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April 1, 2020

Mr. Matthew Doheny
Chairman of the Board

Mr. Darren Hawkins
Chief Executive Officer

YRC Worldwide Inc.
10990 Roe Avenue
Overland Park, KS 66211

Dear Messrs. Doheny and Hawkins:

As you know, on March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security Act," or the "CARES Act," which authorizes approximately $2 trillion in relief for businesses and workers that have been affected by recent events related to the coronavirus outbreak. A primary focus of this sweeping stimulus bill is to provide loans and other assistance to U.S. businesses such as

YRC Worldwide Inc. ("*YRCW*") to furnish them with sufficient liquidity such that they are able to survive this crisis and keep their workers employed.

Subtitle A of Title IV ("*CESA*"), among other provisions, authorizes up to $500 billion in loans, loan guarantees and other investments by the Secretary (the "*Treasury Secretary*") of the U.S. Department of the Treasury (the "*Treasury*") in support of eligible businesses, states and municipalities, including, among other categories, (1) up to $17 billion for loans and loan guarantees for businesses critical to maintaining national security ("*National Security Businesses*") and (2) a minimum of $454 billion for loans, loan guarantees and other investments in connection with certain eligible programs or facilities established by the Board of Governors of the Federal Reserve System (the "*Federal Reserve*").

Although the full scope of the programs authorized by the CARES Act will be determined by regulatory action by the Treasury and Federal Reserve in the coming days and weeks, we believe, for the reasons discussed in this letter, that YRCW and its employees have been severely affected by the coronavirus crisis and that YRCW is the type of business critical to the nation's security and economy that should qualify for assistance under sections 4003(b)(3) and (b)(4) of CESA. If temporary liquidity assistance is not provided at the earliest possible time, YRCW and its more than 30,000 employees and their families will suffer a grievous harm.[1]

Background[2]

YRCW, a 90 year-old trucking company headquartered in Overland Park, Kansas, with over 30,000 employees, has been negatively impacted by COVID-19 and its operations are in jeopardy. YRCW is responsible for the transportation of industrial, commercial and retail goods and is critical to the U.S. government (including and especially in regard to national defense), countless small businesses, and many of the nation's largest retailers. YRCW principally provides "less-than-truckload" ("*LTL*") services, which means that YRCW acts as a "car pool" for shipments from smaller businesses that otherwise would not have enough freight to fill a full trailer. By revenue, YRCW is the second-largest LTL carrier in the United States, behind FedEx Freight, and

1 On March 30, 2020, the Treasury published Procedures and Minimum Requirements for Loans to Air Carriers and Eligible Businesses and National Security Businesses under Division A, Title IV, Subtitle A of the Coronavirus Aid, Relief, and Economic Security Act ("*Treasury Procedures*"), available at: https://home.treasury.gov/system/files/136/Procedures%20and%20Minimum%20Requirements%20for%20Loans.pdf.

2 The facts set forth in this letter are based upon representations made to Sullivan & Cromwell LLP by management representatives of YRCW.

it is the fifth largest trucking company in the United States. More than 200,000 corporate customers have YRCW companies deeply integrated into their supply chains.

YRCW is a long-standing provider of critical military transportation and other hauling services to the U.S. government. YRCW is the leading less-than-truckload provider for the U.S. government, the Department of Defense and the Department of Energy. YRCW has a majority market share of 68% of less-than-truckload services provided to the Department of Defense. The next largest less-than-truckload provider has less than 15% market share. Additionally, one of the top five less-than-truckload carriers in the United States recently dropped out of this service channel due to the supply chain complexity and the inability to meet "immediate service" demands. YRCW is also a leading transportation provider to the Department of Homeland Security and the Customs and Border Patrol. The company's expertise in military supply chain operations, combined with its coast-to-coast, 50 state network, provides the U.S. government with the assets necessary to serve the Department of Defense in warehouse, base and deployment shipping needs. In total, YRCW transported 313,000 shipments for the U.S. government over the past 12 months. YRCW directly transported 169,000 shipments for the Department of Defense in the past 12 months and another 64,000 shipments were transported for the Department of Defense by YRCW through a third-party logistics provider. YRCW transports these shipments to or from Defense Logistics Agency warehouses or directly to military bases.

Commercial goods that YRCW transports include apparel, appliances, automotive parts, chemicals, food, furniture, glass, machinery, metal, metal products, non-bulk petroleum products, rubber, textiles, wood and other manufactured products. YRCW's role in the North American supply chain is critical, especially now. As the COVID-19 crisis has developed, YRCW has continued to service its customers and keep essential freight and medical supplies moving across North America. YRCW is committed to continuing to provide these critical services during this time of national need.

More than 30,000 employees and their families across America depend directly on YRCW for their economic livelihoods and healthcare benefits, with many more families dependent upon the continued operation of YRCW through its suppliers, customers and other stakeholders. YRCW's workforce of over 30,000 employees includes 17,000 drivers in all 50 states, and YRCW is the largest employer of the Teamsters Union Freight Divisions with 24,000 members nationwide. YRCW provides full family health care benefits, and salaries, wages and employee benefits for both union and non-union employees. By way of example, YRCW funded nearly $3 billion in salaries, wages and benefits for over 30,000 employees and their families in 2019.

COVID-19 has had a significant impact on YRCW and is jeopardizing the continued operations of its business. YRCW has suffered a significant decline in volume as a result of an immediate drop in discretionary spending, with activity in recent days indicating an estimated 20% decline in volume for the second quarter of 2020. Projections we have reviewed indicate that unpaid receivables resulting from daily sales outstanding are increasing as customers that are conserving cash are slower to pay and other customers file for bankruptcy. We understand that last week's receipts missed pre-COVID 19 forecasts by nearly 25%, or $1.5 million per day and that the situation is growing worse, not better.

COVID-19's negative impact limits YRCW's access to cash at a point in time when it needs it the most. Not only is YRCW facing decreasing cash receipts, but its access to its credit facilities is shrinking as well. YRCW has two primary credit facilities: a $600 million Term Loan and a $450 million Asset-Backed Lending Facility (the "*ABL Facility*"), which provides working capital and supports YRCW's outstanding letters of credit commitments. Availability under the ABL Facility decreases as accounts receivables fall. In particular, availability is determined by reducing the amount that may be advanced against (a) eligible receivables plus (b) eligible borrowing base cash by (x) certain reserves imposed by the ABL agent (restricted cash) and (y) YRCW's outstanding letters of credit and revolving loans. As YRCW's accounts receivables have declined due to COVID-19, the amount of restricted cash has increased. YRCW estimates that as much as $134 million in restricted cash will be required by July, severely limiting the cash available to meet YRCW's ongoing liquidity needs.

At the same time, YRCW has substantial employee related obligations under its master collective bargaining agreements and related agreements that establish wages and benefit contributions. Salaries, wages and employee benefits compose over half of YRCW's operating costs. YRCW expects its required contributions in 2020 under its multi-employer pension funds and single-employer pension plans to be approximately $152.4 million. These commitments to YRCW's workforce, which are critical to the livelihoods of 30,000 employees and their families, also consume substantial working capital resources, which under the current unprecedented conditions, limit the funding available for capital expenditures and other general corporate purposes.

While the situation continues to develop, we understand that YRCW currently estimates that, as a result of COVID-19, revenues for 2020 will decline over $500 million to $4.5 billion, and earnings before interest, taxes, depreciation, and amortization ("*EBITDA*") could decline by $275 million to negative $55 million.

YRCW's ability to negotiate with its lenders under the ABL Facility and the Term Loan is limited because the lenders for both facilities are fully secured, with liens against (a) receivables that have a current value of approximately $525 million and (b) vehicles and real estate recently appraised (in the fourth quarter of 2019) at approximately $1 billion. Given this collateral protection, these lenders will be protected even if YRCW were forced to liquidate. In addition to the challenges to finding credit elsewhere in the current economic climate, YRCW faces industry-specific challenges due to the history of bankruptcies in the trucking industry, including the fact that there has never been a successful reorganization of an LTL carrier in the United States.

All the net proceeds of any additional financing, including financing that would be provided by the U.S. government, would be used to pay salaries, wages and benefits for YRCW's 30,000 employees and to purchase qualifying goods and services produced in the United States. The funding would therefore have an important positive impact across all 50 states, in addition to supporting the purchase of vehicles, equipment, parts and other goods assembled in American factories, and in stocking the shelves of American stores.

Proposed Structure of Assistance

YRCW is seeking assistance under the CARES Act through two prudently secured emergency stabilization loans, one under each of YRCW's two existing primary credit facilities: the $600 million Term Loan which matures on June 30, 2024 and the $450 million ABL Facility supporting letter of credit commitments, which matures on June 28, 2021. The proposed total amount for the stabilization loans is $600 million. Each incremental facility would be advanced against the same collateral that is currently supporting the existing private sector lenders and would have a second-ranking priority (behind the primary creditors on the collateral but ahead of the current second-ranking creditors), keeping the existing lenders at risk of loss. Lender consent for each of these incremental facilities is required and would be sought; given the cross-collateralization of the existing arrangements, both pools of lenders would have to consent to both facilities. The interest rates for these incremental facilities would be a proposed 50 basis points higher than the original contract rates with third party creditors, to be paid in cash to the extent liquidity permits, and otherwise paid in kind (PIK).

The collateral for the loans includes all of the collateral currently pledged by YRCW under its existing credit facilities, including accounts receivable, real estate and vehicles. The real estate and vehicles have been appraised within the last six months at values that fully support the amount of the loans made against them.

The amended ABL Facility and the amended Term Loan would have terms consistent with private-sector secured lending, while also complying with both the requirements and underlying policies of the CARES Act. Each borrower would make the representations and agree to the covenants required by the CARES Act expressly in the loan agreement. Additionally, YRCW will be seeking covenant waivers and waivers of other financials tests from the ABL Facility lenders and the Term Loan lenders that constrain its liquidity.

In the aggregate, the loans under the CARES Act, when coupled with the amendments sought from the ABL Facility lenders and the Term Loan lenders, will provide a stable base for YRCW to continue its operations in the ordinary course (without employee lay-offs) and weather the current economic crisis that has been brought about by these extraordinary events.

YRCW would grant a warrant to Treasury in connection with the loans, if requested.

Compliance with Section 4003(b)(3) of CESA

Section 4003(b)(3) of CESA authorizes up to $17 billion for loans and loan guarantees to National Security Businesses. CESA does not prescribe how the authorized funds are to be deployed, nor does it establish how assistance must be prioritized or impose a limit on the amount of funding any particular eligible business may receive. However, loans made under this authority are subject to a number of requirements and conditions, each of which is discussed below and with which the company would comply.

1. YRCW is a National Security Business

Assistance under section 4003(b)(3) is available only to National Security Businesses. Neither CESA nor the Treasury Procedures define "businesses critical to maintaining national security" that are eligible to receive relief under section 4003(b)(3) of CESA. However, subject to any further guidance from the Treasury, YRCW should qualify as such a business given that it is a leading provider of critical military transportation and other hauling services to the U.S. government and provides 68% of the

Department of Defense's less-than-truckload services.[3] We note that the Treasury Secretary's reasonable interpretation of this term would be entitled to deference under the principles set forth in Chevron, U.S.A., Inc. v. National Resources Defense Council, Inc.[4]

2. YRCW is an "Eligible Business"

In addition to qualifying as a National Security Business, YRCW must also be an "eligible business," which is defined under CESA as a U.S. business that has not received "adequate economic relief" in the form of loans or loan guarantees under the CARES Act. YRCW is (1) organized under Delaware law, (2) is headquartered in Overland Park, Kansas, and (3) has significant operations in, and a majority of its

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3 Looking to other statutes to help provide context to the phrase "businesses critical to maintaining national security," the Foreign Investment and National Security Act of 2007 provides that the term "national security" shall be construed so as to include those issues relating to "homeland security," including its application to critical infrastructure. Under the statute, "critical infrastructure" means "systems and assets, whether physical or virtual, so vital to the United States that the incapacity or destruction of such systems or assets would have a debilitating impact on national security." 50 U.S.C. § 4565. The Defense Production Act of 1950 includes an even broader definition of critical infrastructure, defining the term as "any systems and assets, whether physical or cyber-based, so vital to the United States that the degradation or destruction of such systems and assets would have a debilitating impact on national security, including, but not limited to, national economic security and national public health or safety." 50 U.S.C. § 4553 (emphasis added). In light of the national security implications of YRCW's business as described above (including that it provides 68% of the Department of Defense's less-than-truckload services) and with reference to analogous definitions in other federal statutes and without contrary guidance from the Treasury, we believe it would be reasonable to consider YRCW a business critical to maintaining national security for purposes of the CARES Act.

4 467 U.S. 837 (1984).

employees based in, the United States, and therefore should satisfy the U.S. business test. In addition, YRCW has not yet received any economic relief under the CARES Act.

3. Credit is not Reasonably Available to YRCW

In order to grant a loan or loan guarantee under section 4003(b)(3) of CESA, the Treasury Secretary must determine that an applicant for a loan or loan guarantee "is an eligible business for which credit is not reasonably available at the time of the transaction." As discussed above, the impact of COVID-19 on accounts receivable, the structure of the existing credit facilities and the challenges faced by the trucking industry as a whole have significantly limited the availability of credit to YRCW. We understand that alternative financing would not be available to YRCW on any terms.

4. The Loan Obligation is "Prudently Incurred" by YRCW

CESA requires that loans under section 4003(b)(3) are "prudently incurred" by the applicant, a term that is not defined in the statute or in the Treasury Procedures. We believe that the incremental facilities should satisfy this requirement. In our view, an extension of credit is prudently incurred when there is a substantial likelihood that money advanced will be repaid. The amount requested has been determined based on YRCW's projected liquidity constraints and YRCW believes that it will be in a position to pay all interest due on the emergency stabilization loans, as well as repay the loans at maturity. YRCW believes that once the current situation improves, the nation's supply chain will likely encounter a rush of freight shipments. With its cross-country network and 350 terminals, YRCW is ideally positioned to return to profitability and be an essential part of that supply chain recovery.

In addition, repayment is further assured because the obligations are sufficiently secured, as discussed further below.

5. *The Loan is Sufficiently Secured*

Loans under section 4003(b)(3) of CESA must either be (1) sufficiently secured or (2) made at a rate that (a) reflects the risk of the loan or loan guarantee and (b) to the extent practicable, is not less than a rate based on market conditions for comparable obligations prevalent prior to the coronavirus outbreak. This requirement is met because the loans would be advanced against the same collateral currently supporting the private sector lenders. The liens would have middle priority, between the current first-ranking creditors but ahead of the current second-ranking creditors. This arrangement takes advantage of the over-collateralization inherent in any prudent capital structure and allows YRCW to effectively borrow against the excess value of its assets to unlock required liquidity. The U.S. government lender would be compensated for this second ranking position through an interest rate higher than the interest rate on the existing private loans in the first ranking position.

6. Term of the Loan

The term of a loan under section 4003(b)(3) of CESA must be as short as practicable, and, in any case, not longer than five years. This requirement is met as both the ABL Facility and the Term Loan will mature within five years, and we understand from you that it would not be feasible that have a shorter maturity.

7. Other Conditions

We understand that YRCW will comply with each of the other conditions and requirements applicable to loans made under section 4003(b)(3) of CESA, including that:

- YRCW and any affiliate will not purchase any equity security of YRCW listed on a national securities exchange, except to the extent required under a contractual obligation in effect as of March 27, 2020 (the "*Repurchase Restriction*");
- until the date that is one year after the loan is no longer outstanding, YRCW will not pay dividends or make other capital distributions with respect to its common stock (the "*Dividend Restriction*");
- until September 30, 2020, YRCW will maintain its "employment levels" as of March 24, 2020 to the extent practicable, and, in any case, may not reduce its "employment levels" by more than 10% from the levels as of March 24, 2020;
- the loan agreement will include a certification that YRCW (1) is created or organized in the United States or under U.S. law and (2) has significant operations in, and a majority of its employees based in, the United States;
- YRCW has incurred or is expected to incur losses, directly or indirectly, as a result of the coronavirus outbreak, that jeopardize its continued operations;
- Treasury will receive a warrant or equity interest in YRCW as requested;

- YRCW will agree to specified limitations on the total compensation of certain employees ("*Compensation Restriction*"); and
- YRCW's chief executive officer and principal financial officer will certify, before the transaction is approved, that YRCW is eligible to enter into the loan, including that the borrower does not have certain prohibited conflicts of interest.

Assistance Under Section 4003(b)(4) of CESA

If YRCW does not obtain a loan as a National Security Business under section 4003(b)(3) of CESA, YRCW may nevertheless be eligible to participate in one or more Federal Reserve programs or facilities supported by CESA funding under section 4003(b)(4) that purchase obligations or other interests from, or make loans to, "eligible businesses" including YRCW.

YRCW satisfies the U.S. business requirement discussed above, which is also a requirement for eligibility under section 4003(b)(4). To the extent YRCW received a direct loan, it would be subject to, and we understand would be able to comply with, conditions that are similar to those described above, including the Repurchase Restriction, the Dividend Restriction and the Compensation Restriction. Although the exact structure, terms and eligibility criteria of such Federal Reserve programs and facilities are not clear at this time, nonetheless, YRCW should be able to satisfy the statutory requirements applicable to such programs.

Should you have any questions or comments with respect to this matter, please contact the undersigned at [redacted]@sullcrom.com or [redacted].

Very truly yours,

H. Rodgin Cohen

H. Rodgin Cohen

cc: J. Michael Kelley
(YRC Worldwide Inc.)

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