

YRC Worldwide Inc.  
Form 10-Q  
November 09, 2011  
[Table of Contents](#)

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

**FORM 10-Q**

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

For the quarterly period ended September 30, 2011

OR

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

For the transition period from                      to

Commission file number: 0-12255

**YRC Worldwide Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**48-0948788**  
(I.R.S. Employer  
Identification No.)

**10990 Roe Avenue, Overland Park, Kansas**  
(Address of principal executive offices)

**66211**  
(Zip Code)

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

**None**  
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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 October 31, 2011
Common Stock, \$0.01 par value per share	2,053,961,226 shares

**Table of Contents**

INDEX

Item	Page
<u>PART I FINANCIAL INFORMATION</u>	
1. <u>Financial Statements</u>	3
<u>Consolidated Balance Sheets – September 30, 2011 and December 31, 2010</u>	3
<u>Statements of Consolidated Operations – Three and Nine Months Ended September 30, 2011 and 2010</u>	4
<u>Statements of Consolidated Cash Flows – Nine Months Ended September 30, 2011 and 2010</u>	5
<u>Statement of Consolidated Shareholders’ Deficit – Nine Months Ended September 30, 2011</u>	6
<u>Notes to Consolidated Financial Statements</u>	7
2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	44
3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	66
4. <u>Controls and Procedures</u>	66
<u>PART II OTHER INFORMATION</u>	
1. <u>Legal Proceedings</u>	67
1A. <u>Risk Factors</u>	67
5. <u>Other Information</u>	69
6. <u>Exhibits</u>	70
<u>Signatures</u>	72

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements**

## CONSOLIDATED BALANCE SHEETS

YRC Worldwide Inc. and Subsidiaries

(Amounts in thousands except share data)

	September 30, 2011 (Unaudited)	December 31, 2010
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 162,814	\$ 143,017
Accounts receivable, net	546,580	442,500
Prepaid expenses and other	183,992	182,515
Restricted amounts held in escrow	64,680	
<b>Total current assets</b>	<b>958,066</b>	<b>768,032</b>
Property and Equipment:		
Cost	3,144,679	3,237,971
Less accumulated depreciation	(1,733,523)	(1,687,397)
<b>Net property and equipment</b>	<b>1,411,156</b>	<b>1,550,574</b>
Intangibles, net	124,828	139,525
Restricted amounts held in escrow	93,805	
Other assets	96,741	134,802
<b>Total assets</b>	<b>\$ 2,684,596</b>	<b>\$ 2,592,933</b>
<b>Liabilities and Shareholders' Deficit</b>		
Current Liabilities:		
Accounts payable	\$ 145,932	\$ 147,112
Wages, vacations and employees' benefits	231,088	196,486
Other current and accrued liabilities	304,990	452,226
Current maturities of long-term debt	9,513	222,873
<b>Total current liabilities</b>	<b>691,523</b>	<b>1,018,697</b>
Other Liabilities:		
Long-term debt, less current portion	1,331,585	837,262
Deferred income taxes, net	104,892	118,624
Pension and postretirement	445,268	447,928
Claims and other liabilities	374,006	360,439
Commitments and contingencies		
Shareholders' Deficit:		
Cumulative Preferred stock, \$1.00 par value per share - authorized 5,000,000		
Series A Preferred stock, shares issued 1 and 0, liquidation preference \$1 and \$0		

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Series B Preferred stock, shares issued 0 and 0, liquidation preference \$0 and \$0		
Common stock, \$0.01 par value per share    authorized 10,000,000,000 and 80,000,000 shares, issued 1,938,233,000 and 47,684,000 shares	19,382	477
Capital surplus	1,875,874	1,643,277
Accumulated deficit	(1,821,294)	(1,499,514)
Accumulated other comprehensive loss	(241,271)	(239,626)
Treasury stock, at cost (123,000 shares)	(92,737)	(92,737)
Total YRC Worldwide Inc. shareholders    deficit	(260,046)	(188,123)
Non-controlling interest	(2,632)	(1,894)
Total shareholders    deficit	(262,678)	(190,017)
<b>Total liabilities and shareholders    deficit</b>	<b>\$ 2,684,596</b>	<b>\$ 2,592,933</b>

The accompanying notes are an integral part of these statements.

**Table of Contents**

## STATEMENTS OF CONSOLIDATED OPERATIONS

YRC Worldwide Inc. and Subsidiaries

For the Three and Nine Months Ended September 30

(Amounts in thousands except per share data)

(Unaudited)

	Three Months		Nine Months	
	2011	2010	2011	2010
<b>Operating Revenue</b>	\$ 1,276,418	\$ 1,136,836	\$ 3,656,516	\$ 3,243,081
<b>Operating Expenses:</b>				
Salaries, wages and employees' benefits	726,777	683,034	2,112,222	2,017,046
Equity based compensation expense	15,443	2,211	14,795	30,540
Operating expenses and supplies	304,177	235,222	888,707	716,011
Purchased transportation	142,241	122,882	402,681	337,784
Depreciation and amortization	46,203	49,785	143,056	150,491
Other operating expenses	76,049	65,967	212,904	186,471
(Gains) losses on property disposals, net	(10,790)	(3,429)	(21,026)	3,183
Impairment charges				5,281
<b>Total operating expenses</b>	<b>1,300,100</b>	<b>1,155,672</b>	<b>3,753,339</b>	<b>3,446,807</b>
<b>Operating Loss</b>	<b>(23,682)</b>	<b>(18,836)</b>	<b>(96,823)</b>	<b>(203,726)</b>
<b>Nonoperating (Income) Expenses:</b>				
Interest expense	37,679	43,922	116,551	126,234
Equity investment impairment				12,338
Fair value adjustment of derivative liabilities	79,221		79,221	
(Gain) loss on extinguishment of debt	(26,035)	1,935	(25,212)	1,935
Restructuring transactions costs	17,783		17,783	
Other, net	(3,588)	(976)	(4,445)	(5,767)
<b>Nonoperating expenses, net</b>	<b>105,060</b>	<b>44,881</b>	<b>183,898</b>	<b>134,740</b>
<b>Loss from Continuing Operations Before Income Taxes</b>	<b>(128,742)</b>	<b>(63,717)</b>	<b>(280,721)</b>	<b>(338,466)</b>
Income tax benefit	(8,658)	(3,794)	(15,785)	(9,448)
<b>Net Loss from Continuing Operations</b>	<b>(120,084)</b>	<b>(59,923)</b>	<b>(264,936)</b>	<b>(329,018)</b>
Net Loss from Discontinued Operations, net of tax		(2,514)		(17,876)
<b>Net Loss</b>	<b>(120,084)</b>	<b>(62,437)</b>	<b>(264,936)</b>	<b>(346,894)</b>
Less: Net Loss Attributable to Non-Controlling Interest	(267)	(696)	(1,204)	(1,543)
<b>Net Loss Attributable to YRC Worldwide Inc.</b>	<b>\$ (119,817)</b>	<b>\$ (61,741)</b>	<b>\$ (263,732)</b>	<b>\$ (345,351)</b>
Amortization of beneficial conversion feature on preferred stock	(58,048)		(58,048)	
<b>Net Loss Attributable to Common Shareholders</b>	<b>\$ (177,865)</b>	<b>\$ (61,741)</b>	<b>\$ (321,780)</b>	<b>\$ (345,351)</b>

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<b>Average Common Shares Outstanding Basic and Diluted</b>	351,821	46,530	150,185	36,930
<b>Loss Per Share Basic and Diluted</b>				
Loss from Continuing Operations Attributable to YRC Worldwide Inc.	\$ (0.51)	\$ (1.27)	\$ (2.14)	\$ (8.87)
Loss from Discontinued Operations		(0.06)		(0.48)
<b>Net Loss Per Share</b>	\$ (0.51)	\$ (1.33)	\$ (2.14)	\$ (9.35)
<b>Amounts attributable to YRC Worldwide Inc. common shareholders:</b>				
Loss from Continuing Operations, net of tax	\$ (119,817)	\$ (59,227)	\$ (263,732)	\$ (327,475)
Loss from Discontinued Operations, net of tax		(2,514)		(17,876)
<b>Net Loss</b>	\$ (119,817)	\$ (61,741)	\$ (263,732)	\$ (345,351)

The accompanying notes are an integral part of these statements.

**Table of Contents**

## STATEMENTS OF CONSOLIDATED CASH FLOWS

YRC Worldwide Inc. and Subsidiaries

For the Nine Months Ended September 30

(Amounts in thousands)

(Unaudited)

	2011	2010
<b>Operating Activities:</b>		
Net loss	\$ (264,936)	\$ (346,894)
Noncash items included in net loss:		
Depreciation and amortization	143,056	155,444
Equity based compensation expense	14,795	30,540
Impairment charges		17,619
Gain on sale of affiliate		(638)
(Gain) loss on extinguishment of debt	(25,212)	1,935
Fair value adjustment of derivative liabilities	79,221	
(Gains) losses on property disposals, net	(21,026)	4,583
Deferred income tax benefit, net	(1,269)	(9,963)
Amortization of deferred debt costs	22,627	35,697
Paid-in-kind interest on Series A Notes and Series B Notes	5,126	
Other noncash items, net	(3,395)	(4,368)
Restructuring transaction costs	17,783	
Changes in assets and liabilities, net:		
Accounts receivable	(104,454)	(37,635)
Accounts payable	(1,003)	(3,367)
Other operating assets	(16,952)	74,538
Other operating liabilities	102,857	73,184
<b>Net cash used in operating activities</b>	<b>(52,782)</b>	<b>(9,325)</b>
<b>Investing Activities:</b>		
Acquisition of property and equipment	(36,083)	(12,935)
Proceeds from disposal of property and equipment	43,356	71,343
Deposits into restricted escrow	(158,485)	
Disposition of affiliate, net of cash sold		22,883
Other	3,463	5,223
<b>Net cash provided by (used in) investing activities</b>	<b>(147,749)</b>	<b>86,514</b>
<b>Financing Activities:</b>		
Asset backed securitization payments, net	(122,788)	(23,497)
Issuance of long-term debt	411,602	153,458
Repayment of long-term debt	(36,466)	(187,858)
Debt issuance costs	(30,472)	(12,713)
Equity issuance costs	(1,548)	(17,323)
Equity issuance proceeds		15,906
Stock issued in connection with the 6% Notes		11,994
<b>Net cash provided by (used in) financing activities</b>	<b>220,328</b>	<b>(60,033)</b>



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<b>Net Increase In Cash and Cash Equivalents</b>	19,797	17,156
<b>Cash and Cash Equivalents, Beginning of Period</b>	143,017	97,788
<b>Cash and Cash Equivalents, End of Period</b>	\$ 162,814	\$ 114,944
<b>Supplemental Cash Flow Information:</b>		
Interest paid	\$ (44,827)	\$ (31,947)
Income tax (payments) refunds, net	(1,288)	83,035
Pension contribution deferral transfer to long-term debt		4,361
Lease financing transactions	8,985	29,613
Deferred interest and fees converted to equity	43,164	
Interest paid in stock for the 6% Notes	2,082	2,007

The accompanying notes are an integral part of these statements.

**Table of Contents**

## STATEMENT OF CONSOLIDATED SHAREHOLDERS DEFICIT

YRC Worldwide Inc. and Subsidiaries

For the Nine Months Ended September 30, 2011

(Amounts in thousands)

(Unaudited)

<b>Common Stock</b>	
Beginning balance	\$ 477
Issuance of equity upon conversion of Series B Notes	272
Conversion of Series B Preferred Stock to common shares	18,631
Interest paid in stock for the 6% Notes	2
<b>Ending balance</b>	<b>\$ 19,382</b>
<b>Capital Surplus</b>	
Beginning balance	\$ 1,643,277
Issuance of equity upon conversion of Series B Notes	1,385
Conversion of Series B Preferred Stock to common shares	39,417
Interest paid in stock for the 6% Notes	2,080
Conversion feature embedded in the Series A Notes	26,526
Conversion feature embedded in the Series B Notes	106,793
Beneficial conversion feature on preferred stock	58,048
Equity issuance costs	(1,548)
Share-based compensation	(104)
<b>Ending balance</b>	<b>\$ 1,875,874</b>
<b>Accumulated Deficit</b>	
Beginning balance	\$ (1,499,514)
Net loss attributable to YRC Worldwide Inc.	(263,732)
Amortization of beneficial conversion feature on preferred stock	(58,048)
<b>Ending balance</b>	<b>\$ (1,821,294)</b>
<b>Accumulated Other Comprehensive Loss</b>	
Beginning balance	\$ (239,626)
Pension, net of tax:	
Amortization of net losses and other adjustments	(791)
Foreign currency translation adjustment	(854)
<b>Ending balance</b>	<b>\$ (241,271)</b>
<b>Treasury Stock, At Cost</b>	
Beginning and ending balance	\$ (92,737)
<b>Total YRC Worldwide Inc. Shareholders Deficit</b>	<b>\$ (260,046)</b>

**Noncontrolling Interest**

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Beginning balance	\$	(1,894)
Net loss attributable to the noncontrolling interest		(1,204)
Capital investment		757
Foreign currency translation adjustments		(291)
Ending balance	\$	(2,632)
<b>Total shareholder s deficit</b>	\$	<b>(262,678)</b>

The accompanying notes are an integral part of these statements.

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**Table of Contents**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YRC Worldwide Inc. and Subsidiaries

(Unaudited)

**1. Description of Business**

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

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

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

Truckload ( Truckload ) reflects the results of Glen Moore, a provider of truckload services throughout the U.S. At September 30, 2011, approximately 77% of our labor force is subject to various collective bargaining agreements, which predominantly expire in 2015.

**2. Principles of Consolidation and Accounting Policies**

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

Management makes estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes. Actual results could differ from those estimates. We have prepared the consolidated financial statements, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ). In management's opinion, all normal recurring adjustments necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods included in these financial statements herein have been made. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from these statements pursuant to SEC rules and regulations. Accordingly, the accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements included in our Current Report on Form 8-K filed on May 17, 2011, for the year ended December 31, 2010.

**Assets Held for Sale**

When we plan to dispose of property or equipment by sale, the asset is carried in the financial statements at the lower of the carrying amount or estimated fair value, less cost to sell and is reclassified to assets held for sale. Additionally, after such reclassification, there is no further

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depreciation taken on the asset. For an asset to be classified as held for sale, management must approve and commit to a formal plan, the sale should be anticipated during the ensuing year and the asset must be actively marketed, be available for immediate sale, and meet certain other specified criteria.

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## **Table of Contents**

At September 30, 2011 and December 31, 2010, the net book value of assets held for sale was approximately \$54.8 million and \$71.2 million, respectively. This amount is included in Property and Equipment in the accompanying consolidated balance sheets. We recorded charges of \$1.1 million and \$8.2 million for the three and nine months ended September 30, 2011, and \$3.9 million and \$27.2 million for the three and nine months ended September 30, 2010, respectively, to reduce properties and equipment held for sale to estimated fair value, less cost to sell. These charges are included in (Gains) losses on Property Disposals, Net in the accompanying statements of consolidated operations.

### **Impairment of Long-Lived Assets**

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

During the quarter ended September 30, 2011 we determined a review for impairment of our long-lived asset groups was necessary in connection with an update of our internal business forecasts. Our analysis of estimated future undiscounted cash flows indicated it was not necessary to estimate the fair value of such asset groups at September 30, 2011, with the exception of the long-lived asset group comprising our Truckload operating segment. The estimated fair value of our Truckload operating segment exceeded its carrying amount resulting in no impairment charge for long-lived assets held-and-used as of September 30, 2011. The estimated fair value of our Truckload operating subsidiary is primarily based on an appraisal of the revenue equipment comprising such asset group, a Level 3 fair value measurement.

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

### **Fair Value of Financial Instruments**

The carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates their fair value due to the short-term nature of these instruments. Restricted amounts held in escrow are invested in money market accounts and are recorded at fair value based on quoted market prices, a Level 1 fair value measurement.

## **3. Liquidity**

### ***The Restructuring***

On July 22, 2011, we completed our previously disclosed financial restructuring, which included the following transactions (collectively referred to herein as the restructuring):

an exchange offer, whereby we issued to our lenders under our then-existing credit agreement (the Credit Agreement) an aggregate of 3,717,948 shares of our new Series B Convertible Preferred Stock, par value \$1.00 per share (the Series B Preferred Stock) and \$140.0 million in aggregate principal amount of our new 10% Series A Convertible Senior Secured Notes due 2015 (the Series A Notes);

the issuance and sale for cash to such lenders of \$100.0 million in aggregate principal amount of our new 10% Series B Convertible Senior Secured Notes due 2015 (the Series B Notes);

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the execution of an amended and restated credit agreement, new asset-based loan facility and an amended and restated contribution deferral agreement with certain multiemployer pension funds, as further described below;

the issuance of 1,282,051 shares of our Series B Preferred Stock, which shares were delivered on July 25, 2011 to the Teamster-National 401(k) Savings Plan for the benefit of the Company's International Brotherhood of Teamsters ( IBT ) employees;

the issuance of one share of our new Series A Voting Preferred Stock (the Series A Voting Preferred Stock ), to the IBT to confer certain board representation rights;

**Table of Contents**

the repayment in full and termination of our then-outstanding asset-backed securitization facility (the ABS facility ) and collateralizing our outstanding letters of credit with cash (see Standby Letter of Credit Agreement below); and

the Teamsters National Freight Industry Negotiating Committee ( TNFINC ) of the IBT waived its right to terminate, and agreed not to further modify, the Agreement for the Restructuring of the YRC Worldwide Inc. Operating Companies, dated as of September 24, 2010 (as amended, the 2010 MOU ) such that the collective bargaining agreement will be fully binding until its specified term of March 31, 2015.

On September 16, 2011, we amended and restated our certificate of incorporation through the merger with a wholly owned subsidiary to, among other things, increase the amount of authorized shares of common stock to a sufficient number to (i) permit the automatic conversion of the shares of Series B Preferred Stock into shares of our common stock, (ii) provide sufficient authorized common shares for conversion of the Series A Notes and the Series B Notes into our common stock at an initial conversion rate of 8,822 common shares per \$1,000 of the Series A Notes and 16,187 common shares per \$1,000 of the Series B Notes (which conversion rate applies also to the Series B Notes make whole premium) and (iii) provide sufficient authorized shares for a new equity incentive plan and future equity issuances. Upon the effectiveness of such amendment, all 4,999,999 shares of our Series B Preferred Stock automatically converted into 1,863,110,599 shares of our common stock and no shares of our Series B Preferred Stock remain outstanding.

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

(in millions)			
Sources of Funds		Uses of Funds	
Issuance of Series B Notes	\$ 100.0	Retirement of ABS facility borrowings	\$ 164.2
Borrowings on the ABL Facility	255.0	Restricted amounts held in escrow Standby Letter of Credit Agreement	64.7
Additional borrowings under the revolving credit facility	18.5	Fees, expenses and original issue discount of restructuring	57.0
Company cash	2.4	Restricted amounts held in escrow ABL facility	90.0
<b>Total sources of funds</b>	<b>\$ 375.9</b>	<b>Total uses of funds</b>	<b>\$ 375.9</b>

**CREDIT FACILITIES**

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

the amended and restated credit agreement, and

an asset-backed lending facility.

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

**Bank Group Credit Agreement**

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





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**Table of Contents**

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

*Interest and Fees:* The term loan, at our option, will bear interest at either (x) 5.50% in excess of the alternate base rate (i.e., the greater of the prime rate and the federal funds effective rate in effect on such day plus 1/2 of 1%) in effect from time to time, or (y) 6.50% in excess of the London interbank offer rate (adjusted for maximum reserves). The London interbank offer rate will be subject to a floor of 3.50% and the alternate base rate will subject to a floor of the then-applicable London interbank offer rate plus 1.0%. The stated interest rate applicable on September 30, 2011 and October 31, 2011 was 10%.

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

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

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

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

all shares of capital stock of (or other ownership equity interests in) and intercompany debt owned by the Company and each present and future Guarantor; and

substantially all present and future property and assets of the Company or each Guarantor, except to the extent a security interest would result in a breach, termination or default by the terms of the collateral being granted.

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

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

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

certain other customary permitted liens.

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

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

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50% of Excess Cash Flow as defined in the Bank Group Credit Agreement swept on an annual basis;

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

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

**Table of Contents**

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

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

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

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

Maximum total leverage ratio as described below:

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