CommonWealth REIT
Form PRER14A
January 21, 2014

Use these links to rapidly review the document
TABLE OF CONTENTS

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

ý Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

o Definitive Proxy Statement

o Definitive Additional Materials

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CommonWealth REIT

(Name of Registrant as Specified In Its Charter)

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(3) Filing Party:

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Preliminary Consent Revocation Statement Subject to Completion, Dated January 21, 2014

COMMONWEALTH REIT
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255 Washington Street, Suite 300
Newton, Massachusetts 02458

CONSENT REVOCATION STATEMENT
OF THE BOARD OF TRUSTEES OF COMMONWEALTH REIT
IN OPPOSITION TO A CONSENT SOLICITATION BY CORVEX MANAGEMENT LP
AND RELATED FUND MANAGEMENT, LLC
, 2014

This consent revocation statement and the enclosed **WHITE** Consent Revocation Card are furnished by the Board of Trustees (the "Board") of CommonWealth REIT, a Maryland real estate investment trust (the "Company," "CommonWealth," "we," "us" and "our"), to the holders of the Company's common shares of beneficial interest (the "Common Shares"), in connection with the Board's opposition to the solicitation by Related Fund Management, LLC ("Related") and Corvex Management LP ("Corvex," and together with Related, "Related/Corvex") of shareholder consents to remove, without cause, all of the members of the Board (the "Trustees"). This consent revocation statement and card are first being mailed to shareholders on or about , 2014.

Related/Corvex announced their consent solicitation following an arbitration panel's determination that Related/Corvex's prior attempted consent solicitation to remove our entire Board, without cause, was invalid. Related/Corvex are asking you to turn over control of the Company to a new Board of Trustees which may be controlled by Related/Corvex's handpicked nominees and whose election will not provide you with any control premium. We believe that this is part of Related/Corvex's plan to attempt to disrupt our business for their own short-term gain.

We are taking this opportunity to remind our shareholders that the Board has evaluated the limited information that Related/Corvex have made available about their plan for the Company and concluded that it is clearly not in the Company's or our shareholders' best interests. **Since Related/Corvex first approached CommonWealth, the Board has worked diligently to understand the views of our shareholders, accelerated the Company's value-enhancing business plan and made meaningful governance and management compensation changes directly in response to shareholder suggestions. These steps are part of our efforts intended to increase shareholder value**. In our view, support for the Related/Corvex removal proposal will derail this process and turn control of the Company over to an untested slate of trustees who have not presented you with a definitive plan for success.

Related/Corvex advocate that the Board take action to internalize the Company's management or sell the Company, including selling the Company to Related/Corvex. Related/Corvex have not provided any estimate of the initial or continuing costs to internalize the Company's management or presented a fully financed offer to buy the Company which is actionable by you or the Company, or even committed to do so. The removal action sought by Related/Corvex may be a first step in a sale of the Company or some of its assets to Related/Corvex or others at a price and on terms that do not reflect the long-term value of the Company. In our view, now is not the time to disrupt the execution of the Company's strategic plan. Under the current Board and management team, CommonWealth is realizing the benefits of its business plan and demonstrating that the current leadership team has positioned the Company to deliver long term value for the benefit of all shareholders.

Support for the Related/Corvex effort would be a disruptive and value destructive exercise, in our view. The CommonWealth Board and management team have listened to shareholder feedback and are responding. The Board is effecting meaningful governance changes, including:

- ü adding additional Independent Trustees;
- ü appointing a Lead Independent Trustee;
- ü declassifying the Board; and
- ü streamlining the shareholder Trustee nomination and proposal process for our annual meetings.

The Board has also recently restructured the management fees payable to our manager to further align management's financial incentives with the returns realized by our shareholders and eliminated the so-called "dead hand" provisions in our shareholder rights plan.

We believe that Related/Corvex and their affiliates have a poor record of managing public companies and have based their campaign upon unrealistic financial projections. We also believe that, consistent with their investment mandate, Related and its nominees may seek to run CommonWealth like a distressed asset fund.

If you have previously signed and returned the Related/Corvex gold consent card, you have the right to change your vote and revoke your consent. Whether or not you have signed the gold consent card, we urge you to mark the "**YES, REVOKE MY CONSENT**" box on the enclosed **WHITE** Consent Revocation Card and to sign, date and mail the card in the postage-paid envelope provided. Please submit a **WHITE** Consent Revocation Card even if you have not previously submitted a consent card, as doing so will help us keep track of the progress of the consent process. Regardless of the number of shares you own, it is important for you to deliver a **WHITE** Consent Revocation Card. Please act today. Please note that in their prior invalid consent solicitation, Related/Corvex used a white card.

The Board has unanimously determined, for the reasons specified in this consent revocation statement, that the Related/Corvex consent solicitation is not in the best interests of the Company or its shareholders. The Board urges you *not* to sign any gold consent card sent to you by Related/Corvex. Whether or not you have previously executed a gold consent card, the Board urges you to sign, date and deliver the enclosed WHITE Consent Revocation Card using the enclosed postage-paid envelope.

The record date for the Related/Corvex consent solicitation is , 2014 (the "Record Date"). Only shareholders of record as of the close of business on the Record Date may execute, withhold or revoke consents with respect to the Related/Corvex consent solicitation.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF CONSENT REVOCATION MATERIALS IN OPPOSITION TO THE RELATED/CORVEX CONSENT SOLICITATION

In accordance with the rules of the Securities and Exchange Commission (the "SEC"), the Company is advising shareholders of the availability on the Internet of the Company's consent revocation materials in opposition to the Related/Corvex consent solicitation. Because the Company has elected to utilize the "full set delivery" option, the Company is delivering to all shareholders paper copies of the consent revocation materials, as well as providing access to those materials on a publicly accessible website. This consent revocation statement and Consent Revocation Card are available at http://www.cwhreit.com.

If you have any questions about giving your consent revocation or require assistance, please call:

Morrow & Co., LLC
470 West Avenue
Stamford, CT 06902
Shareholders Call Toll Free: (800) 276-3011
Banks and Brokers Call Collect: (203) 658-9400

Table of Contents

TABLE OF CONTENTS

	Page
Warning Concerning Forward Looking Statements	1
Description Of The Related/Corvex Consent Solicitation	1
Reasons To Reject The Related/Corvex Removal Proposal	2
Questions And Answers About This Consent Revocation Statement	10
Background Of The Related/Corvex Consent Solicitation	11
The Consent Procedure	18
Solicitation Of Consent Revocations	20
Appraisal Rights	20
Certain Litigation	20
Certain Agreements	26
Certain Additional Information	27
Delivery Of Documents To Shareholders Sharing An Address	27
Other Matters	27
Important Information Regarding Consent Revocation	28
Annex I Certain Information Regarding Participants In This Consent Revocation Solicitation	Annex I-1
Annex II Recent Transaction History Of Participants In This Consent Revocation Solicitation	Annex II-1
Annex III Certain Additional Information	Annex III-1

Table of Contents

WARNING CONCERNING FORWARD LOOKING STATEMENTS

This consent revocation statement contains statements which constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws. Whenever we use words such as "believe," "expect," "anticipate," "intend," "plan," "estimate" or similar expressions, we are making forward looking statements. These forward looking statements are based upon our present intent, beliefs or expectations, but forward looking statements are not guaranteed to occur and may not occur. Forward looking statements relate to various aspects of our business, including: our plans regarding property dispositions and the repositioning of the Company's portfolio, possible disruption or harm to our business as a result of the consent solicitation and other activities by Related/Corvex or implementation of the removal action proposed by Related/Corvex and pending, threatened or future legal proceedings. Our actual results may differ materially from those contained in or implied by our forward looking statements as a result of various factors. Factors that could have a material adverse effect on our forward looking statements and upon our business, results of operations, financial condition, funds from operations, normalized funds from operations, cash available for distribution, cash flows, liquidity and prospects are contained in our filings with the SEC, including under the caption "Risk Factors" and "Warning Concerning Forward Looking Statements" in our Annual Report on Form 10-K, Current Reports on Form 8-K, Quarterly Reports on Form 10-Q or incorporated therein. Our filings with the SEC are available at the SEC's website at www.sec.gov. You should not place undue reliance upon our forward looking statements. We do not undertake any obligation to update or change any forward looking statements as a result of new information, future events or otherwise.

DESCRIPTION OF THE RELATED/CORVEX CONSENT SOLICITATION

As set forth in the Related/Corvex solicitation statement and related materials filed with the SEC, Related/Corvex are soliciting your consents in favor of the following proposal:

> to act by written consent to remove, without cause, Barry M. Portnoy, Adam D. Portnoy, Joseph L. Morea, William A. Lamkin, Frederick N. Zeytoonjian, Ronald J. Artinian and Ann Logan as Trustees of the Company and any other person or persons elected or appointed to the Board of Trustees of the Company prior to the effective time of the Related/Corvex proposal.

Related/Corvex propose that you consent to remove, without cause, all of the members of your Board. If all members of the Board are removed, a special meeting will subsequently be called to elect replacement Trustees and the replacement Trustees elected at this special meeting may be persons supported by or who have arrangements or understandings with Related/Corvex.

Related/Corvex advocate that the Board of Trustees take action to internalize the Company's management. Therefore, you should consider that if the removal action is approved, the Company will hire new management and its own employees and will need to purchase the necessary infrastructure to support the Company's operations. Related/Corvex have not provided any estimate of the initial or continuing costs to internalize the Company's management, but such costs would likely create a considerable financial burden on CommonWealth and our shareholders and may also result in a disruption to our business.

You should also consider that a consent in favor of the Related/Corvex removal action may be a first step in a sale of the Company or some of our assets to Related/Corvex or others. The replacement Trustees, if elected, could facilitate the sale of the Company or some of our assets at a price and on terms that do not reflect the long-term value of the Company. In our view, now is not the time to disrupt the execution of the Company's strategic plan. Under the current Board and management team, CommonWealth is realizing the benefits of its business plan and demonstrating that the current leadership team has positioned the Company to deliver long term value for the benefit of all shareholders.

Table of Contents

REASONS TO REJECT THE RELATED/CORVEX REMOVAL PROPOSAL

The Board believes, for the reasons specified below, that a wholesale removal of our current Trustees, without cause, is not in the best interest of the Company or its shareholders and would in fact bring material harm and disruption to the business and operation of the Company. The Board is committed to acting in the best interests of **ALL** of the Company's shareholders and believes that the Company is well positioned to execute on our business plan and enhance value for **ALL** of the Company's shareholders.

Support for the Related/Corvex effort would be a disruptive and value destructive exercise, in our view. The CommonWealth Board and management team continue to listen to shareholder feedback and respond.

Under the current Board and management team, the Company continues to make significant progress in the implementation of its business plan to reposition CommonWealth's portfolio towards higher quality central business district office properties to increase shareholder value.

We are implementing a business plan of repositioning the Company's portfolio towards high-quality office properties in central business district ("CBD") locations and away from suburban properties. This strategy was developed, and approved by the Board of Trustees, in response to national trends in the office leasing market. During the last several years, the performance of CBD and suburban office properties has diverged. This divergence became even more apparent following the 2007-2009 recession, as suburban office properties have, on average, faced greater challenges recovering from the recession. We believe that average vacancy rates in suburban office markets continue to exceed average vacancy rates of CBD office markets by increasing margins.

Since January 1, 2008, we have acquired approximately $3.7 billion worth of properties, and the majority of these acquisitions have been high-quality CBD office properties. During the last year, as the market for the purchase and sale of office properties has improved, we have focused more on selling non-core suburban properties and other assets than on buying new CBD properties. As a result, since the middle of 2012, we have not entered into any agreements to purchase new properties.

Since January 1, 2008, we have sold approximately $1.6 billion worth of properties, largely consisting of industrial and suburban office properties which include some of our most challenged or lowest performing properties. During the fourth quarter of 2012 and the third quarter of 2013, the Board approved plans to sell 85 non-core properties (204 buildings), most of which are industrial and suburban office properties. Since the beginning of 2013, we have completed the sale of 38 properties (92 buildings for a combined 6.6 million square feet). As of September 30, 2013, we had 47 properties classified as held for sale with a combined 8.5 million square feet (and net book value of $527 million) being marketed for sale.

We have made substantial progress in the implementation of our business plan. During the quarter ended September 30, 2013, approximately 64% of our cash net operating income from continuing operations came from office properties located in CBD locations. We expect that our portfolio repositioning will be substantially completed during 2014.

Related/Corvex have advocated a sale of the Company to them or another purchaser. A consent in favor of the Related/Corvex removal action may be a first step in a sale of the Company or our assets to Related/Corvex or their affiliates because replacement Trustees may initiate such actions. The Board believes that a sale of the Company or other similar transaction at this time will not reflect the long-term value of the Company. Replacement Trustees may facilitate the sale of the Company or some of our assets to Related/Corvex. The Board believes that the Company is realizing the benefits of the repositioning of the Company's portfolio towards high-quality CBD office properties and away from suburban properties, and that Related/Corvex are attempting to seize control of CommonWealth before these benefits are realized for all shareholders.

Table of Contents

You do not need to support Related/Corvex's disruptive removal proposal for change to occur at the Company. Following meetings with shareholders, the Board recently announced the restructuring of our business management agreement with our manager, Reit Management & Research LLC ("RMR"), and significant governance changes that directly address shareholder feedback.

Restructuring of Business Management Agreement. To further align management's financial incentives with the returns realized by our common shareholders, we have entered into an amended and restated business management agreement with RMR which includes the following changes beginning January 1, 2014:

- Base Fee:
  - The base business management fee we pay to RMR will be calculated on the basis of the lower of: (i) historical cost of the Company's real estate assets or (ii) the Company's total market capitalization, which includes the market value of our Common Shares, plus the liquidation preference of our preferred shares and the principal amount of our outstanding debt. As a result, the base business management fees we pay to RMR may decline when the market value of our Common Shares declines.
  - Ten percent (10%) of the base business management fee we pay to RMR will be paid in Common Shares. As a result, we expect management's Common Share ownership will increase over time.
- Incentive Fee:
  - The annual incentive fee which may be earned by RMR will be calculated based upon total return per share (i.e., dividends and share price changes) realized by the Company's common shareholders in comparison to the total return of the SNL U.S. REIT Office Index (the "Benchmark"). The incentive fee formula will be based on the amount of outperformance, if any, realized by the Company's common shareholders during the measurement periods compared to the Benchmark, multiplied by a 12% participation rate. For example, if the Company's common shareholders' total return is 10% during the measurement period and the Benchmark's total return is 5% during that same period, the incentive fee will be 12% of the 5% of total outperformance realized by the Company's common shareholders.
  - The measurement period for the new incentive fee will be a rolling, cumulative three year period starting January 1, 2014. In other words, the incentive fee payable at the end of 2016 will be based upon the outperformance, if any, realized by the Company's common shareholders compared to the Benchmark cumulatively during 2014, 2015 and 2016; the incentive fee payable at the end of the 2017 would be based upon the cumulative outperformance, if any, realized in 2015, 2016 and 2017; etc. Also, because it will take three years for the new incentive fee formula to become fully effective, a one year interim fee may be paid at the end of 2014 and a two year cumulative interim fee may be paid at the end of 2015 based on outperforming the pro-rata hurdles in each of those periods.
  - No incentive fee will be payable by the Company in the event the total return realized during any measurement period is negative, even if the total return realized by the Company's common shareholders exceeds the Benchmark. Also, the incentive fee formula includes a "high performance modifier" so that, within specific parameters, if the total return realized by the Company's common shareholders over a three year period exceeds 36%, an adjusted incentive fee may be paid.

Table of Contents

/*/ The incentive fee will be paid in Common Shares. The annual payment of the incentive fee will be limited, or capped, at 1.5% of the number of Common Shares outstanding at the end of each measurement period. Common Shares issued for payment of the incentive fees will vest over a multi-year period and the shares will be subject to "claw back" in the event of subsequent financial restatements.

◦ Eliminated Management Agreement Related Party Right of First Offer:

/*/ The amended and restated business management agreement also eliminated the historical "right of first offer" for property dispositions among the Company and the other REITs to which RMR provides management services.

Additional Independent Trustees. In September 2013, the Nominating and Governance Committee of the Board retained the services of an independent executive search firm to help identify potential Independent Trustee candidates. On January 6, 2014, the Company announced that the Board had increased its size from five to seven members and added two new Independent Trustees, Ms. Ann Logan and Mr. Ronald Artinian, who were identified by the executive search firm. The Board is committed to increasing the ratio of Independent Trustees to total Trustees on the Board to at least 75%. On January 6, 2014, the Nominating and Governance Committee of the Board extended an invitation to Mr. Keith Meister, Managing Partner of Corvex, to join the Board as an Independent Trustee, which he effectively rejected on January 16, 2014. Accordingly, the Nominating and Governance Committee will continue to work with the executive search firm to help identify additional potential Independent Trustee candidates. In addition, the Board has received and will continue to take into account important input from our shareholders regarding Board candidate qualifications and identification.

Lead Independent Trustee. The Board expects that the Independent Trustees will designate a Lead Independent Trustee once the ratio of Independent Trustees to total Trustees reaches at least 75%. We expect the Lead Independent Trustee would be appointed annually by the Independent Trustees and have robust responsibilities, including, but not limited to, approving meeting agendas for the Board and the authority to call meetings of the Independent Trustees.

Recommending Annual Election of All Trustees. On December 22, 2013, the Board approved an amendment to the Company's Declaration of Trust to declassify the Board and elected that the Board not be staggered pursuant to Section 3-803 of the Maryland Unsolicited Takeovers Act (the "Unsolicited Takeovers Act"). The amendment to declassify the Board will be presented to the Company's shareholders for approval at the Company's 2014 annual meeting. If this amendment is approved by our shareholders, commencing with the 2014 annual meeting, the Trustees whose terms expire at an annual meeting will stand for election at the meeting for one-year terms and all Trustees will stand for election at the 2016 annual meeting, and thereafter, for one year terms. For more information on Section 3-803 of the Unsolicited Takeovers Act, please see "Board of Trustees" in Annex III to this consent revocation statement.

Recommending Changing the Voting Standard for Contested Elections. On December 22, 2013, the Board also approved an amendment to the Company's Declaration of Trust to provide that the vote required to elect Trustees in a contested election is a plurality of votes cast. This amendment will be presented to the Company's shareholders for approval at the Company's 2014 annual meeting.

Deleted the Dead Hand Provisions and Determined to Accelerate Termination of the Poison Pill. On December 22, 2013, the Board approved amending the Company's shareholders' rights plan, or poison pill, to eliminate the so called "dead-hand" provisions which had provided that only the current Trustees (or persons they recommend or approve for election as Trustees) may redeem rights issued under the plan following a triggering event. The Board has also determined to accelerate the expiration of the shareholders' rights plan, which currently is set to expire on October 17, 2014, to a date soon after resolution of the pending disputes with Related/Corvex.

Amended the Company's Bylaws. On December 22, 2013, the Board adopted amended and restated Bylaws to, among other things, reduce the advance notice share ownership requirements for shareholder nominations of individuals for election as Trustees and streamline the advance notice informational requirements for shareholder nominations and proposals of other business.

Adopted Minimum Share Ownership Policy for Board Members. On January 6, 2014, the Company also announced that the Board had approved changes to our Governance Guidelines to provide for minimum share ownership by Board members of at least 20,000 Common Shares.

Additional changes may also be implemented, and we continue to seek feedback through dialogue with our shareholders.

These changes demonstrate the Board's commitment to enhance governance and respond directly to our shareholders, while allowing the Company's shareholders to continue receiving high quality management services at or below average costs. The Board and management continue to listen to shareholder feedback and respond.

Related/Corvex are asking you to remove experienced Trustees who are acting in the best interest of the Company and its shareholders.

Most of the Trustees have significant experience managing CommonWealth and a unique knowledge of our portfolio, our tenants, our business partners and the markets in which we operate. Under their stewardship, the Company has acquired a valuable portfolio of properties that Related/Corvex now seek to control.

The Trustees have been responsive to shareholder suggestions. Following Related/Corvex's prior, invalid consent solicitation, the Trustees engaged with many of CommonWealth's shareholders to gather feedback on the Company's governance and management compensation. Following these meetings, the Board approved, has implemented and continues to pursue meaningful changes to our governance and management's compensation as discussed herein.

Related/Corvex's attempt to remove not only the current Board, but also any new trustees the Board may appoint, demonstrates that Related/Corvex only want control of the Company and do not care about the identity or quality of the Board, in our view.

The Related/Corvex consent solicitation seeks to remove an experienced manager who is acting in the best interests of the Company and its shareholders and to replace the manager with unknown and untested management.

Related/Corvex have advocated that the Board take action to internalize the Company's management. A consent in favor of the removal action proposed by Related/Corvex should be expected to result in termination of our business and property management agreements with our manager and the loss of the services provided to us by RMR. We have no employees of our own. All of the personnel and services that we require to operate our business are provided to us under our business and property management agreements with RMR. None of our executive officers has an employment agreement with us or is paid their salaries or cash bonuses by us. Internalization of management of the Company will require that the Company hire new management and its own employees and purchase the necessary infrastructure to support the Company's operations. Related/Corvex are asking you to make fundamental changes in the management of the Company without identifying a new, complete management team, explaining their internalization plans or providing any estimate of the initial or continuing costs to internalize the Company's management. Related/Corvex have put forward only *potential* interim solutions to the management gap without even disclosing the cost to the Company of those interim solutions or the nature of their

Table of Contents

agreements with those service providers. Without an experienced and knowledgeable management team, the Company's value may be materially diminished.

RMR has a long history of successful management of publicly traded real estate companies. RMR oversees a large portfolio of publicly owned real estate, including approximately 1,700 properties throughout North America and Australia. In combination, the companies managed by RMR generated over $12 billion in annual revenues and employed over 50,000 people as of September 30, 2013. RMR directly employs more than 860 professionals in its headquarters in Newton, MA and in over 20 regional offices. We benefit from economies of scale by hiring RMR to manage our geographically diverse portfolio of properties, resulting in a level of management costs for the Company that is consistently at or below the median for our peer group. We also believe that our relationship with RMR provides us with competitive advantages in operating and growing our business. There can be no guarantee that any replacement manager(s) or internal management structure will be as successful as RMR in managing the Company's affairs.

Related/Corvex have represented in publicly filed investor presentations that they estimate, if shareholders remove the Trustees, the Company will have annual savings of $22.0 million in business and property management costs. Related/Corvex provide no support for such savings. Indeed, we believe it is much more likely that the Company would incur significant disruption and increased costs to replace the services and infrastructure provided to the Company by RMR with its own or those of another manager.

We believe that, consistent with their investment mandate, Related and its nominees may seek to run the Company like a distressed asset fund, not a stable portfolio of high-quality Class A, CBD assets. Related's Common Shares are held through its affiliate, Related Real Estate Recovery Fund, L.P., a fund which Related has publicly described as a "distressed real estate fund" which aims to invest in "properties that require significant repositioning." Based on this investment mandate, and Related/Corvex's previous investor presentations, we believe Related's business plan for the Company contemplates the sale of some of our best performing Class A, CBD assets that produce stable returns for our investors and significant investment in underperforming properties that we have designated as discontinued operations and believe to be riskier investments. In our view, this plan would fundamentally change the Company's risk profile and may impact the Company's ability to pay dividends.

We believe that Related/Corvex and their affiliates have a poor record of managing public companies and should not be considered credible candidates to manage CommonWealth.

Jeff Blau, the principal of Related, is also the CEO of The Related Companies, L.P., a real estate developer based in New York (the "Related Companies"). Mr. Blau previously served simultaneously as an officer of the Related Companies and as Chairman, CEO and a Trustee of American Mortgage Acceptance Company ("AMAC"), a publicly owned mortgage REIT. During Mr. Blau's tenure at AMAC, AMAC funded loans to affiliates of the Related Companies, including two large subordinated loans to development projects in Aspen, CO and Phoenix, AZ which subsequently defaulted and became worthless. Despite that these large loans were made to an affiliate of the Related Companies and Mr. Blau while he was a trustee of AMAC, AMAC never filed documentation for these loans with the SEC. Shortly thereafter, AMAC ceased operations and filed for bankruptcy; however, the Related Companies' affiliates received the benefit of the funding.

Jeff Blau and Stephen Ross, the Chairman of the Related Companies, also served simultaneously as officers of the Related Companies and as Managing Trustees on the board of Centerline Holding Company (f/k/a Charter Municipal Mortgage Acceptance Company, or "CharterMac"), a publicly owned real estate finance company. CharterMac also provided financing directly and indirectly to affiliates of the Related Companies. CharterMac internalized its management in November 2003 by

Table of Contents

purchasing, for aggregate consideration of $338 million, a management company majority owned by the Related Companies. During Mr. Blau's and Mr. Ross's combined tenure at CharterMac from 2003 until they departed that board in 2009, the total returns realized by public shareholders was a loss of approximately 97.7%. Also during their tenure on the Board, the New York Stock Exchange ("NYSE") delisted CharterMac for failure to meet NYSE listing standards.

Keith Meister, the founder and Managing Partner of Corvex, has an equally troubling history with publicly-traded real estate companies. In January 2007, for example, Mr. Meister and his former employer, Icahn Group, acquired a 14.6% ownership in WCI Communities, Inc. ("WCI"), a publicly owned real estate development company in January 2007. Similarly, Mr. Meister and his colleagues criticized WCI management and stated that Icahn Group's goal was to change management and enhance shareholder value. In March 2007, Mr. Meister and his colleagues launched a tender offer for WCI at $22.00 per share. The tender offer was subsequently withdrawn and Mr. Meister began a proxy contest for control of WCI. By August 2007, Mr. Meister and his colleagues were elected to the WCI Board and assumed effective control of WCI. Within approximately one year after Mr. Meister was elected to the WCI Board, WCI filed for bankruptcy and all WCI shareholder value was lost.

Related/Corvex's actions in connection with their prior, invalid consent solicitation demonstrate that Related/Corvex will relentlessly pursue their own agenda, including ignoring rules inconvenient to their objectives and threatening third parties that do business with us, regardless of the long-term cost to the Company and its shareholders, in our view.

Related/Corvex ignored provisions of our governing documents which were not convenient to their agenda and barreled ahead with an invalid consent solicitation based on their own made-up rules, as if they were in control of the Company. Then, before receiving a ruling on the validity of that consent solicitation from the arbitration panel, Related/Corvex issued a press release unilaterally and wrongly proclaiming that the Trustees had been removed and making the following warning:

> "We advise third parties that do business with CommonWealth that we reserve the right to challenge any corporate action that may be taken by these former trustees on or after today as invalid."

Despite having publicly warned shareholders and others that the Board had no corporate authority as of June 21, 2013, Related/Corvex hypocritically continued to accept dividends declared by the Board. We believe these actions demonstrate that Related/Corvex are not acting in the best interests of the Company or its shareholders and underscore their intention to disrupt CommonWealth's business.

Related/Corvex dangled the prospect of a potential offer which never materialized. We believe, Related/Corvex are continuing their efforts to disrupt our business and seize control of CommonWealth by removing the Trustees, without cause, through this consent solicitation, for their own short-term gain and without committing to pay you a control premium for your Common Shares.

It has been many months since Related/Corvex published "open" letters purporting to offer to acquire the Company for a premium. However, Related/Corvex have never presented a bona fide, fully financed offer for the Company which is actionable by you or the Company, or even committed to do so. Related/Corvex dangled the prospect of a potential offer which never materialized. This consent solicitation is a continuation by Related/Corvex of their effort to acquire control of CommonWealth without committing to pay you a control premium for your Common Shares and disrupt our business for their own short-term gain, in our view.

Table of Contents

Related/Corvex are asking you to leave the Company without any Trustees in the near term.

By pursuing the removal of all of the Trustees without cause through a consent solicitation, Related/Corvex are asking you to leave the Company without any Trustees to manage our business and affairs until a special meeting is held after the removal action is effective and replacement Trustees are elected and qualified at such meeting.

Related/Corvex are asking you to remove all the Trustees without cause and without any certainty as to who will govern the Company or manage our properties after the Trustees are removed. Significant uncertainty about the future of the governance and management of the Company may result in material harm to the Company. For example, it may affect the decision of our existing or prospective tenants to renew or enter into leases with us, the willingness of lenders to continue to lend money to us or to waive any events of default resulting from the Related/Corvex consent solicitation, our ability to pay distributions on our common and preferred shares and the amount of any such distributions, our ability to invest in our properties and fund acquisitions and the credit rating of our senior notes and preferred equity.

The removal of the Trustees as a result of the Related/Corvex consent solicitation or the termination of our management agreements with RMR, will each constitute a "change of control" under certain of our credit and other material agreements and preferred equity, which may give rise to acceleration, termination or other creditor rights and restrict our ability to pay dividends and continue to borrow.

The removal of all the Trustees as a result of the Related/Corvex consent solicitation or the termination of our management agreements with RMR would each constitute an "event of default" under the Company's revolving credit facility agreement and term loan agreement and may constitute an "event of default" under certain mortgage loan agreements with respect to our properties, which may restrict our ability to pay dividends or make further borrowings under our revolving credit facility and may result in lenders demanding immediate payment.

Related/Corvex have stated in their solicitation materials that in the event the Board is removed as a result of the Related/Corvex consent solicitation, they will offer to buy 51% of the debt outstanding under our revolving credit facility and term loan agreements at par value to prevent the acceleration of such loans. However, the waiver of a default under our revolving credit facility and term loan agreements requires the approval of two-thirds of our lenders by amount. No lender can evaluate or approve an unarticulated business plan to be implemented by an unidentified management team and approved and overseen by an undetermined Board. We can provide no assurance that in the event all of the Trustees are removed as a result of the Related/Corvex consent solicitation, Related/Corvex will be successful in buying any of our outstanding debts or credit commitments, preventing any acceleration of these loans or procuring waivers of any default that may be required for the Company to continue to pay dividends or other distributions.

The removal of the Trustees as a result of the Related/Corvex consent solicitation would constitute a "fundamental change" under the terms of our $6^1/_2$% Series D Cumulative Convertible Shares of Beneficial Interest (the "Series D Preferred Shares"), triggering the right of holders to convert their Series D Preferred Shares into Common Shares at a conversion rate that is more favorable for such holders than the current prevailing conversion rate, unless we exercise our right to repurchase such shares for cash. As of September 30, 2013, the redemption cost for our outstanding Series D Preferred Shares was approximately $380 million in aggregate plus accrued and unpaid distributions.

For more information on the consequences of a "change of control" on certain of our material agreements, please see "Certain Agreements" in this consent revocation statement.

Table of Contents

If the removal action proposed by Related/Corvex succeeds, we may be in violation of federal securities laws and the listing requirements of the NYSE.

If the removal action proposed by Related/Corvex succeeds and we are left without any Trustees, or if our business and property management agreements with RMR are terminated, it may be difficult for us to comply with federal securities laws, including our obligation to file periodic reports and maintain effective internal control over financial reporting and disclosure controls and procedures, which may affect our liquidity.

If the removal action proposed by Related/Corvex succeeds and we are left without any Trustees, we will be in violation of the rules and regulations of the SEC requiring that we have an independent Audit Committee and certain NYSE continued listing requirements, which may result in the SEC or NYSE taking enforcement action against us, including action by the NYSE to delist our Common Shares and other publicly traded securities.

The Board does not believe that issues such as Board representation and composition should be addressed through written consents solicited by Related/Corvex who have interests that may be different from our other shareholders.

The Board urges you to rely upon your independent Nominating and Governance Committee and the process outlined in "Shareholder Nominations and Other Proposals" in Annex III to this consent revocation statement for shareholder nominations and election of Trustees at our 2014 annual meeting, which is to be held on June 13, 2014.

We urge shareholders to reject the Related/Corvex consent solicitation and revoke any consent previously submitted.

Do not delay. In order to help ensure that our current Board may continue to act in your and the Company's best interests, please sign, date and return the enclosed WHITE Consent Revocation Card using the enclosed postage-paid envelope as promptly as possible whether or not you have signed the gold consent card from Related/Corvex.

Table of Contents

QUESTIONS AND ANSWERS ABOUT THIS CONSENT REVOCATION STATEMENT

Q:
Who is making this solicitation?

A:
The Company's Board of Trustees.

Q:
What are we asking you to do?

A:
We are asking you to revoke any consent on the Related/Corvex gold consent card that you may have delivered in favor of the proposal described in the Related/Corvex consent solicitation. Even if you have not submitted a consent card, we urge you to submit a **WHITE** Consent Revocation Card today so we may better keep track of the consent solicitation process.

Q:
What does the Board recommend?

A:
The Board strongly believes that the solicitation being undertaken by Related/Corvex is not in the best interests of the Company or its shareholders for the reasons described above. The Board unanimously opposes the solicitation by Related/Corvex and urges shareholders to reject the solicitation and revoke any consent previously submitted.

Q:
What is the effect of delivering a WHITE Consent Revocation Card?

A:
By marking the "YES, REVOKE MY CONSENT" box on the enclosed **WHITE** Consent Revocation Card and signing, dating and mailing the card in the postage-paid envelope provided, you will revoke any earlier dated consent that you may have delivered to Related/Corvex. Even if you have not submitted a consent card, we urge you to submit a **WHITE** Consent Revocation Card as described above, as it will help us keep track of the progress of the consent process.

Q:
If I have already delivered a consent, is it too late for me to change my mind?

A:
No. The requisite number of duly executed, unrevoked consents must be delivered to the Company within 30 days of the record date and the Company has five business days to inspect them and declare the results effective. You have the right to revoke your consent by delivering a **WHITE** Consent Revocation Card, as discussed in the next question.

Q:
What should I do to revoke my consent?

A:
Mark the "YES, REVOKE MY CONSENT" box next to the proposal listed on the **WHITE** Consent Revocation Card. Then, sign and date the enclosed **WHITE** Consent Revocation Card and return it TODAY or as soon as possible in the postage-paid envelope provided. It is important that you date the **WHITE** Consent Revocation Card when you sign it.

Q:
What happens if I do nothing?

A:
You are not required to execute and send in any gold consent card that Related/Corvex sends you. However, if you do not do so, you will effectively be voting AGAINST the removal action proposed by Related/Corvex. If you have validly executed and delivered a consent that Related/Corvex sent you, doing nothing further will mean that you have consented to the removal action proposed by Related/Corvex. If you have executed and delivered a consent that Related/Corvex sent you, the Board urges you to revoke any such

consent previously submitted by executing and delivering the **WHITE** Consent Revocation Card.

Table of Contents

Q:

Who is entitled to consent, withhold consent or revoke a previously given consent with respect to the removal action proposed by Related/Corvex?

A:

Only shareholders of record as of the close of business on the Record Date, , 2014, may execute, withhold or revoke consents with respect to the removal action proposed by Related/Corvex. If your shares are held in the name of a brokerage firm, bank, nominee or other institution, to revoke your consent you will need to provide instructions to your broker, bank, nominee or other institution to execute the **WHITE** Consent Revocation Card on your behalf.

Q:

When should I return my Consent Revocation Card?

A:

In order for the removal action proposed by Related/Corvex to be adopted, the Company must receive valid, unrevoked consents executed by the holders of a sufficient number of the Company's Common Shares within 30 days after the Record Date, or on or before , 2014. We urge you to *promptly* return the **WHITE** Consent Revocation Card.

Q:

Who should I call if I have questions about the solicitation?

A:

If you have any questions regarding this consent revocation statement or about submitting your **WHITE** Consent Revocation Card, or otherwise require assistance, please call Morrow & Co., LLC ("Morrow"), the firm assisting in soliciting the revocation of consents, toll free, at (800) 276-3011 (banks and brokers call collect at (203) 658-9400).

BACKGROUND OF THE RELATED/CORVEX CONSENT SOLICITATION

In late 2012 and early 2013, the Board of Trustees became concerned that the Company's unsecured senior indebtedness would lose its investment grade rating by mid-2013 if the Company failed to improve its debt to equity and fixed charges coverage ratios and began considering raising a significant amount of equity to repay debt in order to improve these ratios.

On February 23, 2013, the Board met to review the Company's 2012 year-end financial results and discuss the potential risks and benefits of an equity offering. Following a consideration of the risks that would be associated with the Company's failure to raise equity capital at that time, including a likely downgrade of the Company's debt ratings, the Board determined to proceed with an equity offering and debt tender offer.

On February 25, 2013, the Company publicly announced and commenced (1) a public offering (the "Equity Offering") of up to 31,050,000 of our Common Shares, including the 30-day option of the underwriters involved in the Equity Offering to purchase up to an additional 4,050,000 Common Shares and (2) a tender offer (the "Tender Offer") to purchase for cash up to $450.0 million of our outstanding senior notes, subject to the terms and conditions set forth in the offer to purchase and letter of transmittal related to the Tender Offer.

On February 26, 2013, Related/Corvex jointly filed a Schedule 13D with the SEC (their "Schedule 13D"). Their Schedule 13D included a slide presentation which referenced selected public information about certain office properties owned by the Company and repeated statements that Related/Corvex believed that the Common Shares were worth $40 per share and may be worth as much as $55 per share. Their Schedule 13D also included an "open letter" to the Board dated February 26, 2013, in which Related/Corvex demanded that the Board cancel the Equity Offering and begin a dialogue with them.

Later on that same day, Related/Corvex published a second "open letter" to the Board, dated February 26, 2013. In this letter, Related/Corvex stated that they were "prepared" to acquire all the shares of the Company at $25 per share, rather than the $40 per share or $55 per share amounts referenced in their earlier materials. Related/Corvex did not explain how they would finance this

Table of Contents

purported "offer" and stated that it was conditioned upon the Company terminating the Equity Offering and allowing Related/Corvex to conduct diligence of the Company's assets and business.

On February 26, 2013, the Company received indications from Standard & Poor's that the rating agency intended to put the Company on "negative watch for possible downgrade" of its debt to junk status in large part because of the possibility that the Equity Offering might not occur due to the activities of Related/Corvex.

On the evening of February 26, 2013, the Board convened a special meeting, in which a representative of the underwriters of the Equity Offering participated for a portion of the meeting, to consider the materials publicly filed by Related/Corvex, the market conditions created by the activities of Related/Corvex and the rewards and risks associated with continuing the Equity Offering and Tender Offer versus terminating the Equity Offering and beginning a negotiation with Related/Corvex. At that meeting, Company management and the representative of the underwriters presented reports to the Board as to the status of the Equity Offering and noted that the Equity Offering was proceeding as planned, except that the public filing and open letters by Related/Corvex were increasing the share trading activity and creating uncertainty in the market as to whether the Equity Offering would continue. At that meeting, the Board also discussed the risk that cancellation or delay of the Equity Offering would make it difficult or impossible for the Company to raise equity capital in the future. Company management also reported to the Board that Standard & Poor's had advised Company representatives of the rating agency's intention to put the Company on "negative watch for possible downgrade" of the Company's debt to junk status. Following extensive discussion, the Board reached a unanimous determination that it was in the best interests of the Company to continue the Equity Offering and Tender Offer.

On the morning of February 27, 2013, the Company issued a press release announcing the Board's determination to continue the Equity Offering and to use the proceeds to repay debt. Around the same time, Related/Corvex filed an amendment to their Schedule 13D with the SEC and issued a press release with a third "open letter" dated February 27, 2013 to the Board. The letter repeated the demands that the Equity Offering be cancelled and that the Company enter into discussions with Related/Corvex. The amended Schedule 13D also disclosed that Related/Corvex had filed a complaint for injunctive and declaratory relief and rescission in a Maryland state court, against the Company, the Board of Trustees and RMR. The complaint requested that the court, among other things, enjoin the Company and the Board of Trustees from taking actions to implement the Equity Offering and rescind the Equity Offering should it be completed. For more information on this litigation, please see "Certain Litigation" later in this consent revocation statement. Later that day, the Company filed a demand for arbitration of this litigation with the AAA.

On the afternoon of February 27, 2013, the Board again convened to consider the information in Related/Corvex's latest "open letter". The Board concluded that the only new information in this latest letter appeared to be statements about financial resources of Related/Corvex and their affiliates, without disclosing whether those resources were available or sufficient to fund a purchase of the Company. The Board concluded that there was no complete financing plan for the purported "offer" by Related/Corvex. The Board also reconsidered the issues discussed during the meeting the previous evening and the information contained in the Schedule 13D, as amended, and Related/Corvex's latest letter, and reconfirmed its prior determination that the best interests of the Company would be served by the Company continuing the Equity Offering and Tender Offer, and, at the request of the underwriters for the Equity Offering, the Board issued a public announcement disclosing that determination.

Later that afternoon, Related/Corvex published a fourth "open letter" to the Board, dated February 27, 2013, in which they stated that they were prepared to increase their purported "offer" to $27 per share (an amount still substantially less than their $40 to $55 valuation), subject to the Company terminating the Equity Offering and permitting Related/Corvex to conduct diligence. In this "open letter," Related/Corvex again failed to provide evidence of financing for the purported "offer." A majority of the Board convened informally and determined that there was no materially different information presented by this latest letter from those previously received; the new letter did not include a financing plan and was conditioned upon diligence.

Also later that afternoon, the Pricing Committee of the Board formed in connection with the Equity Offering held a special meeting in which representatives of the underwriters of the Equity Offering participated. Representatives of the underwriters presented the details of the indications of interest received from investors. The Pricing Committee asked the underwriters to consider a transaction at or close to the per share closing market price of the Common Shares on the NYSE. The underwriters reported that institutional investors whose participation was necessary in order for the Equity Offering to be fully subscribed would not pay such a price. In response to questions from the Pricing Committee, representatives of the underwriters stated that there was not sufficient demand to price a transaction of 27,000,000 Common Shares at $20 per share. The Pricing Committee convened separately with counsel to discuss the report of the underwriters. After further negotiations between the Pricing Committee and the underwriters, and another separate meeting of the Pricing Committee, the Pricing Committee and underwriters agreed to terms whereby the total offering size would be for 30,000,000 Common Shares, or 34,500,000 Common Shares should the underwriters fully exercise their over-allotment option, at $19 per share (or an aggregate offering price of $570.0 million, or $655.5 million should the underwriters fully exercise their over-allotment option). Following the meeting, the Company issued a press release announcing that the Equity Offering had priced.

On March 1, 2013, in response to questions from investors, the Board of Trustees adopted the Bylaws to clarify the Board's intent that a shareholder seeking to take action to remove one or more Trustees must comply with the same bylaw requirements as a shareholder making a nomination of an individual for election to the Board of Trustees, and to make certain procedural adjustments to the record date and solicitation period for any shareholder action by written consent in order to afford a reasonable time for the Company to consider the proposed shareholder action and prepare solicitation materials and for shareholders to receive and consider a consent solicitation statement and a consent revocation statement.

Also on March 1, 2013, Related/Corvex filed a second complaint for injunctive and declaratory relief. This filing was made in the United States District Court for the District of Massachusetts (the "Massachusetts District Court") against the Company and the Board of Trustees and included a motion requesting that the court, among other things, enjoin the Company and the Board of Trustees from consummating the Equity Offering. Late in the afternoon on March 4, 2013, the Massachusetts District Court issued an order denying the motion. Among other reasons for denying the motion, the Court found that the plaintiffs failed to meet their burden of showing there was a likelihood that the claims asserted by them would succeed on the merits. For more information on this litigation, please see "Certain Litigation" later in this consent revocation statement.

On March 5, 2013, the Company completed the Equity Offering in which it issued 34,500,000 Common Shares (reflecting the full exercise of the underwriters' over-allotment option pursuant to the underwriting agreement). On March 11, 2013, the Company increased the amount of notes to be purchased in the Tender Offer to $665.0 million. On March 25, 2013, the Company completed the purchase of notes with a principal amount outstanding of $670.3 million, which comprised all of the notes tendered in the Tender Offer.

On the evening of March 12, 2013, Related/Corvex sent a letter to the Company's Independent Trustees requesting, among other things, a meeting with the Independent Trustees.

On the morning of March 13, 2013, before the market opened and the Independent Trustees could respond to the Related/Corvex letter, Related/Corvex filed a preliminary consent solicitation statement for a consent solicitation to remove all of the Trustees, without cause. On the same day, Related/Corvex also further amended their Schedule 13D to reflect their acquisition of additional shares.

On March 15, 2013, Related/Corvex further amended their Schedule 13D to announce their intent to file an amended complaint in the Maryland state court action to request that the court, among other things, declare certain provisions of the Bylaws regarding nomination and removal of Trustees invalid.

On March 15, 2013, the Board of Trustees held a meeting with members of management and representatives from Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden"). The Board reviewed its duties in connection with the solicitation by Related/Corvex of consents of shareholders to remove the Trustees, without cause. The Board of Trustees discussed the preliminary consent solicitation statement that had been filed by Related/Corvex and, following these discussions, the Board of Trustees unanimously determined (i) that the proposal of Related/Corvex to remove all of the Trustees was not in the best interests of the Company and (ii) to recommend that shareholders do not consent to the removal action proposed by Related/Corvex. On March 18, 2013, the Company filed a preliminary consent revocation statement in opposition to the Related/Corvex consent solicitation.

On March 25, 2013, the Company entered into a registration agreement with Select Income REIT ("SIR") pursuant to which SIR filed a Registration Statement on Form S-11 with the SEC to permit the public resale by the Company of some or all of the 22,000,000 common shares of beneficial interest of SIR owned by the Company (the "SIR Shares"). On the evening of March 25, 2013, Related/Corvex sent a second letter to the Company's Independent Trustees criticizing, among other things, the Board's determination to consider a possible sale of the SIR Shares.

On the afternoon of March 26, 2013, representatives of the Company's management met with representatives of Related/Corvex to better understand the actions that Related/Corvex requested the Company to take. No agreements were achieved at this meeting.

On March 28, 2013, Related/Corvex sent a letter to the Board which, among other things, purported to offer to enter into negotiations to acquire the Company at a purchase price of $24.50 per Common Share and threatened that if the Board did not agree to sell the Company to Related/Corvex at a purchase price of $24.50 per Common Share or to a third party at a higher price, Related/Corvex would proceed with a consent solicitation to remove the Board without cause. Related/Corvex did not include a financing plan with their letter or identify the individuals that Related/Corvex intended to support for appointment to the Board if their removal action is successful. Consistent with its fiduciary duties under Maryland law, the Board carefully reviewed the purported "offer" in consultation with its legal and financial advisors.

On March 29, 2013, the Company sent a letter to representatives of Related/Corvex stating that the Board had received the Related/Corvex March 28, 2013 letter and would discuss it at a meeting in the near term.

On April 9, 2013, representatives of the Company's management and certain members of the Board, including an Independent Trustee, met with representatives of Related/Corvex. No agreements were achieved at this meeting.

On April 10, 2013, Related/Corvex filed a definitive consent solicitation statement for a consent solicitation to remove all of the Trustees, without cause.

On April 12, 2013, Corvex delivered letters of Corvex Master Fund LP, an affiliate of Corvex, Mr. David R. Johnson and Cede & Co., to the Company's Secretary requesting that the Company set a record date for a consent solicitation to remove all of the Trustees, without cause. In this letter, Corvex asserted that if the Board did not accept their request for a record date as valid, the record date for their consent solicitation to remove all of the Trustees would be April 22, 2013. Also on April 12, 2013, Related/Corvex amended their Schedule 13D and amended their consent solicitation statement to, among other things, add information regarding Mr. Johnson.

Table of Contents

On April 12, 2013, the Board of Trustees held a meeting with members of management and representatives from Skadden and Saul Ewing LLP, the Company's Maryland counsel, and representatives of Bank of America Merrill Lynch, the Company's financial advisors. At this meeting, the Board reviewed and considered the Related/Corvex purported "offer" to enter into negotiations to acquire the Company at a purchase price of $24.50 per Common Share. After careful consideration of all available information and advice of its financial and legal advisors, the Board unanimously concluded that (i) Related/Corvex were not prepared to make an unconditional offer for the Common Shares and had not provided evidence that they had the committed financing necessary to acquire the Company and (ii) the best interests of the Company would be best served by the Company proceeding with continued implementation of the Company's business plan. Also at this meeting, the Board adopted a resolution electing to classify the Board pursuant to Section 3-803 of the Unsolicited Takeovers Act and approved a corresponding amendment to the Bylaws. The Board also engaged in a preliminary review of the materials delivered by Corvex on April 12, 2013, requesting that the Company set a record date for a consent solicitation to remove all of the Trustees, noted several deficiencies with those materials and authorized management to respond thereto.

On April 18, 2013, the Company responded to the letters delivered by Corvex requesting that the Company set a record date for a consent solicitation to remove all Trustees, without cause, noting that, although the Company had not completed review of the documents delivered, the requests for a record date appeared to be invalid for at least three reasons which were explained in the letter. The Company invited Corvex, Corvex Master Fund LP and Mr. Johnson to provide more information or make other corrections to their record date requests.

On April 18, 2013, Related/Corvex announced that they had sent a letter to Company shareholders urging them to submit consents to remove the Trustees, without cause, to Related/Corvex and made an investor presentation available on their consent solicitation website. The Company also mailed a letter on April 18, 2013 to Company shareholders urging them to take no action on the Related/Corvex consent solicitation for a number of reasons, including that no record date had been set.

On April 22, 2013, counsel for Corvex sent a letter to counsel for the Company rejecting the Company's position that the record date requests were deficient. The letter stated Corvex's position that the record date for their consent solicitation to remove the Board, without cause, was April 22, 2013 if the Trustees failed to set a record date by then.

On April 23, 2013, Related/Corvex announced that they had sent a second letter to the Company's shareholders urging them to submit consents to Related/Corvex and directing the Company's shareholders to a website populated with materials published by Related/Corvex. The Company believes that Related/Corvex also mailed consent materials to shareholders as of their purported April 22, 2013 record date on this date.

On April 25, 2013, counsel for the Company sent a letter to counsel for Corvex stating that the Board has the exclusive power to set a record date and that, as counsel to Corvex conceded the record date requests did not comply with the Company's governing documents, the Company Board was suspending its consideration of such requests.

On May 8, 2013, following a hearing held on May 3, 2013, the Maryland Court denied the Petition to Stay Arbitration that had been filed by Related/Corvex on March 13, 2013 and directed the dispute be submitted to arbitration. The Court also denied the partial motion for summary judgment made by Related/Corvex asking the Court to invalidate certain provisions of the Company's Bylaws regarding nomination and removal of Trustees as inconsistent with the Company's Declaration of Trust. For more information on this litigation, please see "Certain Litigation" later in this consent revocation statement.

On June 17, 2013, representatives of the Company's management and certain members of the Board met with representatives of Related/Corvex to better understand the views of Related/Corvex in an effect to reach a common ground. No agreements were achieved at this meeting.

Table of Contents

From May 8, 2013 to June 21, 2013, Related/Corvex continued to solicit the Company's shareholders to consent to their removal proposal and in connection therewith issued numerous press releases, letters and shareholder presentations. During the same time, the Company continued to advise our shareholders that we considered the Related/Corvex consent solicitation to be invalid.

On June 21, 2013, Corvex and Corvex Master Fund LP delivered a letter to the Company claiming to have received written consents from over 70% of the Company's shareholders as of their purported record date of April 22, 2013 to effectuate the immediate removal of the Company's entire Board of Trustees, without cause, and asserting that the Trustees had been removed from office. Also on June 21, 2013, Related/Corvex delivered a second letter to the Company's Independent Trustees repeating the assertion that the Independent Trustees are no longer trustees of the Company. On June 21, 2013, Related/Corvex also issued a press release making similar assertions and stating:

> "[Related/Corvex] will hold each former trustee personally accountable if they attempt to illegitimately usurp corporate authority they do not have. [Related/Corvex] advise third parties that do business with CommonWealth that we reserve the right to challenge any corporate action that may be taken by these former trustees on or after today as invalid."

On June 24, 2013, the Company responded to the letters from Related/Corvex pointing out that the effectiveness of the Related/Corvex consent solicitation was the subject of proceedings before an arbitration panel and that the Board of Trustees would continue to manage the Company unless and until the arbitration panel directed otherwise. The Company also responded to inquiries from the NYSE regarding the effectiveness of the Related/Corvex consent solicitation.

On August 7, 2013, following a hearing held on July 26, 2013, the arbitration panel granted in part and denied in part Related/Corvex's motion for partial summary judgment. The arbitration panel denied Related/Corvex motion seeking an order finding that its consent solicitation was proper and ordering the officers of the Company to convene a special meeting of shareholders to elect new trustees. The arbitration panel also set an evidentiary hearing for further consideration of all matters in the disputes between Related/Corvex and the Trustees and the Company to begin on October 7, 2013. The arbitration panel held that "some holding period and some minimum threshold ownership level singularly or in combination can be set in the bylaws as a condition to a shareholder or shareholders obtaining a record date for a consent solicitation . . . [and] that there is no evidence that the Trustees of [the Company] were not acting in good faith in adopting the 3+3 bylaws." Nonetheless, the arbitration panel found that the 3+3 bylaws made a consent solicitation unreasonably difficult to achieve and reinstated the Company's previous bylaws which required a $2,000 share ownership threshold for a period of at least one year. For more information on this litigation, please see "Certain Litigation" later in this consent revocation statement.

On September 23, 2013, the Company issued a press release announcing the restructuring of the Company's business management agreement with RMR to further align with the returns realized by shareholders, as described above. The press release also announced certain corporate governance changes, including a plan to increase the number of Independent Trustees on the Board to 75% and appoint a Lead Independent Trustee, a plan to recommend at the Company's next annual meeting following the resolution of the disputes with Related/Corvex that the shareholders approve an amendment to the Declaration of Trust providing for the annual election of all Trustees, and a plan to accelerate the expiration of the Company's shareholders' rights agreement, or poison pill, following the resolution of the disputes with Related/Corvex.

On November 18, 2013, following the conclusion of a hearing which began on October 7, 2013, the arbitration panel issued an award (the "Panel Findings") finding, among other things, that Related/Corvex's purported consent solicitation "was not properly conducted and cannot be validated." The arbitration panel also provided for a limited opportunity for Related/Corvex to conduct a new consent solicitation pursuant to a timeline established by the panel. The arbitration panel also held that if

Table of Contents

Related/Corvex were to conduct a new consent solicitation in accordance with the timeline established by the panel, our Bylaw information requirements applicable to a request for a record date for a new consent solicitation to remove trustees would be deemed satisfied by Related/Corvex by the information provided with their April 12, 2013 record date request, as supplemented by the information produced by Related/Corvex in the arbitration proceedings. The timeline established by the arbitration panel provided that Related/Corvex need to submit to the Board a request for a record date by February 16, 2014.

On November 25, 2013, Related/Corvex gave notice of their intent to commence a new consent solicitation pursuant to the rules set forth in the Panel Findings.

1,000

Net Loss

$(61,741)	$(158,736)	$(345,351)	$(741,555)

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)

	2010	2009
Operating Activities:		
Net loss	$ (346,894)	$ (741,555)
Noncash items included in net loss:		
Depreciation and amortization	155,444	192,160
Equity based compensation expense	30,540	28,786
Pension settlement charges	104	7,968
Impairment charges	17,619	30,374
Gain on sale of affiliate	(638)	
(Gains) losses on property disposals, net	4,583	(10,555)
Deferred income tax benefit, net	(9,963)	(196,134)
Amortization of deferred debt costs	35,697	18,488
Other noncash items, net	(2,537)	7,477
Changes in assets and liabilities, net:		
Accounts receivable	(37,635)	188,164
Accounts payable	(3,367)	(75,669)
Other operating assets	74,538	67,768
Other operating liabilities	73,184	166,987
Net cash used in operating activities	(9,325)	(315,741)
Investing Activities:		
Acquisition of property and equipment	(12,935)	(35,179)
Proceeds from disposal of property and equipment	71,343	106,010
Disposition of affiliate, net of cash sold	22,883	
Other	5,223	3,462
Net cash provided by investing activities	86,514	74,293
Financing Activities:		
Asset backed securitization borrowings (payments), net	(23,497)	40,695
Issuance of long-term debt	153,458	471,130
Repayment of long-term debt	(187,858)	(377,048)
Debt issuance costs	(12,713)	(55,907)
Equity issuance costs	(17,323)	
Equity issuance proceeds	15,906	
Stock issued in connection with the 6% Notes	11,994	
Net cash (used in) provided by financing activities	(60,033)	78,870
Net Increase (Decrease) In Cash and Cash Equivalents	17,156	(162,578)

Cash and Cash Equivalents, Beginning of Period	97,788	325,349
Cash and Cash Equivalents, End of Period	$ 114,944	$ 162,771
Supplemental Cash Flow Information:		
Income tax refunds, net	$ 83,035	$ 37,613
Pension contribution deferral transfer to long-term debt	$ 4,361	$ 157,216
Lease financing transactions	$ 29,613	$ 305,080
Interest paid in stock for the 6% Notes	$ 2,007	$

The accompanying notes are an integral part of these statements.

6

Table of Contents

STATEMENT OF CONSOLIDATED SHAREHOLDERS EQUITY (DEFICIT)

YRC Worldwide Inc. and Subsidiaries

For the Nine Months Ended September 30

(Amounts in thousands)

(Unaudited)

	2010
Preferred Stock	
Beginning balance	$ 4,346
Conversion of preferred shares to common shares	(4,346)
Ending balance	$
Common Stock	
Beginning balance	$ 40
Conversion of preferred shares to common shares	383
Shares issued in connection with ABS amendment	10
At the market issuances of common stock	18
Stock issued in connection with the 6% Notes	23
Interest paid in stock for the 6% Notes	2
Ending balance	$ 476
Capital Surplus	
Beginning balance	$ 1,577,300
Share-based compensation	27,647
Conversion of preferred shares to common shares	3,963
Beneficial conversion feature of 6% notes	3,341
Issuance of equity in exchange for debt and interest (net of transaction costs)	(2,000)
Shares issued in connection with ABS amendment	3,017
At the market issuances of common stock (net of transaction costs)	15,370
Stock issued in connection with the 6% Notes	11,970
Interest paid in stock for the 6% Notes	2,005
Ending balance	$ 1,642,613
Accumulated Deficit	
Beginning balance	$ (1,177,280)
Net loss attributable to YRC Worldwide Inc.	(345,351)
Ending balance	$ (1,522,631)
Accumulated Other Comprehensive Income (Loss)	
Beginning balance	$ (144,479)

Pension, net of tax:		
Reclassification of net losses to net income		2,907
Deferred tax rate adjustments		(1,080)
Foreign currency translation adjustment		(5,271)
Ending balance	$	(147,923)
Treasury Stock, At Cost		
Beginning and ending balance	$	(92,737)
Total YRC Worldwide Inc. Shareholders Equity (Deficit)	$	(120,202)
Noncontrolling Interest		
Beginning balance	$	
Noncontrolling interest in Jiayu		115
Net loss attributable to the noncontrolling interest		(1,543)
Foreign currency translation adjustments		(24)
Ending balance	$	(1,452)
Total shareholder s equity (deficit)	$	(121,654)

The accompanying notes are an integral part of these statements.

7

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 as well as logistics. 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. Approximately 34% of National Transportation shipments are completed in two days or less. In addition to the United States (U.S.) and Canada, National Transportation also serves parts of Mexico, Puerto Rico and Guam.

YRC 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. Approximately 94% of Regional Transportation LTL shipments are completed in two days or less.

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

YRC Logistics planned and coordinated the movement of goods worldwide to provide customers a single source for logistics management solutions. On August 13, 2010, we completed the initial closing of the sale of the majority of our YRC Logistics business to a third party. In addition, certain other operations ceased during the quarter ended June 30, 2010. As a result, the YRC Logistics segment has been reported as discontinued operations for all periods presented. See Note 15 Discontinued Operations for further discussion.

At November 1, 2010, approximately 74% of our labor force is subject to various collective bargaining agreements, which predominantly expire in 2015, assuming certain conditions are met. See Liquidity *Ratification of Labor Agreement Modification* .

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.

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 Annual Report on Form 10-K for the year ended December 31, 2009.

The board of directors approved a reverse stock split effective September 30, 2010 at a ratio of 1:25. The reverse stock split was effective on NASDAQ on October 1, 2010. Fractional shares were not issued in connection with the reverse stock split. Stockholders who otherwise held fractional shares were entitled to a cash payment (without interest or deduction) in respect of

Table of Contents

such fractional shares. 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 in lieu of 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 Equity (Deficit) has been retroactively adjusted to give effect to the reverse stock split for all periods presented by reclassifying from Common stock to Capital surplus, the par value of the share reduction in connection with the reverse split. In addition, all share numbers and per share amounts in the Consolidated Financial Statements and Notes to the Consolidated Financial Statements have been retroactively adjusted to give effect to the reverse stock split.

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

At September 30, 2010 and December 31, 2009, the net book value of assets held for sale was approximately $79.6 million and $112.8 million, respectively. This amount is included in Property and Equipment in the accompanying consolidated balance sheets. We recorded charges of $3.9 million and $27.2 million for the three and nine months ended September 30, 2010, and $6.7 million and $13.8 million for the three and nine months ended September 30, 2009, 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 SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (now included in FASB ASC Topic 360). Our evaluation compares the estimated future undiscounted cash flows associated with the asset or asset group to its carrying amount to determine if a reduction to the carrying amount is required. The carrying amount of an impaired asset would be reduced to fair value if the estimated undiscounted cash flows are insufficient to recover the carrying value of the asset group.

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

Fair Value of Financial Instruments

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

Table of Contents

3. Liquidity

The following table provides details of the outstanding components and unused available (deficit) capacity under the Credit Agreement and ABS Facility (each, as defined below) at September 30, 2010 and December 31, 2009:

(in millions)	September 30, 2010	December 31, 2009
Capacity:		
Revolving loan	$ 772.8	$ 950.0
ABS Facility	350.0	400.0
Total maximum capacity	1,122.8	1,350.0
Amounts outstanding:		
Revolving loan	(149.9)	(329.1)
Letters of credit (9/30/10: $454.2 revolver; $72.2 ABS Facility)	(526.4)	(538.3)
ABS Facility borrowings	(122.8)	(146.3)
Total outstanding	(799.1)	(1,013.7)
ABS borrowing base limitations	(155.0)	(178.2)
Restricted Revolver reserves	(122.8)	(159.8)
Total restricted capacity	(277.8)	(338.0)
Unrestricted unused capacity (deficit) (9/30/10: $45.9 revolver; $0.0 ABS Facility)	$ 45.9	$ (1.7)

Credit Agreement Amendments

On May 3, 2010, we entered into Amendment No. 17 and on July 28, 2010, we entered into Amendment No. 18 to our Credit Agreement, dated as of August 17, 2007 (as amended, the Credit Agreement). The amendments are described below.

Amendment No. 17

We have entered into an arrangement to sell up to $103 million in gross proceeds of shares of common stock (on a gross proceeds basis) in an at-the-market issuance program. See At Market Issuance Sales Agreement below. Amendment No. 17 to the Credit Agreement permits us to retain the net proceeds from any such sales as described below:

Equity Issuances

Amendment No. 17 provides that we may receive up to $100 million of net cash proceeds from the issuance of equity interests during the period commencing on May 3, 2010 and ending on the earlier of December 31, 2010 or the date on which we receive $100 million of net cash proceeds from such equity issuances, without having to use such net cash proceeds to make a mandatory prepayment under the Credit Agreement. The net cash proceeds from such equity issuances are deposited into a new deposit account (the New Account). We will be able to use the funds in the New Account for general corporate purposes. While any funds are in the New Account, they will not count toward the calculation of Liquidity (as defined in the Credit Agreement), the calculation of Unrestricted Cash (as defined in the Credit Agreement) or the calculation of Excess Cash Flow (as defined in the Credit Agreement) in each case for purposes of the mandatory prepayment requirements. The funds in the New Account will count as Available Cash (as defined in the Credit Agreement). Additionally, we will not be able to request loans under the Credit Agreement until the balance in the New Account is zero. Other than the net cash proceeds from the issuance of such equity interests, no funds may be deposited into the New Account, and once funds have been withdrawn they may not be re-deposited. As of September 30, 2010 the balance in this New Account was $15.4 million which represents our net proceeds from our at the market issuances.

Voluntary Prepayments of Certain Obligations

Amendment No. 17 to the Credit Agreement modifies the restriction on voluntary prepayments of any amounts owing under the Contribution Deferral Agreement or indebtedness, including a prohibition on the Company using the up to $100 million of net cash proceeds from the equity issuance described above to make such voluntary prepayments.

Table of Contents

Amendment No. 18

We entered into an agreement to sell the majority of our logistics business for $37 million (prior to any purchase price adjustments). See Sale of YRC Logistics below. Amendment No. 18 to the Credit Agreement provides us with access to the net cash proceeds from the sale as described below:

Sale of YRC Logistics

The Credit Agreement requires us to prepay amounts outstanding under the Credit Agreement with 100% of the net cash proceeds received from the sale of YRC Logistics. Pursuant to Amendment No. 18, these net cash proceeds will be applied to outstanding unblocked revolver loans under the Credit Agreement (without a corresponding commitment reduction to the unblocked revolver) and the new revolver reserve block under the Credit Agreement will be permanently reduced by 50% of that amount.

Mandatory Prepayments

Pursuant to the terms of Amendment No. 18, on and after August 10, 2010, upon a Prepayment Event (except for certain sale and leaseback transactions described below) or an Excess Cash Flow Sweep (as defined in the Credit Agreement), a mandatory prepayment will be made in an amount, and in accordance with the provisions of, the Credit Agreement prior to giving effect to Amendment No. 18, except that:

(i) outstanding permitted interim loans will be repaid after (rather than before) new revolver reserve block loans, existing revolver reserve block (performance) loans and unblocked revolver loans (in each case (other than permitted interim loans) with a corresponding permanent commitment reduction), and

(ii) outstanding term loans are paid ratably with the unblocked revolver.

The first $20 million of net cash proceeds received from sale and leaseback transactions received on and after August 10, 2010 will be treated as follows:

(i) 25% of the net cash proceeds will be applied in accordance with the provisions described in the paragraph above,

(ii) 75% of the net cash proceeds will be applied to outstanding unblocked revolver loans (without a corresponding commitment reduction to the unblocked revolver), and

(iii) the new revolver reserve block will be permanently reduced by 50% of the net cash proceeds.

Conversion of Revolving Loans and LC Limits

Amendment No. 18 converted $150 million of outstanding revolving loans to term loans. In addition, Amendment No. 18 reduced the letter of credit sublimit to $550 million and limited foreign currency letters of credit to $25 million. As of September 30, 2010, the senior revolving credit facility had a capacity of $772.8 million and the senior term loan outstanding principle was $260.2 million.

Consolidated EBITDA

The definition of Consolidated EBITDA was amended to include a new add back for charges, expenses and losses incurred with any Permitted Disposition (as defined in the Credit Agreement) or discontinued operations.

Financial Covenants

Our minimum Available Cash covenant requires that we maintain at least $25 million of Available Cash through December 31, 2010 and at least $50 million of Available Cash from and after January 1, 2011.

Our minimum Consolidated EBITDA (as defined in the Credit Agreement) covenant in respect of the periods ending September 30, 2010 and December 31, 2010 is as follows:

Period	Minimum Consolidated EBITDA	
For the two consecutive fiscal quarters ending September 30, 2010	$	50 million
For the three consecutive fiscal quarters ending December 31, 2010	$	100 million

Asset-Backed Securitization Amendments

On May 3, 2010, we, as Performance Guarantor, and the parties to the Third Amended and Restated Receivables Purchase Agreement, dated as of April 18, 2008 (as amended, the ABS Facility), entered into Amendment No. 17 to the ABS Facility, which implemented minimum consolidated EBITDA and minimum available cash requirements that are consistent with Amendment No. 17 to the Credit Agreement described above.

On June 11, 2010, we entered into Amendment No. 18 to the ABS Facility. The amended facility (i) reduced the aggregate commitments under the ABS Facility from $400 million to $350 million; and (ii) modified certain calculations under the ABS Facility to reduce the impact of negative effects that the integration of Yellow Transportation and Roadway has had on the ability of the Seller to borrow under the ABS Facility.

In connection with Amendment No. 18 to the ABS Facility, we paid fees to the Co-Agents (the Closing Fees). The Closing Fees were paid by the Company by the issuance to the Co-Agents (or their designees) of an aggregate of 1.0 million shares (25.4 million shares prior to the adjustment for the reverse stock split) of unregistered restricted common stock of the Company of which 0.8 million shares (20.7 million shares prior to the adjustment for the reverse stock split) were issued as of June 30, 2010 and the remaining 0.2 million shares (4.7 million shares prior to the adjustment for the reverse stock split) were issued on July 22, 2010. To value these shares issued in lieu of cash fees, we completed a fair value analysis and concluded that the value of these shares as of June 30, 2010 was $3.0 million.

On October 20, 2010, we entered into Amendment No. 19 to the ABS Facility.

Maturity

Amendment No. 19 extends the expiration of the ABS Facility to October 19, 2011; provided, that the ABS Facility will expire on January 10, 2011 if the Agreement for the Restructuring of the YRC Worldwide Inc. Operating Companies, dated September 24, 2010, among the International Brotherhood of Teamsters (the IBT) and certain subsidiaries of the Company (the IBT Agreement) is not in full force and effect on January 10, 2011.

Capacity and Availability

Amendment No. 19 reduces the aggregate commitments under the ABS Facility from $350 million to $325 million.

Interest and Fees

Amendment No. 19 provides for a 1% increase in the Default Rate, LIBOR Rate and LMIR (each as defined in the ABS Facility) on each of April 30, 2011 and June 30, 2011.

In connection with Amendment No. 19, we and the Co-Agents agreed that:

The $10.0 million fee that was previously due on October 26, 2010 has been deferred and is payable in two installments of $5 million on each of March 1, 2011 and April 30, 2011 unless payment is accelerated due to the occurrence of (i) the Amortization Date (as defined in the ABS Facility) or (ii) a Deferral Termination Event (as defined in the Company s credit agreement) (each of (i) and (ii), an Accelerated Deferred Fee Payment Date); provided, that if the ABS Facility is refinanced, then Yellow Roadway Receivable Funding Corporation (YRRFC) will not have to pay any portion of this deferred fee that is due and payable after the refinance date.

YRRFC will pay the Co-Agents an additional $5 million fee on June 30, 2011 (or an Accelerated Deferred Fee Payment Date) if the ABS Facility is not refinanced by that date.

Table of Contents

YRRFC paid the Co-Agents on the effective date of Amendment No. 19 the interest and letter of credit, program and administration fees that were previously deferred, which was approximately $13 million. The portion of such interest and fees in excess of the interest and fee rates in place prior to February 12, 2009 will begin to be deferred from October 20. 2010 until the earlier of March 1, 2011 and an Accelerated Deferred Fee Payment Date, at which time YRRFC will begin to make cash payments for such incremental interest and fees. If the ABS Facility is refinanced by March 1, 2011, then YRRFC will not have to pay the interest and letter of credit, program and administration fees that are deferred from October 20, 2010. We expect these deferred interest and fees to be approximately $4 million from October 20, 2010 through March 1, 2011 based on expected borrowings.

The letter of credit fees will increase by 1% and the program and administrative fees will each increase by 0.5% on each of April 30, 2011 and June 30, 2011 if the ABS Facility is not refinanced by those dates.

The ABS Facility will be deemed refinanced if: (i) YRRFC has repaid all borrowings under the ABS Facility and has paid the Purchasers (as defined in the ABS Facility) and Co-Agents all amounts due under the ABS Facility; (ii) all letters of credit under the ABS Facility have been surrendered; (iii) the commitments of the Purchasers and LC Issuer have terminated; and (iv) there are no continuing obligations of the Purchasers, Co-Agents and LC Issuer under the ABS Facility.

Servicer Defaults

Amendment No. 19 provides that a Servicer Default (as defined in the ABS Facility) will occur if, among other things,: (i) the IBT Agreement shall not be in full force and effect; or (ii) the Co-Agents do not consent prior to a restructuring of the Company.

For purposes of the ABS Facility, a restructuring of the Company includes, among other things:

The issuance of equity if the number of shares of capital stock, on a fully diluted basis, in respect of any such issuances since October 20, 2010 exceeds 5% of the Company s outstanding shares of capital stock on October 20, 2010; provided, that the issuance of capital stock (i) under the Company s at-the-market issuance program, (ii) in the conversion of, or payment of interest under, the 6% Notes and (iii) under the Company s single-employer benefit plans will not count against the 5% limitation described above.

The issuance of, entering into, restructuring of or refinancing of any debt securities, notes, credit agreements or credit facilities (other than indebtedness arising under the ABS Facility, our Credit Agreement or our 6% Notes) having individually a principal amount in excess of $10 million.

The exchange or conversion of any obligations or liabilities for or into capital stock, debt securities or any other instrument or agreement described in the two bullets above.

Any Capital Event (as defined in the IBT Agreement).

Any amendment, restatement, supplement or other modification to our Credit Agreement or 6% Notes.

Interest and Fee Deferrals

In 2009, the Credit Agreement lenders agreed to defer the payment of revolver and term loan interest, letter of credit fees and commitment fees, subject to the deferral exceptions and termination events, for the period:

beginning December 31, 2009, and

ending on December 31, 2010, subject to an extension until December 31, 2011 if agreed to by 66 $^{2}/_{3}$ % of the lenders.
As of September 30, 2010 the amounts deferred under the above provision were $78.1 million.

Additionally, we deferred amendment fees of $31.8 million in October 2009, which are fully earned but not due and payable until the earlier of December 31, 2011 or the occurrence of a termination event.

Finally, the interest due in relation to our deferred pension payments under the Contribution Deferral Agreement has also been deferred beginning on January 1, 2010. As of September 30, 2010, interest deferred related to these payments was $7.0 million.

Table of Contents

In addition to the deferred interest, we have also deferred the 2010 monthly payments for amounts deferred under the Contribution Deferral Agreement totaling approximately $35 million.

Contribution Deferral Agreement Amendments

Effective May 3, 2010 and August 3, 2010, we entered into Amendment No. 4 and Amendment No. 5 to the Contribution Deferral Agreement, respectively. Pursuant to the Contribution Deferral Agreement dated as of June 17, 2009, with certain of the multiemployer pension funds to which we contribute (the Contribution Deferral Agreement), we have deferred the payment of contributions to these funds. Under Amendment No. 4 and Amendment No. 5, the calculation of Liquidity (as defined in the Contribution Deferral Agreement) for the Liquidity Cash Sweep (as defined in the Credit Agreement) thereunder was amended to conform it to the test in the Credit Agreement (after giving effect to Amendment No. 17 and Amendment No. 18, respectively, to the Credit Agreement), except that the Liquidity test under the Contribution Deferral Agreement subtracts any commitment reduction or prepayment under the Credit Agreement.

Effective August 10, 2010, we entered into Amendment No. 6 to the Contribution Deferral Agreement to approve Amendment No. 18 to the Credit Agreement, which allows 100% of the net cash proceeds from the sale of YRC Logistics to be applied to outstanding unblocked revolver loans under the Credit Agreement (without a corresponding commitment reduction to the unblocked revolver) and the new revolver reserve block under the Credit Agreement to be permanently reduced by 50% of that amount. Additionally, Amendment No. 6 amended the terms of the Contribution Deferral Agreement to require the approval of 90% (rather than 100%) of the pension funds party to the Contribution Deferral Agreement to waive any additional payment of deferred pension obligations and continue the deferral in the event that the Company makes any mandatory prepayment, commitment reduction, additional interest or fee or any other incremental payment to the lenders under the Credit Agreement that was not required as of August 10, 2010.

At Market Issuance Sales Agreement

On May 3, 2010, we entered into an At Market Issuance Sales Agreement (the Sales Agreement) with Wm Smith & Co and McNicoll, Lewis & Vlak LLC (the Sales Agents), under which we may sell up to the amount available for offer and sale under the currently effective Registration Statement on Form S-3 (Registration No. 333-159355) (the Registration Statement) of our common stock from time to time through the Sales Agents. The Registration Statement permits the issuance, from time to time, by us of shares of the Company s common stock, preferred stock and warrants up to an aggregate initial offering price not to exceed $200 million. The Sales Agents may sell the common stock by any method permitted by law deemed to be an at the market offering as defined in Rule 415 of the Securities Act of 1933, as amended, including without limitation sales made directly on the NASDAQ Global Select Market, on any other existing trading market for the common stock or to or through a market maker. The Sales Agents may also sell the common stock in privately negotiated transactions, subject to our approval. The compensation to the Sales Agents for sales of common stock sold pursuant to the Sales Agreement will be an aggregate of 3.0% of the gross proceeds of the sales price of common stock sold with respect to the first $25.0 million of gross proceeds and an aggregate of 2.0% of the gross proceeds with respect to gross proceeds in excess of that amount.

The Sales Agreement will terminate on the earliest of (1) the sale of all of the common stock subject to the Sales Agreement, or (2) termination of the Sales Agreement by the Company or the Sales Agents. Either Sales Agent may terminate the Sales Agreement as to itself at any time in certain circumstances, including the occurrence of a material adverse change that, in such Sales Agent s judgment, may impair its ability to sell the common stock, or a suspension or limitation of trading of the Company s common stock on NASDAQ. We may terminate the Sales Agreement at any time upon five days prior notice while either Sales Agent may terminate the Sales Agreement as to itself at any time upon five days prior notice. The Sales Agreement contains customary representations, warranties and covenants.

On May 4, 2010, we filed with the SEC a prospectus supplement that contemplates the sale of up to $103 million in gross proceeds of shares of the Company s common stock from time to time in at-the-market offerings pursuant to the Sales Agreement. Sales pursuant to the Sales Agreement will be made only upon instructions by the Company to the Sales Agents, and we cannot provide any assurances that we will issue any additional shares pursuant to the Sales Agreement.

During the three months ended June 30, 2010, we completed the sale of 1.8 million shares (44.9 million shares prior to the adjustment for the reverse stock split) for net proceeds of $15.4 million as part of our at the market offerings. No additional at the market transactions were completed during the three months ended September 30, 2010.

Sale of YRC Logistics

In June 2010, we entered into an Equity Interest Purchase Agreement (the Agreement) with CEG Holdings, Inc. (now known as MIQ Holdings Inc.) (CEG), a subsidiary of Austin Ventures to sell YRC Logistics for an aggregate of approximately $37.0 million in cash. On August 13, 2010, the Company and CEG, held the initial closing of the transactions contemplated by the Agreement. At the initial closing, CEG paid the Company approximately $33.6 million, which included $31.9 million of the purchase price and approximately $1.6 million for retained insurance claims. Approximately $2.3 million of the purchase price was deposited into an escrow account for subsequent closings of foreign subsidiaries and approximately $2.8 million of the purchase price was deposited into an escrow account (one-half of which will be held for 12 months and one-half will be held for 18 months) to satisfy certain indemnification claims by CEG that may arise. Following the initial closing, a succession of delayed closings and payments will occur to transfer certain foreign subsidiaries to CEG as required regulatory approvals and licensing transfers in foreign jurisdictions are obtained. As of September 30, 2010 four delayed closings remained for a total purchase price of $0.8 million. We expect to collect more than $10 million related to the working capital adjustment in the fourth quarter of 2010, subject to final resolution of working capital adjustments between the Company and CEG.

Ratification of Labor Agreement Modification

On September 24, 2010, we entered into a tentative labor agreement with the Teamsters National Freight Industry Negotiating Committee (TNFINC). TNFINC is the committee that the International Brotherhood of Teamsters (the Teamsters) has designated to represent the Teamster employees of the Company in negotiations regarding the tentative agreement. On September 29, 2010, the Board of Directors of the Company approved the tentative agreement, and the Teamsters approved submitting the tentative agreement to the Teamster represented employees of the Company s subsidiaries for ratification. Our eligible Teamster represented employees ratified the tentative agreement on October 30, 2010.

Ratification of the tentative agreement extended the current expiration of the National Master Freight Agreement (NMFA), which currently governs labor terms and conditions for most of the Company s Teamster employees, from March 31, 2013 to March 31, 2015. The modified NMFA also provides the following:

- The temporary cessation of the payment of pension contributions to the multi-employer pension funds (the Funds) in which the company s subsidiaries participate would continue until June 1, 2011, at which time the Company s subsidiaries would contribute to those Funds until the end of the extended term of the NMFA at the rate of 25% of the contribution rate in effect on July 1, 2009. Modifications to pension contributions will require the approval of the multi-employer pension funds to which the Company contributes.

- Wage increases were provided for in 2013 and 2014 during the extended term of the NMFA, but the 15% wage reduction was also extended through the extended term of the NMFA and would apply to the new increases.

- Significant changes were made in the work rules applicable to the Company s subsidiaries and made uniform across all regional and job classification supplemental agreements to the NMFA.

- Health and welfare contribution increases were set at 35 cents per hour during each year of the extended term.

- TNFINC was given the right to approve certain changes of control applicable to the Company. If TNFINC approval is not received, TNFINC may declare the wage, benefit and work rule concessions null and void on a prospective basis.

- In the event of a bankruptcy of the Company, TNFINC may declare the wage, benefit and work rule concessions null and void.

The Company has begun discussions to restructure the debt under its Credit Agreement, which may include additional capital investment (debt and/or equity) by third parties in a recapitalization. The modified NMFA also provides the following:

TNFINC would have the right to approve the various transactions comprising the restructuring/recapitalization.

If TNFINC s approval is not obtained, TNFINC may declare the wage, benefit and work rule concessions null and void on a prospective basis, and the Company would owe its Teamster employees an amount equal to the concessions that in fact benefited the Company prior to the termination.

TNFINC would have significant rights to participate in the restructuring/recapitalization discussions.

In deciding whether to give its approval to a restructuring/recapitalization, TNFINC could demand on behalf of Teamster represented employees of the Company s subsidiaries additional compensation if negotiated performance triggers are met, equity participation, specified terms in the restructuring, specified indebtedness levels resulting from the transactions, governance rights and financial viability criteria.

The Company is required to enter into definitive agreements to effect the restructuring/recapitalization by December 31, 2010 and close those transactions by March 31, 2011, or in each case, such later date as TNFINC would agree and, in each case, on terms and conditions that TNFINC approves.

The Company agreed to expand TNFINC s board participation from one to two board members upon completion of a restructuring/recapitalization that TNFINC approves.

Risks and Uncertainties Regarding Future Liquidity

In light of our recent operating results, we have satisfied our short term liquidity needs through a combination of borrowings under our credit facilities, retained proceeds from asset sales, sale/leaseback financing transactions, issuances of our common stock and 6% Notes and an income tax refund from the IRS. In an effort to further manage liquidity, we have also instituted the deferral of pension plan payments and certain interest and fees. As our operating results improve, we expect that cash generated from operations will reduce our need to continue to rely upon these sources of liquidity to meet our short term funding requirements.

In August 2009, the employees in most of our bargaining units who are represented by the International Brotherhood of Teamsters (the Teamsters) ratified a modification to our collective bargaining agreement (the Prior MOU) to (among other things) implement a 15% wage reduction (which includes the 10% wage reduction previously implemented in January 2009) and a temporary cessation of the requirement for the Company s subsidiaries to make contributions to union multi-employer pension funds. The wage reduction and the temporary pension contribution cessation have also improved our liquidity position; however, the temporary pension contribution cessation ends at the end of 2010 without further action by the multi-employer pension funds as described below. In October 2010, the employees in most of our bargaining units who are represented by the Teamsters ratified additional modifications to our collective bargaining agreement (the MOU), which, among other items, extends the wage reduction until March 2015, institutes work rule changes, extends the temporary pension contribution cessation until June 1, 2011 and reduces the contribution rate to the multi-employer pension funds to 25% of the July 2009 rate from June 2011 through March 2015. The extension of the temporary pension contribution cessation and the reduced pension contribution rate are subject to the approval of the pension funds.

The MOU requires us to enter into definitive agreements by December 31, 2010 to restructure the debt under our Credit Agreement, which may include additional capital investment (debt and/or equity) by third parties in a recapitalization, and to close the transactions by March 31, 2011. The committee that represents the Teamsters in negotiations regarding our collective bargaining agreement (TNFINC) must consent to the terms of the restructure/recapitalization transaction and may modify the deadlines set forth in the MOU.

To continue to have sufficient liquidity to meet our cash flow requirements through December 31, 2010 and into 2011:

- our operating results must continue to stabilize or recover quarter-over-quarter and shipping volumes must continue to stabilize or recover quarter-over-quarter;
- we must continue to have access to our credit facilities;
- we must continue to defer payment of:
  - interest and fees to our lenders under the Credit Agreement
  - interest and facility fees to purchasers of our accounts receivable pursuant to the ABS Facility from the October 20, 2010 renewal of the ABS Facility

interest and principal to our pension funds pursuant to the Contribution Deferral Agreement;

the cost savings under our collective bargaining agreement, including wage reductions, temporary cessation of pension contributions and savings due to work rule changes, must continue;

we must complete real estate sale transactions currently under contract as anticipated; and

we must continue to implement and realize substantial cost savings measures to match our costs with business levels and to continue to become more efficient.

Some or all of these factors may be beyond our control. We also cannot give assurance that we will continue to maintain covenant compliance under our financing facilities, Contribution Deferral Agreement and labor agreements, the failure of which would have a material adverse effect on our business, financial condition and operating results.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The uncertainty regarding the Company s ability to generate sufficient cash flows and liquidity to fund operations raises substantial doubt about the Company s ability to continue as a going concern (which contemplates the realization of assets and discharge of

Table of Contents

liabilities in the normal course of business for the foreseeable future). These financial statements do not include any adjustments that might result from the outcome of this uncertainty. See our Annual Report on Form 10-K for additional information regarding our ability to continue as a going concern. If we are unable to fund our operations through operating cash flows, existing credit facilities, sales of non-strategic assets and business lines and other capital market transactions, we would consider in court and out of court restructuring alternatives.

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

- we continue to, and expect to implement further cost actions and efficiency improvements;
- we will continue to aggressively seek additional and return business from customers;
- if appropriate, we may sell additional equity or pursue other capital market transactions
- we may consider selling non-strategic assets or business lines; and
- we expect to carefully manage receipts and disbursements, including amounts and timing, focusing on reducing days sales outstanding and managing days payables outstanding.

At December 31, 2010, the temporary cessation of our requirement to make contributions to the multi-employer pension funds in which we participate will end absent the approval of each of our affected multi-employer pension funds to extend the temporary cessation until June 1, 2011. We also need approval of each of these pension funds to resume contributions at a reduced 25% contribution rate after the temporary cessation ends. In addition, under the Contribution Deferral Agreement, 90% approval of the pension funds in interest is required to continue our deferral of the payment of future interest and the amortized principal to the pension funds during 2011 under the Contribution Deferral Agreement. Based upon expected levels of employment in 2011, we estimate that we will be required to contribute approximately $25 $30 million per month to multi-employer pension funds in 2011 if the pension funds do not approve the extension of the temporary cessation and the reduced contribution rate after the cessation ends. Under the Contribution Deferral Agreement, previously deferred interest and amortized principal payments of $42.0 million are not due until the end of 2011; unless a majority in interest of the pension funds elect to accelerate the payments after termination of the deferral.

Absent the consent of two-thirds in interest of the lenders under the Credit Agreement to continue the deferral of interest and fees under the Credit Agreement during 2011, the deferral will terminate at December 31, 2010. Previously deferred interest and fees under the Credit Agreement of $109.9 million are not due until the end of 2011, unless a majority in interest of the lenders accelerate the payment because of a termination of the deferral under the Contribution Deferral Agreement or to the extent our cash and unblocked availability under the Credit Agreement and the ABS Facility in 2011 exceeds certain levels set forth in the Credit Agreement.

The Company renewed its ABS Facility on October 20, 2010 and continued the deferral of the $10 million commitment fee in two payments of $5 million on each of March 1, 2011 and April 30, 2011 and deferred an additional $5 million commitment fee until June 30, 2011. Deferred interest and fees from October 20, 2010 through March 1, 2011, expected to be approximately $4 million, are due and payable on March 1, 2011. However, if we can refinance the ABS Facility prior to the due date of any of these payments, then the payments will be waived.

TNFINC may declare the wage, benefit and work rule concessions in the MOU null and void on a prospective basis, and we would owe our Teamster employees an amount equal to the concessions that in fact benefited us prior to the termination if, among other things, we do not enter into and consummate a restructure/recapitalization transaction that is approved by TNFINC within the December 31, 2010 and March 31, 2011 deadlines set forth in the MOU (which deadlines may be extended by TNFINC). In addition, if the fee and interest deferrals under the Credit Agreement do not continue in 2011, TNFINC has the right to terminate the Prior MOU, which, among other things, would eliminate the 15% wage reduction in place through March 2015 for employees of bargaining units that have ratified the Prior MOU.

We do not expect that we will have sufficient liquidity to pay deferred amounts under the Credit Agreement and CDA, make contributions to multi-employer pension funds in amounts greater than set forth in the MOU or lose wage, benefit and work rule concessions in 2011. As a result, we are in discussions with all of our stakeholders and we are exploring the restructuring and possible recapitalization of these obligations, which may include the issuance of a significant amount of additional equity. A failure to address these obligations prior to the dates that the deferrals would end or the multi-employer pension fund contributions would begin, or the termination of the wage, benefit and work rule concessions in the MOU, would materially and adversely affect our liquidity and our ability to continue to operate our business in the ordinary course.

Table of Contents

4. Debt and Financing
Total debt consisted of the following:

(in millions)	September 30, 2010	December 31, 2009
Revolving credit facility	$ 149.9	$ 329.1
Term loan (par value of $260.2 and $111.5)	261.0	112.6
ABS borrowings, secured by accounts receivable	122.8	146.3
USF senior notes ($45.0 par value)		45.3
Contingent convertible senior notes	1.9	21.7
6% convertible senior notes ($69.4 par value)	55.3	
Pension contribution deferral obligations	139.7	153.0
Lease financing obligations	328.6	318.9
Other	1.1	6.0
Total debt	$ 1,060.3	$ 1,132.9
Current maturities of long-term debt	(2.9)	(27.6)
Current maturities of lease financing obligations	(3.0)	(2.7)
Current maturities of pension contribution deferral Obligations	(81.5)	(20.5)
ABS borrowings	(122.8)	(146.3)
Long-term debt	$ 850.1	$ 935.8

As of September 30, 2010, we were in compliance with the various debt covenants, as amended, under our lending agreements.

Asset-Backed Securitization Facility

At September 30, 2010, our underlying accounts receivable supported total capacity under our ABS Facility of $195.0 million. In addition to the $122.8 million outstanding, the ABS Facility capacity was also reduced by outstanding letters of credit of $72.2 million resulting in no unused capacity at September 30, 2010.

6% Convertible Senior Notes Due 2014

In February 2010, we entered into a note purchase agreement with certain investors pursuant to which the investors agreed to purchase up to $70 million in aggregate principal amount of our 6% convertible senior notes due 2014 (the 6% Notes). The 6% Notes bear interest at 6%, payable in February and August of each year. The sale of the 6% Notes was structured to occur in two closings. Pursuant to the note purchase agreement, we sold $49.8 million of the 6% Notes to the investors at the first closing in February 2010 and sold an additional $20.2 million of 6% Notes to the investors in the second closing in August 2010.

The 6% Notes are convertible, at the note holder s option, prior to the maturity date into shares of our common stock. The 6% Notes were initially convertible at a conversion price of $10.75 per share ($0.43 per share prior to the adjustment for the reverse stock split), which is equal to a conversion rate of approximately 93 shares (2,326 shares prior to the adjustment for the reverse stock split) per $1,000 principal amount of 6% Notes, subject to certain adjustments. The 6% Notes provide for caps within the second anniversary of the first closing such that a holder and its affiliates is not entitled to convert its 6% Notes to the extent that the holder and its affiliates would hold greater than 4.9% of the then outstanding common stock after such conversion, unless timely waived by the holder. The 6% Notes also provide a cap through stated maturity such that any holder and its affiliates is not entitled to convert its notes to the extent that the holder and its affiliates would own greater than 9.9% of the voting power of our stock. Beginning on February 23, 2012, we may convert the 6% Notes pursuant to a mandatory conversion into shares of our common stock if the market price of our common stock meets certain thresholds.

Noteholders who convert their 6% Notes at their option or whose 6% Notes are converted in a mandatory conversion at our option will also receive a make whole premium paid in shares of our common stock. The make whole premium will be payable in additional shares of common stock and will be calculated based on the remaining interest payments on the 6% Notes that would have been received through the original scheduled maturity date of the 6% Notes.

The 6% Notes indenture provides that the maximum number of shares of our common stock that can be issued in respect of the 6% Notes upon conversion or with respect to the payment of interest or in connection with the make whole premium or otherwise shall be limited to 8,075,200 (201,880,000 prior to the adjustment for the reverse stock split) shares of common stock for $70 million in aggregate principal amount of the 6% Notes, subject to certain adjustments. If the limit is reached, no holder is entitled to any other consideration on account of shares not issued. This limitation terminates if the holders of our common stock approve the termination of this limitation.

On August 2, 2010, we entered into a letter agreement (the Letter Agreement) with the investors to facilitate the issuance of the remaining $20.2 million of 6% Notes, and on August 3, 2010, the issuance and sale of those remaining 6% Notes to the investors was completed. Pursuant to the Letter Agreement, the investors accepted our required certifications that were conditions to closing under the note purchase agreement and, in turn, provided a certificate to the escrow agent to release the $20.2 million in escrowed purchase price. Also pursuant to the Letter Agreement, we temporarily increased the conversion rate under the 6% Note indenture on the date of the second closing for a period of 20 days to 4,000 shares (100,000 shares prior to the adjustment for the reverse stock split) of our common stock per $1,000 in principal amount of Notes (the Adjusted Conversion Rate). This had the effect of reducing the conversion price to $0.25 per share ($0.01 per share prior to the adjustment for the reverse stock split). Using this Adjusted Conversion Rate, the investors converted $590,000 of principal amount of their 6% Notes into an aggregate of 2,360,000 shares (59 million shares prior to the adjustment for the reverse stock split) of our common stock. The 2,360,000 shares of common stock did not include any common stock to be issued to holders of 6% Notes in respect of interest on the 6% Notes that we paid on August 16, 2010 (in respect of the August 15th interest payment date set forth in the Notes). Immediately following the 20-day period, the Conversion Rate reverted back to the initial conversion rate of approximately 93 shares (2,326 shares prior to the adjustment for the reverse stock split) of common stock per $1,000 in principal amount of the 6% Notes ($10.75 per share, $0.43 per share prior to the adjustment for the reverse stock split)). Any future conversions remain subject to the 6% Note indenture limitation that provides that no more than 8,075,200 shares of common stock may be issued in respect of the 6% Notes.

The proceeds from the second closing were used to fund the repurchase of $19.8 million of the Company s outstanding 5.0% Contingent Convertible Senior Notes due 2023 pursuant to put options exercised on August 9, 2010.

Assuming that the entire outstanding aggregate principal amount of $69.4 million of 6% Notes had been converted at the note holders option as of September 30, 2010 and October 31, 2010, respectively, an aggregate of 5,503,972 shares (137,599,296 shares prior to the adjustment for the reverse stock split), of our common stock would have been issued as a result of such conversion, including the make whole premium described above. As of the date of this report, 2,571,228 shares (64,280,704 shares prior to the adjustment for the reverse stock split) of common stock have been issued on account of the 6% Notes and a maximum of 5,503,972 additional shares of our common stock may be issued in respect of the 6% Notes. Such limitation on the number of shares of common stock issuable in respect of the 6% Notes applies on a pro rata basis to all outstanding 6% Notes, which in effect limits the number of shares issuable in respect of the 6% Notes to approximately 79 shares per $1,000 in principal amount of the 6% Notes, or an effective conversion price of approximately $12.61 per share, after the adjustment for the reverse stock split.

We have evaluated the terms of the conversion feature included in the 6% Notes related to the $49.8 million issued in the first closing under applicable accounting literature, and determined that a portion of the proceeds should be allocated to the beneficial conversion feature as it was in-the-money at the commitment date. Accordingly, we allocated $3.3 million of the proceeds from the first closing to the conversion feature and account for this as a component of equity to be amortized over the term of the 6% Notes. The resulting yield on the first tranche of the 6% Notes as a result of this allocation is 6.4%.

We have evaluated the terms of the second closing of the 6% Notes, including the related simultaneous conversion and issuance of common stock in satisfaction of an aggregate principle amount of $0.6 million outstanding 6% Notes. We have determined such transaction to be accounted for as an issuance of debt and equity securities in exchange for $20.2 million of cash proceeds, and have thus allocated the $20.2 million proceeds between the debt and equity securities issued on a relative fair value basis. Accordingly, we allocated $12.0 million of the proceeds to equity as an issuance of common stock and $8.2 million of the proceeds to debt. The resulting yield on the second tranche of the 6% Notes as a result of this allocation is 34.5%.

Table of Contents

5. Intangibles

We have the following amortizable intangible assets:

		September 30, 2010		December 31, 2009	
(in millions)	Weighted Average Life (years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer related	12.1	$ 200.0	$ 87.4	$ 215.0	$ 87.2
Marketing related	8.3	4.1	2.5	3.6	3.2
Technology based		24.2	24.2	25.6	25.0
Intangible assets		$ 228.3	$ 114.1	$ 244.2	$ 115.4

Pre-tax changes in the carrying amount of our indefinite lived tradenames are below:

(in millions)	National Transportation	Regional Transportation	Total
Balances at December 31, 2009	$ 14.0	$ 20.7	$ 34.7
Impairment charges	(3.3)	(2.0)	(5.3)
Change in foreign currency exchange rates	0.3		0.3
Balances at September 30, 2010	$ 11.0	$ 18.7	$ 29.7

At December 31, 2009, $3.1 million of amortizable intangible assets are included in Noncurrent assets of discontinued operations in the accompanying consolidated balance sheet.

During the three months ended March 31, 2010, we determined indicators of impairment were present, primarily due to reduced actual and forecasted revenue, as it relates to our tradenames. Accordingly we performed an impairment test that consisted of a comparison of the fair value of the intangible asset with its carrying amount. We recognized an impairment loss in the amount by which the carrying amount exceeded the fair value of the asset. In making this assessment, we utilized the relief from royalty method, an income approach (level three measurement as defined in SFAS No. 157, Fair Value Measurements now included in FASB ASC Topic 820) that includes assumptions as to future revenue, applicable market-based royalty rate and cost of capital, among others.

The impairment charges net of tax were $3.2 million and $2.0 million for National Transportation (the YRC Reimer tradename) and Regional Transportation (the New Penn tradename), respectively.

Estimated amortization expense related to intangible assets for all of 2010 and each of the next five years is as follows:

(in millions)	2010	2011	2012	2013	2014	2015
Estimated amortization expense	$ 20.0	$ 19.1	$ 19.1	$ 19.1	$ 19.1	$ 18.8

6. Other Assets

The components of other assets are as follows:

(in millions)	September 30, 2010	December 31, 2009
Equity method investments:		
JHJ International Transportation Co., Ltd.	$ 41.5	$ 42.0
Shanghai Jiayu Logistics Co., Ltd.		16.1
Deferred debt costs	65.5	87.4
Other	22.8	24.7
Total	$ 129.8	$ 170.2

Table of Contents

During the nine months ended September 30, 2010, we received dividends in the amount of $1.9 million from our China joint venture, JHJ International Transportation Co., Ltd.

Through March 31, 2010, we have accounted for our 65% ownership in Shanghai Jiayu Logistics Co., Ltd. (Jiayu) as an equity method investment as the rights of the minority shareholder were considered extensive and allowed for their ability to veto many business decisions. These rights were primarily provided as a part of the General Manager role held by the minority shareholder. Effective April 1, 2010, the minority shareholder no longer has a role in the management of the operations of the business which changes the conclusions from an accounting perspective regarding the relationship of this joint venture and accordingly, requires that we consolidate Jiayu in our financial statements effective April 1, 2010. In accordance with SFAS No. 141(R) Business Combinations , (now included in FASB ASC Topic 805), we completed a fair value analysis of Jiayu as of April 1, 2010, the date of consolidation, and determined the fair value to be less than the carrying value of the equity method investment and as a result, we recorded a $12.3 million impairment charge during the three months ended June 30, 2010. The fair value analysis utilized a discounted cash flow model, an income approach (level three measurement as defined in SFAS No. 157, Fair Value Measurements now included in FASB ASC Topic 820) that includes assumptions as to future revenue, operating income, and cost of capital, among others. Additionally as part of the fair value analysis we recorded a tradename and customer list intangible asset and attributed $1.6 million and $2.0 million, respectively, to these intangibles as of April 1, 2010 and attributed lives of 5.3 years and 8.3 years, respectively. The results of Jiayu are included in the Corporate and other segment.

7. Restructuring & Reorganization

During the first nine months of 2010, we incurred restructuring charges of $11.0 million that consisted of additional severance costs of $7.1 million, including $2.1 million in the National Transportation segment and $4.2 million at the Corporate and other segment as we reduced headcount in response to lower volumes. We also incurred $7.4 million of contract terminations related to lease cancellations related to certain discontinued operations described in Note 15. This is offset by $3.5 million in our National segment where we were able to use or sublease locations in excess of our previously recorded estimate.

During 2010, we also made payments of $18.6 million under previous restructuring programs, primarily those charges incurred as a result of the headcount reductions and lease cancellations.

We assess the accrual requirements under our restructuring efforts at the end of each reporting period. A rollforward of the restructuring accrual is set forth below:

(in millions)	Employee Separation	Contract Termination and Other Costs	Total
Balance at December 31, 2009	$ 6.5	$ 19.6	$ 26.1
Restructuring charges	7.1	3.9	11.0
Payments	(11.3)	(7.3)	(18.6)
Balance at September 30, 2010	$ 2.3	$ 16.2	$ 18.5

Restructuring charges are included in Salaries, wages and employees benefits as it relates to employee separation costs and Operating expenses and supplies as it relates to contract terminations and other costs in the accompanying statements of operations.

21

Table of Contents

8. Employee Benefits

Components of Net Periodic Pension and Other Postretirement Cost

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

	Three Months		Nine Months	
(in millions)	2010	2009	2010	2009
Service cost	$ 0.9	$ 0.8	$ 2.7	$ 2.4
Interest cost	15.0	15.1	45.1	45.6
Expected return on plan assets	(13.1)	(13.6)	(39.2)	(40.7)
Amortization of net loss	1.6	0.8	4.6	2.4
Net periodic pension cost	$ 4.4	$ 3.1	$ 13.2	$ 9.7
Settlement cost		2.2	0.1	8.0
Total periodic pension cost	$ 4.4	$ 5.3	$ 13.3	$ 17.7

We expect to contribute $14.1 million to our pension plans in 2010, of which we have already contributed $9.3 million through the nine months ended September 30, 2010.

9. Stock-Based Compensation

On March 1, 2010, we formalized the Second Union Employee Option Plan that provided for a grant of up to 10.5 million (263.7 million prior to the adjustment for the reverse stock split) options to purchase our common stock at an exercise price equal to $12.00 per share ($0.48 per share prior to the adjustment for the reverse stock split), of which substantially all have been granted. These options vested immediately and were exercisable upon shareholder approval, which was received on June 29, 2010, at our annual meeting.

On March 1, 2010, we also formalized the Second Union Employee Stock Appreciation Right Plan that provided for a grant of up to 10.5 million (263.7 million prior to the adjustment for the reverse stock split) cash settled stock appreciation rights (SARs). These SARs terminated on June 29, 2010, upon approval of the Union Employee Option Plan discussed above.

The fair value of each option award was estimated on the date the grant was approved by shareholders using the Black-Scholes-Merton pricing model. Expected volatilities were estimated using historical volatility of our common stock. We used historical data to estimate option exercise and employee termination within the valuation model; separate groups of employees that have similar historical exercise behavior were considered separately for valuation purposes. The expected term of options granted was derived from the output of the valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

We valued the award granted under the Non-Union Employee Option Plan in 2010 using the above described model with the following weighted average assumptions:

Dividend yield	-%
Expected volatility	173.2%
Risk-free interest rate	0.61%
Expected life (years)	2
Fair value per option	$ 2.25

Based on the above fair value calculation, we recognized compensation expense of $25.0 million related to these outstanding stock option awards for the nine months ended September 30, 2010 which is included in Equity-based compensation expense in our accompanying statement of consolidated operations.

In the first quarter of 2010, we recognized expense of $108.0 million representing our estimate of the fair value of SARs issued to our union employees at the date of issuance on March 1, 2010. Upon approval at the June 29, 2010 shareholder meeting, we issued stock options to our union employees, cancelled the outstanding SARs and recorded an expense reduction of $83 million reflecting the difference in fair value of the options as compared to the SARs.

Table of Contents

10. Income Taxes

Effective Tax Rate

Our effective tax rate for continuing operations for the three and nine months ended September 30, 2010 was 6.0% and 2.8%, respectively, compared to 1.2% and 22.0% for the three and nine months ended September 30, 2009, respectively. Significant items impacting the 2010 rate include certain permanent items and a valuation allowance established for the net deferred tax asset balance projected for December 31, 2010. We recognize valuation allowances on deferred tax assets if, based on the weight of the evidence, we believe that some or all of our deferred tax assets will not be realized. Changes in valuation allowances are included in our tax provision in the period of change. In determining whether a valuation allowance is warranted, we evaluate factors such as prior years earnings history, expected future earnings, loss carry-back and carry-forward periods, reversals of existing deferred tax liabilities and tax planning strategies that potentially enhance the likelihood of the realization of a deferred tax asset.

Uncertain Tax Positions

In the three months ended September 30, 2010, the Company recorded a reserve of approximately $13.3 million relative to the equity-for-debt financial re-structuring at December 31, 2009. This increase in reserve had no impact on the effective tax rate for either the three months or nine months ended September 30, 2010. Total liabilities for unrecognized tax benefits were $97.0 million and $84.8 million at September 30, 2010 and December 31, 2009, respectively. Amounts recorded for unrecognized tax benefits are included in Other current and accrued liabilities in the accompanying balance sheets.

11. Shareholders Equity (Deficit)

On February 17, 2010, the Company s stockholders at a special meeting approved the following:

- an amendment to the Company s Certificate of Incorporation to reduce the par value of the Company s common stock from $1.00 to $0.01 per share; and increase the number of authorized shares of the Company s capital stock from 9.8 million shares (125 million prior to the adjustment for the reverse stock split) to 85 million shares (2.005 billion prior to the adjustment for the reverse stock split) of which five million shares are preferred stock, par value $1.00 per share, and 80 million shares (2 billion prior to the adjustment for the reverse stock split) are common stock, par value $0.01 per share; and

- an amendment to the Company s Certificate of Incorporation to effect a reverse stock split of the Company s common stock following the effectiveness of the par value reduction and the authorized share increase described above, at a ratio that will be determined by the Company s board of directors and that will be within a range of one-to-five to one-to-25; and reduce the number of authorized shares of the Company s common stock by the reverse split ratio.

On February 17, 2010, the Company filed the amendment to its Certificate of Incorporation to increase its authorized common stock and change the par value of the stock. Effective with that amendment, 4,345,514 shares of the Class A preferred stock converted into 38,289,193 shares (957,229,822 shares prior to the adjustment for the reverse stock split) of common stock at a ratio of 8.81 shares (220.28 shares prior to the adjustment for the reverse stock split) of common stock for each share of Class A preferred stock.

As discussed in Note 3 Liquidity , on May 3, 2010, we entered into an At Market Issuance Sales Agreement. During the three months ended June 30, 2010, we sold 1.8 million shares (44.9 million shares prior to the adjustment for the reverse stock split) for net proceeds of $15.4 million. No additional At the Market transactions were completed during the three months ended September 30, 2010.

In connection with Amendment No. 18 to the ABS Facility, we paid fees to the Co-Agents (the Closing Fees). The Closing Fees were paid by the Company by the issuance to the Co-Agents (or their designees) of an aggregate of 1.0 million shares (25.4 million shares prior to the adjustment for the reverse stock split) of common stock of the Company, par value $0.01 per share, of which 0.8 million (20.7 million prior to the adjustment for the reverse stock split) were issued as of June 30, 2010 and the remaining 0.2 million (4.7 million prior to the adjustment for the reverse stock split) were issued on July 22, 2010.

The board of directors approved a reverse stock split effective September 30, 2010 at a ratio of 1:25. The reverse stock split was effective on NASDAQ on October 1, 2010. Fractional shares were not issued in connection with the reverse stock split.

Table of Contents

Stockholders who otherwise held fractional shares were entitled to a cash payment (without interest or deduction) in respect of such fractional shares. 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 in lieu of 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 Equity (Deficit) has been retroactively adjusted to give effect to the reverse stock split for all periods presented by reclassifying from Common stock to Capital surplus, the par value of the share reduction in connection with the reverse split. In addition, all share numbers and per share amounts in the Consolidated Financial Statements and Notes to the Consolidated Financial Statements have been retroactively adjusted to give effect to the reverse stock split.

The following reflects the activity in the shares of our common stock for the nine months ended September 30:

(in thousands)	2010
Beginning balance	3,965
Issuance of equity awards, net	12
Conversion of preferred stock to common stock	38,289
Shares issued for amendment closing fees	1,016
Shares issued for long term debt	2,571
At the market issuances	1,795
Ending balance	47,648

12. Earnings (Loss) Per Share

Dilutive securities, consisting of options to purchase our common stock or rights to receive common stock in the future, are included in our calculation of diluted weighted average common shares; however, given our net loss position for the three and nine months ended September 30, 2010 and 2009 there were no dilutive securities for these periods.

Antidilutive options and share units were 11,200,000 for the three and nine months ended September 30, 2010, and 690,000 for the three and nine months ended September 30, 2009. Antidilutive convertible senior note conversion shares were 7,000 for the three and nine months ended September 30, 2009 with no corresponding amounts for the three and nine months ended September 30, 2010. Antidilutive 6% convertible senior note conversion shares, including the make whole premium, were 5,503,972 common shares on September 30, 2010 with no corresponding amount at September 30, 2009.

For the nine months ended September 30, 2010, the dilutive securities included preferred stock.

13. Business Segments

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

We have the following reportable segments, which are strategic business units that offer complementary transportation services to their customers. National Transportation includes carriers that provide comprehensive regional, national and international transportation services. Regional Transportation is comprised of carriers that focus primarily on business opportunities in the regional and next-day delivery markets. Truckload consists of Glen Moore, a domestic truckload carrier. YRC Logistics was reported as a separate segment and is now classified as a discontinued operation. Effective April 1, 2010, the results of Jiayu are reflected in our consolidated results as part of the Corporate segment.

The accounting policies of the segments are the same as those described in the Summary of Accounting Policies note in our Annual Report on Form 10-K for the year ended December 31, 2009. We charge management fees and other corporate services to our segments based on the direct benefits received or as a percentage of revenue. Corporate and other operating losses represent residual operating expenses of the holding company, including compensation and benefits and professional services for all periods

Table of Contents

presented. Corporate identifiable assets primarily refer to cash, cash equivalents, investments in equity method affiliates and deferred debt issuance costs. Intersegment revenue primarily relates to transportation services between our segments.

The following table summarizes our operations by business segment:

(in millions)	National Transportation	Regional Transportation	Truckload	Corporate/ Eliminations	Consolidated
As of September 30, 2010					
Identifiable assets	$ 1,517.0	$ 900.4	$ 50.4	$ 205.3	$ 2,673.1
As of December 31, 2009					
Identifiable assets	1,807.8	1,023.0	59.6	44.6	2,935.0
Three months ended September 30, 2010					
External revenue	755.0	353.8	20.6	7.4	1,136.8
Intersegment revenue		0.3	8.2	(8.5)	
Operating income (loss)	(21.6)	8.6	(2.3)	(3.5)	(18.8)
Three months ended September 30, 2009					
External revenue	849.3	338.8	18.9	(3.0)	1,204.0
Intersegment revenue			11.0	(11.0)	
Operating income (loss)	(122.0)	0.3	(1.4)	(3.5)	(126.6)
Nine months ended September 30, 2010					
External revenue	2,159.7	1,014.2	57.4	11.8	3,243.1
Intersegment revenue		0.6	26.5	(27.1)	
Operating income (loss)	(173.6)	(8.7)	(7.3)	(14.1)	(203.7)
Equity investment impairment				12.3	12.3
Nine months ended September 30, 2009					
External revenue	2,745.7	1,031.6	52.9	(9.3)	3,820.9
Intersegment revenue		0.2	30.6	(30.8)	
Operating income (loss)	(661.3)	(122.2)	(6.0)	(10.1)	(799.6)
Equity investment impairment				30.4	30.4

14. Comprehensive Loss

Comprehensive loss for the three and nine months ended September 30 follows:

	Three Months		Nine Months	
(in millions)	2010	2009	2010	2009
Net loss attributable to YRC Worldwide Inc.	$ (61.7)	$ (158.7)	$ (345.4)	$ (741.6)
Other comprehensive loss attributable to YRC Worldwide Inc., net of tax:				
Pension:				
Net actuarial gains	1.0	0.5	2.9	1.6
Deferred tax rate adjustment			(1.1)	
Changes in foreign currency translation adjustments	0.4	4.0	(5.2)	7.5
Other comprehensive income (loss) attributable to YRC Worldwide Inc.	1.4	4.5	(3.4)	9.1
Comprehensive loss attributable to YRC Worldwide Inc.	$ (60.3)	$ (154.2)	$ (348.8)	$ (732.5)

Comprehensive loss attributable to our non-controlling interest was not material for any period presented.

15. Discontinued Operations

In November 2009, we sold our dedicated contract carriage or fleet business to Greatwide Dedicated Transport, LLC for $34 million including certain holdback amounts of $1.8 million for indemnification and working capital adjustments to be settled by the second quarter of 2011. Fleet was a part of our YRC Logistics segment and had revenue of $73.8 million and operating income of $7.1 million for the year ended December 31, 2009. The disposition of this business line did not have a material impact on our financial statements and thus was not originally classified separately as discontinued operations. As a result of this transaction, we recorded a net loss on sale of approximately $0.2 million in the fourth quarter of 2009.

Table of Contents

In June 2010, we entered into an Equity Interest Purchase Agreement (the Agreement) with CEG Holdings, Inc. (now known as MIQ Holdings, Inc.) (CEG), a subsidiary of Austin Ventures, to sell the majority of YRC Logistics for an aggregate of approximately $37.0 million in cash. On August 13, 2010, the Company and CEG held the initial closing of the transactions contemplated by the Agreement. At the initial closing, CEG paid the Company approximately $33.6 million, which included $31.9 million of the purchase price and approximately $1.6 million for retained insurance claims. Approximately $2.3 million of the purchase price was deposited into an escrow account for subsequent closings of foreign subsidiaries, and approximately $2.8 million of the purchase price was deposited into an escrow account (one-half of which will be held for 12 months and one-half will be held for 18 months) to satisfy certain indemnification claims by CEG that may arise. Following the initial closing, a succession of delayed closings and payments will occur to transfer certain foreign subsidiaries to CEG as required regulatory approvals and licensing transfers in foreign jurisdictions are obtained. As of September 30, 2010, four delayed closings remained for a total purchase price of $0.8 million. We recorded a $0.6 million gain on disposition during the three months ended September 30, 2010 and expect to collect more than $10 million related to the working capital adjustment in the fourth quarter of 2010, subject to final resolution of working capital adjustments between the Company and CEG.

CEG did not acquire the YRC Logistics pooled distribution business line and instead this activity was shut down during the second quarter of 2010. Pooled distribution had revenue of $10.8 million and incurred an operating loss of $19.1 million for the six months ended June 30, 2010 including shut down costs, primarily lease cancellations and severance of $7.4 million. Revenue activity for pooled distribution ceased in June 2010 and the results are included in discontinued operations in the accompanying consolidated financial statements.

Historically, YRC Logistics was reported as a separate segment in our consolidated operations and was comprised of the YRC Logistics business, the flow through business and the fleet business. As of June 30, 2010, as a result of the proposed sale to CEG and the closure of the pooled distribution business line, we had met the criteria requiring us to present the related financial results of YRC Logistics as discontinued operations and the related assets and liabilities as held-for-sale in the consolidated financial statements for all periods presented. Accordingly, the results of operations of our YRC Logistics segment are separately presented as discontinued operations for all periods presented and our assets and liabilities from this segment have been reclassified for all periods presented.

The major classes of assets and liabilities included in our consolidated balance sheets are as follows:

(in millions)	September 30, 2010	December 31, 2009
Accounts receivable	$	$ 73.0
Prepaid expenses and other current assets, net		2.6
Current assets		75.6
Property and equipment, net		18.3
Intangibles, net		3.1
Other assets, net		0.1
Noncurrent assets		21.5
Accounts payable		44.1
Wages, vacations and employees benefits		2.3
Other current and accrued liabilities		5.5
Current liabilities		51.9
Claims and other liabilities		1.0
Long term liabilities		1.0

Net assets	$	$ 44.2

Shared services and corporate overhead costs previously allocated to this segment, totaled \$0.6 million and \$2.4 million for the three months ended September 30, 2010 and 2009, respectively, and \$6.8 million and \$7.8 million for the nine months ended September 30, 2010 and 2009, respectively, are included in continuing operations in our Corporate and other segment.

26

Table of Contents

The financial results included in discontinued operations for the three and nine months ended September 30 are as follows:

	Three months		Nine months	
(in millions)	2010	2009	2010	2009
Revenue	$ 41.7	$ 102.4	$ 194.2	$ 316.3
Operating income (loss)	(2.6)	8.7	(17.9)	2.7
Income (loss) from operations before income taxes	(2.6)	8.1	(18.6)	2.5
Income tax provision (benefit)	0.5	(4.2)	(0.1)	1.5
Gain on sale of affiliate	0.6		0.6	
Net income (loss) from discontinued operations	$ (2.5)	$ 12.3	$ (17.9)	$ 1.0

16. Commitments and Contingencies

401(k) Class Action Suit

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

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

On March 3, 2010, the Court entered an order consolidating three of the four cases and, on April 1, 2010, the plaintiffs filed a consolidated complaint. The consolidated complaint asserts the same claims as the previously-filed complaints but names as defendants certain former officers of the Company in addition to those current officers and directors that have already been named. The fourth case (Franklin) was consolidated with the first three cases on May 12, 2010.

The defendants moved to dismiss the consolidated complaint on June 1, 2010. This motion has been fully briefed and is pending before the Court. The plaintiffs filed a motion on October 1, 2010 requesting that the court certify a class consisting of all persons, excluding defendants and their immediate family members, who were participants in the YRC Worldwide 401(k) Plan (or plans that merged with the plan), at any time between October 25, 2007 and the present and whose plan accounts included investments in YRCW common stock (directly and/or through shares in the Company stock fund). Defendants response is due November 30, 2010. In the meantime, the parties are continuing discovery on the merits of the plaintiffs claims.

27

Table of Contents

ABF Lawsuit

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

Table of Contents

17. Guarantees of the Contingent Convertible Senior Notes

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

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

The following represents condensed consolidating financial information as of September 30, 2010 and December 31, 2009 with respect to the financial position, for the three and nine months ended September 30, 2010 and 2009 for results of operations and for the nine months ended September 30, 2010 and 2009 for the statement of cash flows of YRC Worldwide and its subsidiaries. The Parent column presents the financial information of YRC Worldwide, the primary obligor of the contingent convertible senior notes. The Guarantor Subsidiaries column presents the financial information of all guarantor subsidiaries of the net share settled contingent convertible senior notes. The Non-Guarantor Subsidiaries column presents the financial information of all non-guarantor subsidiaries, including those subsidiaries that are governed by foreign laws and Yellow Roadway Receivables Funding Corporation, the special-purpose entity that is associated with our ABS agreement.

Condensed Consolidating Balance Sheets

September 30, 2010

(in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ 89	$ 8	$ 18	$	$ 115
Intercompany advances receivable		(40)	40		
Accounts receivable, net	20	(7)	485	(1)	497
Prepaid expenses and other	113	36	31		180
Total current assets	222	(3)	574	(1)	792
Property and equipment		2,341	948	1	3,290
Less accumulated depreciation		(1,341)	(342)		(1,683)
Net property and equipment		1,000	606	1	1,607
Investment in subsidiaries	2,228	(18)	139	(2,349)	
Receivable from affiliate	(457)	447	10		
Intangibles and other assets	324	188	113	(351)	274
Total assets	$ 2,317	$ 1,614	$ 1,442	$ (2,700)	$ 2,673
Intercompany advances payable	$ 123	$ 253	$ (176)	$ (200)	$
Accounts payable	23	83	51	(1)	156
Wages, vacations and employees benefits	17	124	64		205
Other current and accrued liabilities	289	141	79		509
Current maturities of long-term debt	86		124		210

Total current liabilities	538	601	142	(201)	1,080
Payable to affiliate			150	(150)	
Long-term debt, less current portion	850				850
Deferred income taxes, net	75	(27)	102		150
Pension and postretirement	352				352
Claims and other liabilities	357	6			363
Commitments and contingencies					
YRC Worldwide Inc. Shareholders equity (deficit)	145	1,034	1,050	(2,349)	(120)
Non-controlling interest			(2)		(2)
Total shareholders equity (deficit)	145	1,034	1,048	(2,349)	(122)
Total liabilities and shareholders equity (deficit)	$ 2,317	$ 1,614	$ 1,442	$ (2,700)	$ 2,673

29

Table of Contents

December 31, 2009 (in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ 69	$ 9	$ 20	$	$ 98
Intercompany advances receivable		(54)	54		
Accounts receivable, net	10	(21)	455	(1)	443
Prepaid expenses and other	71	130	41		242
Current assets of discontinued operations		38	38		76
Total current assets	150	102	608	(1)	859
Property and equipment		2,565	964		3,529
Less accumulated depreciation		(1,402)	(306)		(1,708)
Net property and equipment		1,163	658		1,821
Investment in subsidiaries	2,999	(38)	237	(3,198)	
Receivable from affiliate	(314)	213	101		
Intangibles and other assets	337	192	152	(350)	331
Noncurrent assets of discontinued operations		6	15		21
Total assets	$ 3,172	$ 1,638	$ 1,771	$ (3,549)	$ 3,032
Intercompany advances payable	$ 146	$ 212	$ (158)	$ (200)	$
Accounts payable	32	83	41	(1)	155
Wages, vacations and employees benefits	33	131	50		214
Other current and accrued liabilities	194	151	47		392
Current maturities of long-term debt	45	6	146		197
Current liabilities of discontinued operations		24	28		52
Total current liabilities	450	607	154	(201)	1,010
Payable to affiliate		(75)	225	(150)	
Long-term debt, less current portion	891		45		936
Deferred income taxes, net	85	(36)	98		147
Pension and postretirement	352				352
Claims and other liabilities	414	5	1		420
Noncurrent liabilities of discontinued operations			1		1
Commitments and contingencies					
Total shareholders equity (deficit)	980	1,137	1,247	(3,198)	166
Total liabilities and shareholders equity (deficit)	$ 3,172	$ 1,638	$ 1,771	$ (3,549)	$ 3,032

Table of Contents

Condensed Consolidating Statements of Operations

For the three months ended September 30, 2010 (in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$	$ 673	$ 473	$ (9)	$ 1,137
Operating expenses:					
Salaries, wages and employees benefits	3	436	246		685
Operating expenses and supplies	(3)	144	94		235
Purchased transportation		55	77	(9)	123
Depreciation and amortization		31	19		50
Other operating expenses	1	42	23		66
Gains on property disposals, net		(3)			(3)
Total operating expenses	1	705	459	(9)	1,156
Operating income (loss)	(1)	(32)	14		(19)
Nonoperating (income) expenses:					
Interest expense	34		10		44
Other, net	52	(19)	(32)		1
Nonoperating (income) expenses, net	86	(19)	(22)		45
Income (loss) from continuing operations before income taxes	(87)	(13)	36		(64)
Income tax provision (benefit)	(3)		(1)		(4)
Net income (loss) from continuing operations	(84)	(13)	37		(60)
Net loss from discontinued operations, net of tax		(1)	(2)		(3)
Net income (loss)	(84)	(14)	35		(63)
Less: Net loss attributable to non-controlling interest			(1)		(1)
Net income (loss) attributable to YRC Worldwide Inc.	$ (84)	$ (14)	$ 36	$	$ (62)

For the three months ended September 30, 2009 (in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$	$ 807	$ 411	$ (14)	$ 1,204
Operating expenses:					
Salaries, wages and employees benefits	9	617	180		806
Operating expenses and supplies	(6)	108	173		275
Purchased transportation		114	28	(14)	128
Depreciation and amortization		38	20		58
Other operating expenses	1	55	18		74
Gains on property disposals, net		(10)	(1)		(11)

Total operating expenses	4	922	418	(14)	1,330
Operating income (loss)	(4)	(115)	(7)		(126)
Nonoperating (income) expenses:					
Interest expense	31		14		45
Other, net	22	(7)	(13)		2
Nonoperating (income) expenses, net	53	(7)	1		47
Income (loss) from continuing operations before income taxes	(57)	(108)	(8)		(173)
Income tax provision (benefit)	(6)	2	2		(2)
Net income (loss) from continuing operations	(51)	(110)	(10)		(171)
Net income from discontinued operations, net of tax		7	5		12
Net income (loss)	(51)	(103)	(5)		(159)

Table of Contents

For the nine months ended September 30, 2010 (in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$	$ 2,002	$ 1,273	$ (32)	$ 3,243
Operating expenses:					
Salaries, wages and employees benefits	11	1,308	729		2,048
Operating expenses and supplies	(11)	430	297		716
Purchased transportation		237	133	(32)	338
Depreciation and amortization		93	58		151
Other operating expenses	3	123	60		186
Gains on property disposals, net		(2)	5		3
Impairment charges			5		5
Total operating expenses	3	2,189	1,287	(32)	3,447
Operating income (loss)	(3)	(187)	(14)		(204)
Nonoperating (income) expenses:					
Interest expense	98	1	27		126
Equity investment impairment			12		12
Other, net	133	(46)	(90)		(3)
Nonoperating (income) expenses, net	231	(45)	(51)		135
Income (loss) from continuing operations before income taxes	(234)	(142)	37		(339)
Income tax provision (benefit)	(8)	(1)	(1)		(10)
Net income (loss) from continuing operations	(226)	(141)	38		(329)
Net income (loss) from discontinued operations, net of tax		3	(21)		(18)
Net income (loss)	(226)	(138)	17		(347)
Less: Net loss attributable to non-controlling interest			(2)		(2)
Net income (loss) attributable to YRC Worldwide Inc.	$ (226)	$ (138)	$ 19	$	$ (345)

For the nine months ended September 30, 2009 (in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$	$ 2,614	$ 1,247	$ (40)	$ 3,821
Operating expenses:					
Salaries, wages and employees benefits	28	2,044	851		2,923
Operating expenses and supplies	(25)	590	331	(1)	895
Purchased transportation		335	86	(40)	381
Depreciation and amortization		121	60		181
Other operating expenses	2	174	74		250
Gains on property disposals, net		(10)			(10)
Total operating expenses	5	3,254	1,402	(41)	4,620
Operating income (loss)	(5)	(640)	(155)	1	(799)

Nonoperating (income) expenses:					
Interest expense	79	2	34		115
Equity investment impairment			30		30
Other, net	40	(15)	(19)	1	7
Nonoperating (income) expenses, net	119	(13)	45	1	152
Income (loss) from continuing operations before income taxes	(124)	(627)	(200)		(951)
Income tax provision (benefit)	(208)	(6)	5		(209)
Net income (loss) from continuing operations	84	(621)	(205)		(742)
Net income (loss) from discontinued operations, net of tax		2	(1)		1
Net income (loss)	$ 84	$ (619)	$ (206)	$	$ (741)

Table of Contents

Condensed Consolidating Statements of Cash Flows

For the nine months ended September 30, 2010 (in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash (used in) provided by operating activities	$ (75)	$ (66)	$ 132	$	$ (9)
Investing activities:					
Acquisition of property and equipment		(6)	(7)		(13)
Proceeds from disposal of property and equipment		61	10		71
Disposition of affiliate	23				23
Other	2		3		5
Net cash provided by investing activities	25	55	6		86
Financing activities:					
Asset-backed securitization borrowings, net			(23)		(23)
Borrowing of long-term debt, net	17	(6)	(46)		(35)
Debt issuance costs	(12)		(1)		(13)
Equity issuance costs	(17)				(17)
Equity issuance proceeds	16				16
Stock issued in connection with the 6% Notes	12				12
Intercompany advances / repayments	54	16	(70)		
Net cash provided by (used in) financing activities	70	10	(140)		(60)
Net increase (decrease) in cash and cash equivalents	20	(1)	(2)		17
Cash and cash equivalents, beginning of period	69	9	20		98
Cash and cash equivalents, end of period	$ 89	$ 8	$ 18	$	$ 115

For the nine months ended September 30, 2009 (in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash provided by (used in) operating activities	$ (28)	$ (550)	$ 262	$	$ (316)
Investing activities:					
Acquisition of property and equipment		(28)	(7)		(35)
Proceeds from disposal of property and equipment		82	24		106
Other	4				4
Net cash provided by investing activities	4	54	17		75
Financing activities:					
Asset-backed securitization payments, net			41		41

Borrowing of long-term debt, net	95	(1)			94
Debt issuance costs	(42)		(14)		(56)
Intercompany advances / repayments	(196)	499	(303)		
Net cash provided by (used in) financing activities	(143)	498	(276)		79
Net increase (decrease) in cash and cash equivalents	(167)	2	3		(162)
Cash and cash equivalents, beginning of period	295	9	21		325
Cash and cash equivalents, end of period	$ 128	$ 11	$ 24	$	$ 163

Table of Contents

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

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

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

The following represents condensed consolidating financial information as of September 30, 2010 and December 31, 2009, with respect to the financial position and for the three and nine months ended September 30, 2010 and 2009, for results of operations and for the nine months ended September 30, 2010 and 2009 for the statement of cash flows of YRC Worldwide and its subsidiaries. The Parent column presents the financial information of YRC Worldwide, the primary obligor of the 6% notes. The Guarantor Subsidiaries column presents the financial information of all guarantor subsidiaries of the 6% notes. The Non-Guarantor Subsidiaries column presents the financial information of all non-guarantor subsidiaries, including those subsidiaries that are governed by foreign laws and Yellow Roadway Receivables Funding Corporation, the special-purpose entity that is associated with our ABS agreement.

Condensed Consolidating Balance Sheet

September 30, 2010 (in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ 89	$ 9	$ 17	$	$ 115
Intercompany advances receivable		(47)	47		
Accounts receivable, net	20		477		497
Prepaid expenses and other	113	46	21		180
Total current assets	222	8	562		792
Property and equipment		3,103	186	1	3,290
Less accumulated depreciation		(1,595)	(88)		(1,683)
Net property and equipment		1,508	98	1	1,607
Investment in subsidiaries	2,228	99	22	(2,349)	
Receivable from affiliate	(457)	747	(290)		
Intangibles and other assets	324	235	66	(351)	274
Total assets	$ 2,317	$ 2,597	$ 458	$ (2,699)	$ 2,673
Intercompany advances payable	$ 123	$ 203	$ (126)	$ (200)	$
Accounts payable	23	104	29		156
Wages, vacations and employees benefits	17	173	15		205
Other current and accrued liabilities	289	191	29		509
Current maturities of long-term debt	86		124		210
Total current liabilities	538	671	71	(200)	1,080
Payable to affiliate			150	(150)	

Long-term debt, less current portion	850				850
Deferred income taxes, net	75	61	14		150
Pension and postretirement	352				352
Claims and other liabilities	357	6			363
Commitments and contingencies					
YRC Worldwide Inc. Shareholders equity (deficit)	145	1,859	225	(2,349)	(120)
Non-controlling interest			(2)		(2)
Total shareholders equity (deficit)	145	1,859	223	(2,349)	(122)
Total liabilities and shareholders equity (deficit)	$ 2,317	$ 2,597	$ 458	$ (2,699)	$ 2,673

34

Table of Contents

December 31, 2009

(in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ 69	$ 10	$ 19	$	$ 98
Intercompany advances receivable		(59)	59		
Accounts receivable, net	10	(18)	452	(1)	443
Prepaid expenses and other	71	162	9		242
Current assets of discontinued operations		51	25		76
Total current assets	150	146	564	(1)	859
Property and equipment		3,338	191		3,529
Less accumulated depreciation		(1,628)	(80)		(1,708)
Net property and equipment		1,710	111		1,821
Investment in subsidiaries	2,999	164	35	(3,198)	
Receivable from affiliate	(314)	486	(172)		
Intangibles and other assets	337	245	99	(350)	331
Noncurrent assets of discontinued operations		19	2		21
Total assets	$ 3,172	$ 2,770	$ 639	$ (3,549)	$ 3,032
Intercompany advances payable	$ 146	$ 178	$ (124)	$ (200)	$
Accounts payable	32	99	25	(1)	155
Wages, vacations and employees benefits	33	167	14		214
Other current and accrued liabilities	194	186	12		392
Current maturities of long-term debt	45	6	146		197
Current liabilities of discontinued operations		35	17		52
Total current liabilities	450	671	90	(201)	1,010
Payable to affiliate		(2)	152	(150)	
Long-term debt, less current portion	891	45			936
Deferred income taxes, net	85	49	13		147
Pension and postretirement	352				352
Claims and other liabilities	414	6			420
Noncurrent liabilities of discontinued operations		1			1
Commitments and contingencies					
Total shareholders equity (deficit)	980	2,000	384	(3,198)	166
Total liabilities and shareholders equity (deficit)	$ 3,172	$ 2,770	$ 639	$ (3,549)	$ 3,032

Table of Contents

Condensed Consolidating Statements of Operations

For the three months ended September 30, 2010 (in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$	$ 989	$ 148	$	$ 1,137
Operating expenses:					
Salaries, wages and employees benefits	3	628	54		685
Operating expenses and supplies	(3)	225	13		233
Purchased transportation		60	63		123
Depreciation and amortization		46	4		50
Other operating expenses	1	61	4		66
Gains on property disposals, net		(3)			(3)
Total operating expenses	1	1,017	138		1,156
Operating income (loss)	(1)	(28)	10		(19)
Nonoperating (income) expenses:					
Interest expense	34	1	9		44
Other, net	52	(33)	(18)		1
Nonoperating (income) expenses, net	86	(32)	(9)		45
Income (loss) from continuing operations before income taxes	(87)	4	19		(64)
Income tax provision (benefit)	(3)	(1)			(4)
Net income (loss) from continuing operations	(84)	5	19		(60)
Net income (loss) from discontinued operations, net of tax		1	(4)		(3)
Net income (loss)	(84)	6	15		(63)
Less: Net loss attributable to non-controlling interest			(1)		(1)
Net income (loss) attributable to YRC Worldwide Inc.	$ (84)	$ 6	$ 16	$	$ (62)

For the three months ended September 30, 2009 (in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$	$ 1,108	$ 99	$ (3)	$ 1,204
Operating expenses:					
Salaries, wages and employees benefits	9	743	54		806
Operating expenses and supplies	(6)	250	31		275
Purchased transportation		116	15	(3)	128
Depreciation and amortization		54	4		58
Other operating expenses	1	70	3		74
Gains on property disposals, net		(10)	(1)		(11)
Impairment charges					

Total operating expenses	4	1,223	106	(3)	1,330
Operating income (loss)	(4)	(115)	(7)		(126)
Nonoperating (income) expenses:					
Interest expense	31	3	11		45
Other, net	22	(6)	(14)		2
Nonoperating (income) expenses, net	53	(3)	(3)		47
Income (loss) from continuing operations before income taxes	(57)	(112)	(4)		(173)
Income tax provision (benefit)	(6)	2	2		(2)
Net income (loss) from continuing operations	(51)	(114)	(6)		(171)
Net income from discontinued operations, net of tax		11	1		12
Net income (loss)	$ (51)	$ (103)	$ (5)	$	$ (159)

36

Table of Contents

For the nine months ended September 30, 2010 (in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$	$ 2,909	$ 338	$ (4)	$ 3,243
Operating expenses:					
Salaries, wages and employees benefits	11	1,877	160		2,048
Operating expenses and supplies	(11)	674	53		716
Purchased transportation		247	95	(4)	338
Depreciation and amortization		139	12		151
Other operating expenses	3	173	10		186
(Gains) losses on property disposals, net		1	2		3
Impairment charges			5		5
Total operating expenses	3	3,111	337	(4)	3,447
Operating income (loss)	(3)	(202)	1		(204)
Nonoperating (income) expenses:					
Interest expense	98	3	25		126
Equity investment impairment			12		12
Other, net	133	(84)	(52)		(3)
Nonoperating (income) expenses, net	231	(81)	(15)		135
Income (loss) from continuing operations before income taxes	(234)	(121)	16		(339)
Income tax provision (benefit)	(8)	(2)			(10)
Net income (loss) from continuing operations	(226)	(119)	16		(329)
Net loss from discontinued operations, net of tax		(15)	(3)		(18)
Net income (loss)	(226)	(134)	13		(347)
Less: Net loss attributable to non-controlling interest			(2)		(2)
Net income (loss) attributable to YRC Worldwide Inc.	$ (226)	$ (134)	$ 15	$	$ (345)

For the nine months ended September 30, 2009 (in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenue	$	$ 3,530	$ 300	$ (9)	$ 3,821
Operating expenses:					
Salaries, wages and employees benefits	28	2,727	168		2,923
Operating expenses and supplies	(25)	823	97		895
Purchased transportation		343	47	(9)	381
Depreciation and amortization		168	13		181
Other operating expenses	2	236	12		250
Gains on property disposals, net		(9)	(1)		(10)
Total operating expenses	5	4,288	336	(9)	4,620
Operating loss	(5)	(758)	(36)		(799)
Nonoperating (income) expenses:					

Interest expense	79	11	25		115
Equity investment impairment			30		30
Other, net	40	(34)	1		7
Nonoperating (income) expenses, net	119	(23)	56		152
Income (loss) from continuing operations before income taxes	(124)	(735)	(92)		(951)
Income tax provision (benefit)	(208)	(6)	5		(209)
Net income (loss) from continuing operations	84	(729)	(97)		(742)
Net income from discontinued operations, net of tax		1			1
Net income (loss)	$ 84	$ (728)	$ (97)	$	$ (741)

37

Table of Contents

Condensed Consolidating Statement of Cash Flows

For the nine months ended September 30, 2010 (in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash provided by (used in) operating activities	$ (75)	$ 39	$ 27	$	$ (9)
Investing activities:					
Acquisition of property and equipment		(11)	(2)		(13)
Proceeds from disposal of property and equipment		62	9		71
Disposition of affiliate	23				23
Other	2		3		5
Net cash provided by investing activities	25	51	10		86
Financing activities:					
Asset backed securitization borrowings, net			(23)		(23)
Borrowing of long-term debt, net	17	(51)	(1)		(35)
Debt issuance costs	(12)		(1)		(13)
Equity issuance costs	(17)				(17)
Equity issuance proceeds	16				16
Stock issued in connection with the 6% Notes	12				12
Intercompany advances / repayments	54	(40)	(14)		
Net cash (used in) provided by financing activities	70	(91)	(39)		(60)
Net (decrease) increase in cash and cash equivalents	20	(1)	(2)		17
Cash and cash equivalents, beginning of period	69	10	19		98
Cash and cash equivalents, end of period	$ 89	$ 9	$ 17	$	$ 115

For the nine months ended September 30, 2009 (in millions)	Primary Obligor	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash provided by (used in) operating activities	$ (28)	$ (550)	$ 262	$	$ (316)
Investing activities:					
Acquisition of property and equipment		(33)	(2)		(35)
Proceeds from disposal of property and equipment		98	8		106
Other	4				4
Net cash provided by investing activities	4	65	6		75
Financing activities:					
Asset backed securitization payments, net			41		41
Borrowing of long-term debt, net	95	(1)			94
Debt issuance costs	(42)		(14)		(56)
Intercompany advances / repayments	(196)	488	(292)		

Net cash provided by (used in) financing activities	(143)	487	(265)		79
Net increase (decrease) in cash and cash equivalents	(167)	2	3		(162)
Cash and cash equivalents, beginning of period	295	13	17		325
Cash and cash equivalents, end of period	$ 128	$ 15	$ 20	$	$ 163

Table of Contents

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

Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the Consolidated Financial Statements and the Notes to Consolidated Financial Statements of YRC Worldwide Inc. (also referred to as YRC Worldwide , the Company , we or our). MD&A and certain statements in the Notes to Consolidated Financial Statements include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (each a forward-looking statement). Forward-looking statements include those preceded by, followed by or include the words should, could, would, may, expect, believe, estimate or similar expressions. Our actual results could differ materially from those proje such forward-looking statements because of a number of factors, including (among others) our ability to generate sufficient cash flows and liquidity to fund operations, which raises substantial doubt about our ability to continue as a going concern, inflation, inclement weather, price and availability of fuel, sudden changes in the cost of fuel or the index upon which the Company bases its fuel surcharge, competitor pricing activity, expense volatility, including (without limitation) expense volatility due to changes in rail service or pricing for rail service, ability to capture cost reductions, changes in equity and debt markets, a downturn in general or regional economic activity, effects of a terrorist attack, labor relations, including (without limitation) the impact of work rules, work stoppages, strikes or other disruptions, any obligations to multi-employer health, welfare and pension plans, wage requirements and employee satisfaction, and the risk factors that are from time to time included in the Company s reports filed with the Securities and Exchange Commission (the SEC), including the Company s Annual Report on Form 10-K for the year ended December 31, 2009.

Results of Operations

This section focuses on the highlights and significant items that impacted our operating results during the three and nine months ended September 30, 2010. We have presented a discussion regarding the operating results of each of our operating segments: National Transportation, Regional Transportation and Truckload. On August 13, 2010, we completed the initial closing of the sale of the majority of our YRC Logistics business to a third party. In addition, certain other operations ceased during the quarter ended June 30, 2010. As a result, the YRC Logistics segment has been reported as discontinued operations for all periods presented. See Note 15 Discontinued Operations to our interim financial statements for further discussion.

Consolidated Results

Our consolidated results for the three and nine months ended September 30, 2010 and 2009 include the results of each of the operating segments discussed below together with unallocated corporate expenses. A more detailed discussion of the operating results of our segments is presented below.

The table below provides summary consolidated financial information for the three and nine months ended September 30:

	Three months			Nine months		
(in millions)	2010	2009	Percent Change	2010	2009	Percent Change
Operating revenue	$ 1,136.8	$ 1,204.0	(5.6%)	$ 3,243.1	$ 3,820.9	(15.1%)
Operating loss	(18.8)	(126.6)	85.2%	(203.7)	(799.6)	74.5%
Nonoperating expenses, net	44.9	46.5	(3.4%)	134.7	151.9	(11.3%)
Net loss from continuing operations	(59.9)	(171.1)	65.0%	(329.0)	(742.6)	55.7%

Three months ended September 30, 2010 compared to three months ended September 30, 2009

Our consolidated operating revenue decreased 5.6% during the three months ended September 30, 2010 versus the same period in 2009 due to decreased revenue of 11.1% and 3.7% from our National Transportation and Truckload segments, respectively, partially offset by an operating revenue increase of 4.5% from our Regional Transportation segment. The decline at National Transportation is attributed to a decline in volume versus the same period in 2009 including those related to customer losses. Our volume declines are primarily attributed to the diversion of freight by customers to other carriers and a continued weakened economy. We believe that customers diverted freight beginning in 2009 due to uncertainty around our financial stability and the integration of our former Yellow Transportation and Roadway networks. That deterioration continued throughout the latter part of 2009 as concerns surrounding the bond exchange lingered into December 2009.

Consolidated operating revenue includes fuel surcharge revenue. Fuel surcharges are common throughout our industry and represent an amount that we charge 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 the Company s adjustment of base rates in response to changes in fuel surcharge. 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.

Operating expenses for the third quarter of 2010 decreased $175.0 million or 13.1% as compared to the same period in 2009 and were comprised of a $121.2 million decrease in salaries, wages and benefits, a $39.2 million decrease in operating expenses and supplies, a $5.5 million decrease in purchased transportation, a $8.6 million decrease in depreciation and amortization due to reduced facilities and fleet downsizing and a $8.4 million decrease in other operating expenses.

The decrease in salaries, wages and benefits in the third quarter of 2010 as compared to the same period in 2009 is largely due to the increased wage reduction, from 10% to 15%, taken by a majority of our union employees in August of 2009 and the suspension of pension contributions and related expense for the majority of our multi-employer union pension funds effective beginning in the second half of 2009. Additionally, the decrease in salaries and benefits is a result of lower headcount in the current year as we reacted to lower volumes. The decrease in operating expenses and supplies is a result of lower vehicle and facility maintenance of $8.3 million or 12.6%, lower bad debt expense of $15.6 million or 152.2% and lower professional services expense of $9.5 million or 27.6% related to a decrease in restructuring professional fees as compared to the same period in 2009. Finally, other operating expenses decreased mostly due to lower operating taxes and licenses of $4.1 million or 10.3% primarily due to lower fuel taxes reflective of lower miles driven and thus fuel consumed, a general liability claims expense decrease of $2.6 million or 19.8% related to lower volume, and lower cargo claims expense of $7.3 million or 38.2% due to fewer shipments and improved claims experience.

Our consolidated operating loss during the third quarter of 2010 includes a $3.4 million net gain from the sale of property and equipment net of fair value adjustments for property and equipment held for sale compared to an $11.1 million net gain for the same period in 2009.

Nonoperating expenses decreased $1.6 million in the third quarter of 2010 compared to the same period in 2009. There was a decrease in interest expense of $0.4 million attributable to a $7.3 million decrease in interest expense related to the 8.5% USF senior notes and the 5% and 3.375% contingent convertible senior notes offset by an increase in amortization of deferred debt cost of $5.2 million, additional interest expense and discount amortization related to our 6% convertible senior notes and additional interest expense related to new lease financing obligations of $1.4 million. Finally, the additional decrease in nonoperating expenses is related to a net foreign exchange gain of $0.6 million for the three months ended September 30, 2010 versus a loss of $0.6 million for the same period in 2009.

Our effective tax rate for the three months ended September 30, 2010 and 2009 was 6.0% and 1.2%, respectively. Significant items impacting the 2010 rate include certain permanent items and a valuation allowance based on the deferred tax asset balance projected for December 31, 2010. We recognize valuation allowances on deferred tax assets if, based on the weight of the evidence, we believe that some or all of our deferred tax assets will not be realized. Changes in valuation allowances are included in our tax provision in the period of change. In determining whether a valuation allowance is warranted, we evaluate factors such as prior years earnings history, expected future earnings, loss carry-back and carry-forward periods, reversals of existing deferred tax liabilities and tax planning strategies that potentially enhance the likelihood of the realization of a deferred tax asset.

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

Consolidated operating revenue decreased by 15.1% during the nine months ended September 30, 2010 as compared to the same period in 2009, which is reflective of decreased revenue at all of our segments with the exception of Truckload. The decreased operating revenue is a result of lower volumes primarily attributed to the diversion of freight by customers to other carriers and a continued weakened economy. We believe that customers diverted freight beginning in 2009 due to uncertainty around our financial stability and the integration of our former Yellow Transportation and Roadway networks. That deterioration continued throughout the latter part of 2009 as concerns surrounding the bond exchange lingered into December 2009. Once the debt exchange was finalized, our industry was hampered by severe winter weather in January and February 2010.

Consolidated operating loss improved $595.9 million during the nine months ended September 30, 2010 as compared to the operating loss for the same period in 2009. Revenue decreased $577.8 million in the first nine months of 2010 compared to the same period in 2009 while operating expenses decreased $1,173.7 million as compared to the same period in 2009. Expense reductions were comprised of a $877.3 million decrease in salaries, wages and benefits, a $179.0 million decrease in operating expenses and supplies, a $43.6 million decrease in purchased transportation, which is attributable to declining volumes, a $30.7 million decrease in

40

Table of Contents

depreciation and amortization due to reduced facilities and reduced fleet size, and a $63.8 million decrease in other operating expenses.

The decrease in salaries, wages and benefits in the first nine months of 2010 as compared to the same period in 2009 is largely due to the increased wage reduction, from 10% to 15%, taken by a majority of our union employees in August of 2009 and the suspension of pension contributions and related expense for the majority of our multi-employer union pension funds beginning in the second half of 2009. Additionally, the decrease in salaries and benefits is a result of lower headcount in the current year due to lower volumes. The decrease in operating expenses and supplies is a result of lower vehicle and facility maintenance of $63.0 million or 27.8%, lower bad debt expense of $42.0 million or 97.1%, and a decrease in travel and employee activities of $22.3 million or 53.8% due to a decrease in discretionary spending. Finally, other operating expenses decreased mostly due to lower operating taxes and licenses of $24.8 million or 18.5% primarily due to lower fuel taxes reflective of lower miles driven and thus fuel consumed, a general liability claims expense decrease of $18.6 million or 32.1% related to lower volume, and lower cargo claims expense of $20.6 million or 39.8% due to fewer shipments and improved claim experience.

Consolidated operating loss for the nine months ended September 30, 2010 also includes non-cash impairment charges of $5.3 million representing a reduction in the tradename values attributed to YRC Reimer (a part of the National Transportation segment) and New Penn (a part of the Regional Transportation segment). The impairment charge is reflective of a change in revenue growth assumptions in the fair value model. There were no impairment charges during the nine months ended September 30, 2009. During the nine months ended September 30, 2010, we also recognized net losses on the sale of property and equipment and the fair value adjustments for property held for sale of $3.2 million compared to net gains of $10.6 million for the same period in 2009.

Nonoperating expenses decreased $17.2 million in the first nine months of 2010 compared to the same period in 2009. The 2010 decrease consisted primarily of a $12.3 million impairment of our equity investment in Jiayu in 2010 compared to $30.4 million impairment in the same period of 2009. The adjustment was required as the estimated current fair value, using a discounted cash flow model, was less than our investment. The impairment charge is reflective of a change in revenue growth assumptions in the fair value model. Offsetting the reduced equity investment impairment was an increase in interest expense of $11.3 million attributable to increased net deferred debt cost amortization of $16.5 million, additional interest expense and discount amortization related to our 6% convertible senior notes of $2.9 million, additional interest expense related to our lease financing obligations of $13.9 million and an increase in interest expense on our deferred pension obligations of $2.8 million all offset by a $3.4 million decrease in interest expense related to the ABS facility and a $20.9 million decrease in interest expense for the to the 8.5% USF senior notes and the 5% and 3.375% contingent convertible senior notes for the nine months ended September 30, 2010 as compared to the same period in 2009. Finally, the additional decrease in nonoperating expenses is related to a net foreign exchange gain of $7.8 million for the nine months ended September 30, 2010 versus a loss of $0.4 million for the same period in 2009 of which approximately $5.5 million relates to the recognition of the foreign currency translation adjustment from the dissolution of a certain wholly owned subsidiary.

Our effective tax rate for the nine months ended September 30, 2010 and 2009 was 2.8% and 22.0%, respectively. Significant items impacting the 2010 rate include certain permanent items and a valuation allowance based on the deferred tax asset balance projected for December 31, 2010. We recognize valuation allowances on deferred tax assets if, based on the weight of the evidence, we believe that some or all of our deferred tax assets will not be realized. Changes in valuation allowances are included in our tax provision in the period of change. In determining whether a valuation allowance is warranted, we evaluate factors such as prior years earnings history, expected future earnings, loss carry-back and carry-forward periods, reversals of existing deferred tax liabilities and tax planning strategies that potentially enhance the likelihood of the realization of a deferred tax asset.

National Transportation Results

National Transportation represented approximately 66% and 70% of our consolidated revenue in the third quarters of 2010 and 2009, respectively, and approximately 67% and 72% of our consolidated revenue in the nine months ended September 30, 2010 and 2009, respectively. The table below provides summary financial information for National Transportation for the three and nine months ended September 30:

	Three months			Nine months		
(in millions)	2010	2009	Percent Change	2010	2009	Percent Change
Operating revenue	$ 755.0	$ 849.3	(11.1%)	$ 2,159.7	$ 2,745.7	(21.3%)
Operating income (loss)	(21.6)	(122.0)	82.3%	(173.6)	(661.3)	73.8%
Operating ratio [a]	102.9%	114.4%	11.5pp [b]	108.0%	124.1%	16.1pp [b]

(a) Represents total operating expenses divided by operating revenue.
(b) Percentage points.

Three months ended September 30, 2010 compared to three months ended September 30, 2009

National Transportation reported third quarter 2010 operating revenue of $755.0 million, representing a decrease of $94.3 million or 11.1% from the third quarter of 2009. The two primary components of operating revenue are volume, comprised of the number of shipments and the weight per shipment resulting in tonnage, and price, usually evaluated on a per hundred weight basis. The decline in operating revenue was largely driven by a 13.0% decline in picked up tonnage per day. The decline in picked up tonnage per day was made up of a 12.2% decline in shipments per day and a 0.9% decline in weight per shipment. The decline in tonnage was offset by a 2.8% increase in revenue per hundred weight resulting mostly from higher fuel surcharge revenue. Higher fuel surcharge revenue was driven by higher diesel fuel prices in the third quarter of 2010 as compared to the same period in 2009.

The decline in shipments and tonnage resulted from the diversion of freight by customers to other carriers and a continued weakened economy. We believe that customers diverted freight beginning in 2009 due to uncertainty around our financial stability and the integration of our former Yellow Transportation and Roadway networks. That deterioration continued throughout the latter part of 2009 as concerns surrounding the bond exchange lingered into early 2010.

Operating loss for National Transportation was $21.6 million in the third quarter of 2010 compared to operating loss of $122.0 million in the same period in 2009. Revenue was lower by $94.3 million while total operating expenses decreased by $194.7 million. The expense declines consisted primarily of lower salaries, wages and benefits of $127.0 million, lower operating expenses and supplies of $42.5 million, lower purchased transportation costs of $16.8 million, and lower other operating expenses of $8.4 million.

The decrease in salaries, wages and benefits (excluding workers compensation expense) of $121.9 million during the third quarter of 2010 is a result of substantial headcount reductions and an additional 5% wage reduction for most union employees which became effective August 2009. In addition to volume decreases, a further reduction in benefits expense resulted from the ratification by certain labor unions of a temporary cessation of pension contributions to certain of our multi-employer union pension funds beginning in the second half of 2009. Workers compensation expense (included in salaries, wages and benefits in the statement of operations) decreased $5.1 million or 14.6% which is reflective of fewer hours worked and improved claim frequency partially offset by higher severity.

Operating expenses and supplies were lower due mostly to decreases in facility and fleet operating and maintenance costs due to reduced facilities, fleet downsizing, and lower volumes. The decline was also impacted by a decrease in bad debt expense of $14.5 million in the third quarter of 2010 compared to the same period in 2009 and is reflective of lower bankruptcies in our customer base and improvements in our revenue management processes.

The decline in purchased transportation during the third quarter of 2010 versus the same period in 2009 resulted primarily from lower volumes. Rail costs decreased 3.3% due to lower volume compared to the same period in 2009 while other purchased transportation costs decreased 20.5%.

Other operating expenses decreased mostly due to lower operating taxes and licenses of 17.6% primarily due to lower fuel taxes reflective of lower miles driven and thus fuel consumed, lower cargo claims expense of 47.0% due to fewer shipments and improved claims experience, and lower depreciation of 14.9% due to reduced facilities and fleet downsizing. The gain on disposal of property was $2.4 million in the third quarter of 2010 compared to a gain of $11.0 million during the same period in 2009.

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

National Transportation revenue decreased $586.0 million or 21.3% in the nine months ended September 30, 2010 versus the same period in 2009. The decline in operating revenue was largely driven by a 22.7% decline in total picked up tonnage offset by a 2.2% increase in revenue per hundred weight resulting mostly from higher fuel surcharge revenue. The decline in picked up tonnage per day was made up of a 22.1% decline in shipments per day and a 0.7% decline in weight per shipment. The decline in shipments and tonnage resulted from the diversion of freight by customers to other carriers and a continued weakened economy. We believe that customers diverted freight beginning in 2009 due to uncertainty around our financial stability and the integration of our former Yellow Transportation and Roadway networks. That deterioration continued throughout the latter part of 2009 as concerns surrounding the bond exchange lingered into December 2009. Once the debt exchange was finalized, our industry was hampered by severe winter weather in January and February 2010. Our volumes improved sequentially quarter over quarter during the first nine months of 2010 as we began to secure additional business from existing and new customers.

Operating loss for National Transportation improved $487.7 million in the nine months ended September 30, 2010 as compared to the nine months ended September 30, 2009. Revenue decreased $586.0 million in the first nine months of 2010 compared to the same period in 2009 while operating expenses decreased $1,073.7 million. The expense declines consisted primarily of lower salaries,

Table of Contents

wages and benefits of $761.5 million, lower operating expenses & supplies of $196.1 million, lower purchased transportation costs of $63.5 million, and lower other operating expenses of $52.6 million.

The decrease in salaries, wages and benefits (excluding workers compensation expense) of $722.7 million during the nine months ended September 30, 2010 is a result of substantial headcount reductions and an additional 5% wage reduction for most union employees which became effective August 2009. In addition to volume decreases, a further reduction in benefits expense resulted from the ratification by certain labor unions of a temporary cessation of pension contributions to certain of our multi-employer union pension funds beginning in the second half of 2009. Workers compensation expense (included in salaries, wages and benefits in the statement of operations) decreased $38.8 million or 29.9% which is reflective of fewer hours worked and improved claim frequency partially offset by higher severity.

These reductions were partially offset by an equity based compensation expense of $18.9 million in the first nine months of 2010 compared to a $16.1 million expense in the first nine months of 2009. The charges relate to equity based consideration associated with union wage and benefit reductions implemented in 2009.

Operating expenses and supplies were lower due mostly to decreases in facility and fleet operating and maintenance costs due to reduced facilities, fleet downsizing, and lower volumes. The decline was also impacted by a decrease in bad debt expense of $38.7 million in the nine months ended September 30, 2010 compared to the same period in 2009 and is reflective of lower bankruptcies in our customer base and improvements in our revenue management processes.

The decline in purchased transportation during the nine months ended September 30, 2010 versus the same period in 2009 resulted primarily from lower volumes yet did not keep pace with the volume decline as the unit costs of the services increased. Rail costs decreased 12.9% due to lower volume compared to the same period in 2009 while other purchased transportation costs decreased 20.0%.

Other operating expenses decreased mostly due to lower operating taxes and licenses of $24.0 million primarily due to lower fuel taxes reflective of lower miles driven, a general liability claims expense decrease of $6.6 million related to lower volume, lower cargo claims expense of $20.5 million due to fewer shipments and improved claim experience, lower depreciation of $16.4 million due to reduced facilities and fleet downsizing, offset by an impairment charge of $3.3 million related to a reduction in fair value of the Reimer tradename, primarily due to a decline in future revenue assumptions. The net gain on disposal of property was $0.1 million in the nine months ended September 30, 2010 compared to a gain of $11.4 million during the same period in 2009. Increased costs were the result of writing down certain revenue equipment and facilities held for sale to fair market value.

Regional Transportation Results

Regional Transportation represented approximately 31% and 28% of our consolidated revenue in the third quarters of 2010 and 2009, respectively and 31% and 27% in the nine months ended September 30, 2010 and 2009, respectively. The table below provides summary financial information for Regional Transportation for the three and nine months ended September 30:

	Three months			Nine months		
(in millions)	2010	2009	Percent Change	2010	2009	Percent Change
Operating revenue	$ 354.2	$ 338.8	4.5%	$ 1,014.8	$ 1,031.8	(1.6%)
Operating income (loss)	8.6	0.3	n/m [(a)]	(8.7)	(122.2)	92.9%
Operating ratio [(b)]	97.6%	99.9%	2.3pp [(c)]	100.9%	111.8%	10.9pp [(c)]

(a) Not meaningful.
(b) Represents total operating expenses divided by operating revenue.
(c) Percentage points.

Three months ended September 30, 2010 compared to three months ended September 30, 2009

Regional Transportation reported operating revenue of $354.2 million for the third quarter 2010, representing an increase of $15.4 million, or 4.5% from the third quarter in 2009. Total weight per day was up 8.9% in the third quarter 2010, representing a 2.5% improvement in total shipments per day and a 6.3% improvement in total weight per shipment compared to the same period in 2009.

Total revenue per hundred weight decreased 2.5% in the third quarter 2010 as compared to the third quarter 2009, primarily due to continued market pricing pressure impacts on our base rates and a slightly higher mix of corporate business, partially offset by higher fuel surcharge revenue associated with higher diesel fuel prices. A meaningful portion of our regional footprint is concentrated in the

Table of Contents

Upper Midwest where business levels and pricing negotiations have been especially difficult due to the economic challenges in this geographic area.

Operating income for Regional Transportation was $8.6 million for the third quarter 2010, compared to $0.3 million operating income for the third quarter 2009, consisting of a $15.4 million improvement in revenue offset by a $7.1 million increase in operating expenses. Expense increases in the third quarter 2010 included operating expenses and supplies of $4.5 million, purchased transportation of $0.9 million, and other operating expenses of $3.2 million. Expense decreases in the third quarter 2010 were comprised of salaries, wages and benefits of $0.1 million and depreciation and amortization of $0.5 million. Gains on property disposals were $0.9 million more in the three months ended September 30, 2010, compared to the three months ended September 30, 2009.

The decrease in salaries, wages and benefits (excluding workers compensation expense) of $6.6 million during the third quarter of 2010 compared to the third quarter of 2009 is the result of lower employee levels and an additional 5% wage reduction for most union employees which became effective August 2009. In addition to volume decreases, a further reduction in benefits expense resulted from the ratification by certain labor unions of a temporary cessation of pension contributions to certain of our multi-employer union pension funds beginning in the second half of 2009. Workers compensation expense (included in salaries, wages and benefits in the statement of operations) increased $6.5 million or 87.2% due to unfavorable claims development.

Operating expenses and supplies increased 6.2% reflecting a 24.4% increase in fuel costs (primarily due to higher fuel prices) and 7.2% reduction in costs other than fuel. Costs were lower in the areas of communications, travel, and bad debt expense as a result of effective cost management and lower bankruptcies in our customer base. Purchased transportation was 6.0% higher due to increased volumes relating to certain lines of business which utilize a higher percentage of purchased transportation. Depreciation and amortization was lower by 3.2% primarily due to impacts from a smaller equipment fleet. Finally, other operating expenses were 18.4% higher, mainly due to a higher provision for general liability claims due to unfavorable claim development factors and by higher cargo claims costs.

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

Regional Transportation reported operating revenue of $1,014.8 million for the first nine months of 2010, representing a decrease of $17.0 million or 1.6% from the first nine months of 2009. Total weight per day was up 1.4%, representing a 6.2% higher total weight per shipment offset by a 4.5% decline in total shipments per day compared to 2009. Shipment volumes were negatively impacted by a continued weak economy, unseasonably severe winter weather, the diversion of freight due to uncertainty around our financial stability and the closure of service centers during the first half of 2009.

Total revenue per hundred weight decreased 2.6% in the first nine months of 2010 as compared to the first nine months of 2009, due to the impact of continued pricing pressure on our base rates, and a slightly higher mix of corporate business, partially offset by higher fuel surcharge revenue associated with higher diesel fuel prices.

Operating loss for Regional Transportation was $8.7 million for the first nine months of 2010, an improvement of $113.5 million from the first nine months of 2009, consisting of a $17.0 million decline in revenue and a $130.5 million reduction in operating expenses. Regional Transportation has benefited from our comprehensive recovery plan, including cost reduction initiatives as described below. Operating expense decreases were comprised of salaries, wages and benefits of $123.2 million, depreciation and amortization of $2.0 million, and other operating expenses of $16.3 million. Expense increases included operating expenses and supplies of $6.5 million and purchased transportation of $0.2 million.

Salaries, wages and benefits expense decreased 16.2% as a result of lower employee levels, an additional 5% wage reduction for most union employees which became effective August 2009, and decreased workers compensation expense. In addition to volume decreases, a further reduction in benefits expense resulted from the ratification by certain labor unions of a temporary cessation of pension contributions to certain of our multi-employer union pension funds beginning in the second half of 2009.

Operating expenses and supplies increased 2.9% reflecting a 31.4% increase in fuel costs (primarily due to higher fuel prices) and a 17.7% reduction in costs other than fuel. Costs were lower in the areas of equipment maintenance, facility maintenance, travel, driver expenses, tolls and bad debt expense as a result of effective cost management, terminal closures and lower bankruptcies in our customer base. Purchased transportation was 0.4% higher due to increased volumes relating to certain lines of business which utilize a higher percentage of purchased transportation. Other operating expenses were lower by 23.4% mainly due to a much lower provision for general liability claims due to favorable claims development, as well as reduced volume. Additionally, fuel taxes, licenses and cargo claims costs were lower primarily due to effective cost management.

Losses on property disposals were $3.0 million in the first nine months of 2010 compared to $0.7 million in the first nine months of 2009. Increased costs were the result of writing down certain revenue equipment and facilities held for sale to fair market value. The first nine months of 2010 operating loss included an impairment charge of $2.0 million related to a reduction in fair value of the New Penn tradename, primarily due to a decline in future revenue assumptions.

Truckload Results

Truckload represented approximately 3% and 2% of our consolidated revenue in the third quarter of 2010 and 2009, respectively and 2% and 1% in the nine months ended September 30, 2010 and 2009, respectively. The table below provides summary financial information for Truckload for the three and nine months ended September 30:

	Three months			Nine months		
(in millions)	2010	2009	Percent Change	2010	2009	Percent Change
Operating revenue	$ 28.8	$ 29.9	(3.7%)	$ 83.9	$ 83.5	0.6%
Operating loss	(2.3)	(1.4)	(59.9%)	(7.3)	(6.0)	(21.2%)
Operating ratio [(a)]	107.8%	104.7%	(3.1pp) [(b)]	108.7%	107.2%	(1.5pp) [(b)]

(a) Represents total operating expenses divided by operating revenue.
(b) Percentage points.

Three months ended September 30, 2010 compared to three months ended September 30, 2009

Truckload reported operating revenue of $28.8 million for the third quarter 2010, representing a decrease of $1.1 million or 3.7% from the third quarter 2009. The two primary components of truckload operating revenue are volume, comprised of the miles driven, and price, usually evaluated on a revenue per mile basis. Total miles driven per day were down 7.6% in the third quarter 2010 as compared to 2009 due primarily to lower business volume related to the soft economy. Revenue per mile was up 4.2%, due primarily to higher fuel surcharge revenue associated with higher diesel fuel prices.

Operating loss for Truckload was $2.3 million for the third quarter 2010, as compared to an operating loss of $1.4 million for the third quarter 2009, consisting of a $1.1 million decrease in revenue offset by a $0.2 million decrease in operating expenses. Mostly offsetting the expense decreases were higher costs for fuel (higher diesel prices), vehicle maintenance, and a higher provision for general liability claims due to unfavorable claims development. Expense decreases were primarily related to lower salaries, wages and related benefits costs as a result of lower employee levels.

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

Truckload reported operating revenue of $83.9 million for the nine months ended September 30, 2010, representing an increase of $0.4 million or 0.6% from the nine months ended September 30, 2009. Total miles driven per day were down 4.3% in the first nine months of 2010 as compared to 2009 due primarily to lower business volume related to the soft economy. However, revenue per mile was up 4.8%, due primarily to higher fuel surcharge revenue associated with higher diesel fuel prices.

Operating loss for Truckload was $7.3 million for the first nine months of 2010, a decline of $1.3 million from the first nine months of 2009, consisting of a $0.4 million improvement in revenue offsetting a $1.7 million increase in operating expenses. Expense increases were primarily due to increases in fuel costs (higher diesel prices), vehicle maintenance costs, and a higher provision for general liability claims due to unfavorable claims development. Decreased operating expenses were primarily related to lower salaries, wages, and related benefits costs as a result of lower employee levels.

Table of Contents

Discontinued Operations - YRC Logistics Results

On August 13 2010, we completed the initial closing of the sale of the majority of our YRC Logistics business to a third party. In addition, certain other operations ceased during the quarter ended June 30, 2010. As a result, the YRC Logistics segment has been reported as discontinued operations for all periods presented. See Note 15 Discontinued Operations for further discussion. The table below provides summary financial information for YRC Logistics for the three and nine months ended September 30:

	Three months			Nine months		
(in millions)	2010	2009	Percent Change	2010	2009	Percent Change
Operating revenue	$ 41.7	$ 102.4	(59.3%)	$ 194.2	$ 316.3	(38.6%)
Net income (loss) from discontinued operations	(2.5)	12.3	n/m [a]	(17.9)	1.0	n/m [a]

(a) Not meaningful.

Certain Non-GAAP financial measures

Our adjusted EBITDA improved from $39.9 million for the three months ended June 30, 2010 to $44.3 million for the three months ended September 30, 2010. Additionally, National Transportation achieved positive adjusted EBITDA for the second straight quarter and Regional Transportation reported positive adjusted EBITDA for the fifth straight quarter. We have included the reconciliation of consolidated adjusted EBITDA below and provided the adjusted EBITDA amounts by segment.

Adjusted EBITDA is a non-GAAP measure that reflects the company s earnings before interest, taxes, depreciation, and amortization expense, and further adjusted for letter of credit fees, equity-based compensation expense, net gains or losses on property disposals and certain other items, including restructuring professional fees and results of permitted dispositions and discontinued operations as defined in the company s credit agreement. Operating loss, as adjusted, is a non-GAAP measure that excludes a non-cash benefit from an adjustment to the fair value of the March 2010 union employee equity award. Adjusted EBITDA and operating loss, as adjusted are used for internal management purposes as a financial measure that reflects the company s core operating performance. In addition, management uses adjusted EBITDA to measure compliance with financial covenants in the company s Credit Agreement. However, this financial measure should not be construed as a better measurement than operating income, operating cash flow or earnings per share, as defined by generally accepted accounting principles.

The reconciliation of operating loss to adjusted EBITDA for the three and nine months ended September 30 is as follows:

	Three Months		Nine Months	
(in millions)	2010	2009	2010	2009
Reconciliation of operating loss to adjusted EBITDA:				
Operating loss	$ (18.8)	$ (126.6)	$ (203.7)	$ (799.6)
Union equity awards			25.0	20.7
Operating loss, as adjusted	(18.8)	(126.6)	(178.7)	(778.9)
Depreciation & amortization	49.8	58.3	150.5	181.2
Equity based compensation expense	2.2	2.0	5.5	8.1
Letter of credit expense	8.3	8.8	24.9	23.3
(Gains) losses on property disposals, net	(3.4)	(11.1)	3.2	(10.6)
Impairment charges			5.3	
Restructuring professional fees	6.6		15.9	
Reimer Finance Co. dissolution (foreign exchange)			5.5	
Other nonoperating expenses (income), net	(0.4)	(2.0)	1.1	(4.5)

Adjusted EBITDA	$ 44.3	$ (70.6)	$ 33.2	$ (581.4)

46

Table of Contents

The following represents adjusted EBITDA by segment for the three and nine months ended September 30:

	Three Months		Nine Months	
(in millions)	2010	2009	2010	2009
Adjusted EBITDA by segment:				
YRC National Transportation	$ 9.2	$ (95.4)	$ (44.9)	$ (541.3)
YRC Regional Transportation	25.6	18.3	55.9	(62.3)
YRC Truckload		1.0	(0.3)	1.1
Corporate and other	9.5	5.5	22.5	21.1
Adjusted EBITDA	$ 44.3	$ (70.6)	$ 33.2	$ (581.4)

Adjusted EBITDA has the following limitations:

Adjusted EBITDA does not reflect the significant interest expense or the cash requirements necessary to 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 overall long-term incentive compensation package, although we exclude it as an expense when evaluating our ongoing operating performance for a particular period; and

Other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure. Because of these limitations, Adjusted EBITDA 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 using Adjusted EBITDA as a secondary measure.

Our consolidated operating ratio, as adjusted of 101.7% for the three months ended September 30, 2010 improved 8.8 percentage points compared to the same period in 2009 and for the nine months ended September 30, 2010 improved 14.9 percentage points compared to the same period in 2009.

Operating ratio, as adjusted is calculated as 100 minus the result of dividing operating income, as adjusted by operating revenue or plus the result of dividing operating loss, as adjusted by operating revenue, and expressed as a percentage.

The reconciliation of operating ratio, as adjusted for the three and nine months ended September 30 is as follows:

	Three Months		Nine Months	
(in millions)	2010	2009	2010	2009
Operating revenue	$ 1,136.8	$ 1,204.0	$ 3,243.1	$ 3,820.9
Operating loss, as adjusted	(18.8)	(126.6)	(178.7)	(778.9)
Operating ratio, as adjusted	101.7%	110.5%	105.5%	120.4%

Operating ratio, as adjusted by segment for the three and nine months ended September 30 is as follows:

(in millions)	Three Months 2010	Three Months 2009	Nine Months 2010	Nine Months 2009
YRC National Transportation				
Operating revenue	$ 755.0	$ 849.3	$ 2,159.7	$ 2,745.7
Operating loss, as adjusted	(21.6)	(122.0)	(154.8)	(645.2)
Operating ratio, as adjusted	102.9%	114.4%	107.2%	123.5%
YRC Regional Transportation				
Operating revenue	$ 354.2	$ 338.8	$ 1,014.8	$ 1,031.8
Operating loss, as adjusted	8.6	0.3	(2.6)	(117.6)
Operating ratio, as adjusted	97.6%	99.9%	100.3%	111.4%
YRC Truckload				
Operating revenue	$ 28.8	$ 29.9	$ 83.9	$ 83.5
Operating loss, as adjusted	(2.3)	(1.4)	(7.2)	(6.0)
Operating ratio, as adjusted	107.8%	104.7%	108.6%	107.2%

Table of Contents

Financial Condition

Liquidity

The following table provides details of the outstanding components and unused available (deficit) capacity under the Credit Agreement and ABS Facility (each, as defined below) at September 30, 2010 and December 31, 2009:

(in millions)	September 30, 2010	December 31, 2009
Capacity:		
Revolving loan	$ 772.8	$ 950.0
ABS Facility	350.0	400.0
Total maximum capacity	1,122.8	1,350.0
Amounts outstanding:		
Revolving loan	(149.9)	(329.1)
Letters of credit (9/30/10: $454.2 revolver; $72.2 ABS Facility)	(526.4)	(538.3)
ABS Facility borrowings	(122.8)	(146.3)
Total outstanding	(799.1)	(1,013.7)
ABS borrowing base restrictions	(155.0)	(178.2)
Restricted revolver reserves	(122.8)	(159.8)
Total restricted capacity	(277.8)	(338.0)
Unrestricted unused capacity (deficit) (9/30/10: $45.9 revolver; $0 ABS Facility)	$ 45.9	$ (1.7)

Credit Agreement Amendments

On May 3, 2010, we entered into Amendment No. 17 and on July 28, 2010, we entered into Amendment No. 18 to our Credit Agreement, dated as of August 17, 2007 (as amended, the Credit Agreement). The amendments are described below.

Amendment No. 17

We have entered into an arrangement to sell up to $103 million in gross proceeds of shares of common stock (on a gross proceeds basis) in an at-the-market issuance program. See At Market Issuance Sales Agreement below. Amendment No. 17 to the Credit Agreement permits us to retain the net proceeds from any such sales as described below:

Equity Issuances

Amendment No. 17 provides that we may receive up to $100 million of net cash proceeds from the issuance of equity interests during the period commencing on May 3, 2010 and ending on the earlier of December 31, 2010 or the date on which we receive $100 million of net cash proceeds from such equity issuances, without having to use such net cash proceeds to make a mandatory prepayment under the Credit Agreement. The net cash proceeds from such equity issuances are deposited into a new deposit account (the New Account). We will be able to use the funds in the New Account for general corporate purposes. While any funds are in the New Account, they will not count toward the calculation of Liquidity (as defined in the Credit Agreement), the calculation of Unrestricted Cash (as defined in the Credit Agreement) or the calculation of Excess Cash Flow (as defined in the Credit Agreement) in each case for purposes of the mandatory prepayment requirements. The funds in the New Account will count as Available Cash (as defined in the Credit Agreement). Additionally, we will not be able to request loans under the Credit Agreement until the balance in the New Account is zero. Other than the net cash proceeds from the issuance of such equity interests, no funds may be deposited into the New Account, and once funds have been withdrawn they may not be re-deposited. As of September 30, 2010 the balance in this New Account was $15.4 million which represents our net proceeds from our at the market issuances.

Voluntary Prepayments of Certain Obligations

Amendment No. 17 to the Credit Agreement modifies the restriction on voluntary prepayments of any amounts owing under the Contribution Deferral Agreement or indebtedness, including a prohibition on the Company using the up to $100 million of net cash proceeds from the equity issuance described above to make such voluntary prepayments.

Table of Contents

Amendment No. 18

We entered into an agreement to sell the majority of our logistics business for $37 million (prior to any purchase price adjustments). See Sale of YRC Logistics below. Amendment No. 18 to the Credit Agreement provides us with access to the net cash proceeds from the sale as described below:

Sale of YRC Logistics

The Credit Agreement requires us to prepay amounts outstanding under the Credit Agreement with 100% of the net cash proceeds received from the sale of YRC Logistics. Pursuant to Amendment No. 18, these net cash proceeds will be applied to outstanding unblocked revolver loans under the Credit Agreement (without a corresponding commitment reduction to the unblocked revolver) and the new revolver reserve block under the Credit Agreement will be permanently reduced by 50% of that amount.

Mandatory Prepayments

Pursuant to the terms of Amendment No. 18, on and after August 10, 2010, upon a Prepayment Event (except for certain sale and leaseback transactions described below) or an Excess Cash Flow Sweep (as defined in the Credit Agreement), a mandatory prepayment will be made in an amount, and in accordance with the provisions of, the Credit Agreement prior to giving effect to Amendment No. 18, except that:

(i) outstanding permitted interim loans will be repaid after (rather than before) new revolver reserve block loans, existing revolver reserve block (performance) loans and unblocked revolver loans (in each case (other than permitted interim loans) with a corresponding permanent commitment reduction), and

(ii) outstanding term loans are paid ratably with the unblocked revolver.

The first $20 million of net cash proceeds received from sale and leaseback transactions received on and after August 10, 2010 will be treated as follows:

(i) 25% of the net cash proceeds will be applied in accordance with the provisions described in the paragraph above,

(ii) 75% of the net cash proceeds will be applied to outstanding unblocked revolver loans (without a corresponding commitment reduction to the unblocked revolver), and

(iii) the new revolver reserve block will be permanently reduced by 50% of the net cash proceeds.

Conversion of Revolving Loans and LC Limits

Amendment No. 18 converted $150 million of outstanding revolving loans to term loans. In addition, Amendment No. 18 reduced the letter of credit sublimit to $550 million and limited foreign currency letters of credit to $25 million. As of September 30, 2010, the senior revolving credit facility had a capacity of $772.8 million and the senior term loan outstanding principle was $260.2 million.

Consolidated EBITDA

The definition of Consolidated EBITDA was amended to include a new add back for charges, expenses and losses incurred with any Permitted Disposition (as defined in the Credit Agreement) or discontinued operations.

Financial Covenants

Our minimum Available Cash covenant requires that we maintain at least $25 million of Available Cash through December 31, 2010 and at least $50 million of Available Cash from and after January 1, 2011.

Our minimum Consolidated EBITDA (as defined in the Credit Agreement) covenant in respect of the periods ending September 30, 2010 and December 31, 2010 is as follows:

Period	**Minimum Consolidated EBITDA**	
For the two consecutive fiscal quarters ending September 30, 2010	$	50 million
For the three consecutive fiscal quarters ending December 31, 2010	$	100 million

49

Table of Contents

Asset-Backed Securitization Amendments

On May 3, 2010, we, as Performance Guarantor, and the parties to the Third Amended and Restated Receivables Purchase Agreement, dated as of April 18, 2008 (as amended, the ABS Facility), entered into Amendment No. 17 to the ABS Facility, which implemented minimum consolidated EBITDA and minimum available cash requirements that are consistent with Amendment No. 17 to the Credit Agreement described above.

On June 11, 2010, we entered into Amendment No. 18 to the ABS Facility. The amended facility (i) reduced the aggregate commitments under the ABS Facility from $400 million to $350 million; and (ii) modified certain calculations under the ABS Facility to reduce the impact of negative effects that the integration of Yellow Transportation and Roadway has had on the ability of the Seller to borrow under the ABS Facility.

In connection with Amendment No. 18 to the ABS Facility, we paid fees to the Co-Agents (the Closing Fees). The Closing Fees were paid by the Company by the issuance to the Co-Agents (or their designees) of an aggregate of 1.0 million shares (25.4 million shares prior to the adjustment for the reverse stock split) of unregistered restricted common stock of the Company of which 0.8 million shares (20.7 million shares prior to the adjustment for the reverse stock split) were issued as of June 30, 2010 and the remaining 0.2 million shares (4.7 million shares prior to the adjustment for the reverse stock split) were issued on July 22, 2010. To value these shares issued in lieu of cash fees, we completed a fair value analysis and concluded that the value of these shares as of June 30, 2010 was $3.0 million.

On October 20, 2010, we entered into Amendment No. 19 to the ABS Facility.

Maturity

Amendment No. 19 extends the expiration of the ABS Facility to October 19, 2011; provided, that the ABS Facility will expire on January 10, 2011 if the Agreement for the Restructuring of the YRC Worldwide Inc. Operating Companies, dated September 24, 2010, among the International Brotherhood of Teamsters (the IBT) and certain subsidiaries of the Company (the IBT Agreement) is not in full force and effect on January 10, 2011.

Capacity and Availability

Amendment No. 19 reduces the aggregate commitments under the ABS Facility from $350 million to $325 million. However, we do not expect the temporary restriction on incremental borrowings to have a negative impact on our liquidity in the fourth quarter of 2010.

Interest and Fees

Amendment No. 19 provides for a 1% increase in the Default Rate, LIBOR Rate and LMIR (each as defined in the ABS Facility) on each of April 30, 2011 and June 30, 2011.

In connection with Amendment No. 19, we and the Co-Agents agreed that:

- The $10.0 million fee that was previously due on October 26, 2010 has been deferred and is payable in two installments of $5 million on each of March 1, 2011 and April 30, 2011 unless payment is accelerated due to the occurrence of (i) the Amortization Date (as defined in the ABS Facility) or (ii) a Deferral Termination Event (as defined in the Company s credit agreement) (each of (i) and (ii), an Accelerated Deferred Fee Payment Date); provided, that if the ABS Facility is refinanced, then Yellow Roadway Receivable Funding Corporation (YRRFC) will not have to pay any portion of this deferred fee that is due and payable after the refinance date.

- YRRFC will pay the Co-Agents an additional $5 million fee on June 30, 2011 (or an Accelerated Deferred Fee Payment Date) if the ABS Facility is not refinanced by that date.

YRRFC paid the Co-Agents on the effective date of Amendment No. 19 the interest and letter of credit, program and administration fees that were previously deferred, which was approximately $13 million. The portion of such interest and fees in excess of the interest and fee rates in place prior to February 12, 2009 will begin to be deferred from October 20, 2010 until the earlier of March 1, 2011 and an Accelerated Deferred Fee Payment Date, at which time YRRFC will begin to make cash payments for such incremental interest and fees. If the ABS Facility is refinanced by March 1, 2011, then YRRFC will not have to pay the interest and letter of credit, program and administration fees that are deferred from

Table of Contents

October 20, 2010. We expect these deferred interest and fees to be approximately $4 million from October 20, 2010 through March 1, 2011 based on expected borrowings.

The letter of credit fees will increase by 1% and the program and administrative fees will each increase by 0.5% on each of April 30, 2011 and June 30, 2011 if the ABS Facility is not refinanced by those dates.

The ABS Facility will be deemed refinanced if: (i) YRRFC has repaid all borrowings under the ABS Facility and has paid the Purchasers (as defined in the ABS Facility) and Co-Agents all amounts due under the ABS Facility; (ii) all letters of credit under the ABS Facility have been surrendered; (iii) the commitments of the Purchasers and LC Issuer have terminated; and (iv) there are no continuing obligations of the Purchasers, Co-Agents and LC Issuer under the ABS Facility.

Servicer Defaults

Amendment No. 19 provides that a Servicer Default (as defined in the ABS Facility) will occur if, among other things,: (i) the IBT Agreement shall not be in full force and effect; or (ii) the Co-Agents do not consent prior to a restructuring of the Company.

For purposes of the ABS Facility, a restructuring of the Company includes, among other things:

- The issuance of equity if the number of shares of capital stock, on a fully diluted basis, in respect of any such issuances since October 20, 2010 exceeds 5% of the Company s outstanding shares of capital stock on October 20, 2010; provided, that the issuance of capital stock (i) under the Company s at-the-market issuance program, (ii) in the conversion of, or payment of interest under, the 6% Notes and (iii) under the Company s single-employer benefit plans will not count against the 5% limitation described above.

- The issuance of, entering into, restructuring of or refinancing of any debt securities, notes, credit agreements or credit facilities (other than indebtedness arising under the ABS Facility, our Credit Agreement or our 6% Notes) having individually a principal amount in excess of $10 million.

- The exchange or conversion of any obligations or liabilities for or into capital stock, debt securities or any other instrument or agreement described in the two bullets above.

- Any Capital Event (as defined in the IBT Agreement).

- Any amendment, restatement, supplement or other modification to our Credit Agreement or 6% Notes.

Interest and Fee Deferrals

In 2009, the Credit Agreement lenders agreed to defer the payment of revolver and term loan interest, letter of credit fees and commitment fees, subject to the deferral exceptions and termination events, for the period:

- beginning December 31, 2009, and

- ending on December 31, 2010, subject to an extension until December 31, 2011 if agreed to by 66 $^{2}/_{3}$ % of the lenders.

As of September 30, 2010 the amounts deferred under the above provision were $78.1 million.

Additionally, we deferred amendment fees of $31.8 million in October 2009, which are fully earned but not due and payable until the earlier of December 31, 2011 or the occurrence of a termination event.

Finally, the interest due in relation to our deferred pension payments under the Contribution Deferral Agreement has also been deferred beginning on January 1, 2010. As of September 30, 2010, interest deferred related to these payments was $7.0 million. In addition to the deferred interest, we have also deferred the 2010 monthly payments for amounts deferred under the Contribution Deferral Agreement totaling approximately $35 million.

Contribution Deferral Agreement Amendments

Effective May 3, 2010 and August 3, 2010, we entered into Amendment No. 4 and Amendment No. 5 to the Contribution Deferral Agreement, respectively. Pursuant to the Contribution Deferral Agreement dated as of June 17, 2009, with certain of the multiemployer pension funds to which we contribute (the Contribution Deferral Agreement), we have deferred the payment of

51

contributions to these funds. Under Amendment No. 4 and Amendment No. 5, the calculation of Liquidity (as defined in the Contribution Deferral Agreement) for the Liquidity Cash Sweep (as defined in the Credit Agreement) thereunder was amended to conform it to the test in the Credit Agreement (after giving effect to Amendment No. 17 and Amendment No. 18, respectively, to the Credit Agreement), except that the Liquidity test under the Contribution Deferral Agreement subtracts any commitment reduction or prepayment under the Credit Agreement.

Effective August 10, 2010, we entered into Amendment No. 6 to the Contribution Deferral Agreement to approve Amendment No. 18 to the Credit Agreement, which allows 100% of the net cash proceeds from the sale of YRC Logistics to be applied to outstanding unblocked revolver loans under the Credit Agreement (without a corresponding commitment reduction to the unblocked revolver) and the new revolver reserve block under the Credit Agreement to be permanently reduced by 50% of that amount. Additionally, Amendment No. 6 amended the terms of the Contribution Deferral Agreement to require the approval of 90% (rather than 100%) of the pension funds party to the Contribution Deferral Agreement to waive any additional payment of deferred pension obligations and continue the deferral in the event that the Company makes any mandatory prepayment, commitment reduction, additional interest or fee or any other incremental payment to the lenders under the Credit Agreement that was not required as of August 10, 2010.

At Market Issuance Sales Agreement

On May 3, 2010, we entered into an At Market Issuance Sales Agreement (the Sales Agreement) with Wm Smith & Co and McNicoll, Lewis & Vlak LLC (the Sales Agents), under which we may sell up to the amount available for offer and sale under the currently effective Registration Statement on Form S-3 (Registration No. 333-159355) (the Registration Statement) of our common stock from time to time through the Sales Agents. The Registration Statement permits the issuance, from time to time, by us of shares of the Company s common stock, preferred stock and warrants up to an aggregate initial offering price not to exceed $200 million. The Sales Agents may sell the common stock by any method permitted by law deemed to be an at the market offering as defined in Rule 415 of the Securities Act of 1933, as amended, including without limitation sales made directly on the NASDAQ Global Select Market, on any other existing trading market for the common stock or to or through a market maker. The Sales Agents may also sell the common stock in privately negotiated transactions, subject to our approval. The compensation to the Sales Agents for sales of common stock sold pursuant to the Sales Agreement will be an aggregate of 3.0% of the gross proceeds of the sales price of common stock sold with respect to the first $25.0 million of gross proceeds and an aggregate of 2.0% of the gross proceeds with respect to gross proceeds in excess of that amount.

The Sales Agreement will terminate on the earliest of (1) the sale of all of the common stock subject to the Sales Agreement, or (2) termination of the Sales Agreement by the Company or the Sales Agents. Either Sales Agent may terminate the Sales Agreement as to itself at any time in certain circumstances, including the occurrence of a material adverse change that, in such Sales Agent s judgment, may impair its ability to sell the common stock, or a suspension or limitation of trading of the Company s common stock on NASDAQ. We may terminate the Sales Agreement at any time upon five days prior notice while either Sales Agent may terminate the Sales Agreement as to itself at any time upon five days prior notice. The Sales Agreement contains customary representations, warranties and covenants.

On May 4, 2010, we filed with the SEC a prospectus supplement that contemplates the sale of up to $103 million in gross proceeds of shares of the Company s common stock from time to time in at-the-market offerings pursuant to the Sales Agreement. Sales pursuant to the Sales Agreement will be made only upon instructions by the Company to the Sales Agents, and we cannot provide any assurances that we will issue any additional shares pursuant to the Sales Agreement.

During the three months ended June 30, 2010, we completed the sale of 1.8 million shares (44.9 million shares prior to the adjustment for the reverse stock split) for net proceeds of $15.4 million as part of our at the market offerings. No additional at the market transactions were completed during the three months ended September 30, 2010.

6% Notes

In February 2010, we entered into a note purchase agreement with certain investors pursuant to which the investors agreed to purchase up to $70 million in aggregate principal amount of our 6% convertible senior notes due 2014 (the 6% Notes). The 6% Notes bear interest at 6%, payable in February and August of each year. The sale of the 6% Notes was structured to occur in two closings. Pursuant to the note purchase agreement, we sold $49.8 million of the 6% Notes to the investors at the first closing in February 2010 and sold an additional $20.2 million of 6% Notes to the investors in the second closing in August 2010.

The 6% Notes are convertible, at the note holder s option, prior to the maturity date into shares of our common stock. The 6% Notes were initially convertible at a conversion price of $10.75 per share ($0.43 per share prior to the adjustment for the reverse stock split), which is equal to a conversion rate of approximately 93 shares (2,326 shares prior to the adjustment for the reverse stock split) per $1,000 principal amount of 6% Notes, subject to certain adjustments. The 6% Notes provide for caps within the second anniversary of

52

the first closing such that a holder and its affiliates is not entitled to convert its 6% Notes to the extent that the holder and its affiliates would hold greater than 4.9% of the then outstanding common stock after such conversion, unless timely waived by the holder. The 6% Notes also provide a cap through stated maturity such that any holder and its affiliates is not entitled to convert its notes to the extent that the holder and its affiliates would own greater than 9.9% of the voting power of our stock. Beginning on February 23, 2012, we may convert the 6% Notes pursuant to a mandatory conversion into shares of our common stock if the market price of our common stock meets certain thresholds.

Noteholders who convert their 6% Notes at their option or whose 6% Notes are converted in a mandatory conversion at our option will also receive a make whole premium paid in shares of our common stock. The make whole premium will be payable in additional shares of common stock and will be calculated based on the remaining interest payments on the 6% Notes that would have been received through the original scheduled maturity date of the 6% Notes.

The 6% Notes indenture provides that the maximum number of shares of our common stock that can be issued in respect of the 6% Notes upon conversion or with respect to the payment of interest or in connection with the make whole premium or otherwise shall be limited to 8,075,200 (201,880,000 prior to the adjustment for the reverse stock split) shares of common stock for $70 million in aggregate principal amount of the 6% Notes, subject to certain adjustments. If the limit is reached, no holder is entitled to any other consideration on account of shares not issued. This limitation terminates if the holders of our common stock approve the termination of this limitation.

On August 2, 2010, we entered into a letter agreement (the Letter Agreement) with the investors to facilitate the issuance of the remaining $20.2 million of 6% Notes, and on August 3, 2010, the issuance and sale of those remaining 6% Notes to the investors was completed. Pursuant to the Letter Agreement, the investors accepted our required certifications that were conditions to closing under the note purchase agreement and, in turn, provided a certificate to the escrow agent to release the $20.2 million in escrowed purchase price. Also pursuant to the Letter Agreement, we temporarily increased the conversion rate under the 6% Note indenture on the date of the second closing for a period of 20 days to 4,000 shares (100,000 shares prior to the adjustment for the reverse stock split) of our common stock per $1,000 in principal amount of Notes (the Adjusted Conversion Rate). This had the effect of reducing the conversion price to $0.25 per share ($0.01 per share prior to the adjustment for the reverse stock split). Using this Adjusted Conversion Rate, the investors converted $590,000 of principal amount of their 6% Notes into an aggregate of 2,360,000 shares (59 million shares prior to the adjustment for the reverse stock split) of our common stock. The 2,360,000 shares of common stock did not include any common stock to be issued to holders of 6% Notes in respect of interest on the 6% Notes that we paid on August 16, 2010 (in respect of the August 15th interest payment date set forth in the Notes). Immediately following the 20-day period, the Conversion Rate reverted back to the initial conversion rate of approximately 93 shares (2,326 shares prior to the adjustment for the reverse stock split) of common stock per $1,000 in principal amount of the 6% Notes ($10.75 per share, $0.43 per share prior to the adjustment for the reverse stock split)). Any future conversions remain subject to the 6% Note indenture limitation that provides that no more than 8,075,200 shares of common stock may be issued in respect of the 6% Notes.

The proceeds from the second closing were used to fund the repurchase of $19.8 million of the Company s outstanding 5.0% Contingent Convertible Senior Notes due 2023 pursuant to put options exercised on August 9, 2010.

Sale of YRC Logistics

In June 2010, we entered into an Equity Interest Purchase Agreement (the Agreement) with CEG Holdings, Inc. (now known as MIQ Holdings, Inc.) (CEG), a subsidiary of Austin Ventures to sell YRC Logistics for an aggregate of approximately $37.0 million in cash. On August 13, 2010, the Company and CEG, held the initial closing of the transactions contemplated by the Agreement. At the initial closing, CEG paid the Company approximately $33.6 million, which included $31.9 million of the purchase price and approximately $1.6 million for retained insurance claims. Approximately $2.3 million of the purchase price was deposited into an escrow account for subsequent closings of foreign subsidiaries and approximately $2.8 million of the purchase price was deposited into an escrow account (one-half of which will be held for 12 months and one-half will be held for 18 months) to satisfy certain indemnification claims by CEG that may arise. Following the initial closing, a succession of delayed closings and payments will occur to transfer certain foreign subsidiaries to CEG as required regulatory approvals and licensing transfers in foreign jurisdictions are obtained. As of September 30, 2010 four delayed closings remained for a total purchase price of $0.8 million. We expect to collect more than $10 million related to the working capital adjustment in the fourth quarter of 2010, subject to final resolution of working capital adjustments between the Company and CEG.

Ratification of Labor Agreement Modification

On September 24, 2010, we entered into a tentative labor agreement with the Teamsters National Freight Industry Negotiating Committee (TNFINC). TNFINC is the committee that the International Brotherhood of Teamsters (the Teamsters) has designated to represent the Teamster employees of the Company in negotiations regarding the tentative agreement. On September 29, 2010, the

Table of Contents

Board of Directors of the Company approved the tentative agreement, and the Teamsters approved submitting the tentative agreement to the Teamster represented employees of the Company s subsidiaries for ratification. Our eligible Teamster represented employees ratified the tentative agreement on October 30, 2010.

Ratification of the tentative agreement extended the current expiration of the National Master Freight Agreement (NMFA), which currently governs labor terms and conditions for most of the Company s Teamster employees, from March 31, 2013 to March 31, 2015. The modified NMFA is expected to generate an average of $350 million in annual savings through the end of the extended agreement, assuming projected levels of business, employment and costs during those periods. The modified NMFA also provides the following:

The temporary cessation of the payment of pension contributions to the multi-employer pension funds (the Funds) in which the company s subsidiaries participate would continue until June 1, 2011, at which time the Company s subsidiaries would contribute to those Funds until the end of the extended term of the NMFA at the rate of 25% of the contribution rate in effect on July 1, 2009. Modifications to pension contributions will require the approval of the multi-employer pension funds to which the Company contributes.

Wage increases were provided for in 2013 and 2014 during the extended term of the NMFA, but the 15% wage reduction was also extended through the extended term of the NMFA and would apply to the new increases.

Significant changes were made in the work rules applicable to the Company s subsidiaries and made uniform across all regional and job classification supplemental agreements to the NMFA.

Health and welfare contribution increases were set at 35 cents per hour during each year of the extended term.

TNFINC was given the right to approve certain changes of control applicable to the Company. If TNFINC approval is not received, TNFINC may declare the wage, benefit and work rule concessions null and void on a prospective basis.

In the event of a bankruptcy of the Company, TNFINC may declare the wage, benefit and work rule concessions null and void.

The Company has begun discussions to restructure the debt under its Credit Agreement, which may include additional capital investment (debt and/or equity) by third parties in a recapitalization. The modified NMFA also provides the following:

TNFINC would have the right to approve the various transactions comprising the restructuring/recapitalization.

If TNFINC s approval is not obtained, TNFINC may declare the wage, benefit and work rule concessions null and void on a prospective basis, and the Company would owe its Teamster employees an amount equal to the concessions that in fact benefited the Company prior to the termination.

TNFINC would have significant rights to participate in the restructuring/recapitalization discussions.

In deciding whether to give its approval to a restructuring/recapitalization, TNFINC could demand on behalf of Teamster represented employees of the Company s subsidiaries additional compensation if negotiated performance triggers are met, equity participation, specified terms in the restructuring, specified indebtedness levels resulting from the transactions, governance rights and financial viability criteria.

The Company is required to enter into definitive agreements to effect the restructuring/recapitalization by December 31, 2010 and close those transactions by March 31, 2011, or in each case, such later date as TNFINC would agree and, in each case, on terms and conditions that TNFINC approves.

The Company agreed to expand TNFINC s board participation from one to two board members upon completion of a restructuring/recapitalization that TNFINC approves.

Risks and Uncertainties Regarding Future Liquidity

In light of our recent operating results, we have satisfied our short term liquidity needs through a combination of borrowings under our credit facilities, retained proceeds from asset sales, sale/leaseback financing transactions, issuances of our common stock and 6% Notes and an income tax refund from the IRS. In an effort to further manage liquidity, we have also instituted the deferral of pension plan payments and certain interest and fees. As our operating results improve, we expect that cash generated from operations will reduce our need to continue to rely upon these sources of liquidity to meet our short term funding requirements.

In August 2009, the employees in most of our bargaining units who are represented by the International Brotherhood of Teamsters (the Teamsters) ratified a modification to our collective bargaining agreement (the Prior MOU) to (among other things) implement a 15% wage reduction (which includes the 10% wage reduction previously implemented in January 2009) and a temporary cessation of the requirement for the Company s subsidiaries to make contributions to union multi-employer pension funds. The wage reduction and the temporary pension contribution cessation have also improved our liquidity position; however, the temporary pension

Table of Contents

contribution cessation ends at the end of 2010 without further action by the multi-employer pension funds as described below. In October 2010, the employees in most of our bargaining units who are represented by the Teamsters ratified additional modifications to our collective bargaining agreement (the MOU), which, among other items, extends the wage reduction until March 2015, institutes work rule changes, extends the temporary pension contribution cessation until June 1, 2011 and reduces the contribution rate to the multi-employer pension funds to 25% of the July 2009 rate from June 2011 through March 2015. The extension of the temporary pension contribution cessation and the reduced pension contribution rate are subject to the approval of the pension funds.

The MOU requires us to enter into definitive agreements by December 31, 2010 to restructure the debt under our Credit Agreement, which may include additional capital investment (debt and/or equity) by third parties in a recapitalization, and to close the transactions by March 31, 2011. The committee that represents the Teamsters in negotiations regarding our collective bargaining agreement (TNFINC) must consent to the terms of the restructure/recapitalization transaction and may modify the deadlines set forth in the MOU.

To continue to have sufficient liquidity to meet our cash flow requirements through December 31, 2010 and into 2011:

- our operating results must continue to stabilize or recover quarter-over-quarter and shipping volumes must continue to stabilize or recover quarter-over-quarter;
- we must continue to have access to our credit facilities;
- we must continue to defer payment of:
  - interest and fees to our lenders under the Credit Agreement
  - interest and facility fees to purchasers of our accounts receivable pursuant to the ABS Facility from the October 20, 2010 renewal of the ABS Facility
  - interest and principal to our pension funds pursuant to the Contribution Deferral Agreement;
- the cost savings under our collective bargaining agreement, including wage reductions, temporary cessation of pension contributions and savings due to work rule changes, must continue;
- we must complete real estate sale transactions currently under contract as anticipated; and
- we must continue to implement and realize substantial cost savings measures to match our costs with business levels and to continue to become more efficient.

Some or all of these factors may be beyond our control. We also cannot give assurance that we will continue to maintain covenant compliance under our financing facilities, Contribution Deferral Agreement and labor agreements, the failure of which would have a material adverse effect on our business, financial condition and operating results.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The uncertainty regarding the Company s ability to generate sufficient cash flows and liquidity to fund operations raises substantial doubt about the Company s ability to continue as a going concern (which contemplates the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future). These financial statements do not include any adjustments that might result from the outcome of this uncertainty. See our Annual Report on Form 10-K for additional information regarding our ability to continue as a going concern, including the first risk factor under Item 1A Risk Factors. If we are unable to fund our operations through operating cash flows, existing credit facilities, sales of non-strategic assets and business lines and other capital market transactions, we would consider in court and out of court restructuring alternatives.

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

- we continue to, and expect to implement further cost actions and efficiency improvements;
- we will continue to aggressively seek additional and return business from customers;
- if appropriate, we may sell additional equity or pursue other capital market transactions;
- we may consider selling non-strategic assets or business lines; and
- we expect to carefully manage receipts and disbursements, including amounts and timing, focusing on reducing days sales outstanding and managing days payables outstanding.

At December 31, 2010, the temporary cessation of our requirement to make contributions to the multi-employer pension funds in which we participate will end absent the approval of each of our affected multi-employer pension funds to extend the temporary cessation until June 1, 2011. We also need approval of each of these pension funds to resume contributions at a reduced 25% contribution rate after the temporary cessation ends. In addition, under the Contribution Deferral Agreement, 90% approval of the pension funds in interest is required to continue our deferral of the payment of future interest and the amortized principal to the pension funds during 2011 under the Contribution Deferral Agreement. Based upon expected levels of employment in 2011, we estimate that we will be required to contribute approximately $25 $30 million per month to multi-employer pension funds in 2011 if the pension funds do not approve the extension of the temporary cessation and the reduced contribution rate after the cessation ends. Under the Contribution Deferral Agreement, previously deferred interest and amortized principal payments of $42.0 million are not due until the end of 2011; unless a majority in interest of the pension funds elect to accelerate the payments after termination of the deferral.

Absent the consent of two-thirds in interest of the lenders under the Credit Agreement to continue the deferral of interest and fees under the Credit Agreement during 2011, the deferral will terminate at December 31, 2010. Previously deferred interest and fees under the Credit Agreement of $109.9 million are not due until the end of 2011, unless a majority in interest of the lenders accelerate the payment because of a termination of the deferral under the Contribution Deferral Agreement or to the extent our cash and unblocked availability under the Credit Agreement and the ABS Facility in 2011 exceeds certain levels set forth in the Credit Agreement.

The Company renewed its ABS Facility on October 20, 2010 and continued the deferral of the $10 million commitment fee in two payments of $5 million on each of March 1, 2011 and April 30, 2011 and deferred an additional $5 million commitment fee until June 30, 2011. Deferred interest and fees from October 20, 2010 through March 1, 2011, expected to be approximately $4 million, are due and payable on March 1, 2011. However, if we can refinance the ABS Facility prior to the due date of any of these payments, then the payments will be waived.

TNFINC may declare the wage, benefit and work rule concessions in the MOU null and void on a prospective basis, and we would owe our Teamster employees an amount equal to the concessions that in fact benefited us prior to the termination if, among other things, we do not enter into and consummate a restructure/recapitalization transaction that is approved by TNFINC within the December 31, 2010 and March 31, 2011 deadlines set forth in the MOU (which deadlines may be extended by TNFINC). In addition, if the fee and interest deferrals under the Credit Agreement do not continue in 2011, TNFINC has the right to terminate the Prior MOU, which, among other things, would eliminate the 15% wage reduction in place through March 2015 for employees of bargaining units that have ratified the Prior MOU.

We do not expect that we will have sufficient liquidity to pay deferred amounts under the Credit Agreement and CDA, make contributions to multi-employer pension funds in amounts greater than set forth in the MOU or lose wage, benefit and work rule concessions in 2011. As a result, we are in discussions with all of our stakeholders and we are exploring the restructuring and possible recapitalization of these obligations, which may include the issuance of a significant amount of additional equity. A failure to address these obligations prior to the dates that the deferrals would end or the multi-employer pension fund contributions would begin, or the termination of the wage, benefit and work rule concessions in the MOU, would materially and adversely affect our liquidity and our ability to continue to operate our business in the ordinary course.

Additional risks regarding our liquidity in 2011 if our current deferral arrangements are not extended beyond their current expected expiration dates are described in Item 1A Risk Factors in the quarterly report.

Forward-Looking Statements in Liquidity

Our beliefs regarding liquidity sufficiency are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21 of the Securities Exchange Act of 1934, as amended. Forward-looking statements are indicated by words such as expected and other similar words. Our actual liquidity may differ from our projected liquidity based on a number of factors, including those listed in Risks and Uncertainties regarding Future Liquidity .

Contingent Convertible Notes

The balance sheet classification of our contingent convertible notes between short-term and long-term is dependent upon certain conversion triggers, as defined in the applicable indenture. The contingent convertible notes include a provision whereby the note holder can require immediate conversion of the notes if, among other reasons, the credit rating on the contingent convertible notes assigned by Moody s is lower than B2 or if the credit rating assigned by S&P is lower than B. At September 30, 2010 and December 31, 2009, the conversion trigger was met, and accordingly, the contingent convertible notes have been classified as a short-term liability in the accompanying consolidated balance sheets. Based upon this particular conversion right and based upon an assumed market price of our stock of $4.45 per share, our aggregate obligation for full satisfaction of the $1.9 million par value of contingent convertible notes would require cash payments of a nominal amount. Our Credit Agreement will not allow us to pay more than $1 million in cash payments with respect to the conversion of these notes unless 66 $^{2}/3$% of the lenders approve the excess payments.

Table of Contents

Cash Flow Measurements

We use free cash flow as a measurement to determine the cash flow available to fund strategic capital allocation alternatives and nondiscretionary expenditures including debt service requirements. Free cash flow indicates cash available to fund additional capital expenditures or to reduce outstanding debt (including current maturities). This measurement is used for internal management purposes and should not be construed as a better measurement than net cash from operating activities as defined by generally accepted accounting principles. The following table illustrates our calculation for determining free cash flow for the nine months ended September 30:

(in millions)	2010	2009
Net cash used in operating activities	$ (9.3)	$ (315.7)
Net property and equipment proceeds	58.4	70.8
Free cash flow (deficit)	$ 49.1	$ (244.9)

Operating cash flows increased $306.4 million during the nine months ended September 30, 2010 versus the same period in 2009. The increase in cash from operations was largely due to a reduced net loss combined with the receipt of an $82.4 million income tax refund in February 2010 and $1.9 million in April 2010. An increase in business volumes during the second and third quarters of 2010 contributed to an increase in accounts receivable from December 2009 to September 2010 of $37.6 million. Operating cash flows used by our discontinued operations were $23.2 million for the nine months ended September 30, 2010 versus cash provided by operations of $23.4 million for the same period in 2009. This decrease is mainly attributable to working capital changes.

Operating cash flows were favorably impacted by the deferral of certain fee and interest payments under our debt and financing obligations of $76.9 million for the nine months ended September 30, 2010 with no corresponding amount in 2009 as our deferrals began in October 2009. Operating cash flows also include $4.4 million and $157.2 million for the nine months ended September 30, 2010 and 2009, respectively, of pension expense charges that have been converted to long-term debt. Absent these deferrals and this conversion, cash used in operating activities would have increased by this same amount.

Net property and equipment proceeds were $12.4 million lower in 2010 versus 2009 and reflect our continued focus on managing overall capital expenditures during the period of reduced volumes. Other than the property and equipment activity, investing activities in 2010 also includes $22.9 million of proceeds related to the sale of the majority of our YRC Logistics business, net of transaction costs.

Net cash used in financing activities was $60.0 million in 2010 versus $78.9 million in 2009. During the nine months ended September 30, 2010, we received proceeds of $70.0 million from the sale of our 6% Notes, which in turn, provided us with the funds to pay off our 8 $^{1}/2$% USF notes in the amount of $45.3 million and the funds to satisfy our requirement to repurchase $19.8 million of our 5% Contingent Convertible Senior Notes due 2023. We also received proceeds of $15.9 million from our at the market issuance sales which are discussed further within our liquidity section. We incurred debt issuance costs of $12.7 million in 2010 in conjunction with our 6% Notes and credit facility amendments. We also paid $17.3 million of equity issuance costs related to the December 31, 2009 bond exchange and at the market transactions.

Table of Contents

Contractual Obligations and Other Commercial Commitments

The following tables provide aggregated information regarding our contractual obligations and commercial commitments as of September 30, 2010.

Contractual Cash Obligations

	Payments Due By Period				
(in millions)	Less than 1 year	2-3 years	4-5 years	After 5 years	Total
Balance sheet obligations: [a]					
ABS borrowings	$ 122.8	$	$	$	$ 122.8
Long-term debt including interest[b]	45.2	461.4	71.5		578.1
Lease financing obligations including interest	40.2	84.4	88.2	199.2	412.0
Pension deferral obligation including interest	95.1	61.2			156.3
Workers compensation and other claims obligations	118.6	137.1	63.0	123.8	442.5
Off balance sheet obligations:					
Operating leases	67.5	62.5	21.2	19.6	170.8
Capital expenditures	4.3				4.3
Total contractual obligations	$ 493.7	$ 806.6	$ 243.9	$ 342.6	$ 1,886.8

(a) Total liabilities for unrecognized tax benefits as of September 30, 2010, were $97.0 million and are classified on the Company s consolidated balance sheet within Other Current and Accrued Liabilities .

(b) Long-term debt maturities are reflected by contractual maturity for all obligations other than the contingent convertible senior notes. These notes are instead presented based on the earliest possible redemption date defined as the first date on which the note holders have the option to require us to purchase their notes at par. At September 30, 2010, these notes are convertible for cash payments of a nominal amount based on an assumed market price of $4.45 per share for our common stock. Should the note holders elect to exercise the conversion options, cash payments would be less than those presented in the table above.

During the nine months ended September 30, 2010, we entered into no new operating leases for revenue equipment.

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	2-3 years	4-5 years	After 5 years	Total
Unused line of credit	$	$ 168.7	$	$	$ 168.7
Letters of credit	526.4				526.4
Surety bonds	61.2	2.8			64.0
Total commercial commitments	$ 587.6	$ 171.5	$	$	$ 759.1

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are primarily exposed to the market risk associated with unfavorable movements in interest rates, foreign currencies, and fuel price volatility. The risk inherent in our market risk sensitive instruments and positions is the potential loss or increased expense arising from adverse changes in those factors. There have been no material changes to our market risk policies or our market risk sensitive instruments and positions as described in our annual report on Form 10-K for the year ended December 31, 2009.

Item 4. Controls and Procedures

As required by the Securities and Exchange Act of 1934, as amended (the Exchange Act), we maintain disclosure controls and procedures designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. Our disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our management, with the participation of our principal executive and financial officers, has evaluated our disclosure controls and procedures as of September 30, 2010 and has concluded that our disclosure controls and procedures were effective as of September 30, 2010.

There were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Table of Contents

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

We do not believe we will be able to meet our liquidity requirements in the first quarter of 2011 if (i) our current deferral and temporary cessation arrangements are not extended beyond their current respective expiration dates or (ii) if wage, benefit and work rule concessions in the MOU are terminated.

At the end of 2010, the temporary cessation of our requirement to make contributions to the multi-employer pension funds in which we participate will end absent the approval of each of our affected multi-employer pension funds to extend the temporary cessation until June 1, 2011. We also need approval of each of these pension funds to resume contributions at a reduced 25% contribution rate after the temporary cessation ends. In addition, under the Contribution Deferral Agreement 90% approval of the pension funds in interest is required to continue our deferral of the payment of future interest and the amortized principal to the pension funds during 2011 under the Contribution Deferral Agreement. Based upon expected levels of employment in 2011, we estimate that we will be required to contribute approximately $25 $30 million per month to multi-employer pension funds in 2011 if the pension funds do not approve the extension of the temporary cessation and the reduced contribution rate after the cessation ends. Under the Contribution Deferral Agreement, previously deferred interest and amortized principal payments of $42.0 million are not due until the end of 2011; unless a majority in interest of the pension funds elect to accelerate the payments after termination of the deferral.

Absent the consent of two-thirds in interest of the lenders under the Credit Agreement to continue the deferral of interest and fees under the Credit Agreement during 2011, the deferral will terminate at December 31, 2010. Previously deferred interest and fees under the Credit Agreement of $109.9 million are not due until the end of 2011, unless a majority in interest of the lenders accelerate the payment because of a termination of the deferral under the Contribution Deferral Agreement or to the extent our cash and unblocked availability under the Credit Agreement and the ABS Facility in 2011 exceeds certain levels set forth in the Credit Agreement.

The Company renewed its ABS Facility on October 20, 2010 and continued the deferral of the $10 million commitment fee in two payments of $5 million on each of March 1, 2011 and April 30, 2011 and deferred an additional $5 million commitment fee until June 30, 2011. Deferred interest and fees from October 20, 2010 through March 1, 2011, expected to be approximately $4 million, are due and payable on March 1, 2011. However, if we can refinance the ABS Facility prior to the due date of any of these payments, then the payments will be waived.

TNFINC may declare the wage, benefit and work rule concessions in the MOU null and void on a prospective basis, and we would owe our Teamster employees an amount equal to the concessions that in fact benefited us prior to the termination if, among other things, we do not enter into and consummate a restructure/recapitalization transaction that is approved by TNFINC within the December 31, 2010 and March 31, 2011 deadlines set forth in the MOU (which deadlines may be extended by TNFINC). In addition, if the fee and interest deferrals under the Credit Agreement do not continue in 2011, TNFINC has the right to terminate the Prior MOU, which, among other things, would eliminate the 15% wage reduction in place through March 2015 for employees of bargaining units that have ratified the Prior MOU.

We do not expect that we will have sufficient liquidity to pay deferred amounts under the Credit Agreement and CDA, make contributions to multi-employer pension funds in amounts greater than set forth in the MOU or lose wage, benefit and work rule concessions in 2011. As a result, we are in discussions with all of our stakeholders and we are exploring the restructuring and possible recapitalization of these obligations, which may include the issuance of a significant amount of additional equity. A failure to address these obligations prior to the dates that the deferrals would end or the multi-employer pension fund contributions would begin, or the termination of the wage, benefit and work rule concessions in the MOU, would materially and adversely affect our liquidity and our ability to continue to operate our business in the ordinary course.

See also Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Condition Liquidity for additional information regarding our liquidity.

60

Item 6. Exhibits

3.1	Certificate of Amendment to the Certificate of Incorporation of the Company reducing the number of authorized shares, dated September 30, 2010 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K, filed on September 30, 2010, File No. 000-12255).
4.1	Supplemental Indenture, dated August 3, 2010, by and among the Company, as issuer, the Guarantors and U.S. Bank National Association, as trustee, relating to the Company s 6% Convertible Senior Notes due 2014 (incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K, filed on August 3, 2010, File No. 000-12255).
10.1*	Amendment No. 18, dated July 28, 2010, to the Credit Agreement.
10.2*	Letter Agreement, dated August 2, 2010, by and among the Company and certain investors in the Company s 6% Convertible Senior Notes due 2014.
10.3*	Consent and Amendment 5, effective August 4, 2010, and Consent and Amendment 6, effective August 10, 2010, to Contribution Deferral Agreement.
10.4	Agreement for the Restructuring of the YRC Worldwide Inc. Operating Companies, dated September 24, 2010, among the International Brotherhood of Teamsters, YRC Inc., USF Holland Inc. and New Penn Motor Express, Inc. (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on September 29, 2010, File No. 000-12255).
10.5*	Letter Agreement, dated September 28, 2010, between the Company and William D. Zollars.
31.1*	Certification of William D. Zollars pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification Sheila K. Taylor pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification William D. Zollars pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification Sheila K. Taylor pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Indicates documents filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	YRC WORLDWIDE INC. Registrant
Date: November 9, 2010	/s/ William D. Zollars William D. Zollars Chairman of the Board of Directors, President & Chief Executive Officer
Date: November 9, 2010	/s/ Sheila K. Taylor Sheila K. Taylor Executive Vice President & Chief Financial Officer