquidity and Capital Resources

Our principal sources of liquidity are cash and cash equivalents, any prospective cash flow from operations and, as of December 31, 2013, available borrowings under our previous $400 million then-existing ABL facility. As of December 31, 2013, we had cash and cash equivalents and availability under the then-existing ABL facility of $227.8 million and the borrowing base under our then-existing ABL facility was $376.4 million. As part of our 2014 Financing Transactions, we replaced our then-existing ABL facility with a new $450 million ABL facility (the "New ABL Facility") as a source of liquidity. Refer to the "2014 Financing Transactions" footnote included in Item 8 to our consolidated financial statements for more details.

Our principal uses of cash are to fund our operations, including making contributions to our single-employer pension plans and the multi-employer pension funds, and to meet our other cash obligations, including but not limited to paying cash interest and principal on our funded debt, letter of credit fees under our credit facilities and funding capital expenditures and lease payments for operating equipment. For the year ended December 31, 2013, our cash flow from operating activities provided net cash of $12.1 million.

Table of Contents

We have a considerable amount of indebtedness. As of December 31, 2013, we had $1,363.4 million in aggregate principal amount of outstanding indebtedness. Our 2014 Financing Transactions reduced our outstanding indebtedness and extended the maturities for a substantial portion of our debt to 2019. Refer to the "2014 Financing Transactions" footnote to the financial statements for more details. Our Standard & Poor's credit rating as of December 31, 2013 was 'CCC'.

We also have a considerable amount of future funding obligations for our single-employer pension plans and the multi-employer pension funds. We expect our funding obligations for 2014 for our single-employer pension plans and the multi-employer pension funds will be $79.9 million and $88.7 million, respectively. In addition, we also have, and will continue to have, substantial operating lease obligations. As of December 31, 2013, our estimated operating lease payments for 2014 are $56.1 million.

Our capital expenditures for the years ended December 31, 2013 and 2012 were $66.9 million and $66.4 million, respectively. These amounts were principally used to fund replacement engines and trailer refurbishments for our revenue fleet, capitalized costs for our network facilities and technology infrastructure. Additionally, for the year ended December 31, 2013, we entered into new operating lease commitments for revenue equipment totaling $67.1 million, with such payments to be made over the average lease term of 6 years. The capital value of this equipment totals $70.2 million. In light of our operating results over the past few years and our liquidity needs, we have deferred certain capital expenditures and may continue to do so in the future. As a result, the average age of our fleet has increased and we will need to update our fleet periodically.

Credit Facility Covenants

On November 12, 2013, we entered into amendments to our amended and restated credit agreement (the "Credit Agreement Amendment") and our then-existing ABL facility (together the "Amendments"), which, among other things, reset future covenants regarding minimum Consolidated EBITDA, maximum Total Leverage Ratio and minimum Interest Coverage Ratio (as defined in Amendments, if applicable) until December 31, 2014 and reset the minimum cash balance requirement. We were in compliance with all of our covenants as of December 31, 2013.

Consolidated Adjusted EBITDA, as defined in our New Term Loan credit agreement, was a measure that reflects our earnings before interest, taxes, depreciation, and amortization expense, and is further adjusted for, among other things, letter of credit fees, equity-based compensation expense, net gains or losses on property disposals and certain other items, including restructuring professional fees, expenses associated with certain lump sum payments to our IBT employees and the results of permitted dispositions and discontinued operations.

On February 13, 2014, we completed the 2014 Financing Transactions and retired the debt associated with our prior credit facilities. We entered into a new term loan ("New Term Loan") credit agreement with new financial covenants that, among other things, restricts certain capital expenditures and requires us to maintain a maximum total leverage ratio (defined as total indebtedness divided by Adjusted EBITDA) for future test periods as follows:

Four Consecutive Fiscal Quarters Ending	Maximum Total Leverage Ratio	Four Consecutive Fiscal Quarters Ending	Maximum Total Leverage Ratio
June 30, 2014	6.00 to 1.00	June 30, 2016	3.50 to 1.00
September 30, 2014	5.00 to 1.00	September 30, 2016	3.50 to 1.00
December 31, 2014	4.50 to 1.00	December 31, 2016	3.25 to 1.00
March 31, 2015	4.00 to 1.00	March 31, 2017	3.25 to 1.00
June 30, 2015	3.75 to 1.00	June 30, 2017	3.25 to 1.00
September 30, 2015	3.75 to 1.00	September 30, 2017	3.25 to 1.00

December 31, 2015	3.75 to 1.00	December 31, 2017 and thereafter	3.00 to 1.00
March 31, 2016	3.50 to 1.00		

In addition, we entered into the New ABL Facility credit agreement which, among other things, restricts certain capital expenditures and requires that the Company, in effect, maintain availability of at least 10% of the lesser of the aggregate amount of commitments from all lenders or the borrowing base.

We believe that our results of operations will be sufficient to allow us to comply with the covenants in our new credit agreement, fund our operations, increase working capital as necessary to support our planned revenue growth and fund capital expenditures for the foreseeable future, including the next twelve months.

Table of Contents

In the event that we fail to comply with any New Term Loan covenant or any New ABL Facility covenant, we would be considered in default, which would enable applicable lenders to accelerate the repayment of amounts outstanding, require the cash collateralization of letters of credit (in the case of the New ABL Facility) and exercise remedies with respect to collateral and we would need to seek an amendment or waiver from the applicable lender groups. In the event that our lenders under our New Term Loan or New ABL Facility demand payment or cash collateralization (in the case of the New ABL Facility), we will not have sufficient cash to repay such indebtedness. In addition, a default under our New Term Loan or New ABL Facility or the applicable lenders exercising their remedies thereunder would trigger cross-default provisions in our other indebtedness and certain other operating agreements. Our ability to amend our New Term Loan or our New ABL Facility or otherwise obtain waivers from the applicable lenders depends on matters that are outside of our control and there can be no assurance that we will be successful in that regard.

Our ability to satisfy our liquidity needs and maintain compliance of our stepped-up financial covenants beyond 2014 are dependent on a number of factors, some of which are outside of our control. These factors include:

- we must achieve improvements in our operating results, primarily at our YRC Freight operating segment, which rely upon pricing and shipping volumes and network efficiencies;
- we must continue to implement and realize cost saving measures to match our costs with business levels and in a manner that does not harm operations and our productivity and efficiency initiatives must be successful; and
- we must be able to generate operating cash flows that are sufficient to meet the cash requirements for pension contributions to our single and multi-employer pension funds, cash interest and principal payments on our funded debt, payments on our equipment leases, and for capital expenditures or additional lease payments for new revenue equipment

In the event our operating results indicate we will not meet our maximum total leverage ratio, we will take action to improve our maximum total leverage ratio which will include paying down our outstanding indebtedness with either cash on hand or with cash proceeds from equity issuances. The issuance of equity is outside of our control and there can be no assurance that we will be able to issue additional equity at terms that are agreeable to us.

Cash Flow

Operating Cash Flow

Operating cash flow was a source of cash of $12.1 million for the year ended December 31, 2013 compared to a use of cash of $25.9 million during the year ended December 31, 2012. The favorable cash flow impact is largely related to a decrease in our workers' compensation and bodily injury and property damage liabilities.

Operating cash flow was a use of cash of $25.9 million for the year ended December 31, 2012 compared to a use of cash of $26.0 million during the year ended December 31, 2011. The favorable cash flow impact related to the change in net loss in 2012 was offset by an unfavorable change in our other operating liabilities primarily due to decreases in our workers' compensation and bodily injury and property damage liabilities driven by our employee safety initiatives and settlement payment activity as well as the resumption of a full year of non-union pension payments. Operating cash flow in 2011 was favorably impacted by the deferral of certain fee and interest payments under out debt and financing obligations totaling $43.6 million.

Investing Cash Flow

Investing cash flows used $23.5 million of cash in 2013 compared to providing cash of $19.8 million in 2012. In 2013, we received $31.8 million in restricted escrow refunds, compared to $33.4 million in 2012. Also, proceeds from the disposal of property and equipment declined in 2013 compared to 2012. See a detailed discussion of 2013 and 2012 capital expenditures below in “Capital Expenditures” for further information.

Investing cash flows provided $19.8 million of cash in 2012 compared to a use of cash of $156.6 million in 2011. The $33.4 million receipt from restricted escrow in 2012 compared favorably to the $155.9 million escrow deposit largely made to satisfy our ABL escrow requirement. See a detailed discussion of 2012 and 2011 capital expenditures below in “Capital Expenditures”.

Financing Cash Flow

Net cash used in financing activities for 2013 was $21.0 million. During 2013, we increased our net borrowings under our then-existing ABL facility ("Prior ABL Facility") by $0.3 million, which was offset by the $9.2 million repayment of other long-term

Table of Contents

debt from asset sale proceeds and $12.1 million in debt issuance costs related to the November 12, 2013 credit agreement amendments.

Net cash provided by financing activities for 2012 was $14.3 million. During 2012, we increased our net borrowings under our Prior ABL Facility by $45.0 million, which was offset by a $25.6 repayment of other long-term debt from asset sale proceeds and $5.1 million in debt issuance costs.

Net cash provided by financing activities for 2011 was $240.1 million. The 2011 activity is a result of $441.6 million of proceeds from the issuance of long-term debt, offset by $46.7 million in debt repayments and by a $122.8 million pay down on the ABS facility and $30.5 million of debt issuance costs. The $441.6 million of long-term debt issued in 2011 consists of proceeds of $100.0 million from the Series B Notes, $262.3 million from the Prior ABL Facility, $70.3 million from credit agreement borrowings and $9.0 million from additional lease financing obligations.

Capital Expenditures

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

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

(in millions)	2013	2012	2011
Acquisition of property and equipment			
Revenue equipment	$48.0	$48.4	$55.6
Land and structures	5.1	3.9	2.6
Technology	10.3	12.2	9.9
Other	3.5	1.9	3.5
Total capital expenditures	66.9	66.4	71.6
Proceeds from disposal of property and equipment			
Revenue equipment	(4.1)	(2.6)	(18.1)
Land and structures	(5.7)	(47.8)	(49.4)
Total proceeds	(9.8)	(50.4)	(67.5)
Total net capital expenditures	$57.1	$16.0	$4.1

Our capital expenditures were primarily for replacement engines and trailer refurbishments for our revenue fleet. We plan to procure substantially all of our new revenue equipment using operating leases in 2014.

Our expectation regarding our ability to fund capital expenditures using operating leases is only our forecast regarding this matter. This forecast may be substantially different from actual results. In addition to the factors previously described in “Financial Condition/Liquidity and Capital Resources”, the introduction to “Part I” and the risk factors listed in “Item 1A” of this report, the following factors could affect levels of capital expenditures: the accuracy of our estimates regarding our spending requirements; changes in our strategic direction; the need to spend additional capital on cost reduction opportunities; the need to replace any unanticipated losses in capital assets and our ability to dispose of excess real estate at our anticipated sales price. In addition, our credit facilities contain provisions that restrict our level of capital expenditures.

Contractual Obligations and Other Commercial Commitments

The following sections provide aggregated information regarding our contractual obligations and commercial commitments as of December 31, 2013.

Non-Union Pension Obligations

Table of Contents

We provide defined benefit pension plans for certain employees not covered by collective bargaining agreements. The Yellow Transportation and Roadway qualified plans cover approximately 14,000 employees including those currently receiving benefits and those who have left the company with deferred benefits. On January 1, 2004, the existing qualified benefit plans were closed to new participants. On July 1, 2008, the benefit accrual for participants was frozen.

The Moving Ahead for Progress in the 21st Century Act (“MAP-21”) was signed into law on July 6, 2012. In 2012, we adopted the minimum funding provisions of this law which provided for the use of longer-term, stabilized interest rate assumptions for measuring pension obligations. We will continue to make the minimum plan contributions as required by the MAP-21 regulation.

During 2013, our pension expense was $19.7 million and our cash contributions were $62.9 million. Using our current plan assumptions, which include an assumed 7.00% return on assets and a discount rate of 5.23%, we expect to record expense of $23.4 million for the year ended December 31, 2014. Additionally, we expect our cash contributions for our non-union sponsored pension plans for the next five years to be as follows:

(in millions)	Expected Cash Contributions
2014	$79.9
2015	95.3
2016	87.2
2017	81.8
2018	57.7

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

If future actual asset returns fall short of the 7.00% assumption by 1.00% per year, total cash contributions would be $13.2 million higher over the next five years. If future actual asset returns exceed the 7.00% assumption by 1.00% per year, total cash contributions would be $22.3 million lower over the next five years.

If future interest rates decrease 100 basis points from January 1, 2014 levels, total cash contributions would be $42.7 million lower over the next five years. This reflects our liability hedging strategy and the impact of MAP-21 legislation. The liability hedging strategy results in additional asset returns from decreases in interest rates. However, MAP-21 limits the increase in liabilities from lower interest rates such that the net effect is lower contributions. If interest rates increase 100 basis points from January 1, 2014 levels, total cash contributions would be $0.7 million lower over the next five years. In this scenario, the liability hedging strategy minimizes the impact on contributions.

Table of Contents

Contractual Cash Obligations

The following table reflects our cash outflows that we are contractually obligated to make as of December 31, 2013 under our then-existing credit facilities:

	Payments Due by Period					
(in millions)	Less than 1 year	1-3 years	3-5 years	After 5 years	Total	
Balance sheet obligations:[a]						
ABL borrowings, including interest [e]	$365.7	$—	$—	$—	$365.7	
Long-term debt including interest [f]	103.6	584.4	0.2	—	688.2	
Lease financing obligations	41.6	84.6	86.7	50.8	263.7	(b)
Pension deferral obligations including interest	9.0	126.9	—	—	135.9	
Workers' compensation, property damage and liability claims obligations [d]	107.5	132.8	63.8	111.7	415.8	
Off balance sheet obligations:						
Operating leases	56.1	63.8	28.6	18.1	166.6	
Letter of credit fees	33.3	8.2	—	—	41.5	(c)
Capital expenditures	2.3	—	—	—	2.3	
Total contractual obligations	$719.1	$1,000.7	$179.3	$180.6	$2,079.7	

(a) Total liabilities for unrecognized tax benefits as of December 31, 2013 were $27.6 million and are classified on the Company's consolidated balance sheet within "Claims and Other Liabilities" and are excluded from the table above.

(b) The lease financing obligation payments represent interest payments of $191.6 million and principal payments of $72.1 million. The remaining principle obligation is offset by the estimated book value of leased property at the expiration date of each lease agreement.

(c) The letter of credit fees are related to the cash collateral for our outstanding letters of credit on our previous ABS facility, as well as the amended and restated credit agreement outstanding letters of credit.

(d) The workers' compensation, property damage and liability claims obligations represent our estimate of future payments for these obligations, not all of which are contractually required.

(e) The ABL borrowings were classified as long-term liabilities on the Consolidated Balance Sheet as they were repaid with long-term financing as part of the 2014 Financing Transactions.

(f) Our 6% Notes, which are a part of Long-term debt including interest, were classified as long-term liabilities on the Consolidated Balance Sheet as they were repaid with long-term financing as part of the 2014 Financing Transactions.

During 2013, we entered into new operating lease commitments for revenue equipment of $67.1 million, with such lease payments to be made over the average lease term of 6 years. The capital value of this equipment totals $70.2 million.

On February 13, 2014, we completed the 2014 Financing Transactions which will change our estimate of the cash outflows of the interest and principal payments for our outstanding debt instruments shown in the above table. Please refer to the "2014 Financing Transactions" footnote to our consolidated financial statements for more details.

Other Commercial Commitments

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

	Amount of Commitment Expiration Per Period				
(in millions)	Less than 1 year	1-3 years	3-5 years	After 5 years	Total

Unused line of credit					
ABL Facility	$51.5	$—	$—	$—	$51.5
Letters of credit[(a)]	—	364.6	—	—	364.6
Surety bonds	120.5	0.6	—	—	121.1
Total commercial commitments	$172.0	$365.2	$—	$—	$537.2

(a) At December 31, 2013, we held $90.1 million in restricted escrow, which represents cash collateral for our outstanding letters of credit on our Previous ABL Facility.

Table of Contents

Critical Accounting Policies

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

Revenue Reserves

We consider our policies regarding revenue-related reserves as critical based on their significance in evaluating our financial performance by management and investors. We have an extensive system that allows us to accurately capture, record and control all relevant information necessary to effectively manage our revenue reserves.

In addition, YRC Freight and Regional Transportation recognize revenue on a gross basis because they are the primary obligors even when other transportation service providers are used who act on their behalf. YRC Freight and Regional Transportation remain responsible to their customers for complete and proper shipment, including the risk of physical loss or damage of the goods and cargo claims issues. Management believes these policies most accurately reflect revenue as earned. Our revenue-related reserves involve three primary estimates: shipments in transit, rerate reserves and uncollectible accounts.

Shipments in Transit

We assign pricing to bills of lading at the time of shipment based primarily on the weight, general classification of the product, the shipping destination and individual customer discounts. This process is referred to as rating. For shipments in transit, YRC Freight and Regional Transportation record revenue based on the percentage of service completed as of the period end and accrue delivery costs as incurred. The percentage of service completed for each shipment is based on how far along in the shipment cycle each shipment is in relation to standard transit days. Standard transit days are defined as our published service days between origin zip code and destination zip code. Based on historical cost and engineering studies, certain percentages of revenue are determined to be earned during each stage of the shipment cycle, such as initial pick up, long distance transportation, intermediate transfer and customer delivery. Using standard transit times, we analyze each shipment in transit at a particular period end to determine what stage the shipment is in. We apply that stage's percentage of revenue earned factor to the rated revenue for that shipment to determine the revenue dollars earned by that shipment in the current period. The total revenue earned is accumulated for all shipments in transit at a particular period end and recorded as operating revenue. Management believes this provides a reasonable estimation of the portion of in transit revenue actually earned. At December 31, 2013 and 2012, our financial statements included deferred revenue as a reduction to “Accounts Receivable” of $26.6 million and $20.0 million, respectively.

Rerate Reserves

At various points throughout our customer invoicing process, incorrect ratings (i.e. prices) could be identified based on many factors, including weight verifications or updated customer discounts. Although the majority of rerating occurs in the same month as the original rating, a portion occurs during the following periods. We accrue a reserve for rerating based on historical trends. At December 31, 2013 and 2012, our financial statements included a rerate reserve as a reduction to “Accounts Receivable” of $9.6 million and $11.9 million, respectively.

Uncollectible Accounts

We record an allowance for doubtful accounts primarily based on historical uncollectible amounts. We also take into account known factors surrounding specific customers and overall collection trends. Our process involves performing ongoing credit evaluations of customers, including the market in which they operate and the overall economic conditions. We continually review historical trends and make adjustments to the allowance for doubtful accounts as appropriate. Our allowance for doubtful accounts totaled $9.3 million and $9.8 million as of December 31, 2013 and 2012, respectively.

Claims and Self-Insurance

We are self-insured up to certain limits for workers' compensation, cargo loss and damage, property damage and liability claims. We measure the liabilities associated with workers' compensation and property damage and liability claims primarily through actuarial methods performed by an independent third party. Actuarial methods include estimates for the undiscounted liability for

Table of Contents

claims reported, for claims incurred but not reported and for certain future administrative costs. These estimates are based on historical loss experience and judgments about the present and expected levels of costs per claim and the time required to settle claims. The effect of future inflation for costs is considered in the actuarial analysis. Actual claims may vary from these estimates due to a number of factors, including but not limited to, accident frequency and severity, claims management, changes in healthcare costs and overall economic conditions. We discount the actuarial calculations of claims liabilities for each calendar year to present value based on the average U.S. Treasury rate, during the calendar year of occurrence, for maturities that match the initial expected payout of the liabilities. As of December 31, 2013 and 2012, we had $400.4 million and $437.3 million accrued for claims and insurance, respectively.

Pension

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

Return on Plan Assets

The assumption for expected return on plan assets represents a long-term assumption of our portfolio performance that can impact our pension expense. With $808.4 million of plan assets for the YRC Worldwide funded pension plans, a 100-basis-point decrease in the assumption for expected rate of return on assets would increase annual pension expense by approximately $7.6 million and would have no effect on the underfunded pension liability reflected on the balance sheet at December 31, 2013.

We believe our 2014 expected rate of return of 7.00% is appropriate based on our investment portfolio as well as a review of other objective indices. Although plan investments are subject to short-term market volatility, we believe they are well diversified and closely managed. Our asset allocation as of December 31, 2013 consisted of 35% equities, 34% in debt securities, and 31% in absolute return investments and as of December 31, 2012 consisted of 27% equities, 50% in debt securities, 23% in absolute return investments. The 2013 allocation is consistent with the current long-term target asset allocation for the plans which is 33% for equities, 35% for debt securities and 32% for absolute return investments. We will continue to review our expected long-term rate of return on an annual basis and revise appropriately.

Discount Rate

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

Changes in the discount rate can significantly impact our net pension liability. However, the liability hedging strategy mitigates this impact with additional asset returns. A 100-basis-point decrease in our discount rate would increase our underfunded pension liability by approximately $80.1 million. That same change would decrease our annual pension expense by approximately $6.6 million, driven by the return on assets. The discount rate can fluctuate considerably over periods depending on overall economic conditions that impact long-term corporate bond yields. At December 31, 2013 and 2012, we used a discount rate to determine benefit obligations of 5.23% and 4.28%, respectively.

Gains and Losses

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

As of December 31, 2013, the pension plans have net losses of $389.2 million and a projected benefit obligation of $1,188.8 million. The average remaining life expectancy of plan participants is approximately 26 years. For 2014, we expect to amortize approximately $12.6 million of the net loss. The comparable amortization amounts for 2013 and 2012 were $14.8 million and $9.0 million, respectively.

Table of Contents

Multi-Employer Pension Plans

YRC Freight, New Penn, Holland and Reddaway contribute to 32 separate multi-employer pension plans for employees that our collective bargaining agreements cover (approximately 78% of total YRC Worldwide employees). The pension plans provide defined benefits to retired participants.

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

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

During the first quarter of 2009 through the third quarter of 2009, we deferred payment of certain of our contributions to multi-employer pension funds. These deferred payments have been expensed and the liability recorded as deferred contribution obligations. From the third quarter of 2009 through May 2011, our obligations to make certain multi-employer pension contributions under certain of our collective bargaining agreements were temporarily ceased, so no expense was required to be recognized for this period. Effective June 2011, our contribution obligations to the plans resumed at 25% of the rate in effect in July 2009.

In 2006, the Pension Protection Act became law and modified both the Internal Revenue Code (as amended, the "Code") as it applies to multi-employer pension plans and the Employment Retirement Income Security Act of 1974 (as amended, "ERISA"). The Code and ERISA (in each case, as so modified) and related regulations establish minimum funding requirements for multi-employer pension plans. The funding status of these plans is determined by many factors, including the following factors:

- the number of participating active and retired employees
- the number of contributing employers
- the amount of each employer's contractual contribution requirements
- the investment returns of the plans
- plan administrative costs
- the number of employees and retirees participating in the plan who no longer have a contributing employer
- the discount rate used to determine the funding status
- the actuarial attributes of plan participants (such as age, estimated life and number of years until retirement)
- the benefits defined by the plan

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

- meet minimum funding requirements
- meet a required funding improvement or rehabilitation plan that the Pension Protection Act may require for certain of our underfunded plans
- obtain from the IRS certain changes to or a waiver of the requirements in how the applicable plan calculates its funding levels or
- reduce pension benefits to a level where the requirements are met,

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

If any of our multi-employer pension plans enters critical status and our contributions are not sufficient to satisfy any rehabilitation plan schedule, the Pension Protection Act could require us to make additional contributions to the multi-employer pension plan from five to ten percent of the contributions that our collective bargaining agreements requires until the agreement expires.

If we fail to make our required contributions to a multi-employer plan under a funding improvement or rehabilitation plan or if the benchmarks that an applicable funding improvement plan provides are not met by the end of a prescribed period, the IRS could impose an excise tax on us with respect to the plan. Such an excise tax would then be assessed to the plan's contributing employers, including the Company. These excise taxes are not contributed to the deficient funds, but rather are deposited in the United States general treasury funds. The Company does not believe that the temporary cessation of certain of its contributions to applicable multi-employer pension funds from the third quarter of 2009 through May 2011 will give rise to these excise taxes as we believe these contributions were not required for that period.

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

Table of Contents

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

The plan administrators and trustees of multi-employer pension plans do not routinely provide us with current information regarding the funded status of the plans. Much of our information regarding the funded status has been (i) obtained from public filings using publicly available plan asset values, which are often dated, and (ii) based on the limited information available from plan administrators or trustees, which has not been independently validated.

The Pension Protection Act provides that certain plans with a funded percentage of less than 65%, or that fail other tests, will be deemed to be in critical status. Plans in critical status must create a rehabilitation plan to exit critical status within periods that the Pension Protection Act prescribes. We believe that based on information obtained from public filings and from plan administrators and trustees, many of the multi-employer pension plans in which we participate, including The Central States Southeast and Southwest Areas Pension Plan, Road Carriers Local 707 Pension Fund and Teamsters Local 641 Pension Fund, are in critical status. If the funding of the multi-employer pension plans does not reach certain goals (including those required not to enter endangered or critical status or those required by a plan's funding improvement or rehabilitation plan), our pension expenses could further increase.

We believe that based on information obtained from public filings and from plan administrators and trustees, our portion of the contingent liability in the case of a full withdrawal or termination from all of the multi-employer pension plans would be an estimated $10 billion on a pre-tax basis. Our applicable subsidiaries have no current intention of taking any action that would subject us to payment of material withdrawal obligations.

Property and Equipment and Definite Life Intangibles

Impairment Testing

We review property and equipment and definite life intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We evaluate recoverability of assets to be held and used by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

We believe that the accounting estimate related to asset impairment is a critical accounting estimate because: (1) it requires 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 and expenses 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 the Company is unable to achieve its forecast, it may incur significant impairment losses on property and equipment or intangible assets.

Depreciable Lives of Assets

We review the appropriateness of depreciable lives for each category of property and equipment. These studies utilize models, which take into account actual usage, physical wear and tear, and replacement history to calculate remaining life of our asset base. For revenue equipment, we consider the optimal life cycle usage of each type of equipment, including the ability to utilize the equipment in different parts of the fleet or at different operating units in the organization. Capital, engine replacement, refurbishment and maintenance costs are considered in determining total cost of ownership and related useful lives for purposes of depreciation recognition. We also make assumptions regarding future conditions in determining potential salvage values. These assumptions impact the amount of depreciation expense recognized in the period and any gain or loss once the asset is disposed.

Tires

The cost of replacement tires are expensed at the time those tires are placed into service, as is the case with other repairs and maintenance costs. The cost of tires on newly-acquired revenue equipment is capitalized and depreciated over the estimated useful life of the related equipment.

Table of Contents

Indefinite Life Intangibles

Intangible assets with indefinite lives, which consist of our tradenames, are not subject to amortization, but are subjected to an impairment test at least annually and as triggering events may occur. The impairment test for tradenames consists of a comparison of the fair value of the tradename with its carrying amount. An impairment loss is recognized for the amount by which the carrying amount exceeds the fair value of the asset. In making this assessment, we utilized the relief from royalty method, an income approach (a level 3 fair value measurement), which includes assumptions as to future revenue, applicable royalty rate and cost of capital, among others.

We believe that the accounting estimate related to indefinite life intangibles is a critical accounting estimate because (1) it requires our management to make assumptions about fair values, and (2) the impact of recognizing an impairment could be material to our financial position, as well as our results of operations. Management's assumptions about fair values require considerable judgment because changes in broad economic factors and industry factors can result in variable and volatile fair values. Assumptions with respect to rates used to discount cash flows, a key input, are dependent upon interest rates and the cost of capital at a point in time.

Accounting for Income Taxes

We use the asset and liability method to reflect income taxes on our financial statements. We recognize deferred tax assets and liabilities by applying enacted tax rates to the differences between the carrying value of existing assets and liabilities and their respective tax basis and to loss carryforwards. Tax credit carryforwards are recorded as deferred tax assets. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the change occurs. We assess the validity of deferred tax assets and loss and tax credit carryforwards and provide valuation allowances when we determine, based on the weight of evidence, it is more likely than not that such assets, losses, or credits will not be realized. Changes in valuation allowances are included in our tax provision or in equity if directly related to other comprehensive income (loss), unless affected by a specific intra-period allocation as happened in 2013 and explained in the "Income Taxes" footnote to our consolidated financial statements, in the period of change. In determining whether a valuation allowance is warranted, we evaluate factors such as prior years’ earnings, loss carry-back and carry-forward periods, reversals of existing deferred tax liabilities and tax planning strategies that potentially enhance the likelihood of the realization of a deferred tax asset. We have not recognized deferred taxes relative to foreign subsidiaries’ earnings that are deemed to be permanently reinvested. Any related taxes associated with such earnings are not material.

Table of Contents

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rates

To provide adequate funding through seasonal business cycles and minimize overall borrowing costs, we utilize both fixed rate and variable rate financial instruments with varying maturities. At December 31, 2013, we had approximately 32% of our outstanding debt at fixed rates. If interest rates for our variable rate long-term debt had averaged 10% more during the year, our interest expense would have increased, and income before taxes would have decreased by $1.5 million and $1.5 million for the years ended December 31, 2013 and 2012, respectively.

The table below provides information regarding the interest rates on our then-existing fixed-rate debt as of December 31, 2013.

(in millions)	2014	2015	2016	2017	2018	Thereafter	Total
Fixed-rate debt	$69.6	$365.2	$—	$—	$—	$—	$434.8
Interest rate	5.0-6.0%	3.0-18.0%					

On February 13, 2014, we completed the 2014 Financing Transactions which will change the interest rate assumptions for our new outstanding debt instruments. Please refer to the "2014 Financing Transactions" footnote included to our consolidated financial statements for more details.

Foreign Exchange Rates

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

Fuel Prices

YRC Freight and Regional Transportation currently have effective fuel surcharge programs in place. These programs are well established within the industry and customer acceptance of fuel surcharges remains high. Since the amount of fuel surcharge is based on average, national diesel fuel prices and is reset weekly, our exposure to fuel price volatility is significantly reduced. In general, under our present fuel surcharge program, we believe rising fuel prices are beneficial to us, and falling fuel prices are detrimental to us, in the short term.

Table of Contents

Item 8. Financial Statements and Supplementary Data

CONSOLIDATED BALANCE SHEETS
YRC Worldwide Inc. and Subsidiaries