

YRC Worldwide Inc.
Form DEF 14A
March 18, 2014
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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
(Amendment No.)

Filed by the Registrant ☒ Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Pursuant to §240.14a-12

YRC Worldwide Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

“ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which the transaction applies:

(2) Aggregate number of securities to which the transaction applies:

(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of the transaction:

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“ Fee paid previously with preliminary materials.

“ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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10990 Roe Avenue

Overland Park, Kansas 66211

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD APRIL 29, 2014

The 2014 Annual Meeting of Stockholders (*Annual Meeting*) of YRC Worldwide Inc. (*we, us, our* or the *Company*) will be held at our corporate headquarters, 10990 Roe Avenue, Overland Park, Kansas 66211, on Tuesday, April 29, 2014 at 10:00 a.m., Central Time, to vote on the following matters:

Proposal 1: the election of seven members of our Board of Directors named in the accompanying proxy statement;

Proposal 2: advisory vote to approve named executive officer compensation;

Proposal 3: the approval of the YRC Worldwide Inc. Amended and Restated 2011 Incentive and Equity Award Plan;

Proposal 4: ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2014;

and transact any other business that may properly come before the Annual Meeting or any reconvened meeting following any adjournment or postponement of the Annual Meeting.

The accompanying proxy statement provides information about the matters you will be asked to consider and vote on at the Annual Meeting.

Our Board of Directors has fixed the close of business on February 28, 2014 as the record date for determining holders of record (*Stockholders*) of our common stock, par value \$0.01 per share, Series A Voting Preferred Stock, par value \$1.00 per share, 10% Series A Convertible Senior Secured Notes due 2015, 10% Series B Convertible Senior Secured Notes due 2015 and Class A Convertible Preferred Stock not subject to the Common Stock Cap (as defined herein) entitled to notice of, and to vote at, the Annual Meeting or any reconvened meeting following any adjournment or postponement of the Annual Meeting. We are pleased to take advantage of Securities and Exchange Commission rules that allow us to furnish our proxy materials on the Internet. As a result, we are mailing a notice to our Stockholders instead of a printed copy of the proxy statement and our 2013 annual report. The notice provides instructions on how to access those materials on the Internet and how to obtain printed copies.

You are cordially invited to attend the Annual Meeting. Whether or not you plan to attend the Annual Meeting, our Board of Directors asks that you vote as soon as possible. You may vote by proxy on the Internet, via toll-free telephone number or, if you received a proxy card by mail, you may sign, date and mail the proxy card in the envelope provided. Your vote is important and all Stockholders are encouraged to attend the Annual Meeting and vote in person

or by proxy.

Thank you for your support and continued interest in our Company.

By Order of the Board of Directors:

Michelle A. Friel, Secretary

Overland Park, Kansas

March 19, 2014

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YRC WORLDWIDE INC.

2014 ANNUAL MEETING OF STOCKHOLDERS

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10990 Roe Avenue

Overland Park, Kansas 66211

PROXY STATEMENT

FOR

2014 ANNUAL MEETING OF STOCKHOLDERS

General Information

We are furnishing this proxy statement to you in connection with the solicitation of proxies by our Board of Directors (*Board*) for use at our 2014 Annual Meeting of Stockholders (*Annual Meeting*), to be held at our corporate headquarters, 10990 Roe Avenue, Overland Park, Kansas, at 10:00 a.m., Central Time, on Tuesday, April 29, 2014, and at any reconvened meeting following any adjournment or postponement of the Annual Meeting. Our telephone number is 913.696.6100, and our mailing address is 10990 Roe Avenue, Overland Park, Kansas 66211. Our website address is www.yrcw.com. Information on our website is not a part of this proxy statement. When used in this proxy statement, the terms *we*, *us*, *our* and the *Company* refer to YRC Worldwide Inc. and, unless the context requires otherwise, its subsidiaries.

On or before March 19, 2014, we began mailing a Notice of Internet Availability of Proxy Materials (*Notice*) to the record holders of our common stock, par value \$0.01 per share (*Common Stock*), Series A Voting Preferred Stock, par value \$1.00 per share (*Series A Preferred Stock*), 10% Series A Convertible Senior Secured Notes due 2015 (*Series A Notes*), 10% Series B Convertible Senior Secured Notes due 2015 (*Series B Notes*), and collectively with the Series A Notes, *Convertible Notes*) and Class A Convertible Preferred Stock not subject to the Common Stock Cap (as defined herein) (*Voting Convertible Preferred*).

Throughout this proxy statement, holders of our Common Stock, the Series A Preferred Stock and the Voting Convertible Preferred are referred to collectively as *Securityholders* and holders of our Convertible Notes are referred to as *Convertible Noteholders*. The Common Stock, Series A Preferred Stock, Voting Convertible Preferred and Convertible Notes are referred to collectively as *Securities* and our Securityholders and Convertible Noteholders are referred to collectively as *Stockholders*.

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Questions and Answers

Why did I receive these materials?

These materials are being provided to you in connection with our Board's solicitation of proxies for use at the Annual Meeting. As a Stockholder, you are invited to attend the Annual Meeting and to vote in person or by proxy on the proposals described in this proxy statement.

What is included in the proxy materials?

The proxy materials include:

this proxy statement; and

our 2013 annual report.

Why did I receive a Notice of Internet Availability of Proxy Materials in the mail instead of a full set of printed proxy materials?

Pursuant to rules adopted by the Securities and Exchange Commission (*SEC*), we are making this proxy statement and our 2013 annual report available to Stockholders electronically on the Internet. On March 19, 2014, we began mailing the Notice to Stockholders of record as of the record date. Holders of our Securities will be able to access the proxy materials on the Internet at www.proxyvote.com or request printed copies of the proxy materials. Instructions on how to access the proxy materials on the Internet or request a printed copy are found in the Notice. We believe this electronic process will expedite your receipt of the proxy materials and reduce the cost and environmental impact of the Annual Meeting. We also encourage you to have all your accounts registered in the same name and address by contacting our transfer agent, Computershare Trust Company, N.A., at 1.800.884.4225 or at www.computershare.com/contactus.

What am I voting on?

Our Board is soliciting your vote for:

Proposal 1: the election of seven members of our Board of Directors;

Proposal 2: advisory vote to approve named executive officer compensation;

Proposal 3: the approval of the YRC Worldwide Inc. Amended and Restated 2011 Incentive and Equity Award Plan; and

Proposal 4: ratification of the appointment of KPMG LLP (*KPMG*) as our independent registered public accounting firm for 2014.

What are the Board's recommendations?

Our Board recommends you vote:

FOR the election of the seven directors (Proposal 1);

FOR the approval, on a non-binding basis, of the compensation of our named executive officers (Proposal 2);

FOR the approval of the YRC Worldwide Inc. Amended and Restated 2011 Incentive and Equity Award Plan (Proposal 3); and

FOR ratification of the appointment of KPMG as our independent registered public accounting firm for 2014 (Proposal 4).

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How can I get electronic access to the proxy materials?

The Notice provides you with instructions on how to view the proxy materials for the Annual Meeting on the Internet. The website on which you can view our proxy materials will also allow you to elect to receive future proxy materials electronically by email, which will save us the cost of printing and mailing materials to you. If you choose to receive future proxy materials by email, you will receive an email next year with instructions and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you revoke it.

Who is entitled to vote at the Annual Meeting?

Stockholders of record as of the close of business on February 28, 2014 (*record date*) will be entitled to notice of, and to vote at, the Annual Meeting or any reconvened meeting following any adjournment or postponement of the Annual Meeting. Pursuant to our Amended and Restated Certificate of Incorporation (*Certificate*), Convertible Noteholders are entitled to vote on an as-converted-to-common stock basis, subject to certain limitations described below, on all matters on which our Common Stockholders are entitled to vote. Pursuant to the certificate of designations for the Class A Convertible Preferred Stock (*Convertible Preferred*), the Voting Convertible Preferred is entitled to vote together as a single class with the Common Stock on an as-converted-to-common stock basis on all matters on which our Common Stockholders are entitled to vote, as described below. The Non-Voting Convertible Preferred (as defined below) may not be voted at the Annual Meeting.

How many votes do I have?

On the record date, there were 28,868,093 shares of Common Stock and one share of Series A Preferred Stock (in each case, exclusive of treasury shares) outstanding. Each Stockholder is entitled to one vote for each outstanding share of Common Stock or Series A Preferred Stock held as of the record date.

On the record date, there were \$82,504,169 and \$15,708,957 in aggregate principal amount outstanding of Series A Notes and Series B Notes, respectively, after giving effect to interest paid in the form of additional Series A Notes and Series B Notes, respectively, and the conversion of Series B Notes into Common Stock through the record date. Pursuant to our Certificate and the indentures governing the Convertible Notes, our Convertible Noteholders are entitled to vote on an as-converted-to-common stock basis on all matters on which our Common Stockholders are entitled to vote, subject to certain limitations described below. Each holder of Series A Notes is entitled, on an as-converted-to-common stock basis, to 29.4067 shares of Common Stock for each \$1,000 principal amount of Series A Notes held on the record date. Each holder of Series B Notes is entitled, on an as-converted-to-common stock basis, to 62.4781 shares of Common Stock per \$1,000 principal amount of Series B Notes held on the record date, which includes shares issuable as a Make Whole Premium (as defined in the Series B Notes indenture). However, as described in our Certificate and the Convertible Notes indentures, in order to comply with NASDAQ Listing Rule 5640, each holder of Series A Notes is limited to 0.1089 votes for each share of Common Stock on an as-converted-to-common stock basis and each holder of Series B Notes is limited to 0.0594 votes for each share of Common Stock on an as-converted-to-common stock basis. On the record date, the holders of Series A Notes collectively held 264,210 votes and the holders of Series B Notes collectively held 58,299 votes.

On the record date, pursuant to the certificate of designations for the Convertible Preferred, the holder of the Convertible Preferred had the right to vote together as a single class with the shares of the Common Stock on an as-converted-to-common stock basis on all matters on which our Common Stockholders are entitled to vote, except that if the conversion of the of the Convertible Preferred would result in the holder owning more than 19.99% of our issued and outstanding Common Stock, then the holder does not have voting rights with respect to that portion of the Convertible Preferred owned in excess of that percentage (*Common Stock Cap*). The Convertible Preferred that is not

subject to the Common Stock Cap is referred to as the *Voting Convertible*

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Preferred, and the Convertible Preferred that is subject to the Common Stock Cap is referred to as the *Non-Voting Convertible Preferred*. The Non-Voting Convertible Preferred has no votes at the Annual Meeting; each share of Voting Convertible Preferred held on the record date has four votes. On the record date, based on the number of as-converted shares of Common Stock held by the holder of the Voting Convertible Preferred as reported in its ownership reports filed with the SEC, the holder of the Voting Convertible Preferred had 85,300 votes.

We refer to the total number of votes represented by our outstanding Securities as our total *voting power*. As of the record date, our Securityholders held approximately 98.9% and our Convertible Noteholders held approximately 1.1% of the total voting power entitled to vote at the Annual Meeting.

What is the difference between holding Securities as a holder of record and as a beneficial owner?

Securities of Record. If your Common Stock is registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered the Stockholder of record of those shares of Common Stock, and we sent the Notice directly to you. If you are the record holder of the Series A Preferred Stock or the Voting Convertible Preferred, we sent the Notice directly to you. If your Convertible Notes are registered directly in your name, you are considered the holder of record of those Convertible Notes, and we sent the Notice directly to you.

Beneficial Owner of Securities. If your Securities are held in an account at a broker, bank or other nominee, then you are the beneficial owner of the Securities, and the Notice was sent either directly to you or was forwarded to you by your nominee. The nominee holding your account is considered the Stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your nominee on how to vote the Securities held in your account.

What is the quorum required for the Annual Meeting?

A majority of our voting power outstanding on the record date must be present in person or represented by proxy at the Annual Meeting to hold the Annual Meeting and conduct business. This is called a quorum. Your Securities will be counted for purposes of determining the presence of a quorum (whether representing votes for, against, withheld or abstained, or broker non-votes) if you:

are present and vote in person at the Annual Meeting; or

have voted on the Internet, by telephone or by properly submitting a proxy card or voting instruction form by mail.

If I am a Stockholder of record, how do I vote?

There are four ways to vote:

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In person. If you are a Stockholder of record, you may vote in person at the Annual Meeting. We will give you a ballot when you arrive.

On the Internet. You may vote by proxy on the Internet by following the instructions in the Notice.

By telephone. You may vote by proxy on the telephone by following the instructions in the Notice or by calling the toll-free number on the proxy card.

By mail. If you requested printed copies of the proxy materials by mail, you may vote by proxy by marking, signing and dating the proxy card and returning it in the envelope provided.

If you are voting on the Internet, by telephone or by returning an executed proxy card, your vote or proxy card must be received by 10:59 p.m., Central Time, on April 28, 2014 to be counted.

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If I am a beneficial owner of Securities held in street name, how do I vote?

There are four ways to vote:

In person. If you are a beneficial owner of Securities held in street name and you wish to vote in person at the Annual Meeting, you must obtain a legal proxy from the broker, bank or other nominee that holds your Securities. Please contact your broker, bank or other nominee for instructions on obtaining a proxy.

On the Internet. You may give your voting instructions to your nominee on the Internet by following the instructions on the voting instruction form.

By telephone. If you requested printed copies of the proxy materials by mail, you may give your voting instructions to your nominee by calling the toll-free number on the voting instruction form.

By mail. If you requested printed copies of the proxy materials by mail, you may vote by proxy by completing the voting instruction form and mailing it back in the envelope provided.

If you are voting on the Internet, by telephone or by returning an executed voting instruction form, your vote or voting instruction form must be received by 10:59 p.m., Central Time, on April 28, 2014 to be counted.

How do I vote if I own shares of Common Stock through the Teamster-National 401(k) Savings Plan for the benefit of International Brotherhood of Teamsters employees?

If you own shares of Common Stock through the Teamster-National 401(k) Savings Plan for the benefit of our International Brotherhood of Teamsters (IBT) employees, you do not actually own shares of Common Stock. The 401(k) plan trustee owns the shares on your behalf. Under the Teamster-National 401(k) Savings Plan, however, you have pass-through voting rights based on the number of shares of Common Stock allocated to your account. You may exercise your pass-through voting rights on the Internet at www.proxyvote.com, or by calling 1.800.690.6903 and following the instructions provided. If you requested printed copies of the proxy materials by mail, you may also vote by mail by marking, signing and dating the enclosed card and returning it as soon as possible in the enclosed envelope. If you fail to give timely voting instructions to the 401(k) plan trustee, your shares will be voted by the trustee in the same proportion as shares held by the trustee for which voting instructions are received. Your vote must be received by 10:59 p.m., Central Time, on April 22, 2014 to be counted.

What happens if I do not give specific voting instructions?

Stockholders of Record. If you are a Stockholder of record and you indicate when voting on the Internet or by telephone that you wish to vote as recommended by our Board, or if you sign and return a proxy card without giving specific voting instructions, then the proxy holders will vote your Securities in the manner recommended by our Board on all matters presented in this proxy statement and as the proxy holders determine in their discretion on any other matters properly presented at the Annual Meeting.

Beneficial Owners of Securities. If you are a beneficial owner of Securities and do not provide the nominee that holds your Securities with specific voting instructions, the nominee may generally vote on routine matters but cannot vote on non-routine matters. If your nominee does not receive instructions from you on how to vote your Securities on a non-routine matter, it will not have authority to vote your Securities on that matter. This is generally referred to as a *broker non-vote*. When our Inspector of Election tabulates the votes for any particular matter, broker non-votes will be counted for purposes of determining the existence of a quorum, but will not be treated as votes cast for or against the matter. We encourage you to provide voting instructions to the nominee that holds your Securities by carefully following the instructions provided in the Notice or voting instruction form.

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Which proposals are considered routine or non-routine?

Proposal 4 (ratification of the appointment of KPMG) is a proposal we believe is routine.

Proposal 1 (election of directors), Proposal 2 (advisory vote to approve named executive officer compensation) and Proposal 3 (approval of the YRC Worldwide Inc. Amended and Restated 2011 Incentive and Equity Award Plan) are proposals we believe are non-routine.

How are abstentions and broker non-votes treated?

For the purpose of determining whether our Stockholders have approved a proposal, abstentions and broker non-votes will not be treated as votes cast for or against the proposal, and will therefore have no effect on the outcome of that proposal.

What vote is required to approve each proposal?

The following table describes the voting requirement for each proposal:

Proposal 1	Election of seven directors	Each director must be elected by a plurality of the votes cast. This means the seven nominees who receive the greatest number of FOR votes will be elected.
Proposal 2	Advisory vote on named executive officer compensation	This proposal must be approved by a majority of the votes cast by Stockholders present in person or represented by proxy voting together as a single class. This means the number of votes cast by Stockholders FOR the proposal must exceed the number of votes cast AGAINST the proposal.
Proposal 3	Approval of the YRC Worldwide Inc. Amended and Restated 2011 Incentive and Equity Award Plan	This proposal must be approved by a majority of the votes cast by Stockholders present in person or represented by proxy voting together as a single class. This means the number of votes cast by Stockholders FOR the proposal must exceed the number of votes cast AGAINST the proposal.
Proposal 4	Ratification of the appointment of KPMG as our independent registered public accounting firm for 2014	This proposal must be approved by a majority of the votes cast by Stockholders present in person or represented by proxy voting together as a single class. This means the number of votes cast by Stockholders FOR the proposal must exceed the number of votes cast AGAINST the proposal.

What is the effect of the advisory vote?

As an advisory vote, Proposal 2 is not binding on our Board or Compensation Committee and the final decision on the matters covered by Proposal 2 remains with them. We value your opinion on this important issue, however. Approximately 84% of the total votes cast on the proposal at our 2013 Annual Meeting were voted for the proposal.

Our Compensation Committee appreciated this level of support for its compensation philosophy and will consider the results of the advisory vote on Proposal 2 when making future executive compensation decisions.

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Can I change my vote after I have voted?

You may revoke your proxy and change your vote at any time before the final vote at the Annual Meeting. You may vote again on a later date on the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the applicable deadline will be counted), by signing and returning a new proxy card or voting instruction form with a later date, or by attending the Annual Meeting and voting in person. Mere attendance at the Annual Meeting will not automatically revoke your proxy unless you vote in person at the Annual Meeting or specifically request in writing that your prior proxy be revoked.

Is my vote confidential?

We will handle proxy instructions, ballots and voting tabulations that identify individual Stockholders in a manner that protects your voting privacy. Your vote will not be disclosed within or outside our Company, except:

as necessary to meet applicable legal requirements;

to allow for the tabulation and certification of votes; and

to facilitate a successful proxy solicitation.

Occasionally, Stockholders provide written comments on their proxy cards. These may be forwarded to management or our Board.

Where can I find the voting results of the Annual Meeting?

The preliminary voting results may be announced at the Annual Meeting and will be promptly announced after the Annual Meeting. The final voting results will be tallied by the Inspector of Election for the Annual Meeting and announced in a current report on Form 8-K or quarterly report on Form 10-Q filed with the SEC within four business days after the final voting results are known.

Who is paying the cost of this proxy solicitation?

We are paying the cost of soliciting proxies. We have retained Morrow & Co., LLC to assist in soliciting proxies for a fee of \$7,500, with an additional nominal cost to solicit certain holders, plus reasonable out-of-pocket expenses. We must pay brokerage firms and other persons representing beneficial owners of Securities their reasonable out-of-pocket expenses incurred in forwarding proxy materials to beneficial owners who specifically request them and obtaining voting instructions from those beneficial owners.

In addition to soliciting proxies by mail, members of our Board and our officers and employees may solicit proxies on our behalf, without additional compensation, personally or by telephone. We may also solicit proxies by email from Stockholders who are our employees or who have previously requested electronic receipt of proxy materials.

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Stockholder Proposals and Communications with our Board

Proposals

Rule 14a-8 under the Securities Exchange Act of 1934, as amended (*Exchange Act*), provides that we must receive Stockholders' proposals intended for presentation at the 2015 Annual Meeting by November 19, 2014 to be eligible for inclusion in the proxy statement for the 2015 Annual Meeting. All other Stockholder proposals should be submitted in writing to our Secretary at YRC Worldwide Inc., 10990 Roe Avenue, Overland Park, Kansas 66211. Stockholders who wish to present a proposal for consideration must submit the proposal in accordance with the advance notice provisions of our Bylaws. Stockholder proposals submitted for consideration at the 2015 Annual Meeting will be considered not properly submitted, and will be out of order, unless we receive notice of the proposal not less than 60 days nor more than 90 days prior to the date of the 2015 Annual Meeting, as provided in our Bylaws. If, however, we give less than 70 days' notice or prior public disclosure of the date of the 2015 Annual Meeting, then, to be timely, we must receive notice of a Stockholder proposal by the 10th day following the day we provide notice of, or publicly disclose, the date of the 2015 Annual Meeting. We may use our discretionary authority to preclude any Stockholder proposal received after that time from presentation at the 2015 Annual Meeting.

Director Nominations

Stockholders who wish to nominate qualified candidates for election to our Board may write our Secretary at YRC Worldwide Inc., 10990 Roe Avenue, Overland Park, Kansas 66211. Each Stockholder nomination must provide the following information about the candidate:

name, age, business address and, if known, residence address;

principal occupation or employment; and

number of shares of our Common Stock beneficially owned.

To be considered at the 2015 Annual Meeting, we must receive your nomination not less than 14 days nor more than 50 days prior to the date of the 2015 Annual Meeting. If, however, we give less than 21 days' notice of the date of the 2015 Annual Meeting, we must receive your nomination by the seventh day following the day we provide notice of the 2015 Annual Meeting date. Our Governance Committee uses the criteria described in *Structure and Functioning of the Board Board Committees Governance Committee* in this proxy statement when considering nominees for director, including nominees submitted by Stockholders.

We reserve the right to require any Stockholder nominee to complete and sign a Director & Officer Questionnaire as a condition for such nomination.

Communication with the Board

We encourage any Stockholder who desires to communicate with our Board about the holder's views and concerns to do so by writing our Secretary at YRC Worldwide Inc., 10990 Roe Avenue, Overland Park, Kansas 66211. Our Secretary will assure that the Governance Committee Chairman receives your correspondence.

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Householding of Proxy Materials

Some brokers, banks and other nominee record holders may participate in the practice of *householding* stockholder materials, such as proxy statements, information statements and annual reports. This means only one copy of the proxy materials may have been sent to multiple Stockholders in your household. To obtain a separate copy of the proxy materials, contact our Secretary at 913.696.6100 or by mail at 10990 Roe Avenue, Overland Park, Kansas, 66211. If you wish to receive separate copies of proxy materials in the future, or if you are receiving multiple copies and would like to receive a single copy for your household, you should contact your broker, bank or other nominee record holder, or, if you are a record holder of our Securities, you may contact Broadridge Financial Solutions Inc. (*Broadridge*) either by calling toll-free at 1.800.542.1061, or by writing Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely on our review of copies furnished to us of reports persons are required to file under Section 16(a) of the Exchange Act, we believe that, for the year ended December 31, 2013, all reports required to be made by our reporting persons were timely filed in accordance with the Exchange Act.

Table of Contents**Security Ownership of Management and Directors**

Shares of our Common Stock that our named executive officers (*NEOs*), directors and executive officers owned as of February 28, 2014 include:

Common Stock in which they may be deemed to have a beneficial interest; and

restricted Common Stock subject to our 2011 Incentive and Equity Award Plan (*2011 Plan*).

All of the NEOs, executive officers and directors have sole voting and dispositive power with respect to the shares of Common Stock reported below. None of the shares reported below are pledged as security or have been placed in a margin account by any executive officer or director.

Name	Shares of Common Stock Beneficially Owned as of 2/28/14	Shares the Person has Right to Acquire on or Prior to 4/29/14	Total Beneficial Ownership	Percent of Class (1)
James L. Welch (3)	357,157(2)		357,157(2)	1.3%
Jamie G. Pierson (3)	176,627(2)		176,627(2)	*
Michelle A. Friel (3)	99,055(2)		99,055(2)	*
Thomas J. O Connor	23,317(2)		23,317(2)	*
Scott D. Ware	22,250(2)		22,250(2)	*
Jeffrey A. Rogers	24,817(2)		24,817(2)	*
Raymond J. Bromark (4)	10,000		10,000	*
Douglas A. Carty (4)				*
Matthew A. Doheny (4)				*
Robert L. Friedman (4)				*
James E. Hoffman (4)				*
Michael J. Kneeland (4)				*
James F. Winestock (5)	20,843		20,843	*
All directors and executive officers as a group (17 Persons)	791,855		791,855	2.8%

* Indicates less than 1% ownership.

(1) Based on 28,868,093 shares of our Common Stock issued and outstanding as of February 28, 2014. Pursuant to Exchange Act Rule 13d-3(d)(1), shares of Common Stock of which a person has the right to acquire beneficial ownership at any time within 60 days of February 28, 2014 are deemed outstanding and beneficially owned by the person for the purpose of computing the number of shares and percentage beneficially owned by such person.

but are not deemed outstanding for purposes of computing the percentage beneficially owned by any other person.

- (2) Includes unvested shares of restricted Common Stock as of February 28, 2014.
- (3) Pursuant to their employment agreements, Messrs. Welch and Pierson and Ms. Friel are eligible to receive annual performance awards of Common Stock in an amount of shares up to a stated percentage of our fully-diluted outstanding shares of Common Stock on each grant date. This represents a larger number than the issued and outstanding shares of Common Stock on any grant date because it includes, among other things, shares of Common Stock that may be issued upon conversion of our Convertible Notes, shares of Common Stock that may be issued under equity compensation plans, and any other shares of Common Stock, or securities convertible into Common Stock, we may issue during the terms of their employment agreements. See *Executive Employment Agreements*.
- (4) Does not include 20,551 shares of Common Stock that were issuable upon the vesting of certain restricted stock units (*RSUs*), the receipt of which has been deferred pursuant to our Director Compensation Plan (as defined below) until the individual ceases to be a member of our Board, or 13,192 unvested RSUs.
- (5) Does not include 4,708 shares of Common Stock that were issuable upon the vesting of certain RSUs, the receipt of which has been deferred pursuant to our Director Compensation Plan (as defined below) until the individual ceases to be a member of our Board, or 13,192 unvested RSUs.

Table of Contents**Security Ownership of Certain Beneficial Owners**

As of February 28, 2014 (except as noted), the persons known to us to be beneficial owners of more than five percent of our Common Stock were:

Name & Address of Beneficial Owner	Shares of Common Stock Beneficially Owned as of 2/28/14	Shares the Person has Right to Acquire on or Prior to 4/29/14	Total Beneficial Ownership	Percent of Class (1)
Affiliates of Avenue Capital Management II, L.P. (2) 399 Park Avenue, 6th floor New York, New York 10022	4,939,789	931,937	5,871,726	19.7%
Affiliates of The Carlyle Group L.P. (3) 1001 Pennsylvania Ave. NW Suite 220 South Washington, District of Columbia 20004	4,083,122		4,083,122	14.1%
Affiliates of Solus Alternative Asset Management LP (4) 410 Park Avenue, 11th Floor New York, New York 10022	2,546,689		2,546,689	8.8%
Affiliates of Whitebox Advisors, LLC (5) 3033 Excelsior Boulevard, Suite 300 Minneapolis, MN 55416	1,866,667		1,866,667	6.5%

- (1) Based on 28,868,093 shares of our Common Stock issued and outstanding as of February 28, 2014, plus the number of shares of our Common Stock deemed outstanding with respect to individual holders pursuant to Exchange Act Rule 13d-3(d)(1).
- (2) The securities reported in this table are based on a Schedule 13D/A filed on February 4, 2014 by the Avenue Capital Group and information provided by the beneficial owners of these shares. The securities reported in this table are held by Avenue Investments, L.P., a Delaware limited partnership (*Avenue*

Investments), Avenue Special Situations Fund VI (Master), L.P., a Delaware limited partnership (*Avenue Spec VI*), Avenue International Master, L.P., a Cayman Islands exempted limited partnership (*Avenue International*), Managed Accounts Master Fund Services MAP 10 (*MAP 10*) and Avenue Special Opportunities Fund I, L.P., a Delaware limited partnership (*Avenue Special Opportunities* and together with Avenue Investments, Avenue Spec VI, Avenue International, and MAP 10, the *Avenue Funds*). Avenue Partners, LLC, a New York limited liability company (*Avenue Partners*), is the general partner of Avenue Investments and a shareholder of Avenue International Master GenPar, Ltd., a Cayman Islands exempted company (*Avenue International GenPar*). Avenue Capital Partners VI, LLC, a Delaware limited liability company (*Avenue Capital VI*), is the general partner of Avenue Spec VI. GL Partners VI, LLC, a Delaware limited liability company (*GL VI*), is the managing member of Avenue Capital VI. Avenue International GenPar is the general partner of Avenue International. Avenue SO Capital Partners I, LLC, a Delaware limited liability company (*Avenue SO Capital Partners*) is the general partner of Avenue Special Opportunities. GL SO Partners I, LLC, a Delaware limited liability company (*GL SO Partners I*) is the managing member of Avenue SO Capital Partners. Avenue Capital Management II, L.P., a Delaware limited partnership (*Avenue Capital Management II*), is an investment adviser to each of the Avenue Funds. Avenue Capital Management II GenPar, LLC, a Delaware limited liability company (*GenPar*), is the general partner of Avenue Capital Management II. Marc Lasry is the managing member of GL VI, Avenue Partners, GL SO Partners I, and GenPar. The 4,939,789 shares of our Common Stock reported in this table as beneficially owned by affiliates of Avenue Funds represent 854,675 shares of Common Stock held by Avenue Special Opportunities; 2,398,627 shares of Common Stock held by Avenue Spec VI; 1,140,628 shares of Common

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Stock held by Avenue International; 62,564 shares of Common Stock held by Map 10; and 483,295 shares of Common Stock held by Avenue Investments. The 931,937 shares of our Common Stock reported in this table as shares that affiliates of Avenue Funds have the right to acquire represent 356,164 shares of Common Stock issuable to Avenue Spec VI upon conversion of our Series A Notes; 396,853 shares of Common Stock issuable to Avenue International upon conversion of Series A Notes; 18,171 shares of Common Stock issuable to MAP 10 upon conversion of Series A Notes; and 160,749 shares of Common Stock issuable to Avenue Investments upon conversion of Series A Notes. On January 31, 2014, the Avenue Funds purchased an aggregate of 583,334 shares of Convertible Preferred from us, which are not included in the table. The Convertible Preferred will convert into an aggregate of 2,333,336 shares of Common Stock automatically following the occurrence of the events set forth in the certificate of designations for the Convertible Preferred.

- (3) The securities reported in this table are based on a Schedule 13D filed on February 4, 2014 by The Carlyle Group L.P. and information provided by the beneficial owners of these shares. Carlyle Group Management L.L.C. is the general partner of The Carlyle Group L.P. (*Carlyle Group*), which is a publicly traded entity listed on NASDAQ. Carlyle Group is the sole shareholder of Carlyle Holdings I GP Inc., which is the managing member of Carlyle Holdings I GP Sub L.L.C., which is the general partner of Carlyle Holdings I L.P., which is the managing member of TC Group, L.L.C., which is the general partner of TC Group Sub L.P., which is the managing member of TC Group CSP II, L.L.C., which is the general partner of CSP II General Partner, L.P., which is the general partner of each of Carlyle Strategic Partners II, L.P. (*Carlyle Strategic*) and CSP II Coinvestment, L.P. (*CSP II*). Carlyle Group is also the managing member of Carlyle Holdings II GP L.L.C., which is the general partner of Carlyle Holdings II L.P., which is the general partner of TC Group Cayman Investment Holdings, L.P., which is the general partner of TC Group Cayman Investment Holdings Sub L.P., which is the sole shareholder of CSP III AIV GP (Cayman), Ltd., which is the general partner of CSP III AIV General Partner (Cayman), L.P., which is the general partner of CSP III AIV (Cayman), L.P. (*CSP III*). The power to vote and dispose of the shares of Common Stock held of record by each of Carlyle Strategic, CSP II and CSP III (*Record Holders*) is held by an investment committee of the general partners of each of the Record Holders, consisting of William Conway, Michael Petrick, James Hance, Jr. and Shary Moalemzadeh (*Investment Committees*). Each of the members of the Investment Committees disclaims beneficial ownership of the shares held by the Record Holders. The 4,083,122 shares of our Common Stock reported in this table as beneficially owned by affiliates of the Carlyle Group represent 2,333,333 shares of Common Stock held by CSP III; 1,652,412 shares of Common Stock held by Carlyle Strategic; and 97,377 shares of Common Stock held by CSP II.
- (4) The securities reported in this table are based on a Schedule 13D filed on February 4, 2014 by Solus Alternative Asset Management LP and information provided by the beneficial owners of these shares. Christopher Pucillo is the managing member of Solus GP LLC, which is the general partner of Solus Alternative Asset Management LP (*Solus Alternative*), which serves as the investment manager of Sola Ltd (*Sola*), Solus Core Opportunities Master Fund Ltd (*Solus Core*), Ultra Master Ltd (*Ultra*), Solus Opportunities Fund 1 LP (*Solus 1*) and Solus Opportunities Fund 2 LP (*Solus 2*). The 2,546,689 shares of our Common Stock reported in this table as beneficially owned by affiliates of Solus Alternative represent 1,698,077 shares of Common Stock held by Sola; 474,735 shares of Common Stock held by Ultra; 198,877 shares of Common Stock held by Solus Core; 100,000 shares of Common Stock held by Solus; and 75,000 shares of Common Stock held by Solus 1.
- (5) The securities reported in this table are based on information provided by the beneficial owners of these shares. Whitebox Advisors, LLC (*Whitebox Advisors*), acting as an investment advisor to its client, is deemed to be the beneficial owner, with shared voting and shared dispositive power, of 1,866,667 shares of our Common Stock. Whitebox Advisors may be deemed to possess indirect beneficial ownership of the shares of Common Stock beneficially owned by each of Whitebox Multi-Strategy Advisors, LLC, Whitebox Multi-Strategy Partners, L.P. (*Whitebox Multi-Strategy*), Whitebox Multi-Strategy Fund, L.P., Whitebox Multi-Strategy Fund, Ltd., Whitebox Concentrated Convertible Arbitrage Advisors, LLC, Whitebox Concentrated Convertible Arbitrage Partners, L.P. (*Whitebox Concentrated*), Whitebox Concentrated Convertible Arbitrage Fund, L.P., Whitebox Concentrated Convertible Arbitrage Fund, Ltd., Whitebox Credit Arbitrage Advisors, LLC, Whitebox Credit Arbitrage

Partners, L.P. (*Whitebox Credit*), Whitebox

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Credit Arbitrage Fund, L.P., Whitebox Credit Arbitrage Fund, Ltd., Pandora Select Advisors, LLC, Pandora Select Partners, L.P. (*Pandora*), Pandora Select Fund, L.P., Whitebox Special Opportunities Fund, L.P. Series O (*Whitebox Special*) and Pandora Select Fund, Ltd. The 1,866,667 shares of our Common Stock reported in this table as beneficially owned by affiliates of Whitebox Advisors represent 322,226 shares of our Common Stock held by Whitebox Concentrated; 640,406 shares of our Common Stock held by Whitebox Multi-Strategy; 462,180 shares of our Common Stock held by Whitebox Credit; 332,577 shares of our Common Stock held by Pandora; and 109,278 shares of our Common Stock held by Whitebox Special.

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PROPOSAL 1

PROPOSAL TO ELECT DIRECTORS

Directors to be Elected by our Stockholders

At the Annual Meeting, our Stockholders will elect seven directors to hold office until the 2015 Annual Meeting and until their successors are elected and qualified or until their earlier death, incapacity, resignation or removal. Each director has served continuously since the date of his appointment. All nominees have consented to being named in this proxy statement and to serve if elected.

If any nominee should be unable or unwilling to stand for election as a director, it is intended that the Securities represented by proxies will be voted for the election of a substitute nominated by the Board.

<p>Raymond J. Bromark <i>Director since</i> <i>July 22, 2011</i></p>	<p>68 Retired (since 2006); PricewaterhouseCoopers LLP (accounting and advisory services): (1967 – 2006), Head of Professional, Technical, Risk and Quality Group (2000 – 2006), Global Audit Partner (1994 – 2000), Deputy Vice Chairman, Audit and Business Advisory Services (1990 – 1994), Audit Partner (1980 – 1990), and consultant (2006 – 2007); Current Director: CA, Inc. (information technology management software and services); Tesoro Logistics GP, managing General Partner of Tesoro Logistics LP (crude oil and refined products logistics); Former Director: World Color Press Inc. (commercial printing) (2009 – 2010).</p>
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Mr. Bromark draws on his extensive experience in accounting, auditing, financial reporting and compliance, and regulatory affairs; deep understanding of financial controls and familiarity with large public company audit clients; experience in leadership positions at PricewaterhouseCoopers LLP; and experience as a current or former director, including audit committee chairman, of other public companies to provide important guidance to our Board on financial reporting and accounting issues affecting our Company.

<p>Matthew A. Doheny <i>Director since</i> <i>July 22, 2011</i></p>	<p>43 North Country Capital LLC (private investment firm): President (since 2011); Candidate for U.S. House of Representatives (2010 and 2012); Fintech Advisory Inc. (private investment firm): Portfolio Manager (2008 – 2010); Deutsche Bank Securities Inc. (investment bank): Managing Director, Distressed Assets Group (2000 – 2008); Current Director: Affinity Gaming (casino operator), R. A. Holdings Corp., Eastman Kodak Co. (printing technology), Residential Capital, LLC; Former Director: BridgeStreet Worldwide, Inc. (corporate housing provider).</p>
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Mr. Doheny's financial expertise and experience as an investor in financial and operational turnarounds are a source of valuable insight to our Board on our

financial structure and turnaround strategy.

Robert L. Friedman

Director since

July 22, 2011

- 71 The Blackstone Group LP (investment and financial advisory firm): Senior Advisor (since 2012), Senior Managing Director (1999 – 2012), Chief Legal Officer (2003 – 2010) and Chief Administrative Officer (2003 – 2007); Simpson Thacher & Bartlett (legal services): Partner (1975 – 1999); Current Director: Axis Capital Holdings Ltd. (insurance and reinsurance), Orbitz Worldwide, Inc. (travel products and services), TRW Automotive Holdings Inc. (automobile systems, components and modules); Former Director: Corp Group Banking S.A. (banking), FGIC Corporation (insurance), Northwest Airlines, Inc. (airline), The India Fund, Inc. (closed end mutual fund).

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Mr. Friedman has a unique combination of experience as a Wall Street lawyer and outside counsel to public companies and their boards on corporate governance and other legal matters, experience in financial and investment analysis as a senior officer of a leading investment firm, and experience as a current or former director of other public companies. Mr. Friedman draws on this experience to provide valuable guidance to our Board on our corporate governance, financial management, and legal and regulatory affairs.

James E. Hoffman

- 61 2001 Development Corporation (commercial office property development and redevelopment services); Executive Manager (since 2008); Alliant Energy Business Development; Executive Vice President; Alliant Energy Resources, a subsidiary of Alliant Energy Corporation (electric and natural gas services); President (1998 – 2005); IES Industries Inc. (predecessor to Alliant Energy Corporation); Executive Vice President (1996 – 1998); IES Utilities Inc.: Executive Vice President (1995 – 1996); MCI Communications; Chief Information Officer (1993 – 1995) and Senior Vice President (1990 – 1993); Telecom USA (telecommunications); Executive Vice President (1988 – 1990). Mr. Hoffman is also a past chairman of the board of the Iowa Health System, the largest health care provider in the state of Iowa.

Director since

July 22, 2011

Mr. Hoffman's executive leadership and restructuring and other board experience inform his counsel to the Board on the financial and operational issues we face and contribute to his effectiveness as our Board Chairman.

Michael J. Kneeland

- 60 United Rentals, Inc. (equipment rental); President, Chief Executive Officer and Director (since 2008), Interim Chief Executive Officer (2007 – 2008), Executive Vice President and Chief Operating Officer (2007), Executive Vice President Operations (2003 – 2007), Regional Vice President (2000 – 2004), and District Manager (1998 – 2000).

Director since

July 22, 2011

Mr. Kneeland is experienced in a number of substantive areas affecting our Company, including logistics, information technology, real estate, risk management, human resources and public company oversight and governance, from his tenure at a large, publicly-held corporation. Mr. Kneeland draws on this experience to provide our Board with valuable perspectives on the operational and strategic issues we face.

James L. Welch

- 59 YRC Worldwide Inc.: Chief Executive Officer (since 2011); Dynamex Inc. (transportation and logistics services); President and Chief Executive Officer (2008 – 2011); JHT Holdings (truck transportation); Interim Chief Executive Officer (2007 – 2008); Yellow Transportation (subsidiary of our Company); President and Chief Executive Officer (2000 – 2007), and various other positions (1978 – 2000); Current Director: SkyWest Inc. (regional airline), and Erickson Air Crane, Inc. (manufacturing and operating); Former Director: Dynamex Inc., Spirit AeroSystems Holdings Inc. (commercial airplane assemblies and

Director since

July 22, 2011

components), and Roadrunner Transportation (transportation and logistics services).

Mr. Welch has front line senior executive experience in our industry and is a 30-year veteran of our Company. Our Board relies on his knowledge and perspectives about our industry, operations, business and competitive environment, strategies, challenges and opportunities. Mr. Welch's leadership skills have been crucial in developing and leading our turnaround strategy, reinvigorating our corporate culture and employee morale, returning our Company to operating profitability, and building an effective leadership team.

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James F. Winestock <i>Director</i> <i>since</i> <i>July 22, 2011</i>	62	Retired (since 2009); United Parcel Service, Inc. (package delivery and freight transportation); Senior Vice President for U.S. Operations (2004 – 2009), President and Chief Operating Officer, North Central Region (2000 – 2004), President and Chief Operating Officer, Midwest Region (1998 – 2000), and various other positions (1969 – 1998); Current Director: FirstGroup plc (train and bus transportation).
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Mr. Winestock draws on his knowledge of the transportation industry, gained from over 40 years' leadership experience at United Parcel Service, to provide our Board with valuable perspectives on the opportunities and challenges facing our industry and our operational, management and strategic issues.

THE BOARD OF DIRECTORS RECOMMENDS YOU VOTE *FOR* ALL DIRECTOR NOMINEES

Required Vote

Our Bylaws provide that for a director nominee to be elected, he or she must receive a plurality of the votes cast by Stockholders present in person or represented by proxy voting together as a single class at the Annual Meeting.

Abstentions and broker non-votes will not be treated as votes cast for or against Proposal 1, and will therefore have no effect on the outcome of Proposal 1.

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Directors Selected by the Holder of our Series A Preferred Stock

Pursuant to the Series A Preferred Stock certificate of designations, the holder of our Series A Preferred Stock has the right to select two directors (*Series A Directors*) and to fill any vacancy left by the death, disability, incapacity, retirement, resignation, disqualification, or removal of a Series A Director. The holder of the Series A Preferred Stock has sole right to remove and replace Series A Directors. The following Series A Director was selected by the holder of our Series A Preferred Stock and has served continuously as a director since the date of his selection.

STOCKHOLDERS DO NOT VOTE ON THE SELECTION OF SERIES A DIRECTORS.

Douglas A. Carty <i>Director since</i> <i>July 22, 2011</i>	57 Switzer-Carty Transportation Inc. (transportation): Chairman (since 2011); First Group America (transportation): Commercial Director, North America (2007 – 2008); Laidlaw Education Services (school bus transportation): President and Chief Executive Officer (2006–2007), Executive Vice President and Chief Financial Officer, Laidlaw International Ltd. (2003–2006); Atlas Worldwide Holdings, Inc. (global air freight): Senior Vice President and Chief Financial Officer (2001 – 2003); Canadian Airlines Corp. (commercial airline): Senior Vice President and Chief Financial Officer (1996 – 2000); Current Director: Wajax Industries Ltd. (sales, parts and service of mobile equipment, industrial components and power systems); and Points International Ltd. (internet-based loyalty reward program management platform).
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Mr. Carty has senior executive experience in the transportation industry, experience with financial restructurings, and experience on other corporate boards. These inform his advice to our Board on the financial and operational issues we face.

The term of office of each Series A Director ends on the earlier of (i) the date on which no shares of Series A Preferred Stock are outstanding or the Series A Preferred Stock is subject to redemption pursuant to our Certificate; (ii) the death, disability, incapacity, retirement, resignation, disqualification or removal of a Series A Director by the holder of the Series A Preferred Stock; or (iii) the selection and qualification of a successor Series A Director.

On February 27, 2014, Harry J. Wilson resigned from his position as a Series A Director. The holder of the Series A Preferred Stock has the sole right to select a director to fill the vacancy left by Mr. Wilson's resignation.

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Structure and Functioning of the Board

Corporate Governance Philosophy

Our corporate governance philosophy is expressed in our Guidelines on Corporate Governance; the charters of our Audit & Ethics, Compensation, Governance and Finance Committees; our Code of Business Conduct that applies to all officers, directors, employees and contractors; and our Related Party Transaction Policy, Securities Trading and Disclosure Policy, and Anti-Bribery and Corruption Policy, among others. These governance documents were updated in 2013 to reflect regulatory developments and corporate governance trends, and provide additional guidance to our Board and its committees. Our Audit & Ethics, Compensation, and Governance Committee charters, Guidelines on Corporate Governance and Code of Business Conduct are available on the *Investor Relations* page of our website at www.yrcw.com.

We are committed to effective corporate governance, compliance with applicable laws and regulations, and the highest standards of ethical conduct and good corporate citizenship.

Corporate Governance Structure and Function

Our Certificate provides for nine directors. Seven of our directors are elected annually at each Annual Meeting by our Stockholders voting together as a single class. Two Series A Directors are selected by the holder of our Series A Preferred Stock. We currently have one Series A Director due to Mr. Wilson's resignation from the Board in February 2014, but anticipate that the holder of our Series A Preferred Stock will select a second Series A Director to serve on our Board.

We have a flexible governance structure in which our Board, assisted by its committees, directs our Company's affairs.

Directors are encouraged to have direct dialogue with our management and internal auditors and may request attendance by management and internal and external auditors at Board and committee meetings.

We provide directors with tablet computers and an electronic portal through which they may review our corporate governance documents, compensation plans, Company policies, Board and committee minutes, continuing education materials, and reports and presentations prepared by management, internal and external auditors and other advisors in advance of each meeting. Directors are encouraged to review these materials prior to the meeting. We also use the portal to communicate with directors and solicit their opinions.

Our Legal Department makes continuing education opportunities available for directors to assist them in maintaining currency with legal and governance developments and trends.

The principal responsibility of our directors is to execute their fiduciary duties to promote the interests of our Stockholders and the long-term value of our Company. Directors may also consider the interests of other stakeholders, including lenders, customers, suppliers, employees, unions and the communities in which we operate.

Directors generally may rely without independent verification on recommendations, advice and information provided by management and outside experts on matters within their areas of expertise and competence, but are encouraged to independently challenge their assumptions and recommendations where appropriate.

Current Board and Executive Management

Our current Board and senior executive management team were selected after our 2011 financial restructuring, although several members of our leadership team are Company veterans including James L. Welch, our Chief Executive Officer (*CEO*), Michelle A. Friel, our Executive Vice President, General Counsel and Secretary, and leaders of our operating subsidiaries. Jamie G. Pierson, our Chief Financial Officer (*CFO*), who joined us in 2011, played an important role in our 2011 financial restructuring.

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Like much of our industry, we were severely affected by the 2008–2009 recession and resulting slow growth economy and their impact on customer demand. Our current management team also inherited an over-leveraged company and erosion in customer confidence and operating performance attributable in part to the integration of Yellow and Roadway in 2009.

Since taking office, our current Board and management team have moved aggressively to reorganize our management structure, reinvigorate our corporate culture and employee morale, dispose of non-core assets, increase autonomy and accountability at the operating subsidiary level, and drive improvements in our efficiency, productivity, customer service, operating performance, and financial condition and liquidity, with the objective of restoring our Company to profitability. Although our Board and management have much work remaining, these initiatives have begun to show results. We recorded operating income of \$28.4 million and Adjusted EBITDA of \$257.7 million in 2013, compared with operating income of \$24.1 million in 2012 and operating loss of \$138.2 million in 2011, and Adjusted EBITDA of \$241.2 million in 2012 and \$159.2 million in 2011. For a discussion of our use of non-GAAP financial measures and a reconciliation of Adjusted EBITDA to operating income, see pages 25, 26 and 33 of our annual report on Form 10-K for the year ended December 31, 2013. Our Board and management will focus on execution and improvement in our operating performance throughout 2014.

Primary Responsibilities of the Board

As described in our Guidelines on Corporate Governance, our Board's primary functions are:

overseeing the formation of and reviewing major strategies, plans and actions;

reviewing and evaluating our performance against broad financial and strategic objectives;

providing direction, advice and counsel to senior management;

selecting, compensating and evaluating our CEO and other officers;

reviewing succession planning for our CEO and other officers;

selecting appropriate candidates for election as directors;

reviewing our systems and practices designed to bring about compliance with applicable laws and regulations, including our accounting and financial reporting obligations; and

reviewing the major risks we face and helping us to develop and oversee strategies to address those risks.

Director Independence

Our Guidelines on Corporate Governance and NASDAQ Listing Rules require that a majority of our Board be independent. Our Board has affirmatively determined that each director (other than Mr. Welch) has no material relationships with us and is therefore independent in accordance with NASDAQ Listing Rule 5605 and the Director Independence Standards included in our Guidelines on Corporate Governance.

An affiliate of Mr. Kneeland purchased approximately \$62,000 in ordinary course transportation services from our subsidiaries during 2013. Mr. Bromark is a director of CA, Inc., to which we paid approximately \$29,288 for the purchase and lease of computer software in 2013. Our Board evaluated these relationships and affirmatively determined they did not materially affect those directors' objectivity or independence.

Board Diversity

Our stakeholders are better served when there is diversity of education, skill, age, experience, background, expertise and outlook on our Board. Our directors bring diverse backgrounds and experience to the Board that inform the Board's oversight function. Our Guidelines on Corporate Governance express the belief that diversity, including differences in background qualifications and personal characteristics, is important to our Board's oversight function.

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Director Meeting Attendance

Our Board of Directors held thirteen meetings during 2013. Directors are expected to prepare for, make every effort to attend and participate in meetings of the Board and committees on which they serve. Our Guidelines on Corporate Governance provide that each director should strive to attend at least 75% of the total number of meetings of the Board and committees on which he serves. During 2013, each director attended at least 75% of those meetings.

Our Guidelines on Corporate Governance provide that directors are expected to attend annual stockholder meetings in person or by telephone or other electronic means. All of our directors attended the 2013 Annual Meeting in person or by telephone.

Executive Sessions of Independent Directors

Our independent directors meet in regularly scheduled executive sessions, with at least two executive sessions per year. Board committee members also regularly meet in executive sessions among themselves and with selected members of management and our internal and external auditors. The purpose of these executive sessions is to facilitate candid discussion about important matters affecting our Company.

Board and Committee Self-Assessment

To promote continuous improvement in our corporate governance processes, our Board and committees, led by our Governance Committee, conduct an annual self-assessment of their effectiveness and compliance with our corporate governance documents. The results are tabulated and analyzed by the Governance Committee and used to identify and implement improvements in our governance processes.

Board Committees

Our Board of Directors has four standing committees:

Audit & Ethics;

Compensation;

Governance; and

Finance.

The Chairman of each committee handles the function of lead director for committee matters, serves as spokesperson for the committee, and provides recommendations and guidance to our Board, management and Chairman.

Each committee may retain its own legal and other advisors and conduct independent inquiries and investigations at our expense into matters under its oversight. Each committee has sole right to appoint and direct its own advisors, each of whom is accountable and reports directly to the committee.

Audit & Ethics Committee

Our Audit & Ethics Committee met seven times during 2013.

The Audit & Ethics Committee was established in accordance with Exchange Act Section 3(a)(58)(A) and consists of Raymond J. Bromark (Chairman), Douglas A. Carty and Robert L. Friedman. Our Board has affirmatively determined that all members of the Audit & Ethics Committee are independent directors, as defined by NASDAQ Listing Rule 5605 and our Director Independence Standards. The Board has also affirmatively

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determined that Messrs. Bromark, Carty and Friedman meet the enhanced independence standards prescribed by NASDAQ Listing Rule 5605(c)(2)(A) and Exchange Act Rule 10A-3(b)(1). Our Board has additionally determined that Messrs. Bromark, Carty and Friedman are *audit committee financial experts*, as defined in Item 407(d)(5) of Regulation S-K, and meet the financial sophistication requirement in NASDAQ Listing Rule 5605(c)(2)(A). The Audit & Ethics Committee's functions are described in its charter, which is available on the *Investor Relations* page of our website at www.yrcw.com.

As described in its charter, the Audit & Ethics Committee's responsibilities include:

overseeing our accounting and financial reporting process and the audit of our annual financial statements;

overseeing the quality and integrity of our financial reporting;

selecting and overseeing the qualifications, performance and independence of our independent registered public accounting firm (*independent auditor*);

reviewing and discussing our financial statements with management and the independent auditor;

reviewing the adequacy of our overall control environment, and reviewing and discussing with management and the independent auditor the adequacy and effectiveness of our system of internal controls;

overseeing risks relating to accounting and financial reporting matters and ethics and general compliance matters;

overseeing our internal audit function; and

overseeing our compliance with legal and regulatory requirements.

Our independent auditor is accountable and reports directly to the Audit & Ethics Committee. The Audit & Ethics Committee reviews our independent auditor's independence and the overall scope and focus of the annual audit. The Audit & Ethics Committee discusses with our independent auditor any relationships or services that may affect its objectivity or independence. If the Audit & Ethics Committee is not satisfied with the independent auditor's assurances of independence, it will take, or recommend to the Board, appropriate action to ensure its independence.

Compensation Committee

Our Compensation Committee met ten times during 2013.

The Compensation Committee consists of Michael J. Kneeland (Chairman), Matthew A. Doheny and James E. Hoffman. Our Board has affirmatively determined that all members of the Compensation Committee are independent

directors, as defined by NASDAQ Listing Rule 5605 and our Director Independence Standards. Our Board has also affirmatively determined that Messrs. Kneeland, Doheny and Hoffman meet the enhanced independence standards prescribed by NASDAQ Listing Rule 5605(d)(2)(A) and Exchange Act Rule 10C-1(b)(1). The Compensation Committee members also qualify as *non-employee directors* under Exchange Act Rule 16b-3 and as *outside directors* under Section 162(m) of the Internal Revenue Code of 1986, as amended (*Code*). Our Compensation Committee's functions are described in its charter, which is available on the *Investor Relations* page of our website at www.yrcw.com.

As described in its charter, the Compensation Committee's responsibilities include:

setting overall compensation policy and determining the compensation and benefits of our executive officers and other key officers other than our CEO;

reviewing and recommending for approval by the independent members of the full Board the compensation and benefits of our CEO;

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reviewing and recommending the directors' compensation for full Board approval;

overseeing the development and implementation of our health, welfare and retirement benefit plans;

overseeing equity and other incentive compensation programs; and

overseeing the management of risks related to our compensation policies and practices.

The Compensation Committee has primary responsibility for determining our compensation programs for executive officers and directors. In evaluating the level of executive officer and director compensation, the Compensation Committee takes into consideration advice from its independent consultant and recommendations from senior management. The Compensation Committee has sole authority to engage and compensate a compensation consultant and determine its independence from management. The compensation consultant is accountable and reports directly to the Compensation Committee. See *Director Compensation* and *Compensation Discussion and Analysis* for additional information about the determination of director and NEO compensation for 2013.

Compensation Committee Interaction with Compensation Consultants

During 2013, the Compensation Committee engaged Pearl Meyer & Partners (*Pearl Meyer*), an executive compensation firm, to assist with its review of the compensation programs for our executive officers and the compensation disclosures in this proxy statement. The Compensation Committee intends to continue engaging Pearl Meyer in an advisory capacity with respect to executive compensation, including reviewing the compensation disclosures in this proxy statement. Although the Compensation Committee retains Pearl Meyer, Pearl Meyer interacts directly with our executive officers when necessary and appropriate. Pearl Meyer's advisory services included providing industry and peer group compensation data and presenting compensation plan designs to the Compensation Committee for consideration. The Compensation Committee considered and assessed all factors specified under NASDAQ Listing Rules with respect to advisor independence and determined that Pearl Meyer is an independent executive compensation firm whose scope of work is limited to research and advisory services related to executive compensation, including reviewing the compensation disclosures in this proxy statement. Based on this review, we are not aware of any conflict of interest that has been raised by the work performed by Pearl Meyer.

Governance Committee

Our Governance Committee met three times during 2013.

The Governance Committee consists of James F. Winestock (Chairman), Douglas A. Carty and Michael J. Kneeland. Our Board has affirmatively determined that all members of the Governance Committee are independent directors, as defined by NASDAQ Listing Rule 5605 and our Director Independence Standards. The Governance Committee's functions are described in its charter, which is available on the *Investor Relations* page of our website at www.yrcw.com.

As described in its charter, the Governance Committee's responsibilities include:

identifying, assessing and recommending Board candidates;

developing the criteria for selecting Board candidates;

recommending for approval to the Board director candidates (other than those directors appointed by the holder of our Series A Preferred Stock, if applicable);

assisting the Board in assessing director independence;

reviewing the structure and charters of Board committees and recommending to the Board, if desirable, changes in their number, responsibilities and membership;

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reviewing and approving related party transactions;

administering, reviewing and reassessing the adequacy of our Guidelines on Corporate Governance and recommending any proposed changes to the Board;

making recommendations on other changes in corporate governance to the Board for approval from time to time;

overseeing annual evaluations of the Board and its committees; and

overseeing our enterprise risk management function.

Oversight of our Related Party Transaction Policy and Securities Trading and Disclosure Policy was assigned in 2013 to the Governance Committee from the Audit & Ethics Committee. This was done in part to permit our Audit & Ethics Committee to focus more fully on our accounting, financial reporting and internal controls, and because these policies have an impact on the quality of our corporate governance.

Our Governance Committee has sole authority to retain and compensate search firms to assist in identifying and recruiting candidates for the Board.

All of the seven Board nominees identified in this proxy statement are current directors. The Governance Committee reviewed the qualifications of each nominee and recommended each nominee for election to the Board. The Governance Committee will accept director nominations from Stockholders in accordance with the stockholder nominating procedures described in *Stockholder Proposals and Communications with our Board*. In addition to our Director Independence Standards, the following criteria from our Guidelines on Corporate Governance guide our Governance Committee in considering candidates for director, including nominees submitted by Stockholders:

each director should be an individual of the highest character and integrity and have an inquiring mind, experience at a strategy/policy-setting or senior executive level, and the ability to work well with others;

each director should have sufficient time available to devote to our affairs and carry out the responsibilities of a director. Directors are not qualified for service on the Board unless they are able to make a commitment to prepare for and attend Board and committee meetings on a regular basis;

each independent director should be free of any conflict of interest that would interfere with his or her independence or the proper performance of his or her responsibilities as a director; and

directors should utilize their unique experience and background to represent and act in the best interests of all stockholders as a group.

While the Governance Committee considers all of the factors described above, it may give greater weight to one factor or another when making nominating decisions. Our Governance Committee reviews annually the appropriate skills and characteristics required of directors in light of the current make-up of our Board, our Director Independence Standards, and NASDAQ and SEC rules. Board candidates nominated by Stockholders must meet the criteria described in this proxy statement, but will otherwise be considered on the same basis as candidates nominated by the Board. In addition, our Governance Committee may consider any other criteria for nominees it deems appropriate, including, but not limited to:

a nominee's judgment, skill, education, diversity in accordance with our Guidelines on Corporate Governance, age, relationships, experience, and leadership and interpersonal skills;

the organization, structure, size and composition of the Board and the interplay of the nominee's experience with the experience of other nominees;

the qualifications and areas of expertise needed to further enhance the Board's deliberations and oversight; and

the extent to which the nominee would be a desirable addition to the Board and its committees.

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Finance Committee

Our Finance Committee met twenty times during 2013.

The Finance Committee consists of Matthew A. Doheny (Chairman), Robert L. Friedman and Douglas A. Carty. Our Board has affirmatively determined that all members of the Finance Committee are independent directors, as defined by NASDAQ Listing Rule 5605 and our Director Independence Standards.

As described in its charter, the Finance Committee's responsibilities include:

overseeing and reviewing our capital budgets, financing plans, financing transactions and extraordinary transactions, and recommending them for approval by the Board;

reviewing and approving the definitive financial terms of agreements relating to our financing transactions and significant acquisitions or divestitures that have been approved by the Board; and

reviewing and approving our financial policies, including cash management and borrowing and dividend policies.

Board Leadership Structure

Our Bylaws require that the offices of Chairman of the Board and CEO be held by separate individuals and our Guidelines on Corporate Governance require that the Chairman be an independent director. We believe separation of the offices of Chairman and CEO is appropriate because it helps preserve our Board's independence and objectivity, provides an appropriate division of labor between our CEO and Chairman, and contributes to our effective governance, in part by having an independent Chairman available to counsel our CEO and facilitate his interactions with the Board. James E. Hoffman, who brings executive leadership and corporate governance experience to the Board, serves as our Chairman and leads the Board of Directors. James L. Welch brings transportation industry knowledge, experience and expertise and over 30 years' experience with our Company to his leadership role as our CEO.

In light of the requirement that our Chairman be an independent director, our Board does not have a lead independent director.

Our business and affairs are managed under the oversight of our Board. There are currently eight members of the Board, though we anticipate having nine members after a new director is selected by the holder of our Series A Preferred Stock. The four standing committees—Audit & Ethics, Compensation, Governance and Finance—are an integral part of our Board leadership structure. These committees, all of whose members are independent directors, are discussed in more detail above. In determining the membership of each standing committee, the Governance Committee considers each director's unique skills and experience in relation to the committee(s) on which he serves and the particular needs of each committee.

Our leadership structure also includes an experienced and energetic management team that provides information, business intelligence, reports and opinions to the Board on a regular basis. The Board and committees also rely on the advice of counsel, accountants, executive compensation consultants, internal and external auditors, and other expert

advisors.

A robust committee framework sustains lines of communication among directors and with management. Regularly scheduled management reports and presentations, based upon strategic, operational, financial, legal and risk management aspects of our business, provide vital information to our Board and committees. Directors have complete access to our CEO, CFO and other members of our senior management team.

The Board's role is to oversee, counsel and direct our senior management team. The role of our executive officers is to develop and implement corporate strategy, conduct our operations, manage our material risk

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exposures, and implement Board directives. Our Board endeavors to strike an appropriate balance between effective oversight and undue interference with our executives in the conduct of our affairs. We believe our leadership structure is effective because the Board and management respect one another's roles and work collaboratively to promote stakeholder value.

The Board's Role in Risk Management

Management is primarily responsible for identifying, assessing and managing our material risk exposures. The Board's role is to oversee the systems and processes used by management to address those risks.

Management's processes for identifying, assessing and managing material risk exposures are described in its strategic plan, which is updated by management and reviewed by the Board on an annual and periodic basis.

The Board has delegated specific risk oversight responsibilities to its standing committees as follows:

the Governance Committee oversees our enterprise risk management process;

the Audit & Ethics Committee oversees risks related to accounting and financial reporting matters and ethics and general compliance matters; and

the Compensation Committee oversees risks related to compensation policies and practices.

Pursuant to its charter, the Governance Committee oversees management's systems and processes for the identification, assessment and management of material risk exposures. These include:

business and reputational risk;

legal, regulatory and internal policy compliance risk;

information technology, governance and security risk;

corporate governance risk;

claims, workers' compensation and accident risk;

fraud risk;

financial covenant compliance risk;

disclosure risk;

competitive and economic risk;

credit, liquidity and going concern risk;

profitability and margin risk;

tax risk; and

crisis management risk.

Management reports regularly to the Governance Committee on material risk exposures and its risk management approach, policies, systems and practices. The Governance Committee evaluates management's risk appetite and the appropriateness of risks assumed and managed within that context. The Governance Committee reports to the full Board on management's briefings and its own analysis and conclusions regarding our risk management process. The Governance Committee discusses with our Audit & Ethics Committee our accounting and financial reporting risk profile, key risk exposures and the steps management has taken to monitor and control such exposures.

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The Audit & Ethics Committee's oversight of risks related to accounting and financial reporting includes reviewing the adequacy of our overall control environment and financial reporting function and controls related to selected areas presenting significant financial risk. The Audit & Ethics Committee also evaluates key financial statement issues and risks, their potential effect on our financial reporting, and the process used by management to address them. The Audit & Ethics Committee reports to the full Board its analyses and conclusions regarding our accounting and financial reporting risks.

The Board and each committee may retain independent legal and other advisors to advise and assist them in carrying out their risk oversight responsibilities.

Legal Proceedings

To the best of our knowledge, there are no material proceedings adverse to us or any of our subsidiaries in which any of our directors, director nominees or executive officers or their affiliates or associates, or any owner of record or beneficially of more than 5% of any class of our Securities or their affiliates or associates, is a party adverse to us or in which any such person has an interest that is materially adverse to us or any of our subsidiaries.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee consists of Michael J. Kneeland (Chairman), Matthew A. Doheny and James E. Hoffman. Currently and at all times during 2013, none of our executive officers served on the compensation committee or as a director of another entity where an executive officer of that entity also served on our Compensation Committee or the Board.

Table of Contents**Director Compensation**

The table below provides information on the compensation of our non-management directors for the year ended December 31, 2013. As required by applicable SEC rules, the disclosure in this section covers all persons who at any time served as a director during 2013, other than Mr. Welch, who also served as our CEO and received no compensation for serving as a director.

Name	Annual Award of			
	Retainer Fees Received in Cash	Restricted Stock Units	All Other Compensation (2)	Total
	(\$)	(\$ (1)		(\$)
Raymond J. Bromark	90,000	100,943	172	191,115
Douglas A. Carty	75,000	100,943	172	176,115
Matthew A. Doheny	85,000	100,943	94	186,037
Robert L. Friedman	75,000	100,943	94	176,037
James E. Hoffman	125,000	100,943	172	226,115
Michael J. Kneeland	85,000	100,943	172	186,115
Harry J. Wilson	75,000	100,943	94	176,037
James F. Winestock	85,000	100,943	94	186,037

- (1) Amounts represent the grant date fair value of RSUs awarded on May 1, 2013 under the Director Compensation Plan. No assumptions were necessary to determine the grant date fair value. Each director was granted a number of RSUs equal to \$100,000 divided by \$7.42 (the 30-day average closing price of our Common Stock preceding the grant date). The grant date fair value of the awards was determined by multiplying the number of RSUs granted by the closing price of our Common Stock on the grant date, which was \$7.49. Each director, other than Mr. Winestock, deferred receipt of his RSUs granted during 2013 until he ceases to be a member of the Board. As of December 31, 2013, each non-management director other than Mr. Winestock had 29,035 RSUs allocated to his account (of which 13,192 were unvested and 15,843 were vested as of December 31, 2013). As of December 31, 2013, Mr. Winestock held 13,192 RSUs (all of which were unvested as of December 31, 2013).
- (2) Amounts represent reimbursement of taxes owed with respect to holiday gifts.

Director Compensation Plan

Our Board adopted a Director Compensation Plan in 2011 and amended and restated the Director Compensation Plan in December 2013. The Director Compensation Plan describes the compensation our non-management directors are eligible to receive, consisting of:

an annual cash retainer of \$75,000 for service on the Board (\$125,000 for service as Chairman of the Board) and a cash retainer for service as a committee chair (Governance Committee \$10,000, Finance Committee \$10,000, Compensation Committee \$10,000, and Audit & Ethics Committee \$15,000). Committee members receive no retainers for committee service. Directors elected during the year are to receive all of their pro-rated retainer fees in cash for the year in which they are elected;

reimbursement of costs and expenses incurred attending Board and committee meetings;

on December 2, 2011, a grant of RSUs equal to \$100,000 divided by \$0.1134 (the original conversion ratio of our Series A Notes), adjusted proportionately to 2,939 RSUs to reflect our December 1, 2011 reverse stock split;

for the period from September 15, 2011 through the date of the 2012 Annual Meeting, a grant of RSUs equal to \$83,333 divided by the 30-day average closing price of our Common Stock preceding the grant date, made on the first business day following the 2012 Annual Meeting; and

on the first business day following the date of the 2013 Annual Meeting and annually thereafter, a grant of RSUs equal to \$100,000 divided by the 30-day average closing price of our Common Stock preceding the grant date.

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The RSUs granted in 2011, 2012 and 2013 vest one-third on each of the grant date, the first anniversary of the grant date and the second anniversary of the grant date. RSUs granted in 2014 and thereafter will vest one-third on the last day of the Board term in which the grant date occurs (*First Vesting Date*) and one-third each on the first and second anniversaries of the First Vesting Date. This change was made because the Compensation Committee decided to simplify the deferral process by granting annual RSU awards prospectively for future service rather than retroactively for past service. Because this change was disadvantageous to the non-employee directors, the Compensation Committee made a special one-time RSU award to each of the non-employee directors on February 25, 2014 with a value of \$100,000, or 4,708 RSUs, each of which was fully-vested upon grant. Non-management directors may elect to defer receipt of their RSUs pursuant to the terms of the Director Compensation Plan. Grants of RSUs are made pursuant to a standard form of restricted stock unit agreement for non-employee directors. No additional compensation is paid for attendance or participation at Board or committee meetings.

Equity Ownership Requirements

We do not have an express equity ownership requirement for non-management directors. Our Guidelines on Corporate Governance do provide that directors should have an equity ownership in our Company. Toward that end, each non-management director is paid a portion of his or her director compensation in RSUs under the Director Compensation Plan.

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Compensation Discussion and Analysis

This Compensation Discussion and Analysis describes our executive compensation program for 2013 and certain compensation decisions made for 2014.

Overview

Our Compensation Committee establishes our compensation philosophy and oversees our executive compensation program.

Our fundamental goal is to create sustainable long-term value for our Stockholders. To help achieve this goal, the primary objectives of our compensation program are to:

attract, retain and motivate a committed, high-performing management team;

align the interests of our executives with the long-term interests of our Stockholders by tying a significant portion of NEO compensation to restricted Common Stock awards; and

drive the short-term performance required to create sustainable long-term value by providing incentives tied to superior performance.

Following our 2011 financial restructuring, the objective of our current Board and Compensation Committee was to recruit a management team capable of leading our turnaround and provide them with a compensation package to reward them to take on that responsibility and move aggressively to implement the management changes, strategic initiatives, and operational and productivity improvements needed to achieve a turnaround.

Our executive compensation program has reflected our unique circumstances and has served to balance risk and reward, but is continuing to evolve. Recognizing that a debt reduction and refinancing during 2013 or early 2014 were necessary, the Compensation Committee placed more emphasis on our current operating context rather than the competitive market in setting executive compensation for 2013. The Compensation Committee has sought to award compensation to reward executives for achieving continuous improvement and building long-term stakeholder value, without encouraging them to take unreasonable or excessive risk.

With the extension of our IBT contract and the 2014 Financing Transactions (as defined below) behind us, the Compensation Committee plans to revisit our executive compensation strategy and design an effective program that provides the optimal mix between (a) cash and equity and (b) short-term and long-term incentives.

Review of 2013

2013 was a challenging year for our Company. We were operating in a slow-growth economy, and our performance was negatively impacted by declines in service, driver shortages and declines in yield. Most significantly, our performance was negatively impacted by the delay in implementing the YRC Freight network optimization plan, a delay that was beyond the control of senior management. Our senior management was also consumed throughout 2013 with negotiating the IBT contract extension and structuring the 2014 Financing Transactions. As a result, our performance did not meet our expectations at our YRC Freight segment. However, we achieved strong performance in

the Holland and Reddaway businesses within our Regional segment.

Despite our challenges, we achieved major accomplishments in 2013, including:

Our stock price rose from \$6.75 as of the end of 2012 to \$17.37 as of the end of 2013 an increase of 157%.

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Although we experienced a significant delay, we completed the implementation of a network optimization plan for YRC Freight that is designed to improve operational performance.

We successfully completed amendments of our senior credit facilities in July 2013 and November 2013.

We worked proactively and continuously throughout the year to address our then-upcoming debt maturities scheduled for 2014 and 2015. In February 2013, we engaged The MAEVA Group, LLC as our financial advisor and in April 2013, we engaged Credit Suisse to assist us in exploring a broad range of refinancing and recapitalization options.

We reached agreements with certain holders of our Series A Notes, Series B Notes, other institutional investors, our prior senior lenders and our new senior lenders for the 2014 Financing Transactions that were consummated in February 2014. We raised new capital through the issuance of Common Stock and Convertible Preferred and reduced our indebtedness by approximately \$300 million by, among other things, refinancing our senior credit facilities and amending and extending our Contribution Deferral Agreement. These refinancing transactions allowed us to address our impending debt maturities, de-lever our balance sheet and significantly improve our credit profile. A significant portion of the work to make the 2014 Financing Transactions possible was completed in 2013.

We engaged in negotiations that ultimately resulted in a five year extension and amendment of our IBT contract that enabled us to complete the 2014 Financing Transactions and sets the stage for us to focus on our long-term future.

The following table highlights the year-over-year comparison of the key consolidated financial metrics that we use in evaluating our performance for the purpose of making compensation decisions.

	2013	2012	% Change
Revenue	\$ 4,865 million	\$ 4,851 million	0.3%
Adjusted EBITDA	\$ 258 million	\$ 241 million	7.1%

For a discussion of our use of non-GAAP financial measures and a reconciliation of Adjusted EBITDA to operating income, see pages 25, 26 and 33 of our annual report on Form 10-K for the year ended December 31, 2013.

Key Compensation Decisions related to 2013

During 2013, the Compensation Committee made the following key decisions affecting NEO compensation:

adopted a new cash incentive plan design that uses both corporate and operating company goals, with higher payout opportunities for outstanding performance;

approved Common Stock awards to our NEOs, including those described under *Description of Compensation Components Senior Executive Common Stock Awards*; and

hired a new compensation consultant to assist the Compensation Committee with our executive compensation strategy and design for the future.

In early 2014, the Compensation Committee (i) awarded discretionary bonuses to the NEOs, even though we did not meet the threshold level of performance under the cash incentive compensation plan, to reward them for their extraordinary contributions to our business during 2013, (ii) approved the full performance awards of restricted Common Stock for 2013 to Messrs. Welch and Pierson and Ms. Friel, even though we did not meet the threshold level of performance set for 2013 pursuant to their employment agreements, to reward them for their extraordinary contributions to our business during 2013, and (iii) approved one-time restricted stock awards in recognition of certain of the NEOs' extraordinary efforts in connection with certain of the 2014 Financing Transactions. See *Description of Compensation Components Annual Cash Incentive Compensation*, *Description of Compensation Components Senior Executive Common Stock Awards* and *Compensation Decisions for 2014 2014 One-Time Equity Awards*.

Table of Contents**Named Executive Officers**

The table below lists our NEOs for 2013, their titles during 2013, and the period during which they held those titles.

Name	Title	Period
James L. Welch	Chief Executive Officer	Since July 2011
	President YRC Freight	From September 2013 to February 2014
Jamie G. Pierson	Executive Vice President & Chief Financial Officer	Since November 2011
Michelle A. Friel	Executive Vice President, General Counsel & Secretary	Since February 2012
Thomas J. O Connor	President Reddaway	Since January 2007
Scott Ware	President USF Holland	Since May 2012
Jeffrey A. Rogers	Former President YRC Freight	From September 2011 to September 2013

The Role of Say-On-Pay Votes

We provide our Stockholders with the opportunity to cast an annual advisory vote on executive compensation (*say-on-pay proposal*). At our 2013 Annual Meeting, approximately 84% of the votes cast on the say-on-pay proposal were voted in favor of the proposal. Our Compensation Committee valued this endorsement of its executive compensation philosophy. The Compensation Committee believes the beneficiaries of our executives' efforts should have a say in how those executives are compensated, and will continue to consider the outcome of votes on say-on-pay proposals when making future compensation decisions for our NEOs.

Compensation Philosophy and Objectives; Components of Executive Compensation

Creating the conditions for a successful turnaround begins with attracting and motivating a talented and committed management team. We believe NEO compensation during this critical period should strike a balance amongst the management of our liquidity, attracting and retaining executives with the backgrounds and skills needed to achieve continuous improvement in our operations and profitability, and providing appropriate financial motivation, upside potential and downside risk to focus executives' attention on aggressively implementing our turnaround strategy.

Our compensation philosophy is centered around supporting our business objectives of:

restoring our Company to profitability;

building long-term stakeholder value through continuous improvement in our financial condition and operating performance; and

achieving the Adjusted EBITDA growth and liquidity improvement necessary for complying with the financial covenants in our credit facilities and, if appropriate, refinancing or restructuring the facilities when they become due, obtaining greater financial flexibility, improving the market for our securities, taking advantage of opportunities when they arise, and investing in our future.

To achieve these objectives, we must attract and retain high-caliber executives and provide them with incentives that encourage them to aggressively pursue improvement in our operating performance and financial condition, while at the same time exposing them to downside risk to the value of their incentive compensation

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opportunities if they do not succeed. Our compensation philosophy is about encouraging appropriate leadership behavior and motivating senior management to take sensible risks, avoid complacency, and concentrate on our short-term progress and long-term growth. We expect outstanding performance from our NEOs and believe it is appropriate to pay for outstanding results. As a result, a significant portion of each NEO's pay is at risk.

The compensation package for each of our NEOs generally consists of the following principal elements:

base salary;

a one-time time-vested restricted Common Stock grant made upon initial employment;

annual Common Stock award opportunities, which in the case of Messrs. Welch and Pierson and Ms. Friel are awarded pursuant to their employment agreements upon achievement of predetermined performance goals; and

annual cash incentive opportunities based on achievement of predetermined performance goals.

For 2013, we provided incentive opportunities to motivate executives to deliver stretch performance and drive continuous improvement in our operating results. At the same time, our Compensation Committee recognized that (a) rapid improvement may remain tempered by the slow-growth economy and its impact on customer demand, and (b) most of 2013 was consumed with the critical IBT contract extension and 2014 Financing Transactions. For these and other reasons, including, but not limited to, the extraordinary work involved with the IBT contract extension and refinancing efforts that culminated in early 2014, our Compensation Committee used its discretion to award below-target awards even though the performance goals were not achieved.

Determining Executive Compensation

The Compensation Committee has primary responsibility for determining the compensation package for our NEOs. When needed, the Compensation Committee seeks advice and market intelligence from its compensation consultant. For NEOs other than the CEO, the Compensation Committee also seeks the recommendations of our CEO.

In setting NEO compensation for 2013, our Compensation Committee designed a compensation package around the objectives of our executive compensation program to retain and motivate our NEOs consistent with our resources and financial responsibilities.

At the beginning of 2013, Frederic W. Cook & Co. (*Cook & Co.*) served as the Compensation Committee's independent compensation consultant. Cook & Co. provided structural advice and market intelligence to the Compensation Committee and performed no other services for our Company or management. Cook & Co. was engaged to provide the Compensation Committee with a summary of compensation ranges and structures based upon data derived from proxy statements of 20 transportation companies with comparable revenues and assets (*Transportation Industry Peer Group*) and from Towers Watson's 2010 General Industry Executive Compensation Database (*Database*), statistically regressed to account for differentials in revenues. The median total revenues and assets for the Transportation Industry Peer Group were \$3.4 billion and \$2.5 billion, respectively, while our 2011 total revenues and assets were \$4.9 billion and \$2.5 billion, respectively.

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The Transportation Industry Peer Group consisted of the following companies:

AMERCO	Expeditors International of Washington, Inc.	Norfolk Southern Corporation
ABF Corporation		Old Dominion Freight Line, Inc.
Avis Budget Group, Inc.	Hertz Global Holdings, Inc.	Pacer International, Inc.
C.H. Robinson Worldwide, Inc.	Hub Group, Inc.	Ryder System, Inc.
Con-way, Inc.	J.B.Hunt Transport Services, Inc.	Swift Transportation Company
CSX Corporation	Kansas City Southern	UTi Worldwide Inc.
Dollar Thrifty Automotive Group, Inc.	Landstar System, Inc.	Werner Enterprises, Inc.

In January 2013, Cook & Co. performed an analysis of the competitiveness of our executive compensation, which showed total direct compensation (at target levels, assuming our then-current stock price) for Messrs. Welch and Pierson and Ms. Friel, who are corporate executives, to be below the median of comparable positions in the Transportation Industry Peer Group and the total direct compensation for Messrs. Ware and O Connor, who are operating company executives, to be slightly above the median of comparable positions in the Transportation Industry Peer Group.

After careful consideration, however, the Compensation Committee determined that the Transportation Industry Peer Group data were of limited utility due to the significantly different business models and financial positions of many of the companies included in the Transportation Industry Peer Group. We have few direct peers and none of them faced all of the same circumstances we faced in 2013. Therefore, the Compensation Committee established an executive compensation program to achieve the compensation objectives described above and gave limited consideration to the Transportation Industry Peer Group data.

During 2013, the Compensation Committee retained Pearl Meyer as its independent compensation consultant. Pearl Meyer provided structural advice and market intelligence to the Compensation Committee and performed no other services for our Company or management. In April 2013, Pearl Meyer developed a revised compensation peer group of 12 transportation companies (*Revised Transportation Industry Peer Group*) and provided the Compensation Committee with compensation data derived from proxy statements of these companies.

The Revised Transportation Industry Peer Group consists of the following companies:

Arkansas Best Corporation	Hub Group, Inc.	Ryder System, Inc.
C.H. Robinson Worldwide, Inc.	J.B. Hunt Transport Services, Inc.	Swift Transportation Company
Con-way, Inc.	Landstar System, Inc.	UTi Worldwide Inc.
Expeditors International of Washington, Inc.	Old Dominion Freight Line, Inc.	Werner Enterprises, Inc.

The Compensation Committee considered the peer group information useful but of limited immediate utility given our particular facts and circumstances. Accordingly, the Compensation Committee approved a 2014 compensation structure that continued to reflect our unique situation and gave limited consideration to the peer group data.

Definitions of Performance Measures Used in Our Incentive Program

We use Adjusted EBITDA (in dollars), called *Consolidated EBITDA* in our credit facilities, as the primary performance measure for our cash and equity incentive programs. Adjusted EBITDA is an important measure used by management to evaluate our core operating performance and a key component of our credit agreement financial covenants. The Compensation Committee believes Adjusted EBITDA is an appropriate performance goal for incentive compensation because improvement in our core operating performance and compliance with the financial covenants are imperative for our short-term and long-term success. We also use unlevered free cash flow as a performance measure for our cash incentive program.

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Adjusted EBITDA and unlevered free cash flow are non-GAAP measures. As defined in our credit agreement, Adjusted EBITDA measures our 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. Unlevered free cash flow is defined as our operating cash flow minus gross capital expenditures and excludes restructuring costs and interest payments on our indebtedness included in operating cash flow. Adjusted EBITDA and unlevered free cash flow are important measures used by management in evaluating our core operating performance and as such are deemed appropriate measures by our Compensation Committee in motivating executives to achieve a turnaround.

Description of Compensation Components

Base Salary

Base salary is a key component of our NEO compensation packages. Base salary is designed to:

reward NEOs for the day-to-day execution of their primary responsibilities;

attract and retain a talented and effective leadership team; and

provide a foundation for the structure of incentive cash compensation opportunities.

Base salary for our NEOs is based upon their experience, level of responsibility, and internal pay equity considerations among executive officers. There were no changes to the NEOs' base salaries in 2013.

Annual Cash Incentive Compensation

The purpose of our annual cash incentive compensation is to reward executives for short-term improvements in Adjusted EBITDA and other measures that contribute to steady increases in stakeholder value.

2013 Annual Incentive Plan

During 2012, the Compensation Committee revised our incentive program for 2013 and, with assistance provided by Cook & Co., designed the 2013 Annual Incentive Plan (*2013 AIP*). The 2013 AIP was designed to reward executives for achievement of the annual performance goals the Compensation Committee believed were desirable to drive continuous improvement in our operating results and profitability. The 2013 AIP provided incentive opportunities for eligible executives based upon attainment of consolidated, or consolidated and operating company, as applicable, Adjusted EBITDA.

The 2013 AIP was approved by the Compensation Committee in January 2013. The objective of the 2013 AIP was to support our 2013 strategy and operating plan by:

providing a level of incentive opportunity that strongly motivates key executives to achieve stretch performance goals while also providing an element of retention;

increasing incentive potential and providing significant upside for key executives of the operating companies and corporate leadership; and

measuring and rewarding both consolidated Company and operating company performance.

To accomplish this objective, the Compensation Committee set target Adjusted EBITDA at a stretch level that the Compensation Committee believed was difficult but achievable with strenuous effort, and set threshold Adjusted EBITDA at a more achievable level of 75% of target. The Compensation Committee determined that performance targets should be calibrated to ensure enough stretch was built in to encourage the level of improved performance the Compensation Committee considered desirable. The maximum Adjusted EBITDA target was set at a level the Compensation Committee believed would be very difficult to achieve. The Compensation Committee set targets for the consolidated Company as well as for each operating company.

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The target bonus opportunities for 2013 were significantly raised from 2012 to create stronger performance and retention incentives. The proposed payout levels were developed following a review of incentive compensation within the Transportation Industry Peer Group. The peer group data were used to help the Compensation Committee evaluate the competitiveness of the potential payouts, but was not the principal factor guiding the decision because the Compensation Committee recognized the need to focus on our unique circumstances. The Compensation Committee set the 2013 short-term incentive opportunities at levels that were significantly higher than the median data for comparable positions in the Transportation Industry Peer Group. This was a one-time decision intended to (a) recognize strong performance in 2011 and 2012 that may have been under-rewarded, (b) create additional focus and reward opportunities for near-term execution (which was critical for the 2014 Financing Transactions) and (c) provide additional retention value during 2013, which was a critical year for our Company and a time during which the value of equity-based incentives was less certain.

The 2013 AIP used an incentive pool design as its funding approach. Consolidated Adjusted EBITDA was to be the financial measure that determined the size of the incentive pool. The incentive pool was to be funded only if we achieved the pre-determined threshold level of consolidated Adjusted EBITDA. If the incentive pool was funded, it was to be allocated to the participants in the 2013 AIP based on the achievement of corporate-level or operating company goals, as applicable, and the participants' pre-determined incentive opportunities. If consolidated Adjusted EBITDA performance exceeded target, the potential payout for each operating company would be based upon the lesser of operating company performance or consolidated corporate performance.

Once the consolidated Adjusted EBITDA-based incentive pool was established, each executive's actual payout was to have been calculated based upon further attainment of the following goals at the consolidated or operating company level, as applicable:

unlevered free cash flow;

revenue; and

safety (hours between injuries).

These measures were selected because they were the measures that the Compensation Committee believed needed to be emphasized to deliver corporate and each operating company's optimal performance under its respective business plan. The Compensation Committee had discretion to make adjustments to any of the performance goals to compensate for any changes that significantly altered the basis upon which the goals were determined. Furthermore, if target levels of performance were not met, the Compensation Committee reserved the right, in its discretion, to award below-target discretionary bonuses to executives as circumstances warranted.

The threshold level of consolidated Adjusted EBITDA for 2013 was \$266 million, or 75% of the target Adjusted EBITDA goal of \$354 million. If we achieved the threshold level of consolidated Adjusted EBITDA, the potential incentive pool would have been \$1.8 million, and if we achieved the target level of consolidated Adjusted EBITDA, the potential incentive pool would have been \$8.1 million. If we achieved consolidated Adjusted EBITDA above the \$354 million target, the overall potential incentive pool would have been increased by an amount equal to 10% of Adjusted EBITDA above \$354 million, subject to a maximum incentive pool of \$16.2 million for exceptional performance.

The following table sets forth the targets for and actual achievement of our consolidated performance goals for 2013:

Goal	2013 Target	Consolidated 2013 Actual	Variance
Adjusted EBITDA:	\$ 354 million	\$ 258 million	\$ (97 million)
Revenue:	\$5,008 million	\$4,865 million	\$ (143 million)
Unlevered Free Cash Flow:	\$ 72 million	\$ 112 million	\$ 40 million
Increase in hours between lost time injuries:	0.0%	7.2%	7.2%

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In January 2014, the Compensation Committee assessed our 2013 performance against the pre-determined performance goals. For 2013, we achieved \$258 million of consolidated Adjusted EBITDA which was below the \$266 million threshold set by the Compensation Committee, and, therefore, we did not achieve the performance necessary for funding the consolidated incentive pool under the 2013 AIP. Failure to achieve the consolidated 2013 Adjusted EBITDA target was in part attributed to a delay in the implementation of the YRC Freight network optimization plan due to external factors beyond management's control. We completed implementation of the network optimization plan at the end of 2013, and expect to benefit from the operational improvements and costs savings from the network optimization plan during 2014.

Given these unique circumstances, the Compensation Committee awarded discretionary bonuses to Messrs. Welch and Pierson and Ms. Friel in January 2014 to reward them for their extraordinary contributions to our business during 2013. In making this determination, the Compensation Committee recognized their progress on the completion and implementation of several projects and transactions for 2013 and beyond. Under their leadership, we conducted the union negotiation that resulted in the amendment and extension of the IBT contract through 2019, and we completed the 2014 Financing Transactions that resulted in the reduction of our outstanding indebtedness by approximately \$300 million, the replacement and extension of our principal debt arrangements and the improvement of our balance sheet and liquidity at a time critical for long-term Company health. The Compensation Committee determined that these business objectives for 2013 were met and that their expectations for execution were exceeded. These accomplishments will result in significant economic benefits to us through labor cost savings and annualized interest expense savings and will allow us to re-focus our attention on improving our operations and our future operating performance. Mr. Welch received a discretionary bonus of \$875,000, Mr. Pierson received a discretionary bonus of \$825,000 and Ms. Friel received a discretionary bonus of \$300,000. The amounts were not based on a formula or pre-determined goals, but instead upon the Compensation Committee's belief that (i) Messrs. Welch and Pierson and Ms. Friel should be rewarded for their exemplary performance and broad responsibilities for our Company's direction and future, including the IBT contract extension and 2014 Financing Transactions, and (ii) strict adherence to the performance criteria established under the 2013 AIP would not be reflective of the overall efforts and performance of these executives in 2013. Mr. Pierson's discretionary bonus represented the largest percentage relative to his bonus opportunity for 2013 because he was principally responsible for the 2014 Financing Transactions, the success of which was critical to our Company's future.

Messrs. O'Connor and Ware are operating company presidents and, if a consolidated incentive pool had been funded for 2013, their bonuses would have been determined based on operating company Adjusted EBITDA, revenue, unlevered free cash flow and safety performance. The operating company performance targets were set at levels that were as difficult to achieve as the consolidated performance targets. Because no consolidated incentive pool was funded for 2013, the Compensation Committee awarded discretionary bonuses to Messrs. O'Connor and Ware. For Mr. O'Connor, the Compensation Committee considered the fact that Reddaway's performance exceeded target Adjusted EBITDA, revenue and unlevered free cash flow performance goals and only missed the safety performance target by 2.6 percentage points. Mr. O'Connor received a discretionary bonus of \$250,000. For Mr. Ware, the Compensation Committee considered the fact that Holland's performance exceeded target for all four of its performance goals. Mr. Ware received a discretionary bonus of \$385,000.

Equity Incentive Compensation

A portion of NEO compensation is in the form of time-vested restricted Common Stock awards and restricted Common Stock award opportunities based upon achievement of predetermined performance goals. The purpose of equity incentive grants is to motivate executives to achieve continuous improvement and long-term value creation by giving them a stake in the long-term enterprise value of our Company. We believe Common Stock awards align executives' interests with Stockholders and serve as an important retention tool by conditioning the realized value of

such awards on continued employment.

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In February 2013, Messrs. Welch and Pierson and Ms. Friel received awards of Common Stock for 2012 performance pursuant to their employment agreements, as described below under *Senior Executive Common Stock Awards*. In February 2013, Mr. Rogers received an award of 38,550 shares of Common Stock of which 50% were vested on the grant date and 50% vested on the first anniversary of the grant date. In February 2013, Mr. Ware received an award of 12,000 time-vesting restricted shares and Mr. O'Connor received an award of 10,000 time-vesting restricted shares. Mr. O'Connor's and Mr. Ware's restricted stock awards vest 50% on the first anniversary of the grant date and 50% on the second anniversary of the grant date. The Compensation Committee made these awards to encourage the executives to focus on long-term operating company value creation that contributes to increases in consolidated value, as each award vests over time and forfeits if the executive voluntarily leaves us prior to vesting.

Senior Executive Common Stock Awards

The employment agreements for Messrs. Welch and Pierson and Ms. Friel provide for awards of restricted Common Stock to be made annually over a period of several years. The mutual intent of these executives and the Board was that if each executive fully earned all of his or her annual performance awards, at the expiration of his or her employment agreement in 2015, he or she would have received, in total, an aggregate number of shares of Common Stock equal to 2.0%, 1.0% and 0.8%, respectively, of our outstanding Common Stock on a fully-diluted basis at the expiration date.

The rationale for structuring the awards in this manner was that the executives, who were selected and charged with responsibility to lead our turnaround, assumed significant risk in accepting their positions at a time when there was substantial doubt about our ability to continue as a going concern, and that any increase in our enterprise value over the employment period would be significantly attributable to their leadership. This would include any increase in our enterprise value to the point where we could potentially raise new capital, as the Compensation Committee felt the executives should be motivated to help create that opportunity. There was, thus, appreciable upside potential if the executives' efforts were successful but also downside risk to the value of their incentive opportunities if they were not.

Subsequent to their execution, it was determined that the equity dilution provisions of the employment agreements were ambiguous and did not accurately and appropriately address all essential elements required to reflect the mutual intent of the executives and the Board regarding the impact of equity dilutive events on the awards. The employment agreements were amended with the Compensation Committee's approval on October 30, 2012 to cure this ambiguity.

As amended, the Common Stock awards have the following structure:

Each executive received an *Initial Award* of restricted Common Stock equal to his or her Initial Award Percentage (0.6% for Welch, 0.3% for Pierson, and 0.2% for Friel) of our outstanding Common Stock on a fully-diluted basis on the grant date. The Initial Awards vested 25% on January 1, 2013 for Messrs. Welch and Pierson and 25% on February 20, 2013 for Ms. Friel, with an additional 25% vesting on each subsequent anniversary of the applicable employment agreement.

Each executive is eligible for a *Performance Award* of restricted Common Stock to be granted within 90 days after the end of each of the first four years of his or her employment agreement, based upon the level of achievement of predetermined quantitative, or quantitative and qualitative, performance goals established each year by the Compensation Committee. Mr. Welch's first Performance Award was for 2011, and Mr. Pierson's and Ms. Friel's first Performance Awards were for 2012. The maximum Performance Award

opportunity for each year is a number of shares equal to a percentage of our then outstanding Common Stock (0.35% for Welch, 0.175% for Pierson, and 0.15% for Friel) on a fully-diluted basis on each grant date. Mr. Welch's 2011 Performance Award vested on the first anniversary of the grant date. The subsequent Performance Awards vest 50% on the grant date and 50% on the first anniversary of the grant date.

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If, at the expiration of each executive's employment agreement (*Equity Adjustment Date*), the aggregate number of shares received as the Initial Award and each Performance Award (if fully earned) is less than 2.0% for Welch, 1.0% for Pierson or 0.8% for Friel (or if the Performance Awards are not fully earned, the percentage to which those NEOs were entitled based on the applicable level of achievement) of our then outstanding Common Stock on a fully-diluted basis on the Equity Adjustment Date, then each executive will receive an *Equity Adjustment Award* to make up the difference. Each Equity Adjustment Award will be fully vested on the grant date.

Pursuant to the terms of their employment agreements, Messrs. Welch and Pierson and Ms. Friel received the following awards of Common Stock:

Initial Awards: Messrs. Welch and Pierson and Ms. Friel received an initial award of 122,406 restricted shares, 61,203 shares and 40,563 shares of Common Stock, respectively, at the inception of their employment agreements. These awards were granted on December 2, 2011 for Mr. Welch, December 2, 2011 for Mr. Pierson and February 20, 2012 for Ms. Friel. The number of shares awarded was equal to 0.6%, 0.3% and 0.2%, respectively, of our outstanding Common Stock on a fully-diluted basis on the grant date. On February 26, 2013, Messrs. Welch and Pierson and Ms. Friel received an additional award of 9,767 shares, 4,883 shares and 3,495 shares, respectively, to cure a shortfall in each executive officer's award at the inception of his or her employment agreement, each make up award having the same vesting dates as those for the original award.

2011 Performance Award for Mr. Welch: In February 2012, pursuant to the terms of his employment agreement, Mr. Welch received an award of 72,436 restricted shares of Common Stock for 2011 performance. The financial performance goal for the 2011 Performance Award was \$90.0 million in consolidated Adjusted EBITDA for the second half of 2011. We achieved the consolidated Adjusted EBITDA target for the second half of 2011, resulting in the maximum Performance Award for which Mr. Welch was eligible following 2011. On February 26, 2013, Mr. Welch received an additional award of 4,665 shares to make up a shortfall in his February 20, 2012 grant.

2012 Performance Awards: In February 2013, Messrs. Welch and Pierson and Ms. Friel received an award of 77,101 shares, 38,550 shares and 33,043 shares of Common Stock, respectively, for 2012 performance. The financial performance goal for the 2012 Performance Award was \$233 million in consolidated Adjusted EBITDA. We achieved consolidated Adjusted EBITDA of \$241 million in 2012, resulting in the maximum Performance Award for which these executives were eligible following 2012. The number of shares awarded was equal to 0.35%, 0.175% and 0.15%, respectively, of our outstanding Common Stock on a fully-diluted basis.

2013 Performance Awards: In February 2014, Messrs. Welch and Pierson and Ms. Friel received an award of 120,060 shares, 60,030 shares and 51,454 shares of restricted Common Stock, respectively, for 2013 performance. The financial performance goal for the 2013 Performance Award was \$266 million in consolidated Adjusted EBITDA. This goal was the same as the threshold level for the cash awards under the 2013 AIP. We did not achieve the 2013 performance goal; however, the Compensation Committee determined to provide discretionary performance equity awards based on the same criteria described in *Annual Cash Incentive Compensation 2013 Annual Incentive Plan* and awarded the full Performance Award

for which these executives were eligible following 2013. The number of shares awarded was equal to 0.35%, 0.175% and 0.15%, respectively, of our outstanding Common Stock on a fully-diluted basis.

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The following table summarizes the Common Stock awards made pursuant to the employment agreements of Messrs. Welch and Pierson and Ms. Friel:

Name	Initial Award % of Fully-Diluted Shares	Initial Award of Restricted Shares(1)	Annual Performance Award % of Fully-Diluted Shares	2011	2012	2013
				Performance Award Shares(1)	Performance Award Shares	Performance Award Shares
Welch	0.6%	132,173	0.35%	77,101	77,101	120,060
Pierson	0.3%	66,086	0.175%	NA	38,550	60,030
Friel	0.2%	44,058	0.15%	NA	33,043	51,454

(1) Includes makeup shares issued in February 2013.

The grant date fair value of the 2013 Performance Awards, as determined in accordance with FASB ASC Topic 718, was \$2,719,359 for Mr. Welch, \$1,359,680 for Mr. Pierson and \$1,165,433 for Ms. Friel. These amounts will be included in the Summary Compensation Table for 2014. The size of these awards was based on the pre-determined percentage of our fully-diluted outstanding shares described in the table above pursuant to the terms of the employment agreements. The Compensation Committee believed that these significant equity award levels were appropriate to create the necessary forward-looking performance and retention incentives at the time these executive were hired, when there was uncertainty about our future and our stock price trajectory, and the Compensation Committee believes they continued to be relevant to the circumstances we faced in 2013. The Compensation Committee determined to evaluate these executives' 2013 performance based on their implementation and completion of projects and transactions in 2013 and early 2014 and granted the 2013 Performance Award even though we failed to meet the financial performance goal set for 2013, in recognition of the factors described under *Annual Cash Incentive Compensation 2013 Annual Incentive Plan*, as well as to preserve the intent of the employment agreements to give these three executives significant opportunities for ownership and wealth creation, tied directly to Stockholder value creation.

Signing and Retention Bonus for Mr. Pierson

Prior to becoming our CFO, Mr. Pierson was an executive on the Alvarez & Marsal (A&M) team that consulted on our 2011 restructuring and had been working with us as a consultant since early 2009. He was highly knowledgeable about our financial structure and operations and was instrumental in the 2011 restructuring. Mr. Pierson had also developed business relationships with our lenders and other stakeholders. As a result, our Board felt that recruiting him to our leadership team was important to our turnaround strategy. As part of his compensation package, the Board agreed to pay Mr. Pierson a signing bonus of \$640,000 upon execution of his employment agreement and to place an additional \$560,000 in escrow as a retention bonus. Pursuant to the terms of the escrow arrangement, \$268,000 of the retention bonus was released on December 31, 2012 and \$209,000 was released on December 31, 2013. The remaining portion of the retention bonus will be released on December 31, 2014, provided Mr. Pierson has not been terminated for cause or resigned without good reason (as such terms are defined in *Potential Payments upon Termination or Change of Control Welch, Pierson and Friel Agreements*) prior to such payment date. If Mr. Pierson is terminated without cause, resigns for good reason, dies or becomes disabled, or in the event of our bankruptcy, he or his estate or personal representative will receive the remaining amounts held in escrow.

Benefit Plans

All NEOs are eligible to participate in our health and welfare plans, including those providing medical, dental, life insurance and accidental death and dismemberment benefits, generally on the same basis as our other non-union employees. Our NEOs pay the same price for their elected benefits as other non-union employees. We provide a flex dollars benefit to employees that can only be applied toward the cost of their benefits. As an employee's pay increases, the amount of flex dollars he or she receives decreases. Pursuant to his employment agreement, we pay the premiums for Mr. Welch's coverage under our health and welfare plans and a \$500,000 term life insurance policy.

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Our NEOs may participate in our defined contribution 401(k) plan, a tax-qualified retirement savings plan. The Code limits the contributions NEOs can make to the 401(k) plan. In 2009, in connection with union wage concessions, we suspended indefinitely Company-matching contributions under the 401(k) plan for our employees, including NEOs.

We sponsor two qualified defined benefit pension plans for employees of our Company and certain participating subsidiaries who commenced employment prior to January 1, 2004. We froze benefit accruals under these plans on July 1, 2008. Messrs. Welch and Rogers and Ms. Friel participate in the Yellow Corporation Pension Plan, and Mr. O Connor participates in the Roadway LLC Pension Plan, based upon their service prior to that date. See *Pension Benefits* for a discussion of these qualified pension plans.

Severance and Other Termination-of-Employment Benefits

Messrs. Welch and Pierson and Ms. Friel are entitled to severance benefits under their employment agreements if they are terminated without cause or resign for good reason, regardless of whether a change of control has occurred. The Compensation Committee believed providing these severance benefits was essential for their recruitment. See *Potential Payments upon Termination or Change of Control Welch, Pierson and Friel Agreements* for the definitions of cause and good reason in their employment agreements.

Recipients of restricted stock awards may be entitled to accelerated vesting of those awards upon a change of control or upon termination due to death, disability or retirement at or after age 65, as described in *Potential Payments upon Termination or Change of Control Restricted Stock Award Agreements* below.

In connection with the termination of Mr. Rogers' employment, we entered into a General Release and Separation Agreement with him, as described in *Potential Payments upon Termination or Change of Control Separation Agreement with Mr. Rogers*.

Executive Separation Guidelines

In 2012, the Compensation Committee adopted Executive Separation Guidelines (*Guidelines*) to assist itself in providing post-termination compensation to corporate and operating company executives. The Guidelines are intended to provide guidance only, are not binding on the Compensation Committee and do not create any entitlements for executives.

The Guidelines provide that to be eligible for any post-termination compensation, the employee must first execute a separation agreement containing appropriate confidentiality and other provisions. The terms of these agreements may vary in the Compensation Committee's discretion, but generally a terminated executive will receive post-termination compensation in an amount equal to 100% of his or her annual base salary, payable in 12 monthly installments. The period during which the executive receives post-termination compensation (*Inactive Employment Period*) begins 60 days following termination. During this period, the terminated executive may elect to receive COBRA continuation coverage at the rate payable by active non-union employees through the end of the Inactive Employment Period or until the terminated executive becomes entitled to other employer-provided health plan coverage. The terminated executive's other benefits (pension, 401(k), disability, incentive compensation, etc.) cease on the termination date.

The post-termination compensation for Messrs. Welch and Pierson and Ms. Friel is determined under their employment agreements, which provide for post-termination compensation in an amount equal to 150% of their annual base salary, payable in 18 monthly installments. Stock awards that have not vested at the time of termination without cause or resignation for good reason are forfeited.

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Compensation Decisions for 2014

2014 Annual Incentive Plan

In February 2014, the Compensation Committee approved a 2014 Annual Incentive Plan (*2014 AIP*). The objectives of the 2014 AIP are to support our 2014 strategy and operating plan, which at the consolidated level is substantially dependent on operational turnaround at YRC Freight, by:

incentivizing management performance to achieve important and significant performance metrics; and

measuring and rewarding both consolidated and segment performance.

The 2014 AIP provides incentive opportunities for eligible executives based upon attainment of increasing levels of consolidated, or YRC Freight or Regional segment performance, as applicable, Adjusted EBITDA. The incentive opportunities for 2014 will commence once the consolidated Company, YRC Freight and/or the Regional segment achieve 75% of the applicable Board-approved Adjusted EBITDA target for the year.

The 2014 AIP uses an incentive pool design as its funding approach. Adjusted EBITDA is the financial measure that determines the size of the incentive pool. The incentive pool is funded only when and to the extent we achieve the pre-determined threshold level of consolidated, YRC Freight and/or Regional segment, as applicable, Adjusted EBITDA. If the incentive pool is funded, it is allocated to the participants in the 2014 AIP based on the achievement of consolidated, YRC Freight or Regional segment goals, as applicable, and the participants' pre-determined incentive opportunities. The 2014 target incentive pool is \$6.8 million, to be funded to the extent we achieve target Adjusted EBITDA in 2014. The incentive pool may exceed target proportionately as Adjusted EBITDA performance warrants, with a maximum incentive pool of \$13.6 million for exceptional performance.

The Compensation Committee determined that performance targets should be calibrated to ensure enough "stretch" is built in to drive the level of improved performance the Compensation Committee considers desirable. The Compensation Committee has discretion to make adjustments to any of the performance goals to compensate for any changes that significantly alter the basis upon which the goals were determined. Furthermore, if target levels of performance are not met, the Compensation Committee reserves the right, in its discretion, to award below-target discretionary bonuses to executives as circumstances warrant.

Once the Adjusted EBITDA-based incentive pool is established, each executive's actual payout will be calculated based upon performance at the consolidated, YRC Freight or Regional operating company level, as applicable, including an evaluation of:

unlevered free cash flow;

revenue; and

safety (hours between injuries).

The following table illustrates the individual incentive awards for 2014 at target and maximum performance levels for our NEOs.

Incumbent	Position	Incentive	
		Target	Max
Welch	CEO	\$ 1,700,000	\$ 3,400,000
Pierson	CFO	\$ 1,300,000	\$ 2,600,000
Friel	EVP General Counsel	\$ 500,000	\$ 1,000,000
O Connor	President Reddaway	\$ 120,000	\$ 240,000
Ware	President Holland	\$ 280,000	\$ 560,000

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2014 One-Time Equity Awards

On February 25, 2014, the Compensation Committee approved one-time restricted stock awards in recognition of certain executives' extraordinary efforts in connection with a series of financing transactions (the *2014 Financing Transactions*) that included: (a) a series of private placements of equity securities for an aggregate purchase price of \$250.0 million in cash; (b) equity securities exchanges or conversions for outstanding Series B Notes in an aggregate principal amount of approximately \$50.6 million, plus, in the case of exchanged Series B Notes, accrued and unpaid interest thereon; (c) entry into the Second Amended and Restated Contribution Deferral Agreement with certain multiemployer pension funds named therein, which included the extension of the maturity of deferred pension payments and deferred interest under the previously effective Amended and Restated Contribution Deferral Agreement from March 31, 2015 to December 31, 2019; and (d) entry into a new \$450 million asset-based loan (ABL) facility and a new \$700 million term loan facility, the proceeds of which were used to repay the previously-existing ABL facility and term loan facility. Mr. Welch received 33,333 shares, Mr. Pierson received 33,333 shares and Ms. Friel received 10,000 shares as one-time awards. In each case, the awards vest 50% immediately and 50% one year from the grant date.

Equity Ownership Guidelines

In 2004, the Compensation Committee established equity ownership guidelines for certain of our executive officers. These guidelines were suspended in 2009 due to our financial uncertainty and low Common Stock price at the time and have not been reinstated. The Compensation Committee remains committed to the continued alignment of executive compensation and Stockholder interests and believes NEO equity incentive awards are appropriately structured to promote that goal.

Incentive Compensation Recovery Policy

In December 2007, the Compensation Committee adopted an executive compensation recovery policy that allows the Compensation Committee, in its sole discretion, to recover from executive officers any annual and long-term incentive compensation that is based upon financial statements required to be restated as a result of errors, omissions or fraud, regardless of whether an executive officer causes the restatement. The incentive compensation subject to recovery is that which exceeds the compensation that would otherwise have been granted based upon the restated financial results, but only to the extent of unvested or deferred equity awards. The Compensation Committee will consider the impact of taxes previously paid or withheld when determining whether, and to what extent, to recover incentive compensation.

Section 10D of the Exchange Act, enacted as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, requires public companies to recover, on a no-fault basis, incentive compensation amounts based upon financial results that are required to be restated due to material noncompliance with financial reporting requirements, and directs the SEC to adopt rules providing for such recoveries. The SEC has yet to adopt its 10D rules. The Welch, Pierson and Friel employment agreements provide that equity incentive awards shall be subject to clawback under Section 10D upon adoption of the SEC's 10D rules. The Compensation Committee intends to update its clawback policy accordingly when the new rules are adopted.

Limitations on Deductibility of Executive Compensation

Code Section 162(m) places a \$1 million limit on the amount of compensation we may deduct for federal income tax purposes in any year with respect to certain executive officers. Certain performance-based compensation and certain other stockholder-approved compensation are not subject to the deduction limit. We believe we have qualified certain

compensation for deductibility under Code Section 162(m), including certain executive officer compensation expense related to incentive compensation under our 2011 Plan. We may from time to time pay compensation to our executive officers that may not be deductible for federal income tax purposes if consistent with our executive compensation philosophy and objectives.

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Excess Compensation Limit

In 2011, we made an election under the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 (*Pension Relief Act*) to extend our amortization period for certain pension losses for the 2009 and 2010 plan years. Employers that elect to extend the amortization period are subject to a \$1 million annual limitation on total compensation paid to an executive during a three-year period. We were subject to the Pension Relief Act compensation limit for the period 2010–2012. To avoid any accelerated pension contributions or additional pension expense under our single employer pension plans, our Board negotiated provisions in the Welch, Pierson and Friel Agreements that limited each executive's total compensation to \$1 million in any calendar year commencing prior to January 1, 2013, if such compensation would have resulted in any accelerated pension contribution or additional pension expense under our single employer pension plans.

Restrictions on Pledging Common Stock Awards and Abusive Trading Practices

Our Securities Trading and Disclosure Policy prohibits our directors and officers from placing their Common Stock in a margin account with a broker or pledging their Common Stock as collateral to secure a debt. The policy also prohibits abusive trading practices involving our Common Stock, such as short-sales or hedging against market risk. Based upon information submitted by our directors and executive officers, we do not believe any Common Stock held by them has been placed in a margin account or pledged as security for a loan.

Compensation Committee Report

In 2013, our Compensation Committee was composed entirely of independent directors, as defined by NASDAQ Listing Rule 5605(d)(2)(A), our Director Independence Standards, and Exchange Act Rule 10C-1(b)(1). The Compensation Committee consists of Messrs. Kneeland (Chairman), Doheny and Hoffman.

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis and, based upon such review and discussion, the Compensation Committee recommended to our Board that Compensation Discussion and Analysis be included in this proxy statement.

Michael J. Kneeland, Chair

Matthew A. Doheny

James E. Hoffman

Compensation Risk Assessment

Our Compensation Committee has reviewed our compensation policies and practices, including incentive programs, to ensure they do not encourage unreasonable or excessive risk-taking. Based upon this review, we believe our compensation policies and practices are not reasonably likely to expose us to unreasonable or excessive risk that could have a material adverse effect on us. We believe our practice of providing a significant portion of compensation in the form of long-term equity compensation and using multiple performance measures in our incentive plans serve to balance risk and reward. We also maintain a prohibition on hedging and an incentive compensation recovery policy to mitigate undue risk associated with compensation.

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The tables below provide information on our NEO compensation in 2013, 2012 and 2011.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)	Non-Equity Compensation			Change in Pension Value (\$)(3)	All Other Compensation (\$)(4)	Total (\$)
				Stock Awards (\$)(2)	Option Awards (\$)	Non- Equity Compensation (\$)			
James L. Welch	2013	712,000	875,000(5)	569,335				14,295	2,170,630
Chief Executive Officer	2012	701,500		893,136		250,000	98,000	25,688	1,968,324
	2011	305,128		1,564,349			551,000	81,005	2,501,482
Jamie G. Pierson	2013	612,000	1,034,000(6)	270,153				83,070	1,999,223
Executive Vice President &	2012	601,500	268,000(7)			250,000		80,672	1,200,172
Chief Financial Officer	2011	95,769	640,000(8)	782,174				8,526	1,526,469
Michelle A. Friel	2013	437,000	300,000(5)	227,266				1,894	966,161
Executive Vice President, General Counsel & Secretary	2012	378,279		500,142	100,000	41,000		147,087	1,166,508
Thomas J. O Connor	2013	280,257	250,000(5)	62,200				1,756	594,213
President Reddaway	2012	281,056		246,600	75,000	168,000			770,656
Scott D. Ware	2013	350,000	385,000(5)	74,640				1,743	811,383
President Holland									
Jeffrey A. Rogers (9)	2013	363,750		239,781				122,704	726,236
Former President YRC Freight	2012	483,333		863,100	175,000	37,000			1,558,433
	2011	351,923					20,000	123,316	495,239

- (1) See *Compensation Discussion and Analysis Description of Compensation Components Base Salary* for a discussion of base salaries for 2013. On March 1, 2012, we terminated all automobile allowances and added 50% of the unused cost of such allowances to the base salaries of all executive officers who were previously entitled to them, other than Messrs. Welch and Pierson and Ms. Friel. On November 16, 2012, we terminated the automobile allowances for Messrs. Welch and Pierson and Ms. Friel and added 100% of the unused cost of such allowances to their base salaries.
- (2) Amounts for 2011 represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 of time-vested restricted Common Stock granted to Messrs. Welch and Pierson on the grant date under their employment agreements. See *Executive Employment Agreements* below. On December 2, 2011, Messrs. Welch and Pierson received 122,406 shares and 61,203 shares, respectively, of restricted Common Stock. The closing market price of our Common Stock on the grant date as quoted by NASDAQ was \$12.78. The fair value of each grant is determined using the closing market price of our Common Stock on the grant date.

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Amounts for 2012 represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 of time-vested restricted Common Stock granted to Messrs. Welch, Rogers and O Connor and Ms. Friel on February 20, 2012. For Mr. Welch, amounts for 2012 represent the Common Stock awarded in 2012 for 2011 performance presented in accordance with FASB ASC Topic 718. The fair value of each grant is determined using the closing market price of our Common Stock on the grant date. The number of shares of restricted Common Stock awarded to each of the executives, the grant date determined in accordance with FASB ASC Topic 718, and the closing price of our Common Stock on the grant date are as follows:

February 20, 2012

Name	Shares	Grant Date	Closing Price (\$)
James L. Welch	72,436	2/20/2012	12.33
Michelle A. Friel	40,563	2/20/2012	12.33
Thomas J. O Connor	20,000	2/20/2012	12.33
Jeffrey A. Rogers	70,000	2/20/2012	12.33

Amounts previously reported under the *Stock Awards* column for 2011 and 2012 in our prior year proxy statement have been changed to present this information in accordance with FASB ASC Topic 718.

Amounts for 2013 represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 of Common Stock and time-vested restricted Common Stock granted to our NEOs on February 26, 2013. For Messrs. Welch and Pierson and Ms. Friel, amounts for 2013 represent the Common Stock awarded in 2013 for 2012 performance presented in accordance with FASB ASC Topic 718, and the Common Stock awarded in 2013 as make up awards, as described in footnote (a) below. The fair value of each grant is determined using the closing market price of our Common Stock on the grant date. The number of shares of Common Stock and restricted Common Stock awarded to each of the executives, the grant date determined in accordance with FASB ASC Topic 718, and the closing price of our Common Stock on the grant date are as follows:

February 26, 2013

Name	Shares	Grant Date	Closing Price (\$)
James L. Welch	91,533(a)	2/26/2013	6.22
Jamie G. Pierson	43,433(a)	2/26/2013	6.22
Michelle A. Friel	36,538(a)	2/26/2013	6.22
Thomas J. O Connor	10,000	2/26/2013	6.22
Scott D. Ware	12,000	2/26/2013	6.22
Jeffrey A. Rogers	38,550	2/26/2013	6.22

- (a) The amount for Mr. Welch includes a grant of 9,767 shares to make up a shortfall in shares that should have been included in his initial grant on December 2, 2011 and a grant of 4,665 shares to make up a shortfall in shares that should have been included in his February 20, 2012 performance grant. The amount for Mr. Pierson includes a grant of 4,883 shares to make up a shortfall in shares that should

have been included in his initial grant on December 2, 2011. The amount for Ms. Friel includes a grant of 3,495 shares that should have been included in her initial grant on February 20, 2012.

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On February 25, 2014, the Compensation Committee approved Common Stock awards for Messrs. Welch and Pierson and Ms. Friel for 2013 performance. On February 25, 2014, the Compensation Committee also approved one-time Common Stock awards in recognition of these individuals' efforts in connection with certain of the 2014 Financing Transactions. See *Compensation Discussion and Analysis Description of Compensation Components Senior Executive Common Stock Awards* and *Compensation Discussion and Analysis Compensation Decisions for 2014 2014 One-Time Equity Awards*. The aggregate grant date fair value of these awards is \$3,474,351 for Mr. Welch, \$2,114,672 for Mr. Pierson and \$1,391,933 for Ms. Friel. These grant date fair values will be included in the Summary Compensation Table for 2014.

- (3) Only Messrs. Welch, Rogers and O'Connor and Ms. Friel are eligible to participate in our pension plans. The amounts reported in this column represent the aggregate change in the actuarial present value of the accumulated benefits under our qualified and non-qualified defined benefit pension plans. The accumulated benefits for Messrs. Welch, Rogers and O'Connor and Ms. Friel under our pension plans are due to their years of prior service with us. Benefit accruals under our pension plans were frozen on July 1, 2008. Due to an increase in the interest rate used to calculate the present value of the benefits, the aggregate change in the actuarial present value of the accumulated benefits under our pension plans for 2013 was negative. In 2013, the aggregate value of Mr. Welch's pension benefits decreased by \$126,000; the aggregate value of Ms. Friel's pension benefits decreased by \$28,000; the aggregate value of Mr. O'Connor's pension benefits decreased by \$94,000; and the aggregate value of Mr. Rogers' pension benefits decreased by \$59,000. The increase in benefits in 2012 and 2011 was due to a decrease in the interest rate used to calculate the present value of the benefits. The monthly benefit payable at retirement did not increase.
- (4) All other compensation for 2013 includes the following:

Name	Perquisite Payments (\$)	Relocation Reimbursement (\$)	Severance Payments (\$)	Total (\$)
James L. Welch	14,295(a)			14,295
Jamie G. Pierson	1,756(b)	81,314(c)		83,070
Michelle A. Friel	1,894(d)			1,894
Thomas J. O'Connor	1,756(e)			1,756
Scott D. Ware	1,743(f)			1,743
Jeffrey A. Rogers	1,455(g)		121,249(h)	122,704

- (a) Represents \$13,980 paid for the cost of Mr. Welch's health and welfare benefits, \$200 for family travel expenses reimbursed by us and \$114 paid for the cost of premiums for a term life insurance policy paid by us.
- (b) Represents \$1,642 paid for the cost of Mr. Pierson's health and welfare benefits and \$114 paid for the cost of premiums for a term life insurance policy paid by us.
- (c) Represents amounts reimbursed to Mr. Pierson for temporary living expenses while in Overland Park, Kansas and reasonable costs incurred in his weekly travel from his home in Dallas, Texas to Overland Park in an amount up to \$6,000 per month. The total amount incurred by Mr. Pierson for his 2013 temporary living expenses and travel costs was \$81,314. This total amount includes reimbursement of \$25,898 of taxes with respect to these temporary living expenses and travel costs.
- (d)

Represents \$1,555 paid for the cost of Ms. Friel's health and welfare benefits, \$227 for family travel expenses reimbursed by us and \$114 paid for the cost of premiums for a term life insurance policy paid by us.

- (e) Represents \$1,642 paid for the cost of Mr. O'Connor's health and welfare benefits paid by us and \$114 paid for the cost of premiums for a term life insurance policy paid by us.
- (f) Represents \$1,629 paid for the cost of Mr. Ware's health and welfare benefits paid by us and \$114 paid for the cost of premiums for a term life insurance policy paid by us.
- (g) Represents \$872 paid for the cost of Mr. Rogers' health and welfare benefits, \$469 for family travel expenses reimbursed by us and \$114 paid for the cost of premiums for a term life insurance policy paid by us.
- (h) Represents severance payments paid to Mr. Rogers pursuant to his separation agreement.

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- (5) Represents discretionary bonuses to Messrs. Welch, O Connor and Ware and Ms. Friel in January 2014 in recognition of 2013 performance. See *Compensation Discussion and Analysis Description of Compensation Components Annual Cash Incentive Compensation 2013 Annual Incentive Plan* for a description of the discretionary bonuses.
- (6) Represents a discretionary bonus of \$825,000 paid to Mr. Pierson in January 2014 in recognition of 2013 performance, and \$209,000 of the retention bonus released from escrow and paid to Mr. Pierson in 2013 under his employment agreement. See *Compensation Discussion and Analysis Description of Compensation Components Annual Cash Incentive Compensation 2013 Annual Incentive Plan* for a description of the discretionary bonus.
- (7) Represents a retention bonus paid to Mr. Pierson under his employment agreement.
- (8) Represents a signing bonus paid to Mr. Pierson under his employment agreement.
- (9) Mr. Rogers ceased to serve as President YRC Freight on September 20, 2013.

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Executive Employment Agreements

Welch Employment Agreement

On July 22, 2011, we entered into an employment agreement with Mr. Welch (*Welch Agreement*), which was amended on October 30, 2012. The Welch Agreement, as amended, contains the following key terms and conditions:

a four-year employment term, commencing on July 22, 2011 and ending on July 22, 2015;

an annualized base salary of \$712,000 per year, which may be increased, but not decreased, by the Board in its discretion;

an initial grant of restricted Common Stock equal to 0.6% of our outstanding Common Stock on a fully-diluted basis on the grant date, 25% of which vested on January 1, 2013 and an additional 25% of which vested or will vest on each of July 22, 2013, July 22, 2014 and July 21, 2015, provided Mr. Welch continues to be employed by us on those dates;

annual equity awards of up to 0.35% of our outstanding Common Stock on a fully-diluted basis on each grant date within 90 days after the end of each of the first four fiscal years occurring during the term of the Welch Agreement, based upon the level of achievement of performance goals to be determined by the Compensation Committee each year. The equity award for 2011 performance vested fully on February 20, 2013, and subsequent annual performance-based awards vest 50% on the grant date and 50% on the first anniversary of the grant date, provided Mr. Welch continues to be employed by us on those dates;

if, at the expiration of the Welch Agreement, the aggregate number of shares received as the initial grant and subsequent annual performance-based awards (if fully earned) is less than 2.0% (or if the annual performance-based awards are not fully earned, the percentage to which Mr. Welch would be entitled based on the applicable level of achievement) of our then outstanding Common Stock on a fully-diluted basis on such date, then Mr. Welch will receive an equity adjustment award to make up the difference, which will be fully vested on the grant date;

a cash bonus payable in 2013 in an amount not to exceed \$250,000 if certain performance criteria determined by the Compensation Committee were satisfied during 2012, the full amount of which Mr. Welch received in 2013 based upon full achievement of the \$233 million Adjusted EBITDA target for 2012; and

participation in our benefit and insurance programs available to senior executives, payment of medical and dental plan premiums, a term life insurance policy, four weeks of vacation per year, and reimbursement of reasonable business expenses.

Pierson Employment Agreement

On November 3, 2011, we entered into an employment agreement with Mr. Pierson (*Pierson Agreement*), which was amended October 30, 2012. The Pierson Agreement, as amended, contains the following key terms and conditions:

an employment term commencing on November 3, 2011 and ending on December 31, 2015;

an annualized base salary of \$612,000 per year, which may be increased, but not decreased, by the Board in its discretion;

an initial grant of restricted Common Stock equal to 0.3% of our outstanding Common Stock on a fully-diluted basis on the grant date, 25% of which vested on January 1, 2013 and an additional 25% of which vested or will vest on each of November 3, 2013, November 3, 2014 and November 3, 2015, provided Mr. Pierson continues to be employed by us on those dates;

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annual equity awards of up to 0.175% of our outstanding Common Stock on a fully-diluted basis on each grant date within 90 days after the end of each of the first four full fiscal years occurring during the term of the Pierson Agreement, based upon the level of achievement of performance goals to be determined by the Compensation Committee each year. These annual performance-based equity awards vest 50% on the grant date and 50% on the first anniversary of the grant date, provided Mr. Pierson continues to be employed by us on those dates;

if, at the expiration of the Pierson Agreement, the aggregate number of shares received as the initial grant and subsequent annual performance-based awards (if fully earned) is less than 1.0% (or if the annual performance-based awards are not fully earned, the percentage to which Mr. Pierson would be entitled based on the applicable level of achievement) of our then outstanding Common Stock on a fully-diluted basis on such date, then Mr. Pierson will receive an equity adjustment award to make up the difference, which will be fully vested on the grant date;

a cash bonus payable in 2013 in an amount not to exceed \$250,000 if certain performance criteria determined by the Compensation Committee were satisfied during 2012, the full amount of which Mr. Pierson received in 2013, based upon full achievement of the \$233 million Adjusted EBITDA target for 2012;

a signing bonus and retention bonus as described in *Description of Compensation Components Signing and Retention Bonus for Mr. Pierson*;

participation in our benefit and insurance programs available to senior executives, four weeks of vacation per year, and reimbursement of reasonable business expenses; and

relocation assistance per our relocation program and temporary housing and travel expenses of up to \$6,000 per month, plus a gross up for tax purposes.

Friel Employment Agreement

On January 9, 2012, we entered into an employment agreement with Ms. Friel (*Friel Agreement*), which was amended on October 30, 2012. The Friel Agreement, as amended, contains the following key terms and conditions:

an employment term commencing on February 13, 2012 and ending December 31, 2015;

an annualized base salary of \$437,000 per year, which may be increased, but not decreased, by the Board in its discretion;

an initial grant of restricted Common Stock equal to 0.2% of our outstanding Common Stock on a fully-diluted basis on the grant date, 25% of which vested on January 1, 2013, and an additional 25% of

which vested or will vest on January 1, 2014, January 1, 2015, and December 31, 2015, provided Ms. Friel continues to be employed by us on those dates;

annual equity awards of up to 0.15% of our outstanding Common Stock on a fully-diluted basis on each grant date within 90 days after the end of each of the first four full fiscal years occurring during the term of the Friel Agreement, based upon the level of achievement of performance goals to be determined by the Compensation Committee each year. These annual performance-based equity awards vest 50% on the grant date and 50% on the first anniversary of the grant date, provided Ms. Friel continues to be employed by us on those dates;

if, at the expiration of the Friel Agreement, the aggregate number of shares received as the initial grant and subsequent annual performance-based awards (if fully earned) is less than 0.8% (or if the annual performance-based awards are not fully earned, the percentage to which Ms. Friel would be entitled based on the applicable level of achievement) of our then outstanding Common Stock on a fully-diluted basis on such date, then Ms. Friel will receive an equity adjustment award to make up the difference, which will be fully vested on the grant date;

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an annual cash bonus if certain performance criteria for the year determined by the Compensation Committee are satisfied; and

participation in our benefit and insurance programs available to senior executives, four weeks of vacation per year, and reimbursement of reasonable business expenses.

Messrs. Welch and Pierson and Ms. Friel were participants in the 2013 AIP and received discretionary performance incentive awards under the 2013 AIP for 2013. See *Compensation Discussion and Analysis Description of Compensation Components Annual Cash Incentive Compensation*.

See *Potential Payments Upon Termination or Change of Control Welch, Pierson and Friel Agreements* for amounts payable to Messrs. Welch and Pierson and Ms. Friel following termination of employment.

See *Compensation Discussion and Analysis Description of Compensation Components Senior Executive Common Stock Awards* for information about the equity dilution provisions of the employment agreements.

Table of Contents**Grants of Plan-Based Awards**

The table below describes the grants of plan-based awards to our NEOs during the year ended December 31, 2013.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#) (1)	Grant Date Fair Value of Equity Award (\$ (2)
		Threshold (\$)	Target (\$)	Maximum (\$)		
James L. Welch						
2013 AIP	N/A	425,000	1,700,000	3,400,000		
Stock Award (3)	2/26/13				77,101	479,568
Stock Award (4)	2/26/13				9,767	60,751
Stock Award (4)	2/26/13				4,665	29,016
Jamie G. Pierson						
2013 AIP	N/A	275,000	1,100,000	2,200,000		
Stock Award (3)	2/26/13				38,550	239,781
Stock Award (4)	2/26/13				4,883	30,372
Michelle A. Friel						
2013 AIP	N/A	137,500	550,000	1,100,000		
Stock Award (3)	2/26/13				33,043	205,527
Stock Award (4)	2/26/13				3,495	21,739
Thomas J. O Connor						
2013 AIP	N/A	62,500	250,000	500,000		
Stock Award (5)	2/26/13				10,000	62,200
Scott D. Ware						
2013 AIP	N/A	192,500	385,000	770,000		
Stock Award (5)	2/26/13				12,000	74,640
Jeffrey A. Rogers						
2013 AIP	N/A	175,000	700,000	1,400,000		
Stock Award (6)	2/26/13				38,550	239,781

- (1) Represents Common Stock granted under the 2011 Plan to Messrs. Welch and Pierson and Ms. Friel pursuant to their employment agreements, and restricted Common Stock granted under the 2011 Plan to Messrs. O Connor, Ware and Rogers.
- (2) Amounts represent the aggregate grant date fair value of the Common Stock awards computed in accordance with FASB ASC Topic 718. See note 2 to the Summary Compensation Table.
- (3) On February 26, 2013, the Compensation Committee awarded 77,701 shares of Common Stock to Mr. Welch, representing 0.35% of our outstanding Common Stock on a fully-diluted basis on the grant date, which was the maximum award for which he was eligible pursuant the Welch Agreement for 2012 performance. On February 26, 2013, the Compensation Committee awarded 38,550 shares of Common Stock to Mr. Pierson, representing 0.175% of our outstanding Common Stock on a fully-diluted basis on the grant date, which was the

maximum award for which he was eligible pursuant to the Pierson Agreement for 2012 performance. On February 26, 2013, the Compensation Committee awarded 33,043 shares of Common Stock to Ms. Friel, representing 0.15% of our outstanding Common Stock on a fully-diluted basis on the grant date, which was the maximum award for which she was eligible pursuant to the Friel Agreement for 2012 performance. The grant date for financial statement reporting purposes pursuant to FASB ASC Topic 718 was February 26, 2013.

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These awards vested 50% on the grant date and 50% on the first anniversary of the grant date. The fair value of each award is determined using the closing market price of our Common Stock on the grant date. On February 25, 2014, the Compensation Committee awarded 120,060 shares, 60,030 shares and 51,454 shares of Common Stock to Messrs. Welch and Pierson and Ms. Friel, respectively, pursuant to their employment agreements for 2013 performance. See *Compensation Discussion and Analysis Description of Compensation Components Senior Executive Common Stock Awards*. On February 25, 2014, the Compensation Committee also awarded 33,333 shares, 33,333 shares and 10,000 shares of Common Stock to Messrs. Welch and Pierson and Ms. Friel, respectively, as described in *Compensation Discussion and Analysis Compensation Decisions for 2014 2014 One-Time Equity Awards*. These awards will be reported in the Grants of Plan-Based Awards Table for 2014.

- (4) Represents awards of Common Stock granted on February 26, 2013 to make up a shortfall in the initial grant to Messrs. Welch and Pierson and Ms. Friel, and in the case of Mr. Welch, to make up a shortfall in his grant for 2011 performance. The fair value of each award is determined using the closing market price of our Common Stock on the grant date.
- (5) Represents awards of time-vesting restricted Common Stock to Messrs. O Connor and Ware. These awards vest 50% on the first anniversary of the grant date and 50% on the second anniversary of the grant date. The fair value of each award is determined using the closing market price of our Common Stock on the grant date.
- (6) On February 26, 2013 the Board awarded 38,550 shares of Common Stock to Mr. Rogers. This award vested 50% on the grant date and was scheduled to vest 50% on the first anniversary of the grant date. The unvested portion of this award was forfeited in connection with the termination of Mr. Rogers' employment on September 20, 2013. The fair value of the award is determined using the closing market price of our Common Stock on the grant date.

Table of Contents**Outstanding Equity Awards at Fiscal Year End**

The following table describes the outstanding stock awards for each NEO who had outstanding awards as of December 31, 2013.

Name	No. of shares or units of stock that have not vested (#)	Market value of shares or units that have not vested (\$)(1)	Stock Awards	
			Equity incentive plan awards: Number of unearned shares or other rights that have not yet vested (#)	Equity Incentive plan awards: Market or payout value of unearned shares, units or other rights that have not yet vested (\$)(1)
James L. Welch (2)	104,638	1,817,562		
Jamie G. Pierson (2)	52,319	908,781		
Michelle A. Friel (2)	49,567	860,979		
Thomas J. O Connor (3)	25,000	434,250		
Scott D. Ware (3)	30,750	534,127		

- (1) The market value of unvested stock awards was calculated based on the per share closing price of our Common Stock of \$17.37 on December 31, 2013 (the last business day of 2013).
- (2) Represents unvested restricted Common Stock granted under the 2011 Plan. For Mr. Welch, includes (i) 61,203 shares of restricted Common Stock granted on December 2, 2011 which vest in two equal installments on July 22, 2014 and July 21, 2015, (ii) 4,884 shares of restricted Common Stock granted on February 26, 2013 which vest in two equal installments on July 22, 2014 and July 21, 2015 and (iii) 38,551 shares of restricted Common Stock granted on February 26, 2013 which vested on February 26, 2014. For Mr. Pierson, includes (i) 30,602 shares of restricted Common Stock granted on December 2, 2011 which vest in two equal installments on November 3, 2014 and November 3, 2015, (ii) 2,442 shares of restricted Common Stock granted on February 26, 2013 which vest in two equal installments on November 3, 2014 and November 3, 2015 and (iii) 19,275 shares of restricted Common Stock granted on February 26, 2013 which vested on February 26, 2014. For Ms. Friel, includes (i) 30,423 shares of restricted Common Stock granted on February 20, 2012 which vested or vest in three equal installments on January 2, 2014, January 1, 2015 and December 31, 2015, (ii) 2,622 shares of restricted Common Stock granted on February 26, 2013 which vested or vest in three equal installments on January 2, 2014, January 1, 2015 and December 31, 2015 and (iii) 16,522 shares of restricted Common Stock granted on February 26, 2013 which vested on February 26, 2014.
- (3) Represents unvested restricted Common Stock granted under the 2011 Plan. For Mr. O Connor, includes (i) 15,000 shares of restricted Common Stock granted on February 20, 2012 which vested or vest in three equal installments on February 20, 2014, February 20, 2015 and February 20, 2016 and (ii) 10,000 shares of restricted

Common Stock granted on February 26, 2013 which vested or vest in two equal installments on February 26, 2014 and February 26, 2015. For Mr. Ware, includes (i) 7,500 shares of restricted Common Stock granted on February 20, 2012 which vested or vest in three equal installments on February 20, 2014, February 20, 2015 and February 20, 2016, (ii) 7,500 shares of restricted Common Stock granted on May 22, 2012 which vest in three equal installments on May 22, 2014, May 22, 2015 and May 22, 2016, (iii) 3,750 shares of restricted Common Stock granted on August 15, 2012 which vest in three equal installments on August 15, 2014, August 15, 2015 and August 15, 2016 and (iv) 12,000 shares of restricted Common Stock granted on February 26, 2013 which vested or vest in two equal installments on February 26, 2014 and February 26, 2015.

Table of Contents**Option Exercises and Stock Vested**

The following table displays amounts received through restricted stock vesting during 2013.

Name	Stock Awards	
	Number of Shares Acquired on Vesting	Value Realized on Vesting
	(#)(1)	(\$)(2)
James L. Welch	181,737	2,039,345
Jamie G. Pierson	52,317	370,848
Michelle A. Friel	27,534	172,377
Thomas J. O Connor	5,000	31,650
Scott D. Ware	6,250	92,175
Jeffrey A. Rogers	36,775	230,666

- (1) For Mr. Welch, includes vesting of 61,203 shares of restricted Common Stock granted on December 2, 2011, vesting of 72,436 shares of restricted Common Stock granted on February 20, 2012, vesting of 38,550 shares of restricted Common Stock granted on February 26, 2013 and vesting of 9,548 shares of restricted Common Stock granted as make up awards on February 26, 2013. For Mr. Pierson, includes vesting of 30,601 shares of restricted Common Stock granted on December 2, 2011, vesting of 19,275 shares of restricted Common Stock granted on February 26, 2013 and vesting of 2,441 shares of restricted Common Stock granted as a make up award on February 26, 2013. For Ms. Friel, includes vesting of 10,140 shares of restricted Common Stock granted on February 20, 2013, vesting of 16,521 shares of restricted Common Stock granted on February 26, 2013 and vesting of 873 shares of restricted Common Stock granted as a make up award on February 26, 2013. For Mr. O Connor, includes vesting of 5,000 shares of restricted Common Stock granted on February 20, 2012. For Mr. Ware, includes vesting of 2,500 shares of restricted Common Stock granted on February 20, 2012, vesting of 2,500 shares of restricted Common Stock granted on May 22, 2012 and vesting of 1,250 shares of restricted Common Stock granted on August 15, 2012. For Mr. Rogers, includes vesting of 17,500 shares of restricted Common Stock granted on February 20, 2012 and vesting of 19,275 shares of restricted Common Stock granted on February 26, 2013.
- (2) Values are based on the closing price of our Common Stock on the vesting date.

Table of Contents**Pension Benefits**

The following table provides information regarding pension benefits for our NEOs eligible for pension benefits for the year ended December 31, 2013.

Name	Plan Name	No. of Years Credited Service (#) (1)	Present Value of Accumulated Benefit (\$ (2)	Payments During Last Fiscal Year (\$)
James L. Welch	Yellow Pension	28	1,059,000	
Michelle A. Friel	Yellow Pension	11	139,000	
Thomas J. O Connor (3)	Roadway Pension	23	402,000	
	SEPP	25	150,000	
	Transfer SRP	25	57,000	
Jeffrey A. Rogers (4)	Yellow Pension	8	95,000	
	Transfer SRP	9	7,000	

- (1) Effective July 1, 2008, benefit accruals under all plans and agreements were frozen.
- (2) In calculating the present value of the accumulated pension benefit, the following assumptions were used:
 - (a) a FASB ASC Topic 715 discount rate of 4.28%;
 - (b) an expected retirement age of 65, which is the normal retirement age in the Yellow Corporation Pension Plan, except that an expected retirement age of 58 for Mr. Welch and Ms. Friel and 61 for Mr. Rogers was used because that is the earliest age at which he or she may retire under the applicable plan without benefit reduction;
 - (c) the RP-2000, projected to 2012, was used as the post-retirement mortality table and no table was used for pre-retirement mortality; and
 - (d) a discount percentage of 4.28% was used to calculate the lump sum distribution.
- (3) The accumulated benefits for Mr. O Connor under the Roadway LLC Pension Plan are due to his years of service with Roadway prior to July 1, 2008.
- (4) The accumulated benefits for Mr. Rogers under the Yellow Corporation Pension Plan are due to his years of service with us prior to July 1, 2008. Mr. Rogers ceased to serve as President YRC Freight on September 20, 2013. Mr. Rogers' annual pension benefits can commence, and Mr. Rogers' Transfer SRP benefits will be paid, in August 2017 when Mr. Rogers reaches age 55.

Yellow Corporation Pension Plan

The Yellow Corporation Pension Plan, a noncontributory defined benefit plan, was frozen to new employees after December 31, 2003. Benefit accruals under the plan were frozen on July 1, 2008. Plan benefits are calculated based solely on salaries and cash annual incentive compensation earned before July 1, 2008. Participants are vested after five years of service.

Mr. Welch, Ms. Friel and Mr. Rogers will be entitled to an annual pension benefit (single life annuity) at age 65 of \$80,395, \$19,914 and \$16,450, respectively. If a participant is age 55 to 65 and has 10 or more years of credited service, he or she is eligible for early retirement, subject to reduction of his or her accrued benefit. For example, the accrued benefit is reduced to 40% of the full age 65 benefit at age 55, 60% at age 60 and 90% at age 64. Mr. Welch,

who is 59, is the only current NEO eligible for early retirement under the plan.

Roadway LLC Pension Plan

The Roadway LLC Pension Plan is a legacy defined benefit pension plan in which certain employees of Roadway were participants prior to the 2003 acquisition of Roadway by Yellow. Mr. O Connor is the only NEO with accrued benefits under the plan, based upon his years of service with Roadway and compensation prior to July 1, 2008. The plan was frozen to new participants on December 31, 2003. Benefit accruals under the plan were frozen on July 1, 2008.

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Mr. O Connor, who is 53, is entitled to an annual pension benefit (single life annuity) at age 65 of \$62,479. If a participant is age 55 to 65 and has 10 or more years of vesting service, he or she is eligible for early retirement subject to a reduction in his or her benefit. For example, the accrued benefit is reduced to 55% of the age 65 benefit if paid at age 55, 85% at age 60 and 97% at age 64. Alternatively, if a participant is at least age 50 and his or her age plus vesting service equals or exceeds 75 (*rule of 75*), he or she is eligible for early retirement subject to reduction in his or her benefit. For example, the accrued benefit is reduced to 80% of the age 65 benefit if age plus vesting service equals or exceeds 75 but is less than 80, and the accrued benefit is reduced to 90% if age plus vesting service equals or exceeds 85 but is less than 90.

Supplemental Retirement Plans

The Code limits covered compensation under the Yellow Corporation Pension Plan to \$250,000 in 2012 and imposes maximum annual benefit limitations, which may cause a reduction in the benefits payable under the pension plan. In the future, regulations issued under the Code may adjust these limitations. We have adopted supplemental retirement plans to provide for the payment of benefits to certain plan participants who would lose benefits as a result of present or future Code provisions limiting the benefits payable or the compensation taken into account in computing these benefits.

Supplemental Executive Pension Plan (SEPP). We maintain a Supplemental Executive Pension Plan for certain executives, including Mr. O Connor. The SEPP is intended to be a benefit restoration plan that provides nonqualified deferred benefits to executives whose qualified benefits the Code has limited. The Compensation Committee designates members of management as eligible participants in the SEPP.

Benefits under the SEPP are paid in a lump sum payment or in the form of an annuity following the earliest to occur of the following:

the executive's death; or

the later of:

(A) the executive attaining the executive's Earliest Retirement Date (as defined in the Yellow Corporation Pension Plan); and

(B) the earlier of:

(1) the executive's termination of employment; and

(2) a specified payment date elected by the executive.

Notwithstanding the above, if the present value of the executive's SEPP benefit amount is less than or equal to \$10,000, the benefit is payable only as a single lump sum. In addition, if a Change of Control (as defined in the SEPP) occurs, the present value of the executive's SEPP benefit amount will be actuarially reduced and paid in a lump sum

within 30 days following the Change of Control. Benefits are payable under the SEPP if an executive's benefit under the Yellow Corporation Pension Plan has been limited under Code Sections 401(a)(17) (with respect to annual compensation) and 415 (with respect to benefits). To determine the amount of a SEPP benefit, if any, the benefit under the Yellow Corporation Pension Plan is calculated without regard to the Code Section 401(a)(17) or 415 limits, less the amount of the benefit actually payable under the Yellow Corporation Pension Plan. The compensation used to determine the benefit is the compensation used in determining the benefit under the Yellow Corporation Pension Plan and is essentially the compensation reported for federal income tax purposes (*i.e.*, includes salary and annual incentive compensation and excludes fringe benefits). Effective July 1, 2008, benefit accruals under the SEPP were frozen. Payments based on a termination of employment under any of the foregoing plans are paid six months following the termination of employment.

Transferred Executives Supplemental Retirement Plan (Transfer SRP). Certain executives transferred from our subsidiaries that provided retirement benefits through a combination of qualified defined benefit and defined contribution plans to subsidiaries that provided retirement benefits solely through qualified defined contribution

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plans. For these transferred executives, we adopted the Transfer SRP, which was intended to restore benefits the transferred executives would not receive under the qualified defined benefit plans as a result of their transfers. Benefit vesting under the Transfer SRP is determined by the vesting provisions of the underlying defined benefit plan in which the transferred executive previously participated. Benefits under the Transfer SRP are paid in a lump sum to the executives following their death, retirement, termination of employment, or in accordance with an executive's specified date election. Mr. Rogers initially became eligible under the Transfer SRP when he transferred to a subsidiary of ours in 2007, and accrued benefits in 2008 when he transferred to another subsidiary. Benefit accruals under the Transfer SRP were frozen effective July 1, 2008.

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Potential Payments upon Termination or Change of Control

The following narrative and table, together with other information in this proxy statement, describe the potential payments and benefits under our written agreements and compensation and benefit plans and arrangements to which our NEOs would be entitled upon termination of employment or a change of control.

The amounts discussed in the narrative and shown in the table below do not include payments and benefits to the extent they are provided on a non-discriminatory basis to eligible salaried employees upon termination of employment, including accrued salary and vacation pay and distribution of balances under our 401(k) plan. The amounts also exclude payment of accrued amounts under the terms of our pension plans, described under *Pension Benefits* above.

The following narrative and table describe the potential payments and benefits under plans and arrangements as of December 31, 2013.

Welch, Pierson and Friel Agreements

For purposes of the Welch, Pierson and Friel Agreements, *cause* means:

commission of, or guilty plea or plea of no contest to, a felony or misdemeanor involving moral turpitude;

conduct that constitutes fraud or embezzlement or any acts of dishonesty in relation to his or her duties with us;

negligence, bad faith or misconduct which causes material reputational or material economic harm to us;

continued refusal to substantially perform his or her essential duties under his or her employment agreement, which is not remedied after written notice; or

breach of the obligations under his or her employment agreement or Company policies which is not remedied after written notice.

For purposes of the Welch, Pierson and Friel Agreements, *good reason* to resign exists if, within 30 days after he or she knows (or has reason to know) of the occurrence of any of the following events, he or she provides written notice requesting that the Board cure the event, and the Board fails to cure the event (if curable) within 30 days following receipt of the notice:

material reduction in base salary;

material diminution in duties or responsibilities or the assignment of duties or responsibilities that materially impair his or her ability to perform the duties or responsibilities then assigned to him or her or normally assigned to the CEO, CFO or General Counsel, as applicable, in an enterprise of comparable size and structure; or

material breach of our obligations under the employment agreement.

If we terminate an executive's employment for cause, if an executive resigns without good reason, or upon an executive's death or disability or expiration of the term of his or her employment agreement, he or she is entitled to the following compensation:

within 10 business days following such termination, any unpaid base salary earned through the date of termination;

within 30 days following such termination, reimbursement for reasonable expenses incurred but not paid prior to such termination; and

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any other or additional benefits (if any), in accordance with the then-applicable terms of any plan, program, agreement or other arrangement in which he or she participates.

If we terminate the employment of Mr. Welch, Mr. Pierson or Ms. Friel without cause or if he or she resigns for good reason, he or she is entitled to a severance amount equal to 150% of his or her annual rate of base salary immediately prior to the termination, payable in 18 monthly installments.

Under their respective employment agreements, Messrs. Welch and Pierson and Ms. Friel agreed not to divulge any *confidential information* or engage in any *competitive business* (as such terms are defined in their employment agreements) for 18 months following termination, solicit certain of our employees for 24 months following termination, or solicit any customer or cause any customer to terminate any business relationship with us for 18 months following termination. We may cease making severance payments to an executive if he or she breaches any of these restrictive covenants.

The Pierson Agreement provides for a retention bonus to be withdrawn from escrow under the conditions described in *Compensation Discussion and Analysis Description of Compensation Components Signing and Retention Bonus for Mr. Pierson*.

Executive Separation Guidelines

The Compensation Committee may provide severance and change of control compensation under the Guidelines. *See Compensation Discussion and Analysis Severance and Other Termination-of-Employment Benefits and Compensation Discussion and Analysis Executive Separation Guidelines*.

Restricted Stock Award Agreements

Our NEOs are parties to restricted stock award agreements. These agreements provide that if the NEO's employment terminates prior to vesting due to death, disability or retirement at or after age 65, all of the unvested equity will immediately vest.

If the executive's employment is terminated for any reason other than death, disability or retirement, all unvested stock awards will be forfeited unless otherwise determined by the Compensation Committee in its sole discretion. Upon a change of control, all unvested restricted Common Stock will immediately vest. *Change of control* is defined in the restricted stock agreements as:

a third person, including a *group* as defined in Section 13(d)(3) of the Exchange Act, purchases or otherwise acquires our shares after the grant date that, together with stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of our stock;

a third person, including a *group* as defined in Section 13(d)(3) of the Exchange Act, purchases or otherwise acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) our shares after the grant date and as a result thereof becomes the beneficial owner of our shares having 35 percent or more of the total voting power of our stock; or

as the result of, or in connection with any cash tender or exchange offer, merger or other business combination, or contested election, or any combination of the foregoing transactions, a majority of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of our Board before the date of such appointment or election.

Table 1 - \$ \$

Segment revenues from external customers 137,254 183,459 320,713

Segment operating income 4,846 4,947 9,793

Corporate Services (4,832)

Other expense, net (see note 9) (5,972)

Interest expense, net (8,371)

Loss before income taxes (9,382)

	Three quarters ended September 29, 2018		
	Global Ingredients	Consumer Products	Consolidated
	\$	\$	\$
Segment revenues from external customers	419,770	520,561	940,331
Segment operating income	11,371	11,397	22,768
Corporate Services			(11,942)
Other expense, net (see note 9)			(1,317)
Interest expense, net			(25,486)
Loss before income taxes			(15,977)

	Three quarters ended September 30, 2017		
	Global Ingredients	Consumer Products	Consolidated
	\$	\$	\$
Segment revenues from external customers	410,022	577,176	987,198
Segment operating income	16,960	16,124	33,084
Corporate Services			(28,460)
Other expense, net (see note 9)			(12,022)
Interest expense, net			(23,820)
Loss before income taxes			(31,218)

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

Forward-Looking Financial Information

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the interim consolidated financial statements, and notes thereto, for the quarter ended September 29, 2018 contained under Item 1 of this Quarterly Report on Form 10-Q and in conjunction with the annual consolidated financial statements, and notes thereto, contained in the Annual Report on Form 10-K for the fiscal year ended December 30, 2017 (Form 10-K). Unless otherwise indicated herein, the discussion and analysis contained in this MD&A includes information available to November 7, 2018.

Certain statements contained in this MD&A may constitute forward-looking statements as defined under securities laws. Forward-looking statements may relate to our future outlook and anticipated events or results and may include statements regarding our future financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes, plans and objectives. In some cases, forward-looking statements can be identified by terms such as anticipate , estimate , target , intend , project , potential , continue , believe , expect , would , should , might , plan , will , may , might , predict , or other similar expressions concerning matters that are, in whole or in part, dependent upon future events. These forward-looking statements are based on historical facts, or the negative of such terms are intended to identify forward-looking statements; however, the absence of these words does not necessarily mean that a statement is not forward-looking. To the extent any forward-looking statements contain future-oriented financial information or financial outlooks, such information is being provided to enable a reader to assess our financial condition, material changes in our financial condition, our results of operations, and our liquidity and capital resources. Readers are cautioned that this information may not be appropriate for any other purpose, including investment decisions.

Forward-looking statements contained in this MD&A are based on certain factors and assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. While we consider these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. Forward-looking statements are also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what we currently expect. These factors are more fully described in the Risk Factors section at Item 1A of the Form 10-K and Item 1A of Part II of this report.

Forward-looking statements contained in this commentary are based on our current estimates, expectations and projections, which we believe are reasonable as of the date of this report. Forward-looking statements are not guarantees of future performance or events. You should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. Other than as required under securities laws, we do not undertake to update any forward-looking information at any particular time. Neither we nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements, and we hereby qualify all our forward-looking statements by these cautionary statements.

Unless otherwise noted herein, all currency amounts in this MD&A are expressed in U.S. dollars. All tabular dollar amounts are expressed in thousands of U.S. dollars, except per share amounts.

Overview

SunOpta is a global company focused on sourcing organic and non-genetically modified (non-GMO) ingredients, and manufacturing healthy food and beverage products. Our global sourcing platform makes us one of the leading suppliers of organic and non-GMO raw materials and ingredients in the food industry. Our consumer products portfolio utilizes internally and externally sourced raw materials and ingredients to manufacture healthy food and beverage products for supply to retail, foodservice and branded food customers. We operate our business in the following reportable segments:

Tabl">\$ \$ Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,8

Global Ingredients aggregates our North American-based Raw Material Sourcing and Supply and European-based International Sourcing and Supply operating segments focused on the procurement and sale of organic commodities and value-added ingredients, and specialty and organic grains and seeds.

Consumer Products consists of three main commercial platforms: Healthy Beverages, Healthy Fruit and Healthy Snacks. Healthy Beverages includes aseptically-packaged products including non-dairy beverages, broths and teas; refrigerated premium juices; and shelf-stable juices and functional waters. Healthy Fruit includes individually quick frozen (IQF) fruits for retail; IQF and bulk frozen fruit for foodservice; and custom fruit preparations for industrial use. Healthy Snacks is focused on fruit snack offerings and included flexible resealable pouch and nutrition bar product lines that were exited in 2017.

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Effective the first quarter of 2018, we transferred certain of our specialty ingredient operations from the Raw Material Sourcing and Supply operating segment to the Healthy Beverages platform of the Consumer Products operating segment. This realignment reflects a change in commercial responsibilities for these operations and resulting changes in reporting and accountability to our Chief Executive Officer. These operations produce liquid bases, including for our non-dairy aseptic beverage operations, as well as spray-dried ingredients. The segment information presented in this MD&A for the comparative periods has been restated to reflect this realignment.

Fiscal Year

We operate on a fiscal calendar that results in a given fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to December 31. Fiscal year 2018 is a 52-week period ending on December 29, 2018, with quarterly periods ending on March 31, June 30 and September 29, 2018. Fiscal year 2017 was a 52-week period ending on December 30, 2017, with quarterly periods ending on April 1, July 1 and September 30, 2017.

Value Creation Plan

On October 7, 2016, we entered into a strategic partnership with Oaktree Capital Management L.P., a private equity investor (together with its affiliates, Oaktree), and, on that date, Oaktree invested \$85.0 million through the purchase of cumulative, non-participating Series A Preferred Stock (the Preferred Stock) of our wholly-owned subsidiary, SunOpta Foods Inc. (SunOpta Foods).

Following the strategic partnership, with the assistance of Oaktree, we conducted a thorough review of our operations, management and governance, with the objective of maximizing our ability to deliver long-term value to our shareholders. As a product of this review our management and the Board of Directors developed a Value Creation Plan built on four pillars: portfolio optimization, operational excellence, go-to-market effectiveness and process sustainability. The Value Creation Plan is a broad-based initiative focused on increasing shareholder value through strategic investments made to the people and assets of the Company to deliver sustained profitable growth. We expect the Value Creation Plan to be implemented in phases and span several years.

We are targeting implementation of \$30 million of productivity-driven annualized enhancements to adjusted EBITDA in the first phase of the plan, to be implemented over 2017 and 2018. For 2017, these adjusted EBITDA benefits were offset by expenses associated with the Value Creation Plan, including structural investments made in the areas of quality, sales, marketing, operations and engineering resources, as well as non-structural third-party consulting support, severance and recruiting costs. For 2018, these adjusted EBITDA benefits are expected to be offset by a decline in profitability for frozen fruit as a result of sales price reductions and higher costs. The Value Creation Plan also calls for increased investment in capital upgrades at several manufacturing facilities to continue to enhance food safety and manufacturing efficiencies. Over time, these investments are expected to yield additional improvement in adjusted EBITDA beyond the \$30 million of initial productivity-driven savings. During the third quarter of 2018, we continued to make progress against each of the four pillars of the Value Creation Plan, and we believe we are on track to achieve targeted productivity enhancements, while continuing to make the necessary structural investments we believe will drive growth and deliver long-term value. Since the initiation of the Value Creation Plan, we have implemented actions that are expected to yield approximately \$28 million of annualized adjusted EBITDA benefits.

Recent progress on each of the four pillars of the Value Creation Plan is highlighted below.

Portfolio Optimization

The focus of the portfolio optimization pillar is to simplify the business, investing where structural advantages exist, while exiting businesses or product lines where we are not effectively positioned. We have exited three lines of business and closed or consolidated five facilities since the launch of the Value Creation Plan, and we are continually evaluating our portfolio to ensure all businesses are strategically positioned to drive long-term value. Recent

Tabl">\$ \$ Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,8

highlights include:

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Table 1 - Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,817

Completed commissioning of the second roasting and processing line at our organic cocoa facility in the Netherlands, contributing to strong sales growth and increased gross margins in the quarter. This expansion approximately doubled cocoa processing capacity in addition to adding new capabilities at the facility.

Continued to make progress with an aseptic expansion project to add processing and packaging capacity and capabilities to our Allentown, Pennsylvania, beverage facility. This investment is designed to add enhanced mixing and processing capabilities which will enable us to bring further innovation to the plant-based beverage market. The additional processing and filling capacity is expected to provide increased flexibility and cost advantages across the network of aseptic plants, while creating needed capacity to continue to grow our organic and conventional aseptic beverage offerings. The project is expected to cost approximately \$22 million and is on track to come online in mid-2019.

Continued the commissioning of new roasting equipment at our Crookston, Minnesota, facility, which is expected to be completed during the fourth quarter. The new equipment is designed to increase production efficiencies and add incremental capacity and roasting capabilities in support of demand for on-trend healthy snacks including roasted grains, seeds and legumes.

Operational Excellence

The focus of the operational excellence pillar is to ensure food quality and safety, coupled with improved operational performance and efficiency. We expect these efforts to generate productivity improvements and cost savings in manufacturing, procurement and logistics. Recent highlights include:

Completed the 2018 fruit pack season with high scores for fruit quality as a result of enhanced sorting and handling processes. During the quarter, we approved a significant capital enhancement project to bring new automation and technology to our California frozen fruit processing facilities and also negotiated a new long-term lease at the Santa Maria, California, location, which will include the construction of a new cold storage facility. These enhancements are an important step in the margin optimization plan designed to lower cost and increase productivity in the Healthy Fruit platform.

Continued strong operational performance across the network of aseptic facilities. We expect overall capacity utilization to be approximately 85% by the end of 2018.

Continued to identify productivity opportunities through the *SunOpta 360* continuous improvement initiative in the areas of manufacturing, purchasing and supply chain management.

Go-To-Market Effectiveness

The focus of the go-to-market effectiveness pillar is to optimize customer and product mix in existing sales channels, and identify and penetrate new high-potential sales channels. We expect efforts under this pillar to improve revenue growth and profitability over time. Recent highlights include:

Successfully commercialized approximately 100 new everyday broth and frozen fruit products with large mass and traditional retailers during the third quarter, with volume building late in the quarter and additional products on track for delivery in the fourth quarter.

The pipeline of commercial opportunities in Consumer Products remains strong and the overall contract book for organic ingredients both in Europe and the U.S. exceeds prior year levels.

Recent commercial wins include innovative oat-based, non-dairy beverage into retail and industrial channels, traditional non-dairy products into retail and broadline foodservice channels, expanded

distribution of everyday broth with a large mass retailer, private label frozen fruit for a specialty retailer, and increased orders for private label frozen fruit items following a category reset

Process Sustainability

The focus of the process sustainability pillar is to ensure we have the infrastructure, systems and skills to sustain the business improvements and value captured from the Value Creation Plan. Broadening the skillset and experience of our leadership team is a critical component to the process sustainability pillar of the Value Creation Plan. Recent highlights include:

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Significant advancement made with a new demand planning system that is expected to enhance our sales and operations planning processes. The new tool is expected to go live during the fourth quarter of 2018.

Improved capacity planning capabilities across the frozen fruit network.

New product commercialization capabilities were enhanced and demonstrated success during the third quarter, as evidenced by the approximately 100 new products commercialized across the Healthy Beverage and Fruit platforms. Combined with our research and development capabilities, the enhanced commercialization processes are expected to aid in successfully bringing new innovation to market in the categories they serve.

Enhancements to employee health and safety processes continued to result in a reduction in recordable incidents year-to-date in 2018 compared to 2017.

The statements we make in this MD&A about the expected results of the Value Creation Plan, including the timing for completion of measures undertaken, expected improvements in earnings, adjusted EBITDA, expected cash flows, and expected costs, are forward-looking statements. See [Forward-Looking Statements](#) above.

Adjusted EBITDA is a non-GAAP measure that management uses when assessing the performance of our operations. See footnote (3) to the Consolidated Results of Operations for the Quarters Ended September 29, 2018 and September 30, 2017 table below for a discussion on the use of this non-GAAP measure and for a reconciliation of adjusted EBITDA from net loss, which we consider to be the most directly comparable U.S. GAAP financial measure.

Costs incurred to-date in connection with portfolio optimization measures taken under the Value Creation Plan included impairment charges and facility closure costs primarily related to the closure of certain of our processing facilities and rationalization of our product portfolio, including the exits from flexible resealable pouch and nutrition bar product lines and operations in the fourth quarter of 2017, and consolidation of our roasted snack operations at the Crookston facility. In addition, we incurred employee recruitment, relocation, retention and severance costs related to exit activities and organizational changes within management and executive teams, and recruiting efforts in the areas of quality, sales, marketing, operations and engineering. We also incurred third-party legal advisory, consulting and temporary labor costs in support of the Value Creation Plan.

For the quarters and three quarters ended September 29, 2018 and September 30, 2017, costs incurred and charged to expense were recorded in the consolidated statement of operations as follows:

	September 29, 2018	Quarter ended September 30, 2017	September 29, 2018	Three quarters ended September 30, 2017
	\$	\$	\$	\$
Cost of goods sold ⁽¹⁾	-	1,287	100	1,921
Selling, general and administrative expenses ⁽²⁾	-	2,400	613	20,839
Other expense ⁽³⁾	43	6,569	2,164	12,467
	43	10,256	2,877	35,227

- (1) Facility closure costs, including inventory write-downs, recorded in cost of goods sold were allocated to the Consumer Products operating segment.
- (2) Consulting/professional fees and temporary labor costs, and employee recruitment, relocation and retention costs recorded in selling, general and administrative expenses were allocated to Corporate Services.
- (3)

Table 1 - Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,800

For the quarter ended September 29, 2018, asset impairment, lease obligation and employee termination costs recorded in other expense were allocated as follows: Raw Material Sourcing and Supply operating segment - \$nil (September 30, 2017 \$0.2 million); Consumer Products operating segment - \$nil (September 30, 2017 \$6.4 million); and Corporate Services - \$0.0 (September 30, 2017 \$0.0 million). For the three quarters ended September 29, 2018, asset impairment, lease obligation and employee termination costs recorded in other expense were allocated as follows: Raw Material Sourcing and Supply operating segment - \$0.7 million (September 30, 2017 \$0.2 million); Consumer Products operating segment - \$1.3 million (September 30, 2017 \$11.2 million); and Corporate Services - \$0.2 million (September 30, 2017 \$1.1 million).

We currently do not expect to incur significant additional direct costs related to the Value Creation Plan in future periods. However, it is possible that additional costs could arise if we determine to initiate further actions under the plan in the future.

For more information regarding the Value Creation Plan, see note 3 to the unaudited consolidated financial statements included in this report.

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Consolidated Results of Operations for the Quarters Ended September 29, 2018 and September 30, 2017

For the quarter ended	September 29, 2018 \$	September 30, 2017 \$	Change \$	Change %
Revenues				
Global Ingredients	136,754	137,254	(500)	-0.4%
Consumer Products	171,617	183,459	(11,842)	-6.5%
Total revenues	308,371	320,713	(12,342)	-3.8%
Gross profit				
Global Ingredients	14,477	15,645	(1,168)	-7.5%
Consumer Products	19,651	20,810	(1,159)	-5.6%
Total gross profit	34,128	36,455	(2,327)	-6.4%
Segment operating income (loss)⁽¹⁾				
Global Ingredients	5,304	4,846	458	9.5%
Consumer Products	3,319	4,947	(1,628)	-32.9%
Corporate Services	(4,101)	(4,832)	731	15.1%
Total segment operating income	4,522	4,961	(439)	-8.8%
Other expense, net	1,136	5,972	(4,836)	-81.0%
Earnings before the following	3,386	(1,011)	4,397	434.9%
Interest expense, net	8,792	8,371	421	5.0%
Recovery of income taxes	(870)	(3,499)	2,629	75.1%
Net loss ^{(2),(3)}	(4,536)	(5,883)	1,347	22.9%
Earnings attributable to non-controlling interests	70	144	(74)	-51.4%
Loss attributable to SunOpta Inc.	(4,606)	(6,027)	1,421	23.6%
Dividends and accretion on Series A Preferred Stock	(1,981)	(1,954)	(27)	-1.4%
Loss attributable to common shareholders⁽⁴⁾	(6,587)	(7,981)	1,394	17.5%

- (1) When assessing the financial performance of our operating segments, we use an internal measure of operating income that excludes other income/expense items and goodwill impairments determined in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). This measure is the basis on which management, including the Chief Executive Officer, assesses the underlying performance of our operating segments.

We believe that disclosing this non-GAAP measure assists investors in comparing financial performance across reporting periods on a consistent basis by excluding items that are not indicative of our operating performance. However, the non-GAAP measure of operating income should not be considered in isolation or as a substitute for performance measures calculated in accordance with U.S. GAAP. The following table presents a reconciliation of segment operating income/loss to earnings/loss before the following, which we consider to be the most directly comparable U.S. GAAP financial measure.

	Global Ingredients \$	Consumer Products \$	Corporate Services \$	Consolidated \$
For the quarter ended September 29, 2018				

Tabl">\$ \$ Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,522 4,961 1,394

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Segment operating income (loss)	5,304	3,319	(4,101)	4,522
Other expense, net	(1,047)	(37)	(52)	(1,136)
Earnings (loss) before the following	4,257	3,282	(4,153)	3,386

September 30, 2017

Segment operating income (loss)	4,846	4,947	(4,832)	4,961
Other income (expense), net	(233)	(5,969)	230	(5,972)
Earnings (loss) before the following	4,613	(1,022)	(4,602)	(1,011)

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We believe that investors' understanding of our financial performance is enhanced by disclosing the specific items that we exclude from segment operating income. However, any measure of operating income excluding any or all of these items is not, and should not be viewed as, a substitute for operating income prepared under U.S. GAAP. These items are presented solely to allow investors to more fully understand how we assess financial performance.

- (2) When assessing our financial performance, we use an internal measure of earnings attributable to common shareholders determined in accordance with U.S. GAAP that excludes specific items recognized in other income/expense, impairment losses on goodwill and long-lived assets, and other unusual items that are identified and evaluated on an individual basis, which due to their nature or size, we would not expect to occur as part of our normal business on a regular basis. We believe that the identification of these excluded items enhances an analysis of our financial performance of our business when comparing those operating results between periods, as we do not consider these items to be reflective of normal business operations.

The following table presents a reconciliation of adjusted earnings/loss from net loss, which we consider to be the most directly comparable U.S. GAAP financial measure. In addition, in recognition of our exit from flexible resealable pouch and nutrition bar product lines and operations (as described above under Value Creation Plan), we have prepared this table in a columnar format to present the effect of these operations on our consolidated results for the current and comparative periods. We believe this presentation assists investors in assessing the results of the operations we have exited and the effect of those operations on our financial performance.

	Excluding flexible resealable pouch and nutrition bar Per Diluted Share		Flexible resealable pouch and nutrition bar Per Diluted Share		Consolidated Per Diluted Share	
For the quarter ended September 29, 2018	\$	\$	\$	\$	\$	\$
Net loss	(4,500)		(36)		(4,536)	
Less: earnings attributable to non-controlling interests	(70)		-		(70)	
Less: dividends and accretion of Series A Preferred Stock	(1,981)		-		(1,981)	
Loss attributable to common shareholders	(6,551)	(0.08)	(36)	-	(6,587)	(0.08)
Adjusted for:						
Equipment start-up costs ^(a)	1,500		-		1,500	
Product withdrawal and recall costs ^(b)	1,011		-		1,011	
	360		-		360	

Table 1 - Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,811 4,811 4,811

New product commercialization costs ^(c)						
Costs related to the Value Creation Plan ^(d)	43		-		43	
Other ^(e)	83		-		83	
Net income tax effect ^(f)	(243)		-		(243)	
Adjusted loss	(3,797)	(0.04)	(36)	-	(3,833)	(0.04)

September 30, 2017

Net loss	(639)		(5,244)		(5,883)	
Less: earnings attributable to non-controlling interests	(144)		-		(144)	
Less: dividends and accretion of Series A Preferred Stock	(1,954)		-		(1,954)	
Loss attributable to common shareholders	(2,737)	(0.03)	(5,244)	(0.06)	(7,981)	(0.09)

Adjusted for:						
Costs related to the Value Creation Plan ^(g)	3,050		7,206		10,256	
Product withdrawal and recall costs ^(b)	134		-		134	
Recovery of legal settlement ^(h)	(1,024)		-		(1,024)	
Other ^(e)	293		-		293	
Net income tax effect ^(f)	(774)		(2,810)		(3,584)	
Adjusted loss	(1,058)	(0.01)	(848)	(0.01)	(1,906)	(0.02)

- (a) Reflects costs related to the start-up of new roasting equipment at the Crookston facility, which were recorded in cost of goods sold.
- (b) Reflects product withdrawal and recall costs that were not eligible for reimbursement under insurance policies or exceeded the limits of those policies, including costs related to the recall of certain sunflower kernel products initiated in the second quarter of 2016, which were recorded in other expense.
- (c) Reflects costs of production trials and employee training related to the commercialization of new consumer products, which were recorded in cost of goods sold.
- (d) Reflects employee termination costs recorded in other expense, related to the Value Creation Plan.
- (e) Other included the accretion of contingent consideration obligations, gain/loss on the sale of assets, and settlement of a legal matter in the third quarter of 2018, which were recorded in other

Tabl">\$ \$ Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,8

expense/income.

- (f) Reflects the tax effect of the preceding adjustments to earnings and reflects an overall estimated annual effective tax rate of approximately 26% for the three quarters ended September 29, 2018 (September 30, 2017 30%) on adjusted earnings before tax.

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- (g) Reflects inventory write-downs of \$1.3 million recorded in cost of goods sold; and consulting fees, temporary labor, employee recruitment, relocation and retention costs of \$2.4 million recorded in selling, general and administrative (SG&A) expenses; and asset impairment charges and employee termination costs of \$6.6 million recorded in other expense, all related to the Value Creation Plan.
- (h) Reflects the recovery on the early extinguishment of a rebate obligation that arose from the settlement in fiscal 2016 of a flexible resealable pouch product recall dispute with a customer, which was recorded in other income.

We believe that investors' understanding of our financial performance is enhanced by disclosing the specific items that we exclude to compute adjusted earnings/loss. However, adjusted earnings/loss is not, and should not be viewed as, a substitute for earnings prepared under U.S. GAAP. Adjusted earnings/loss is presented solely to allow investors to more fully understand how we assess our financial performance.

- (3) We use a measure of adjusted EBITDA when assessing the performance of our operations, which we believe are useful to investors' understanding of our operating profitability by excluding non-operating expenses, such as interest and income taxes, and non-cash expenses, such as depreciation, amortization, stock-based compensation and asset impairment charges, as well as other unusual items that affect the comparability of operating performance. We also use these measures to review and assess our progress under the Value Creation Plan, and to assess operating performance in connection with our employee incentive programs. In addition, we are subject to certain restrictions on incurring additional indebtedness based on availability and metrics that include in their calculation a measure of EBITDA. We define adjusted EBITDA as segment operating income/loss plus depreciation, amortization and non-cash stock-based compensation, and excluding other unusual items as identified in the determination of adjusted earnings (refer above to footnote (2)). The following table presents a reconciliation of segment operating income/loss and adjusted EBITDA from net loss, which we consider to be the most directly comparable U.S. GAAP financial measure. In addition, as described above under footnote (2), we have prepared this table in a columnar format to present the effect of flexible resealable pouch and nutrition bar operations on our consolidated results for the current and comparative periods. We believe this presentation assists investors in assessing the results of the operations we have exited and the effect of those operations on our financial performance.

	Excluding flexible resealable pouch and nutrition bar \$	Flexible resealable pouch and nutrition bar \$	Consolidated \$
For the quarter ended			
September 29, 2018			
Net loss	(4,500)	(36)	(4,536)
Recovery of income taxes	(858)	(12)	(870)
Interest expense, net	8,792	-	8,792
Other expense, net	1,136	-	1,136
Total segment operating income (loss)	4,570	(48)	4,522
Depreciation and amortization	8,171	-	8,171
Stock-based compensation	2,120	-	2,120
Equipment start-up costs ^(a)	1,500	-	1,500
New product commercialization costs ^(b)	360	-	360
Adjusted EBITDA	16,721	(48)	16,673
September 30, 2017			
Net loss	(639)	(5,244)	(5,883)
Recovery of income taxes	(146)	(3,353)	(3,499)
Interest expense, net	8,371	-	8,371

Table 1 - Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,877 11,270 12,780

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Other expense, net	53	5,919	5,972
Total segment operating income (loss)	7,639	(2,678)	4,961
Depreciation and amortization	8,055	199	8,254
Stock-based compensation ^(c)	2,235	-	2,235
Costs related to Value Creation Plan ^(d)	2,400	1,287	3,687
Adjusted EBITDA	20,329	(1,192)	19,137

- (a) Reflects costs related to the start-up of new roasting equipment at the Crookston facility, which were recorded in cost of goods sold.
- (b) Reflects costs of production trials and employee training related to the commercialization of new consumer products, which were recorded in cost of goods sold.
- (c) For the third quarter of 2017, stock-based compensation of \$2.2 million was recorded in SG&A expenses, and the reversal of \$0.2 million of previously recognized stock-based compensation related to forfeited awards previously granted to terminated employees was recognized in other expense.
- (d) Reflects inventory write-downs of \$1.3 million recorded in cost of goods sold and consulting fees, temporary labor, employee recruitment, relocation and retention costs of \$2.4 million recorded in SG&A expenses.

Although we use adjusted EBITDA as a measure to assess the performance of our business and for the other purposes set forth above, this measure has limitations as analytic tools, and should not be considered in isolation, or as a substitute for an analysis of our results of operations as reported in accordance with U.S. GAAP. Some of these limitations are:

adjusted EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest payments on our indebtedness;

adjusted EBITDA does not include the recovery/payment of taxes, which is a necessary element of our operations;

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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; and

adjusted EBITDA does not include non-cash stock-based compensation, which is an important component of our total compensation program for employees and directors.

Because of these limitations, adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. Management compensates for these limitations by not viewing adjusted EBITDA in isolation, and specifically by using other U.S. GAAP and non-GAAP measures, such as revenues, gross profit, segment operating income, earnings and adjusted earnings to measure our operating performance. Adjusted EBITDA is not a measurement of financial performance under U.S. GAAP and should not be considered as an alternative to our results of operations or cash flows from operations determined in accordance with U.S. GAAP, and our calculation of adjusted EBITDA may not be comparable to the calculation of a similarly titled measure reported by other companies.

- (4) In order to evaluate our results of operations, we use certain non-GAAP measures that we believe enhance an investor's ability to derive meaningful period-over-period comparisons and trends from our results of operations. In particular, we evaluate our revenues on a basis that excludes the effects of fluctuations in commodity pricing and foreign exchange rates. In addition, we exclude specific items from our reported results that due to their nature or size, we do not expect to occur as part of our normal business on a regular basis. These items are identified above under footnote (2), and in the discussion of our results of operations below. These non-GAAP measures are presented solely to allow investors to more fully assess our results of operations and should not be considered in isolation of, or as substitutes for an analysis of our results as reported under U.S. GAAP.

Revenues for the quarter ended September 29, 2018 decreased by 3.8% to \$308.4 million from \$320.7 million for the quarter ended September 30, 2017. Excluding the impact on revenues of sales of flexible resealable pouch and nutrition bar products (a decrease in revenues of \$13.5 million), changes in commodity-related pricing (a decrease in revenues of \$4.6 million) and foreign exchange rates (an increase in revenues of \$0.5 million), revenues increased by 2.0% in the third quarter of 2018, compared with the third quarter of 2017. The increase in revenues on an adjusted basis reflected higher volumes of aseptic beverage and fruit snack products, and increased demand for organic ingredients in the U.S. These increases were offset by lower sales of frozen fruit and fruit ingredient products, lower volumes and pricing for domestically-sourced grains and seeds, and lower organic ingredient sales in Europe.

Gross profit decreased \$2.3 million, or 6.4%, to \$34.1 million for the quarter ended September 29, 2018, compared with \$36.5 million for the quarter ended September 30, 2017. As a percentage of revenues, gross profit for the quarter ended September 29, 2018 was 11.1% compared to 11.4% for the quarter ended September 30, 2017, a decrease of 0.3%. The gross profit percentage for the third quarter of 2018 would have been approximately 11.7%, excluding start-up costs related to the new roasting equipment at the Crookston facility (\$1.5 million) and costs incurred for production trials and employee training related to new product introductions (\$0.4 million). The gross profit percentage for the third quarter of 2017 would have been approximately 11.8%, excluding the impact of a \$1.3 million write-down of flexible resealable pouch and nutrition bar inventories.

Global Ingredients accounted for \$1.2 million of the decrease in gross profit, which was largely due to start-up costs on the new roasting equipment, and lower volumes and pricing for domestically-sourced grains and seeds, as well as the impact of foreign exchange movements on certain contracts within the Netherlands-based operations of our international organic ingredients platform. During the third quarter of 2018, we recognized a \$0.7 million foreign exchange loss on U.S. dollar-denominated raw material purchase contracts, compared with a foreign exchange gain of \$0.7 million in the third quarter of 2017, which reflected a strengthening of the U.S. dollar versus the euro in the third quarter of 2018, compared with a weakening of the U.S. dollar versus the euro in the third quarter of 2017. These factors were partially offset by higher volumes and pricing spreads for certain internationally-sourced organic ingredients, as well as a gain on commodity futures contracts used to hedge our organic cocoa position of \$2.6 million in the third quarter of 2018, compared with a loss of \$0.1 million in the third quarter of 2017. We enter into futures contracts to manage exposure to changes in cocoa prices on our physical organic cocoa position, which has increased due to the expansion of our cocoa processing operations in the Netherlands.

Consumer Products accounted for \$1.2 million of the decrease in gross profit, reflecting lower sales pricing and unfavorable product mix for frozen fruit, in addition to unfavorable plant utilization and higher manufacturing and supply chain costs within the Healthy Fruit platform, as well as costs related to the introduction of new beverage and frozen fruit products. These factors were partially offset by the favorable impact within the Healthy Beverage and Snacks platforms of improved plant utilization due to higher production volumes to meet sales demand, and productivity-driven cost savings. In addition, we gained operational savings following the discontinuance of flexible resealable pouch and nutrition bar production in the fourth quarter of 2017.

Total segment operating income for the quarter ended September 29, 2018 decreased by \$0.5 million, or 8.8%, to \$4.5 million, compared with total segment operating income of \$5.0 million for the quarter ended September 30, 2017. The decrease in segment operating income reflected the lower overall gross profit, as described above, and a \$1.1 million increase in SG&A expenses, partially offset by a favorable quarter-over-quarter foreign exchange impact of \$2.9 million (including a \$1.2 million favorable result related to forward currency contracts within our international organic ingredient operations, which mostly offset the foreign exchange movement within gross profit). The increase in SG&A expenses mainly reflected higher employee-related compensation costs, reflecting the reversal in the third quarter of 2017 of short-term incentive accruals tied to fiscal 2017 operating performance, partially offset by a reduction in consulting fees and temporary labor costs (\$1.2 million), and employee recruitment, relocation and retention costs (\$1.2 million) associated with the Value Creation Plan. Excluding SG&A costs related to the Value Creation Plan, as well as those items identified above affecting gross profit, segment operating income as a percentage of revenues on an adjusted basis would have been 2.1% for the third quarter of 2018, compared with 2.7% for the third quarter of 2017.

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Further details on revenue, gross profit and segment operating income/loss variances are provided below under Segmented Operations Information .

Other expense for the quarter ended September 29, 2018 of \$1.1 million included product withdrawal and recall costs of \$1.0 million that were mainly related to the voluntary recall of certain roasted sunflower kernel products initiated in 2016. Other expense for the quarter ended September 30, 2017 of \$6.0 million reflected charges related to the Value Creation Plan, including the impairment of long-lived assets (\$4.5 million) and employee termination costs (\$2.1 million), partially offset by a \$1.0 million recovery in the third quarter of 2017 on the early extinguishment of a rebate obligation.

Interest expense increased by \$0.4 million to \$8.8 million for the quarter ended September 29, 2018, compared with \$8.4 million for the quarter ended September 30, 2017. Interest expense included the amortization of debt issuance costs of \$0.6 million in each of the third quarters of 2018 and 2017. The quarter-over-quarter increase in interest expense primarily reflected higher borrowings under our line of credit facilities to fund increased working capital requirements, together with an increase in weighted-average interest rates.

We recognized a recovery of income tax of \$0.9 million for the quarter ended September 29, 2018, compared with \$3.5 million for the quarter ended September 30, 2017. The effective tax rate was 16.1% for the third quarter of 2018, compared with 37.3% for the third quarter of 2017, which reflected the impact of the reduction in the U.S. federal corporate tax rate from 35% to 21% beginning in 2018.

On a consolidated basis, we realized a loss attributable to common shareholders of \$6.6 million (diluted loss per share of \$0.08) for the quarter ended September 29, 2018, compared with a loss attributable to common shareholders of \$8.0 million (diluted loss per share of \$0.09) for the quarter ended September 30, 2017.

For the quarter ended September 29, 2018, adjusted loss was \$3.8 million, or \$0.04 per diluted share, on a consolidated basis, compared with adjusted loss of \$1.9 million, or \$0.02 per diluted share, on a consolidated basis for the quarter ended September 30, 2017. Excluding flexible resealable pouch and nutrition bar product lines and operations, adjusted loss was \$3.8 million, or \$0.04 per diluted share, for the quarter ended September 29, 2018, compared with adjusted earnings of \$1.1 million, or \$0.01 per diluted share, for the quarter ended September 30, 2017. Adjusted EBITDA for the quarter ended September 29, 2018 was \$16.7 million on a consolidated basis, compared with \$19.1 million on a consolidated basis for the quarter ended September 30, 2017. Excluding flexible resealable pouch and nutrition bar product lines and operations, adjusted EBITDA for the quarter ended September 29, 2018 was \$16.7 million, compared with \$20.3 million for the quarter ended September 30, 2017. Adjusted earnings and adjusted EBITDA are non-GAAP financial measures. See footnotes (2) and (3) to the table above for a reconciliation of adjusted earnings/loss and adjusted EBITDA from net loss, which we consider to be the most directly comparable U.S. GAAP financial measure.

Segmented Operations Information

Global Ingredients

For the quarter ended	September 29, 2018	September 30, 2017	Change	% Change
Revenues	\$ 136,754	\$ 137,254	\$ (500)	-0.4%
Gross Profit	14,477	15,645	(1,168)	-7.5%
Gross Profit %	10.6%	11.4%		-0.8%

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Table 1 - Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,800

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Global Ingredients contributed \$136.8 million in revenues for the quarter ended September 29, 2018, compared to \$137.3 million for the quarter ended September 30, 2017, a decrease of \$0.5 million, or 0.4% . Excluding the impact on revenues of changes including commodity-related pricing and foreign exchange rate movements (a decrease in revenues of \$1.7 million), Global Ingredients revenues increased approximately 0.9% . The table below explains the decrease in revenue:

Global Ingredients Revenue Changes	
Revenues for the quarter ended September 30, 2017	\$137,254
Decreased volumes of specialty soy (due to tighter supply in 2018 and exit from certain varieties in 2017), lower milled corn and organic feed volumes, and soft sunflower market	(3,961)
Decreased commodity pricing for internationally-sourced organic ingredients	(3,243)
Unfavorable foreign exchange impact on euro-denominated sales due to a stronger U.S. dollar period-over-period	(463)
Increased volumes of internationally-sourced organic ingredients including cocoa, oils, fruits and vegetables, and coffee, offset by lower volumes of nuts, grains and animal feed. Overall volumes of organic ingredients were higher in the U.S. and lower in Europe period-over-period	5,167
Increased commodity pricing for domestically-sourced corn and feed, partially offset by lower pricing for sunflower and soy	2,000
Revenues for the quarter ended September 29, 2018	\$136,754

Gross profit in Global Ingredients decreased by \$1.2 million to \$14.5 million for the quarter ended September 29, 2018 compared to \$15.6 million for the quarter ended September 30, 2017, and the gross profit percentage decreased by 0.8% to 10.6% . The decrease in gross profit percentage was primarily due to start-up costs related to the new roasting equipment at the Crookston facility, and an unfavorable foreign exchange impact on U.S. dollar-denominated raw material purchase contracts within our international organic ingredients operations. In addition, the decrease in gross profit percentage reflected reduced sunflower pricing and operating inefficiencies within our sunflower operations due to lower production volumes, as well as the loss of higher margin milled corn volumes and reduced pricing spread on organic feed. These factors were partially offset by a favorable cocoa hedging result within our international organic ingredients operations, as well as improved pricing spreads on organic cocoa and certain other organic ingredients. The table below explains the decrease in gross profit:

Global Ingredients Gross Profit Changes	
Gross profit for the quarter ended September 30, 2017	\$15,645
Start-up costs related to new roasting equipment, lower volumes and pricing for sunflower inshell and kernel, lower volumes of higher margin milled corn, and reduced volumes and pricing spread for animal feed	(3,420)
Unfavorable foreign exchange impact on U.S. dollar-denominated raw material purchase contracts within our international organic ingredients operations (partially offset below in operating income by a \$1.2 million favorable foreign exchange result on forward currency contracts)	(1,414)
Favorable cocoa commodity hedging result within our international organic ingredient operations	2,683
Higher volumes and pricing spreads for certain internationally-sourced organic ingredients, including cocoa, fruits and vegetables, and coffee, partially offset by grains, nuts, seeds and animal feed, as well as start-up costs related to the expansion of our cocoa facility in the Netherlands	983
Gross profit for the quarter ended September 29, 2018	\$14,477

Table 1 - Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,800

Operating income in Global Ingredients increased by \$0.5 million, or 9.5%, to \$5.3 million for the quarter ended September 29, 2018, compared to \$4.8 million for the quarter ended September 30, 2017. The table below explains the increase in operating income:

Global Ingredients Operating Income Changes	
Operating income for the quarter ended September 30, 2017	\$4,846
Favorable foreign exchange impact within our international organic ingredient operations, including a \$1.2 million favorable result related to forward currency contracts	2,110
Decrease in corporate cost allocations	337
Decrease in gross profit, as explained above	(1,168)
Higher employee-related compensation costs, offset by favorable foreign exchange impact on euro-denominated SG&A expenses	(821)
Operating income for the quarter ended September 29, 2018	\$5,304

Looking forward, we believe Global Ingredients is well positioned in the growing organic food and non-GMO categories. We intend to focus our efforts on (i) growing our organic sourcing and supply capabilities, making certified organic ingredients a larger proportion of our overall sales; (ii) making strategic investments in key product categories that we believe will drive higher volume ingredient solutions for our customers; and (iii) leveraging our international sourcing and supply capabilities internally, and forward and backward integrating where opportunities exist. In the near-term, we expect continued softness in the sunflower category. In addition, we have also experienced delays in the operational start-up of the new roasting equipment at the Crookston facility, which has impacted our ability to meet existing customer demand for roasted products and could impact our ability to achieve potential new business wins in the near term. The statements in this paragraph are forward-looking statements. See

Forward-Looking Statements above. Increased supply pressure in the commodity-based markets in which we operate, increased competition, volume decreases or loss of customers, unexpected delays in our ingredient expansion plans, or our inability to secure quality inputs or achieve our product mix or cost reduction goals, along with the other factors described above under Forward-Looking Statements, could adversely impact our ability to meet these forward-looking expectations.

Consumer Products

For the quarter ended	September 29, 2018	September 30, 2017	Change	% Change
Revenues	\$ 171,617	\$ 183,459	\$ (11,842)	-6.5%
Gross Profit	19,651	20,810	(1,159)	-5.6%
Gross Profit %	11.5%	11.3%		0.2%
Operating Income	\$ 3,319	\$ 4,947	\$ (1,628)	-32.9%
Operating Income %	1.9%	2.7%		-0.8%

Consumer Products contributed \$171.6 million in revenues for the quarter ended September 29, 2018, compared to \$183.5 million for the quarter ended September 30, 2017, a \$11.8 million, or 6.5% decrease. Excluding the impact on revenues of sales of flexible resealable pouch and nutrition bar products (a decrease in revenues of \$13.5 million) and changes in raw fruit commodity-related pricing (a decrease in revenues of \$3.4 million), Consumer Products revenues increased approximately 3.0%. The table below explains the decrease in revenues:

Consumer Products Revenue Changes	
Revenues for the quarter ended September 30, 2017	\$183,459
Impact of the exit from flexible resealable pouch and nutrition bars product lines	(13,494)
Lower pricing of frozen fruit and volumes of fruit ingredients, reflecting decreased commodity pricing for raw fruit, lower distribution to certain customers, and declines in consumer consumption trends impacting certain product categories	(8,322)
Higher volumes of fruit snack products	5,122
Higher volumes of non-dairy aseptic beverage products into the foodservice and retail channels, as well as the introduction of new broth offerings, partially offset by lower volumes of premium juice products	4,852
Revenues for the quarter ended September 29, 2018	\$171,617

Gross profit in Consumer Products decreased by \$1.2 million to \$19.7 million for the quarter ended September 29, 2018 compared to \$20.8 million for the quarter ended September 30, 2017, and the gross profit percentage increased by 0.2% to 11.5%. The increase in the gross profit percentage primarily reflected favorable plant utilization within the Healthy Beverage and Snacks platforms, due to higher production volumes to meet sales demand, as well as productivity-driven cost savings across all platforms, and operational savings following the discontinuance of flexible resealable pouch and nutrition bar production in the fourth quarter of 2017. These factors were partially offset by lower sales pricing and unfavorable product mix for frozen fruit, in addition to unfavorable plant utilization and higher manufacturing and supply chain costs within the Healthy Fruit platform, due to lower production volumes and increased raw material, handling and freight costs. The table below explains the decrease in gross profit:

Consumer Products Gross Profit Changes	
Gross profit for the quarter ended September 30, 2017	\$20,810
Lower sales pricing and unfavorable product mix for frozen fruit and lower volumes of fruit ingredients, in addition to unfavorable plant utilization and higher manufacturing and supply chain costs within the Healthy Fruit platform, partially offset by productivity-driven cost savings	(9,248)
Higher sales volumes, plant utilization and productivity improvements for aseptic beverage and fruit snack products, partially offset by higher processing and supply chain costs for premium juice products, and new product commercialization costs	5,709
Operational savings following the discontinuance of flexible resealable pouch and nutrition bar production in the fourth quarter of 2017	2,380
Gross profit for the quarter ended September 29, 2018	\$19,651

Operating income in Consumer Products decreased by \$1.6 million, or 32.9%, to \$3.3 million for the quarter ended September 29, 2018, compared to \$4.9 million for the quarter ended September 30, 2017. The table below explains the decrease in operating income:

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Tabl">\$ \$ Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,852

Consumer Products Operating Income Changes	
Operating income for the quarter ended September 30, 2017	\$4,947
Higher employee-related compensation costs and unfavorable foreign exchange on international operations	(2,322)
Decrease in gross profit, as explained above	(1,159)
Decrease in corporate cost allocations	1,853
Operating income for the quarter ended September 29, 2018	\$3,319

Looking forward we believe Consumer Products remains well-positioned in markets with long-term growth potential. However, a continued decline in consumer consumption of frozen fruit, and/or an inability to successfully convert on our sales opportunity pipeline, could adversely affect the near-term performance of Consumer Products. We intend to focus our efforts on (i) leveraging our new sales and marketing resources to create greater channel specific focus on retail and foodservice to increase opportunities to diversify our portfolio and drive incremental sales volume; (ii) continuing to invest in our facilities to enhance quality, safety, capacity, and manufacturing efficiency to drive both incremental sales and cost reduction; (iii) executing procurement and supply chain cost reduction initiatives focused on leveraging our buying power and creating increased network efficiency in our planning and logistics efforts; and (iv) leveraging our innovation capabilities to bring new value-added packaged products and processes to market and to increase our capacity utilization across Consumer Products. The statements in this paragraph are forward-looking statements. See **Forward-Looking Statements** above. Unfavorable shifts in consumer preferences, increased competition, reduced availability of raw material supply, volume decreases or loss of customers, unexpected delays in our expansion and integration plans, inefficiencies in our manufacturing processes, lack of consumer product acceptance, or our inability to successfully implement the particular goals and strategies indicated above, along with the other factors described above under **Forward-Looking Statements**, could have an adverse impact on these forward-looking expectations.

Corporate Services

For the quarter ended	September 29, 2018	September 30, 2017	Change	% Change
Operating Loss	\$ (4,101)	\$ (4,832)	\$ 731	15.1%

Operating loss at Corporate Services decreased by \$0.7 million to \$4.1 million for the quarter ended September 29, 2018, compared to a loss of \$4.8 million for the quarter ended September 30, 2017. The table below explains the decrease in operating loss:

Corporate Services Operating Loss Changes	
Operating loss for the quarter ended September 30, 2017	\$(4,832)
Lower non-structural third-party consulting costs and employee recruitment, relocation and retention costs associated with the Value Creation Plan	2,400
Favorable foreign exchange impact on foreign currency transactions	799
Decrease in corporate cost allocations to SunOpta operating segments	(2,190)
Higher employee-related compensation costs (reflecting the reversal in the third quarter of 2017 of short-term incentive accruals tied to fiscal 2017 operating performance), offset by lower professional fees and favorable foreign exchange impact on Canadian dollar-denominated SG&A expenses	(278)

Table 4.8 - Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,832

Operating loss for the quarter ended September 29, 2018	\$(4,101)
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Corporate cost allocations mainly consist of salaries of corporate personnel who directly support the operating segments, as well as costs related to the enterprise resource management system. These expenses are allocated to the operating segments based on (1) specific identification of allocable costs that represent a service provided to each segment and (2) a proportionate distribution of costs based on a weighting of factors such as revenue contribution and number of people employed within each segment.

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Consolidated Results of Operations for the three quarters ended September 29, 2018 and September 30, 2017

For the three quarters ended	September 29, 2018 \$	September 30, 2017 \$	Change \$	Change %
Revenues				
Global Ingredients	419,770	410,022	9,748	2.4%
Consumer Products	520,561	577,176	(56,615)	-9.8%
Total revenues	940,331	987,198	(46,867)	-4.7%
Gross profit				
Global Ingredients	42,576	51,025	(8,449)	-16.6%
Consumer Products	59,582	65,791	(6,209)	-9.4%
Total gross profit	102,158	116,816	(14,658)	-12.5%
Segment operating income (loss)⁽¹⁾				
Global Ingredients	11,371	16,960	(5,589)	-33.0%
Consumer Products	11,397	16,124	(4,727)	-29.3%
Corporate Services	(11,942)	(28,460)	16,518	58.0%
Total segment operating income (loss)	10,826	4,624	6,202	134.1%
Other expense, net	1,317	12,022	(10,705)	-89.0%
Earnings (loss) before the following	9,509	(7,398)	16,907	228.5%
Interest expense, net	25,486	23,820	1,666	7.0%
Recovery of income taxes	(3,853)	(14,049)	10,196	72.6%
Net loss ^{(2),(3)}	(12,124)	(17,169)	5,045	29.4%
Earnings attributable to non-controlling interests	19	664	(645)	-97.1%
Loss attributable to SunOpta Inc.	(12,143)	(17,833)	5,690	31.9%
Dividends and accretion on Series A Preferred Stock	(5,922)	(5,848)	(74)	-1.3%
Loss attributable to common shareholders⁽⁴⁾	(18,065)	(23,681)	5,616	23.7%

- (1) The following table presents a reconciliation of segment operating income/loss to earnings/loss before the following, which we consider to be the most directly comparable U.S. GAAP financial measure (refer to footnote (1) to the Consolidated Results of Operations for the Quarters Ended September 29, 2018 and September 30, 2017 table regarding the use of this non-GAAP measure).

For the three quarters ended	Global Ingredients \$	Consumer Products \$	Corporate Services \$	Consol- idated \$
September 29, 2018				
Segment operating income (loss)	11,371	11,397	(11,942)	10,826
Other income (expense), net	(2,299)	1,180	(198)	(1,317)
Earnings (loss) before the following	9,072	12,577	(12,140)	9,509
September 30, 2017				
Segment operating income (loss)	16,960	16,124	(28,460)	4,624
Other expense, net	(346)	(10,714)	(962)	(12,022)
Earnings (loss) before the following	16,614	5,410	(29,422)	(7,398)

Tabl">\$ \$ Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,800

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We believe that investors' understanding of our financial performance is enhanced by disclosing the specific items that we exclude from segment operating income. However, any measure of operating income excluding any or all of these items is not, and should not be viewed as, a substitute for operating income prepared under U.S. GAAP. These items are presented solely to allow investors to more fully understand how we assess financial performance.

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Table 1 - Segment operating income and revenues

	2017	2018	2019	2020
Segment revenues from external customers	137,254	183,459	320,713	Segment operating income 4,8

- (2) The following table presents a reconciliation of adjusted earnings/loss from net loss, which we consider to be the most directly comparable U.S. GAAP financial measure (refer to footnote (2) to the Consolidated Results of Operations for the Quarters Ended September 29, 2018 and September 30, 2017 table regarding the use of this non-GAAP measure). In addition, in recognition of our exit from flexible resealable pouch and nutrition bar product lines and operations (as described above under Value Creation Plan), we have prepared this table in a columnar format to present the effect of these operations on our consolidated results for the current and comparative periods. We believe this presentation assists investors in assessing the results of the operations we have exited and the effect of those operations on our financial performance.

	Excluding flexible resealable pouch and nutrition bar Per Diluted Share		Flexible resealable pouch and nutrition bar Per Diluted Share		Consolidated Per Diluted Share	
For the three quarters ended September 29, 2018	\$	\$	\$	\$	\$	\$
Net loss	(11,391)		(733)		(12,124)	
Less: earnings attributable to non-controlling interests	(19)		-		(19)	
Less: dividends and accretion of Series A Preferred Stock	(5,922)		-		(5,922)	
Loss attributable to common shareholders	(17,332)	(0.20)	(733)	(0.01)	(18,065)	(0.21)
Adjusted for:						
Costs related to the Value Creation Plan ^(a)	1,696		1,181		2,877	
Equipment start-up costs ^(b)	2,230		-		2,230	
Product withdrawal and recall costs ^(c)	1,456		-		1,456	
New product commercialization costs ^(d)	360		-		360	
Other ^(e)	198		-		198	
Fair value adjustment on contingent consideration ^(f)	(2,500)		-		(2,500)	
Recovery of product	(1,200)		-		(1,200)	

Table 1 - Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,811

withdrawal costs ^(g)						
Net income tax effect ^(h)	(280)		(307)		(587)	
Adjusted earnings (loss)	(15,372)	(0.18)	141	-	(15,231)	(0.18)
September 30, 2017						
Net loss	(9,304)		(7,865)		(17,169)	
Less: earnings attributable to non-controlling interests	(664)		-		(664)	
Less: dividends and accretion of Series A Preferred Stock	(5,848)		-		(5,848)	
Loss attributable to common shareholders	(15,816)	(0.18)	(7,865)	(0.09)	(23,681)	(0.27)
Adjusted for:						
Costs related to the Value Creation Plan ⁽ⁱ⁾	28,021		7,206		35,227	
Product withdrawal and recall costs ^(j)	1,142		-		1,142	
Recovery of legal settlement ^(k)	(1,024)		-		(1,024)	
Other ^(d)	166		-		166	
Net income tax effect ^(h)	(12,560)		(2,810)		(15,370)	
Adjusted loss	(71)	-	(3,469)	(0.04)	(3,540)	(0.04)

- (a) Reflects the write-down of remaining flexible resealable pouch and nutrition bar inventories of \$0.1 million recorded in cost of goods sold; professional and consulting fees, and employee recruitment and relocation costs of \$0.6 million recorded in SG&A expenses; and asset impairment, facility closure and employee termination costs of \$2.2 million recorded in other expense, all related to the Value Creation Plan.
- (b) Reflects costs related to the start-up of new roasting equipment at the Crookston facility, which were recorded in cost of goods sold.
- (c) Reflects product withdrawal and recall costs that were not eligible for reimbursement under insurance policies or exceeded the limits of those policies, including costs related to the recall of certain sunflower kernel products initiated in the second quarter of 2016, which were recorded in other expense.
- (d) Reflects costs of production trials and employee training related to the commercialization of new consumer products, which were recorded in cost of goods sold.
- (e) Other included the accretion of contingent consideration obligations, gain/loss on the sale of assets, severance costs unrelated to the Value Creation Plan, and settlement of a legal matter in the third quarter of 2018, which were recorded in other expense/income.

- (f) Reflects a fair value adjustment of \$2.5 million to reduce the expected contingent consideration that may be payable in 2019 under an earn- out arrangement with the former unitholders of Citrusource LLC (Citrusource), based on the projected results for the business in fiscal 2018, which was recorded in other income.
- (g) Reflects the recovery from a third-party supplier of \$1.2 million of costs incurred relating to the withdrawal of certain consumer-packaged products due to quality-related issues, which was recorded in cost of goods sold. Costs incurred related to this withdrawal were recognized in cost of goods sold in the fourth quarter of 2016.
- (h) Reflects the tax effect of the preceding adjustments to earnings and reflects an overall estimated annual effective tax rate of approximately 26% for the three quarters ended September 29, 2018 (September 30, 2017 30%) on adjusted earnings before tax.

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- (i) Reflects inventory write-downs and facility closure costs of \$1.9 million recorded in cost of goods sold; consulting fees, temporary labor, employee recruitment, relocation and retention costs of \$20.8 million recorded in SG&A expenses; and asset impairment charges and employee termination costs of \$12.5 million recorded in other expense, all related to the Value Creation Plan.
 - (j) Reflects costs related to sunflower recall, including a \$0.7 million adjustment for the estimated lost gross profit caused by the recall, which reflected a shortfall in revenues in the first quarter of 2017 against first quarter 2016 volumes of approximately \$3.3 million, less associated cost of goods sold of approximately \$2.6 million; and \$0.4 million of direct costs recorded in other expense that are not eligible for reimbursement under our insurance policies.
 - (k) Reflects the recovery on the early extinguishment of a rebate obligation that arose from the settlement in fiscal 2016 of a flexible resealable pouch product recall dispute with a customer, which was recorded in other income.
- (3) The following table presents a reconciliation of segment operating income/loss and adjusted EBITDA from net loss, which we consider to be the most directly comparable U.S. GAAP financial measure (refer to footnote (3) to the Consolidated Results of Operations for the Quarters Ended September 29, 2018 and September 30, 2017 table regarding the use of this non-GAAP measure). In addition, as described above under footnote (2), we have prepared this table in a columnar format to present the effect of flexible resealable pouch and nutrition bar operations on our consolidated results for the current and comparative periods. We believe this presentation assists investors in assessing the results of the operations we have exited and the effect of those operations on our financial performance.

	Excluding flexible resealable pouch and nutrition bar \$	Flexible resealable pouch and nutrition bar \$	Consolidated \$
For the three quarters ended September 29, 2018			
Net loss	(11,391)	(733)	(12,124)
Recovery of income taxes	(3,596)	(257)	(3,853)
Interest expense, net	25,486	-	25,486
Other expense (income), net	136	1,181	1,317
Total segment operating income	10,635	191	10,826
Depreciation and amortization	24,501	-	24,501
Stock-based compensation	6,395	-	6,395
Equipment start-up costs ^(a)	2,230	-	2,230
Costs related to Value Creation Plan ^(b)	713	-	713
New product commercialization costs ^(c)	360	-	360
Recovery of product withdrawal costs ^(d)	(1,200)	-	(1,200)
Adjusted EBITDA	43,634	191	43,825
September 30, 2017			
Net loss	(9,304)	(7,865)	(17,169)
Recovery of income taxes	(9,021)	(5,028)	(14,049)
Interest expense, net	23,820	-	23,820
Other expense, net	6,103	5,919	12,022
Total segment operating income (loss)	11,598	(6,974)	4,624
Depreciation and amortization	23,951	650	24,601
Stock-based compensation ^(e)	4,700	-	4,700
Costs related to Value Creation Plan ^(b)	21,473	1,287	22,760
Product withdrawal and recall costs ^(f)	729	-	729

Table 1 - Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,826

Adjusted EBITDA	62,451	(5,037)	57,414
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- (a) Reflects costs related to the start-up of new roasting equipment at the Crookston facility, which were recorded in cost of goods sold.
- (b) For the first three quarters of 2018, reflects the write-down of remaining flexible resealable pouch and nutrition bar inventories of \$0.1 million recorded in cost of goods sold; and professional and consulting fees, and employee recruitment and relocation costs of \$0.6 million recorded in SG&A expenses. For the first three quarters of 2017, reflects inventory write-downs and facility closure costs of \$1.9 million recorded in cost of goods sold, and consulting fees, temporary labor, employee recruitment, relocation and retention costs of \$20.8 million recorded in SG&A expenses.
- (c) Reflects costs of production trials and employee training related to the commercialization of new consumer products, which were recorded in cost of goods sold.
- (d) Reflects the recovery from a third-party supplier of \$1.2 million of costs incurred relating to the withdrawal of certain consumer-packaged products due to quality-related issues, which was recorded in cost of goods sold. Costs incurred related to this withdrawal were recognized in cost of goods sold in the fourth quarter of 2016.
- (e) For the first three quarters of 2017, stock-based compensation of \$4.7 million was recorded in SG&A expenses, and the reversal of \$0.6 million of previously recognized stock-based compensation related to forfeited awards previously granted to terminated employees was recognized in other expense.
- (f) Reflects the estimated lost gross profit caused by the recall of certain sunflower kernel products of \$0.7 million, which reflected the shortfall in revenues in the first quarter of 2017 against first quarter 2016 volumes of approximately \$3.3 million, less associated cost of goods sold of approximately \$2.6 million.

- (4) Refer to footnote (4) to the Consolidated Results of Operations for the Quarters Ended September 29, 2018 and September 30, 2017 table regarding the use of certain other non-GAAP measures in the discussion of our results of operations below.

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Revenues for the three quarters ended September 29, 2018 decreased by 4.7% to \$940.3 million from \$987.2 million for the three quarters ended September 30, 2017. Excluding the impact on revenues of sales of flexible resealable pouch and nutrition bar products (a decrease in revenues of \$40.9 million), changes in commodity-related pricing (a decrease in revenues of \$16.6 million) and foreign exchange rates (an increase in revenues of \$11.3 million), revenues decreased by 0.1% in the first three quarters of 2018, compared with the first three quarters of 2017. The decrease in revenues on an adjusted basis reflected lower sales of frozen fruit and fruit ingredient products, lower volumes and pricing for domestically-sourced grains and seeds, and lower organic ingredient sales in Europe. These decreases were mostly offset by increased demand for organic ingredients in the U.S., and higher volumes of beverage and fruit snack products.

Gross profit decreased \$14.7 million, or 12.5%, to \$102.2 million for the three quarters ended September 29, 2018, compared with \$116.8 million for the three quarters ended September 30, 2017. As a percentage of revenues, gross profit for the three quarters ended September 29, 2018 was 10.9% compared to 11.8% for the three quarters ended September 30, 2017, a decrease of 1.0% . The gross profit percentage for the first three quarters of 2018 would have been approximately 11.0%, excluding start-up costs related to the new roasting equipment at the Crookston facility (\$2.2 million) and costs incurred for production trials and employee training related to new product introductions (\$0.4 million), partially offset by the recovery of \$1.2 million of previously-incurred product withdrawal costs from a third-party supplier. The gross profit percentage for the first three quarters of 2017 would have been approximately 12.1%, excluding the impact of the write-down of flexible resealable pouch and nutrition bar inventories (\$1.3 million), lost margin caused by the sunflower recall (\$0.7 million), and facility closure costs under the Value Creation Plan (\$0.6 million).

Global Ingredients accounted for \$8.4 million of the decrease in gross profit, which was largely due to the impact of foreign exchange movements on certain contracts within the Netherlands-based operations of our international organic ingredients platform. During the first three quarters of 2018, we recognized a \$4.8 million foreign exchange loss on U.S. dollar-denominated raw material purchase contracts, compared with a foreign exchange gain of \$5.0 million in the first three quarters of 2017, which reflected a significant strengthening of the U.S. dollar versus the euro in the first three quarters of 2018, compared with a significant weakening of the U.S. dollar versus the euro in the first three quarters of 2017. In addition, the decrease in gross profit reflected start-up costs on the new roasting equipment, and lower volumes and pricing for domestically-sourced grains and seeds. These factors were partially offset by higher volumes and pricing spreads for certain internationally-sourced organic ingredients, as well as a gain on commodity futures contracts used to hedge our organic cocoa position of \$0.9 million in the first three quarters of 2018, compared with a gain of \$0.2 million in the first three quarters of 2017. We enter into futures contracts to manage exposure to changes in cocoa prices on our physical organic cocoa position, which has increased due to the expansion of our cocoa processing operations in the Netherlands.

Consumer Products accounted for \$6.2 million of the decrease in gross profit, reflecting lower sales pricing and unfavorable product mix for frozen fruit, in addition to unfavorable plant utilization and higher manufacturing and supply chain costs within the Healthy Fruit platform, as well as costs related to the introduction of new beverage and frozen fruit products. These factors were partially offset by the favorable impact within the Healthy Beverage and Snacks platforms of improved plant utilization due to higher production volumes to meet sales demand, and productivity-driven cost savings. In addition, we gained operational savings following the discontinuance of flexible resealable pouch and nutrition bar production in the fourth quarter of 2017.

Total segment operating income for the three quarters ended September 29, 2018 increased by \$6.2 million to \$10.8 million, compared with total segment operating income of \$4.6 million for the three quarters ended September 30, 2017. The increase in segment operating income reflected that the lower overall gross profit, as described above, was more than offset by a \$17.0 million decrease in SG&A expenses and a favorable year-over-year foreign exchange impact of \$3.8 million (including a \$4.1 million favorable result related to forward currency contracts within our international organic ingredient operations, which partially offset the foreign exchange movement within gross profit). The decrease in SG&A expenses mainly reflected a reduction in consulting fees and temporary labor costs (\$15.3

Table 4.8 Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 14.6 4.6 10.8

million), and employee recruitment, relocation and retention costs (\$4.9 million) associated with the Value Creation Plan, partially offset by higher employee-related compensation costs in the first three quarters of 2018, compared with the first three quarters of 2017. Excluding SG&A costs related to the Value Creation Plan, as well as those items identified above affecting gross profit, segment operating income as a percentage of revenues on an adjusted basis would have been 1.4% for the first three quarters of 2018, compared with 2.8% for the first three quarters of 2017.

Further details on revenue, gross profit and segment operating income/loss variances are provided below under Segmented Operations Information .

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Other expense for the three quarters ended September 29, 2018 of \$1.3 million mainly reflected facility closure costs and asset impairment charges related to the closure of our nutrition bar facility and the sale of the Wahpeton roasted snack facility (\$1.8 million) and employee termination costs (\$0.4 million), all associated with the Value Creation Plan, as well as product withdrawal and recall costs of \$1.5 million that were mainly related to the voluntary recall of certain roasted sunflower kernel products initiated in 2016. These expenses were partially offset by a \$2.5 million reduction to the remaining contingent consideration obligation that arose from our acquisition of Citrusource in 2015. Other expense for the three quarters ended September 30, 2017 of \$12.0 million reflected the impairment of long-lived assets related to the exit from flexible resealable pouch and nutrition bar product lines and operations and closure of our San Bernardino, California, juice facility (\$8.2 million), and employee termination costs (\$4.2 million), all associated with the Value Creation Plan, partially offset by a \$1.0 million recovery on the early extinguishment of a rebate obligation that arose from the settlement in fiscal 2016 of a recall dispute with a customer related to flexible resealable pouch products.

Interest expense increased by \$1.7 million to \$25.5 million for the three quarters ended September 29, 2018, compared with \$23.8 million for the three quarters ended September 30, 2017. Interest expense included the amortization of debt issuance costs of \$1.8 million and \$1.7 million in the first three quarters of 2018 and 2017, respectively. The year-over-year increase in interest expense primarily reflected higher borrowings under our line of credit facilities to fund increased working capital requirements and settle costs incurred under the Value Creation Plan, together with an increase in weighted-average interest rates.

We recognized a recovery of income tax of \$3.9 million for the three quarters ended September 29, 2018, compared with \$14.0 million for the three quarters ended September 30, 2017. The effective tax rate was 24.1% for the first three quarters of 2018, which reflected the impact of the reduction in the U.S. federal corporate tax rate from 35% to 21% beginning in 2018, compared with 45.0% for the first three quarters of 2017, which reflected the impact on the jurisdictional mix of earnings of higher than anticipated costs incurred in the U.S. related to the Value Creation Plan, including asset impairment charges and employee termination costs related to the exit from flexible resealable pouch and nutrition bar product lines and operations, and closure of the San Bernardino facility.

On a consolidated basis, we realized a loss attributable to common shareholders of \$18.1 million (diluted loss per share of \$0.21) for the three quarters ended September 29, 2018, compared with a loss attributable to common shareholders of \$23.7 million (diluted loss per share of \$0.27) for the three quarters ended September 30, 2017.

For the three quarters ended September 29, 2018, adjusted loss was \$15.2 million, or \$0.18 per diluted share, on a consolidated basis, compared with adjusted loss of \$3.5 million, or \$0.04 per diluted share, on a consolidated basis for the three quarters ended September 30, 2017. Excluding flexible resealable pouch and nutrition bar product lines and operations, adjusted loss was \$15.4 million, or \$0.18 per diluted share, for the three quarters ended September 29, 2018, compared with adjusted earnings of \$0.1 million, or \$0.00 per diluted share, for the three quarters ended September 30, 2017. Adjusted EBITDA for the three quarters ended September 29, 2018 was \$43.8 million on a consolidated basis, compared with \$57.4 million on a consolidated basis for the three quarters ended September 30, 2017. Excluding flexible resealable pouch and nutrition bar product lines and operations, adjusted EBITDA for the three quarters ended September 29, 2018 was \$43.6 million, compared with \$62.5 million for the three quarters ended September 30, 2017. Adjusted earnings and adjusted EBITDA are non-GAAP financial measures. See footnotes (2) and (3) to the table above for a reconciliation of adjusted earnings/loss and adjusted EBITDA from net loss, which we consider to be the most directly comparable U.S. GAAP financial measure.

Segmented Operations Information

Global Ingredients

	September 29, 2018	September 30, 2017	Change	% Change
For the three quarters ended				

Table 1 - Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,8

Edgar Filing: YRC Worldwide Inc. - Form DEF 14A

Revenues	\$	419,770	\$	410,022	\$	9,748	2.4%
Gross Profit		42,576		51,025		(8,449)	-16.6%
Gross Profit %		10.1%		12.4%			-2.3%
Operating Income	\$	11,371	\$	16,960	\$	(5,589)	-33.0%
Operating Income %		2.7%		4.1%			-1.4%

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Table 1: Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,810

Edgar Filing: YRC Worldwide Inc. - Form DEF 14A

Global Ingredients contributed \$419.8 million in revenues for the three quarters ended September 29, 2018, compared to \$410.0 million for the three quarters ended September 30, 2017, an increase of \$9.7 million, or 2.4% . Excluding the impact on revenues of changes including commodity-related pricing and foreign exchange rate movements (an increase in revenues of \$4.2 million), Global Ingredients revenues increased approximately 1.3% . The table below explains the increase in revenue:

Global Ingredients Revenue Changes	
Revenues for the three quarters ended September 30, 2017	\$410,022
Increased volumes of internationally-sourced organic ingredients including cocoa, oils, coffee, and fruits and vegetables, offset by lower volumes of animal feed and seeds. Overall volumes of organic ingredients were higher in the U.S. and lower in Europe period-over-period	24,543
Favorable foreign exchange impact on euro-denominated sales due to a weaker U.S. dollar period-over-period	11,314
Increased commodity pricing for domestically-sourced corn and feed, partially offset by lower pricing for sunflower and soy	1,848
Decreased volumes of specialty soy (due to tighter supply in 2018 and exit from certain varieties in 2017), lower milled corn and organic feed volumes, and soft sunflower market	(19,031)
Decreased commodity pricing for internationally-sourced organic ingredients	(8,926)
Revenues for the three quarters ended September 29, 2018	\$419,770

Gross profit in Global Ingredients decreased by \$8.4 million to \$42.6 million for the three quarters ended September 29, 2018 compared to \$51.0 million for the three quarters ended September 30, 2017, and the gross profit percentage decreased by 2.3% to 10.1% . The decrease in gross profit percentage was primarily due to the unfavorable foreign exchange impact on U.S. dollar-denominated raw material purchase contracts within our international organic ingredients operations. In addition, the decrease in gross profit percentage reflected start-up costs related to the new roasting equipment at the Crookston facility, reduced sunflower pricing and operating inefficiencies within our sunflower operations due to lower production volumes, as well as the loss of higher margin milled corn volumes and reduced pricing spread on organic feed. These factors were partially offset by a favorable cocoa hedging result within our international organic ingredients operations, as well as improved pricing spreads on organic cocoa and certain other organic ingredients. The table below explains the decrease in gross profit:

Global Ingredients Gross Profit Changes	
Gross profit for the three quarters ended September 30, 2017	\$51,025
Unfavorable foreign exchange impact on U.S. dollar-denominated raw material purchase contracts within our international organic ingredients operations (partially offset below in operating income by a \$4.1 million favorable foreign exchange result on forward currency contracts)	(9,760)
Start-up costs related to new roasting equipment, lower volumes and pricing for sunflower inshell and kernel, lower volumes of higher margin milled corn, and reduced volumes and pricing spread for animal feed	(4,952)
Higher volumes and pricing spreads for certain internationally-sourced organic ingredients, including cocoa, fruits and vegetables, oils, and coffee, partially offset by seeds, grains and animal feed, as well as start-up costs related to the expansion of our cocoa facility in the Netherlands	5,538
Favorable cocoa commodity hedging result within our international organic ingredient operations	725
Gross profit for the three quarters ended September 29, 2018	\$42,576

Tabl">\$ \$ Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,8

Operating income in Global Ingredients decreased by \$5.6 million, or 33.0%, to \$11.4 million for the three quarters ended September 29, 2018, compared to \$17.0 million for the three quarters ended September 30, 2017. The table below explains the decrease in operating income:

Global Ingredients Operating Income Changes	
Operating income for the three quarters ended September 30, 2017	\$16,960
Decrease in gross profit, as explained above	(8,449)
Higher employee-related compensation costs and unfavorable foreign exchange impact on euro-denominated SG&A expenses	(2,532)
Favorable foreign exchange impact within our international organic ingredient operations, including a \$4.1 million favorable result related to forward currency contracts	4,392
Decrease in corporate cost allocations	1,000
Operating income for the three quarters ended September 29, 2018	\$11,371

Consumer Products

For the three quarters ended	September 29, 2018	September 30, 2017	Change	% Change
Revenues	\$ 520,561	\$ 577,176	\$ (56,615)	-9.8%
Gross Profit	59,582	65,791	(6,209)	-9.4%
Gross Profit %	11.4%	11.4%		0.0%

Operating Income %	\$ 11,397	\$ 16,124	\$ (4,727)	-29.3%
Operating Income %	2.2%	2.8%		-0.6%

Consumer Products contributed \$520.6 million in revenues for the three quarters ended September 29, 2018, compared to \$577.2 million for the three quarters ended September 30, 2017, a \$56.6 million, or 9.8% decrease. Excluding the impact on revenues of sales of flexible resealable pouch and nutrition bar products (a decrease in revenues of \$40.9 million) and changes in raw fruit commodity-related pricing (a decrease in revenues of \$9.5 million), Consumer Products revenues decreased approximately 1.1%. The table below explains the decrease in revenues:

Consumer Products Revenue Changes	
Revenues for the three quarters ended September 30, 2017	\$577,176
Impact of the exit from flexible resealable pouch and nutrition bars product lines	(40,940)
Lower pricing of frozen fruit and volumes of fruit ingredients, reflecting decreased commodity pricing for raw fruit, lower distribution to certain customers, and declines in consumer consumption trends impacting certain product categories	(34,120)
Higher volumes of non-dairy aseptic beverage products into the foodservice and retail channels, as well as the introduction of new broth offerings, partially offset by lower volumes of premium juice products	10,126
Higher volumes of fruit snack products	8,319
Revenues for the three quarters ended September 29, 2018	\$520,561

Table 1 - Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,815

Gross profit in Consumer Products decreased by \$6.2 million to \$59.6 million for the three quarters ended September 29, 2018 compared to \$65.8 million for the three quarters ended September 30, 2017, and the gross profit percentage remained unchanged at 11.4% . The gross profit percentage primarily reflected lower sales pricing and unfavorable product mix for frozen fruit, in addition to unfavorable plant utilization and higher manufacturing and supply chain costs within the Healthy Fruit platform, due to lower production volumes and increased raw material, handling and freight costs. These factors were partially offset by favorable plant utilization within the Healthy Beverage and Snacks platforms due to higher production volumes to meet sales demand, as well as productivity-driven cost savings across all platforms, and operational savings following the discontinuance of flexible resealable pouch and nutrition bar production in the fourth quarter of 2017. In addition, in the second quarter of 2018, we recorded a recovery of \$1.2 million of previously-incurred product withdrawal costs from a third-party supplier. The table below explains the decrease in gross profit:

Consumer Products Gross Profit Changes	
Gross profit for the three quarters ended September 30, 2017	\$65,791
Lower sales pricing and unfavorable product mix for frozen fruit and lower volumes of fruit ingredients, in addition to unfavorable plant utilization and higher manufacturing and supply chain costs within the Healthy Fruit platform, partially offset by productivity-driven cost savings and the recovery of previously-incurred product withdrawal costs	(26,397)
Higher sales volumes, plant utilization and productivity improvements for aseptic beverage and fruit snack products, partially offset by higher processing and supply chain costs for premium juice products, and new product commercialization costs	13,868
Operational savings following the discontinuance of flexible resealable pouch and nutrition bar production in the fourth quarter of 2017	6,320
Gross profit for the three quarters ended September 29, 2018	\$59,582

Operating income in Consumer Products decreased by \$4.7 million, or 29.3%, to \$11.4 million for the three quarters ended September 29, 2018, compared to \$16.1 million for the three quarters ended September 30, 2017. The table below explains the decrease in operating income:

Consumer Products Operating Income Changes	
Operating income for the three quarters ended September 30, 2017	\$16,124
Decrease in gross profit, as explained above	(6,209)
Higher employee-related compensation costs and unfavorable foreign exchange on international operations	(4,089)
Decrease in corporate cost allocations	5,571
Operating income for the three quarters ended September 29, 2018	\$11,397

Corporate Services

For the three quarters ended	September 29, 2018	September 30, 2017	Change	% Change
Operating Loss	\$ (11,942)	\$ (28,460)	\$ 16,518	58.0%

Operating loss at Corporate Services decreased by \$16.5 million to \$11.9 million for the three quarters ended September 29, 2018, compared to a loss of \$28.5 million for the three quarters ended September 30, 2017. The table below explains the decrease in operating loss:

Table 1 - Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,8

Corporate Services Operating Loss Changes	
Operating loss for the three quarters ended September 30, 2017	\$(28,460)
Lower non-structural third-party consulting costs and employee recruitment, relocation and retention costs associated with the Value Creation Plan	20,226
Lower employee-related compensation costs and favorable foreign exchange impact on foreign currency transactions, offset by unfavorable foreign exchange impact on Canadian dollar-denominated SG&A expenses	4,458
Decrease in corporate cost allocations to SunOpta operating segments	(6,571)
Increased stock-based compensation costs as a result of a change in our long-term incentive plan in the second quarter of 2017	(1,695)
Operating loss for the three quarters ended September 29, 2018	\$(11,942)

Corporate cost allocations mainly consist of salaries of corporate personnel who directly support the operating segments, as well as costs related to the enterprise resource management system. These expenses are allocated to the operating segments based on (1) specific identification of allocable costs that represent a service provided to each segment and (2) a proportionate distribution of costs based on a weighting of factors such as revenue contribution and number of people employed within each segment.

Liquidity and Capital Resources

We have the following sources from which we can fund our operating cash requirements:

Existing cash and cash equivalents;

Available operating lines of credit;

Cash flows generated from operating activities, including working capital efficiency efforts;

Cash flows generated from the exercise, if any, of stock options during the year;

Potential additional long-term financing, including the offer and sale of debt and/or equity securities; and

Potential sales of non-core divisions, or assets.

On February 11, 2016, we entered a five-year credit agreement for a senior secured asset-based revolving credit facility in the maximum aggregate principal amount of \$350 million, subject to borrowing base capacity (the "Global Credit Facility"). The Global Credit Facility supports the working capital and general corporate needs of our global operations, in addition to funding strategic initiatives. In addition, subject to customary borrowing conditions and the agreement of any such lenders to provide such increased commitments, we may request to increase the total lending commitments under this facility to a maximum aggregate principal amount not to exceed \$450 million. The applicable margin in the Global Credit Facility ranges from 1.25% to 1.75% for loans bearing interest based on LIBOR and from 0.25% to 0.75% for loans bearing interest based on the prime rate and, in each case, is set quarterly based on average borrowing availability for the preceding fiscal quarter.

On September 19, 2017, the Global Credit Facility was amended to add an additional \$15 million U.S. asset-based credit subfacility (the "U.S. Subfacility"). On October 22, 2018, the Global Credit Facility was further amended to increase the commitment under the U.S. Subfacility by \$5 million. The entire \$20 million available for borrowing under the U.S. Subfacility was fully drawn as of October 22, 2018. The principal amount of U.S. Subfacility is

Table 1 - Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,800

repayable in quarterly instalments of \$3.33 million, commencing with the fiscal quarter ending March 31, 2019. Borrowings repaid under the U.S. Subfacility may not be borrowed again. The applicable margin for the U.S. Subfacility ranges from 2.00% to 2.50% with respect to base rate and prime rate borrowings and from 3.00% to 3.50% for eurocurrency rate and bankers acceptance rate borrowings.

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As at September 29, 2018, we had outstanding borrowings of \$274.3 million and approximately \$60 million of available borrowing capacity under the Global Credit Facility. For more information on the Global Credit Facility, see note 6(1) to the unaudited consolidated financial statements included in this report.

On October 20, 2016, SunOpta Foods issued \$231.0 million of 9.5% Senior Secured Second Lien Notes due October 9, 2022 (the "Notes"). As at September 29, 2018, the outstanding principal amount of the Notes was \$223.5 million, reflecting the redemption of \$7.5 million principal amount by SunOpta Foods in October 2017. For more information on the Notes, see note 6(2) to the unaudited consolidated financial statements included in this report.

SunOpta Foods has outstanding Preferred Stock with an aggregate stated value and initial liquidation preference of \$85 million. Cumulative preferred dividends accrue daily on the Preferred Stock at an annualized rate of 8.0% of the liquidation preference prior to October 5, 2025 and 12.5% of the liquidation preference thereafter (subject to an increase of 1.0% per quarter, up to a maximum rate of 5.0% per quarter on the occurrence of certain events of non-compliance). Prior to October 5, 2025, SunOpta Foods may pay dividends in cash or elect, in lieu of paying cash, to add the amount that would have been paid to the liquidation preference. After October 4, 2025, the failure to pay dividends in cash will be an event of non-compliance. For the quarter and three quarters ended September 29, 2018, SunOpta Foods paid cash dividends on the Preferred Stock of \$1.7 million and \$5.1 million, respectively, and, for the quarter and three quarters ended September 30, 2017, SunOpta Foods paid cash dividends on the Preferred Stock of \$1.7 million and \$5.0 million, respectively. As at September 29, 2018, SunOpta Foods had accrued unpaid dividends of \$1.7 million. For more information on the Preferred Stock, see note 7 to the unaudited consolidated financial statements included in this report.

In order to finance significant acquisitions, if any, that may arise in the future, we may need additional sources of cash that we could attempt to obtain through a combination of additional bank or subordinated financing, a private or public offering of debt or equity securities, or the issuance of common stock as consideration in an acquisition. There can be no assurance that these types of financing would be available at all or, if so, on terms that are acceptable to us.

In the event that we require additional liquidity due to market conditions, unexpected actions by our lenders, changes to our growth strategy, or other factors, our ability to obtain any additional financing on favorable terms, if at all, could be limited.

Cash Flows

Third Quarter of 2018 Compared to Third Quarter of 2017

Net cash and cash equivalents decreased \$0.2 million in the third quarter of 2018 to \$1.9 million as at September 29, 2018, compared with \$2.1 million at June 30, 2018.

Cash provided by operating activities was \$10.5 million in the third quarter of 2018, compared with cash used of \$11.1 million in the third quarter of 2017, an increase in cash provided of \$21.6 million. This increase in cash provided mainly reflected the relative timing of payments for fruit purchases, as well as a quarter-over-quarter reduction in net cash payments under the Value Creation Plan of \$8.3 million.

Cash used in investing activities was \$6.0 million in the third quarter of 2018, compared with \$7.8 million in the third quarter of 2017, an decrease in cash used of \$1.8 million. The decrease in cash used reflected the final cash receipt of \$1.0 million in the third quarter of 2018 on the note receivable from the sale of Opta Minerals Inc. ("Opta Minerals") in April 2016, and the cash payment of \$1.7 million in the third quarter of 2017 for the acquisition of the non-controlling interest in our Mexican frozen fruit operation. These factors were partially offset by higher capital expenditures in the third quarter of 2018, which included the expansion of our aseptic beverage, roasted snack and frozen fruit processing capabilities, completion of the second cocoa line in the Netherlands, and information technology enhancements across the organization.

Table 4-8: Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,8

Cash used in financing activities was \$4.7 million in the third quarter of 2018, compared with cash provided of \$18.2 million in the third quarter of 2017, an increase in cash used of \$22.9 million. The increase in cash used mainly reflected repayments under our line of credit facilities of \$2.7 million in the third quarter of 2018, compared with borrowings of \$19.2 million in the third quarter of 2017, which corresponded to the quarter-over-quarter reduction in working capital requirements.

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First Three Quarters of 2018 Compared to First Three Quarters of 2017

Net cash and cash equivalents decreased \$1.4 million in the first three quarters of 2018 to \$1.9 million as at September 29, 2018, compared with \$3.2 million as at December 30, 2017.

Cash used in operating activities was \$16.2 million in the first three quarters of 2018, compared with \$17.4 million in the first three quarters of 2017, a decrease in cash used of \$1.2 million. This decrease in cash used reflected a year-over-year reduction in net cash payments under the Value Creation Plan of \$25.1 million, which was largely offset by lower year-over-year operating results, and higher inventory purchases in the first three quarters of 2018 to support the commercialization of new consumer product offerings, and the expansion of our cocoa processing operations in the Netherlands.

Cash used in investing activities was \$22.1 million in the first three quarters of 2018, compared with \$23.3 million in the first three quarters of 2017, a decrease in cash used of \$1.2 million. The decrease in cash used reflected the collection of the Opta Minerals note receivable in the third quarter of 2018, and the acquisition of the non-controlling interest in our Mexican frozen fruit operation in the third quarter of 2017. These factors were partially offset by higher capital expenditures in the first three quarters of 2018, including the expansion of our aseptic beverage, roasted snack and frozen fruit processing capabilities, completion of the second cocoa line in the Netherlands, and implementation of an enterprise resource planning system at our Mexican frozen fruit facility, as well as other information technology enhancements across the organization.

Cash provided by financing activities was \$37.0 million in the first three quarters of 2018, compared with \$42.2 million in the first three quarters of 2017, an decrease in cash provided of \$5.2 million. The decrease in cash provided mainly reflected a \$4.1 million reduction in proceeds from employee stock option exercises, partially offset by lower borrowings under our line of credit facilities in the first three quarters of 2018, compared with the first three quarters of 2017.

Off-Balance Sheet Arrangements

There are currently no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition.

Contractual Obligations

There have been no material changes outside the normal course of business in our contractual obligations since December 30, 2017.

Critical Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, related revenues and expenses, and disclosure of gain and loss contingencies at the date of the financial statements. The estimates and assumptions made require us to exercise our judgment and are based on historical experience and various other factors that we believe to be reasonable under the circumstances. We continually evaluate the information that forms the basis of our estimates and assumptions as our business and the business environment generally changes.

There have been no material changes to the critical accounting estimates disclosed under the heading Critical Accounting Estimates in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of the Form 10-K. For a discussion of new accounting standards, see note 1 to the unaudited consolidated financial statements included in this report.

Table 1 - Segment revenues from external customers 137,254 183,459 320,713 Segment operating income 4,800 10,000 16,000

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For quantitative and qualitative disclosures about market risk, see Part II, Item 7A, Quantitative and Qualitative Disclosures about Market Risk , of the Form 10-K. There have been no material changes to our exposures to market risks since December 30, 2017.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management has established disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the Exchange Act) is recorded, processed, summarized and reported within time periods specified in the Securities and Exchange Commission's rules and forms. Such disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to its management to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), we conducted an evaluation of our disclosure controls and procedures (as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act) as of the end of the period covered by this quarterly report. Based on this evaluation, our CEO and our CFO concluded that our disclosure controls and procedures were effective as of September 29, 2018.

Changes in Internal Control Over Financial Reporting

Our management, with the participation of our CEO and CFO, has evaluated whether any change in our internal control over financial reporting (as such term is defined under Rule 13a-15(f) promulgated under the Exchange Act) occurred during the quarter ended September 29, 2018. Based on that evaluation, management concluded that there were no changes in our internal control over financial reporting during the quarter ended September 29, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of legal proceedings, see note 12 to the unaudited consolidated financial statements included under Part I, Item 1 of this report.

Item 1A. Risk Factors

Certain risks associated with our operations are discussed in Item 1A Risk Factors of our Annual Report on Form 10-K for the year ended December 30, 2017. Except for the risk factor updated below, there have been no material changes to the previously-reported risk factors as of the date of this quarterly report. Our previously reported risk factors, together with the updated risk factor below, should be carefully reviewed in connection with an evaluation of our Company.

Changes in laws or regulations governing foreign trade or taxation could adversely affect our business

Changes in governmental laws or regulations affecting foreign trade or taxation, or the introduction of new laws or regulations, may have a direct or indirect effect on our business or those of our customers or suppliers. Such changes could increase the costs of doing business for the Company, our customers, or suppliers, or restrict our actions, causing our results of operations to be adversely affected.

The current U.S. administration has expressed strong concerns about imports from countries that it perceives as engaging in unfair trade practices, and it is possible the administration could impose import duties or other restrictions on products, components or raw materials sourced from those countries, which may include countries from which we import components or raw materials. Any such import duties or restrictions could have a material adverse effect on our business, results of operations or financial condition. Moreover, these new tariffs, or other changes in U.S. trade policy, could trigger retaliatory actions by affected countries. Certain foreign governments have instituted or are considering imposing trade sanctions on certain U.S. goods. Other foreign governments are considering the imposition of sanctions that will deny U.S. companies access to critical raw materials. A trade war of this nature or other governmental action related to tariffs or international trade agreements or policies has the potential to adversely impact demand for our products, our costs, customers, suppliers and/or the economic environments in which we operate and, thus, to adversely impact our businesses.

Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. The U.S. recently enacted significant tax reform, and certain provisions of the new law may adversely affect us. In addition, governmental tax authorities are increasingly scrutinizing the tax positions of companies. Many countries in the European Union, as well as a number of other countries and organizations such as the Organization for Economic Cooperation and Development, are actively considering changes to existing tax laws that, if enacted, could increase our tax obligations in countries where we do business. If U.S. or other foreign tax authorities change applicable tax laws, our overall taxes could increase, and our business, financial condition and results of operations may be adversely impacted.

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Item 6. Exhibits

The following exhibits are included as part of this report.

10.1 Third Amendment and Joinder, dated as of October 22, 2018, to the Credit Agreement, dated as of February 11, 2016 (as amended by the First Amendment dated as of October 7, 2016 and as further amended by the Second Amendment and Joinder dated as of September 19, 2017), among SunOpta Inc., SunOpta Foods Inc., The Organic Corporation B.V., the other borrowers and guarantors party thereto, the lenders party thereto, Bank of America, N.A., as U.S. Administrative Agent, Bank of America, N.A. (acting through its Canada Branch), as Canadian Administrative Agent, Bank of America, N.A. (acting through its London Branch), as Dutch Administrative Agent, and Bank of America, N.A., as Collateral Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 25, 2018).

31.1* Certification by David Colo, President and Chief Executive Officer, pursuant to Rule 13a - 14(a) under the Securities Exchange Act of 1934, as amended.

* Filed herewith.

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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.

SUNOPTA INC.

Date: November 7, 2018

/s/ Robert McKeracher
Robert McKeracher
Vice President and Chief Financial Officer
(Authorized Signatory and Principal Financial Officer)

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