GASTAR EXPLORATION, INC.
Form SC 13D/A
February 28, 2014

OMB APPROVAL
OMB Number: 3235-0145
Expires: February 28, 2009
Estimated average burden
hours per response: 14.5

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 13D
(Amendment No. 1)

Under the Securities Exchange Act of 1934

GASTAR EXPLORATION, INC.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

367299203

(CUSIP Number)

Global Undervalued Securities Master Fund, L.P.
Attn: James K. Phillips
301 Commerce Street, Suite 1900
Fort Worth, Texas 76109
(817) 348-8100

With a copy to:

Richard J. Birns, Esq.
Boies, Schiller & Flexner LLP
575 Lexington Avenue, 7th Floor
New York, NY 10022
(212) 446-2300

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

February 28, 2014

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box: o

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

SCHEDULE 13D

CUSIP No. 367299203

1	NAME OF REPORTING PERSON / I.R.S. IDENTIFICATION NO. OF ABOVE PERSON Global Undervalued Securities Master Fund, L.P.		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) þ (b) ¨		
3	SEC USE ONLY		
4	SOURCE OF FUNDS (See Instructions) WC		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) o		
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		7	SOLE VOTING POWER 4,275,000
		8	SHARED VOTING POWER -0-
		9	SOLE DISPOSITIVE POWER 4,275,000
		10	SHARED DISPOSITIVE POWER -0-
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 4,275,000		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o		
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 7.0%		
14	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) PN		

CUSIP No. 367299203

1	NAME OF REPORTING PERSON / I.R.S. IDENTIFICATION NO. OF ABOVE PERSON Kleinheinz Capital Partners, Inc.		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) þ (b) ¨		
3	SEC USE ONLY		
4	SOURCE OF FUNDS (See Instructions) AF		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) o		
6	CITIZENSHIP OR PLACE OF ORGANIZATION Texas		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		7	SOLE VOTING POWER -0-
		8	SHARED VOTING POWER 4,275,000
		9	SOLE DISPOSITIVE POWER -0-
		10	SHARED DISPOSITIVE POWER 4,275,000
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 4,275,000		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o		
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 7.0%		
14	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) CO		

CUSIP No. 367299203

1	NAME OF REPORTING PERSON / I.R.S. IDENTIFICATION NO. OF ABOVE PERSON. John B. Kleinheinz		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) þ (b) ¨		
3	SEC USE ONLY		
4	SOURCE OF FUNDS (See Instructions) WC		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) o		
6	CITIZENSHIP OR PLACE OF ORGANIZATION United States		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		7	SOLE VOTING POWER -0-
		8	SHARED VOTING POWER 4,275,000
		9	SOLE DISPOSITIVE POWER -0-
		10	SHARED DISPOSITIVE POWER 4,275,000
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 4,275,000		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o		
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 7.0%		
14	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) IN		

CUSIP No. 367299203

1	NAME OF REPORTING PERSON / I.R.S. IDENTIFICATION NO. OF ABOVE PERSON Fred N. Reynolds		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) þ (b) ¨		
3	SEC USE ONLY		
4	SOURCE OF FUNDS (See Instructions) WC		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) o		
6	CITIZENSHIP OR PLACE OF ORGANIZATION United States		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		7	SOLE VOTING POWER 40,000
		8	SHARED VOTING POWER -0-
		9	SOLE DISPOSITIVE POWER 40,000
		10	SHARED DISPOSITIVE POWER -0-
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 40,000		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o		
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 0.1%		
14	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) IN		

PREAMBLE

This Amendment No. 1 to Schedule 13D amends and supplements the Schedule 13D, dated December 22, 2013, filed by Global Undervalued Securities Master Fund, L.P., a Delaware limited partnership (the "Master Fund"), Kleinheinz Capital Partners, Inc., a Texas corporation ("Kleinheinz Inc."), and Mr. John B. Kleinheinz (collectively with the Master Fund and Kleinheinz Inc., the "Kleinheinz Parties"). This Schedule 13D is filed by the Kleinheinz Parties and Mr. Fred N. Reynolds (collectively, the "Reporting Persons"), relating to shares of Common Stock of Gastar Exploration Ltd., now Gastar Exploration, Inc., a Delaware corporation (the "Issuer").

Item 3. Source and Amount of Funds or other Consideration

Item 3 is amended and supplemented to add the following information for updating as of the date hereof:

The net investment costs (including commissions, if any) of the shares of Common Stock purchased by the Reporting Persons are $16,144,968. The source of funds to purchase the Reporting Persons' shares of Common Stock was the working capital of the Reporting Persons.

Item 4. Purpose of Transaction

Item 4 is amended and supplemented to add the following information for updating as of the date hereof:

The Reporting Persons have been in discussions with the Issuer regarding representation on the Board of Directors of the Issuer (the "Board") by Mr. Kleinheinz and/or Mr. Reynolds. Such discussions have not resulted in an agreement between the Reporting Persons and the Issuer regarding Board representation, and the Reporting Persons now intend to nominate two directors to the Board at the 2014 annual meeting of stockholders of the Issuer, or any other meeting of stockholders held in lieu thereof, and any adjournments, postponements, reschedulings or continuations thereof (the "Annual Meeting").

Item 5. Interest in Securities of the Issuer

Item 5 is amended and supplemented to add the following information for updating as of the date hereof:

(a), (b) The Reporting Persons may be deemed to beneficially own in the aggregate 4,315,000 shares of Common Stock. Based on a total of 61,214,014 outstanding shares of Common Stock, as reported in the Issuer's Form 8-k, filed on January 22, 2014, the Reporting Persons' shares represent approximately 7.049% of the outstanding shares of Common Stock.

The Master Fund owns 4,275,000 shares of Common Stock (the "Master Fund Shares"), which represent approximately 6.984% of the outstanding shares of Common Stock.

Mr. Reynolds owns 40,000 shares of Common Stock (the "Reynolds Shares"), which represent approximately 0.065% of the outstanding shares of Common Stock. Additionally, Mr. Reynolds owns 2,000 shares of the 8.625% Cumulative Preferred Stock of the Issuer.

The Master Fund has the power to vote or to direct the vote of (and the power to dispose or direct the disposition of) the Master Fund Shares.

As general partner of the Master Fund, Kleinheinz Inc. may be deemed to have the shared power to vote or direct the vote of (and the shared power to dispose or direct the disposition of) the Master Fund Shares. Kleinheinz Inc. disclaims beneficial ownership of the Master Fund Shares.

As sole owner of the Master Fund and Kleinheinz Inc., Mr. Kleinheinz may be deemed to have the shared power to vote or direct the vote of (and the shared power to dispose or direct the disposition of) the Master Fund Shares. Mr. Kleinheinz disclaims beneficial ownership of the Master Fund Shares.

In accordance with the Joint Filing Agreement, dated December 22, 2013, by and among the Reporting Persons (the “Joint Filing Agreement”), each of the Kleinheinz Parties disclaims beneficial ownership over the Reynolds Shares.

Mr. Reynolds has the power to vote or to direct the vote of (and the power to dispose or direct the disposition of) the Reynolds Shares. In accordance with the Joint Filing Agreement, Mr. Reynolds disclaims beneficial ownership over the Master Fund Shares.

(c) The trading dates, number of shares of Common Stock purchased or sold, and the price per share of Common Stock for all transactions by the Reporting Persons in shares of Common Stock within the last sixty (60) days, all of which were brokered transactions, are set forth below.

Name of Reporting Person	Date	Number of Shares Purchased (Sold)	Average Price per Share
Master Fund	02/27/2014	83,000	6.45
Master Fund	02/28/2014	42,000	6.50

SIGNATURES

After reasonable inquiry and to the best of each of the undersigned's knowledge and belief, each of the undersigned, severally and not jointly, certifies that the information set forth in this statement is true, complete and correct.

Dated: February 28, 2014

GLOBAL UNDERVALUED SECURITIES MASTER FUND, L.P.

By: Kleinheinz Capital Partners, Inc., its general partner

By: /s/ John B. Kleinheinz
Name: John B. Kleinheinz
Title: President

KLEINHEINZ CAPITAL PARTNERS, INC.

By: /s/ John B. Kleinheinz
Name: John B. Kleinheinz
Title: President

JOHN B. KLEINHEINZ

/s/ John B. Kleinheinz

FRED N. REYNOLDS

/s/ Fred N. Reynolds

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177.2

159.6

332.6

294.1

Depreciation and amortization
37.6

37.2

75.3

74.3

Other operating expenses
60.6

65.5

123.2

126.8

Losses (gains) on property disposals, net
2.2

(1.0
)

5.4

1.7

Total operating expenses
1,275.6

1,207.4

2,494.4

2,377.7

Operating Income
50.9

53.2

46.6

53.5

Nonoperating Expenses:

Interest expense
25.5

25.7

51.1

51.1

Non-union pension and postretirement benefits
(0.4
)

3.2

(0.9
)

6.5

Other, net
1.0

1.7

(0.9
)

2.7

Nonoperating expenses, net
26.1

30.6

49.3

60.3

Income (loss) before income taxes
24.8

22.6

(2.7
)

(6.8
)
Income tax expense (benefit)
10.4

3.6

(2.5
)

(0.5
)
Net income (loss)
14.4

19.0

(0.2
)

(6.3
)

Other comprehensive income, net of tax
4.3

6.0

6.3

10.4

Comprehensive Income
$
18.7

$
25.0

$
6.1

$
4.1

Average Common Shares Outstanding – Basic
32,966

32,715

32,894

32,642

Average Common Shares Outstanding – Diluted
33,794

33,322

32,894

32,642

Earnings (Loss) Per Share – Basic
$
0.44

$
0.58

$
0.00

$
(0.19
)
Earnings (Loss) Per Share – Diluted
$
0.43

$
0.57

$
0.00

$
(0.19
)
The accompanying notes are an integral part of these statements.

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STATEMENTS OF CONSOLIDATED CASH FLOWS
YRC Worldwide Inc. and Subsidiaries
For the Six Months Ended June 30
(Amounts in millions)
(Unaudited)

	2018	2017
Operating Activities:		
Net loss	$(0.2)	$(6.3)
Noncash items included in net loss:		
Depreciation and amortization	75.3	74.3
Noncash equity-based compensation and employee benefits expense	12.1	11.7
Losses on property disposals, net	5.4	1.7
Other noncash items, net	3.6	6.8
Changes in assets and liabilities, net:		
Accounts receivable	(65.6)	(61.5)
Accounts payable	17.8	(0.3)
Other operating assets	(17.4)	(0.6)
Other operating liabilities	40.5	14.9
Net cash provided by operating activities	71.5	40.7
Investing Activities:		
Acquisition of property and equipment	(46.5)	(39.0)
Proceeds from disposal of property and equipment	4.2	6.7
Net cash used in investing activities	(42.3)	(32.3)
Financing Activities:		
Repayments of long-term debt	(14.6)	(9.4)
Debt issuance costs	—	(3.2)
Payments for tax withheld on equity-based compensation	(1.6)	(2.3)
Net cash used in financing activities	(16.2)	(14.9)
Net Increase (Decrease) In Cash, Cash Equivalents and Restricted Amounts Held in Escrow	13.0	(6.5)
Cash, Cash Equivalents and Restricted Amounts Held in Escrow, Beginning of Period	145.7	275.7
Cash, Cash Equivalents and Restricted Amounts Held in Escrow, End of Period	$158.7	$269.2
Supplemental Cash Flow Information:		
Interest paid	$(49.4)	$(54.1)
Income tax refund (payment), net	(2.9)	3.0

The accompanying notes are an integral part of these statements.

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STATEMENT OF CONSOLIDATED SHAREHOLDERS' DEFICIT
YRC Worldwide Inc. and Subsidiaries
For the Six Months Ended June 30, 2018
(Amounts in millions)
(Unaudited)

Preferred Stock:	
Beginning and ending balance	$—
Common Stock:	
Beginning and ending balance	$0.3
Capital Surplus:	
Beginning balance	$2,323.3
Equity-based compensation	3.3
Ending balance	$2,326.6
Accumulated Deficit:	
Beginning balance	$(2,228.6)
Net loss	(0.2)
Ending balance	$(2,228.8)
Accumulated Other Comprehensive Loss:	
Beginning balance	$(355.8)
Reclassification of prior net pension actuarial losses, net of tax	7.6
Reclassification of prior service credit, net of tax	(0.2)
Foreign currency translation adjustments	(1.1)
Ending balance	$(349.5)
Treasury Stock, At Cost:	
Beginning and ending balance	$(92.7)
Total Shareholders' Deficit	$(344.1)

The accompanying notes are an integral part of these statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YRC Worldwide Inc. and Subsidiaries
(Unaudited)

1. Description of Business

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

- YRC Freight is the reporting segment that focuses on longer haul business opportunities with national, regional and international services. YRC Freight provides for the movement of industrial, commercial and retail goods, primarily through centralized management. This reporting segment includes YRC Inc. (doing business as, and herein referred to as, "YRC Freight"), our LTL subsidiary, and Reimer Express Lines Ltd. ("YRC Reimer"). YRC Reimer is a subsidiary located in Canada that specializes in shipments into, across and out of Canada. In addition to the United States and Canada, YRC Freight also serves parts of Mexico and Puerto Rico.

- Regional Transportation is the reporting segment for our transportation service providers focused on business opportunities in the regional and next-day delivery markets. Regional Transportation is comprised of USF Holland LLC ("Holland"), New Penn Motor Express LLC ("New Penn") and USF Reddaway Inc. ("Reddaway"). These companies each provide regional, next-day ground services in their respective regions through a network of facilities located across the United States, Canada, and Puerto Rico.

At June 30, 2018, approximately 79% of our labor force is subject to collective bargaining agreements, which predominantly expire in March 2019.

2. Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of YRC Worldwide and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. We report on a calendar year basis. The quarters of the Regional Transportation companies (with the exception of New Penn) consist of thirteen weeks that end on a Saturday either before or after the end of March, June and September, whereas all other operating segment quarters end on the natural calendar quarter end. For ease of reference, the calendar quarter end dates are used herein.

We make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and notes. Actual results could differ from those estimates. We have prepared the Consolidated Financial Statements, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). In our opinion, we have made all normal recurring adjustments necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods included in these financial statements. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP") have been condensed or omitted from these statements pursuant to SEC rules and regulations. Accordingly, the accompanying Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2017.

Certain reclassifications have been made to prior year's consolidated financial statements to conform to current year presentation. Total net periodic pension cost associated with the Company's non-union defined benefit plans that was previously reported in operating expenses in the income statement is now reported in nonoperating expenses due to the adoption of Accounting Standards Update ("ASU") 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, discussed further below. This resulted in a $3.2 million and $6.5 million reclassification from "Salaries, wages and employee benefits" in operating expenses to "Non-union pension and postretirement benefits" in nonoperating expenses for the three and six months ended June 30, 2017, respectively. In addition, due to the adoption of ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, cash paid to a taxing authority when shares are withheld to satisfy the employer's statutory income tax withholding obligation are now required to be classified as a financing activity. This resulted in a $2.3 million reclassification in the six months ended June 30, 2017 from "Change in other operating liabilities" in cash flows from operating activities to

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"Payments for tax withheld on equity-based compensation" in cash flows from financing activities in the statement of consolidated cash flows.

Reclassifications Out of Accumulated Other Comprehensive Loss

For the three and six months ended June 30, 2018, we reclassified the amortization of our prior net pension losses and prior net service credit, net of tax, totaling $3.7 million and $7.4 million, respectively, from accumulated other comprehensive loss to net income (loss). For the three and six months ended June 30, 2017, we reclassified the amortization of our prior net pension loss, net of tax, totaling $3.9 million and $7.8 million, respectively, from accumulated other comprehensive loss to net income (loss). This reclassification is a component of net periodic pension cost and is discussed in the "Employee Benefits" footnote to the consolidated financial statements.

Revenue Recognition and Revenue-Related Reserves

The Company's revenues are derived from the transportation services we provide through the delivery of goods over the duration of a shipment. Upon receipt of the bill of lading, the contract existence criteria is met as evidenced by a legally enforceable agreement between two parties where collectability is probable, thus creating the distinct performance obligation. The Company has elected to expense initial direct costs as incurred because the average shipment cycle is less than one week.

The YRC Freight and Regional Transportation segments recognize revenue and substantially all the purchased transportation expense on a gross basis because we direct the use of the transportation service provided and remain responsible for the complete and proper shipment.

Inherent within our revenue recognition practices are estimates for revenue associated with shipments in transit and future adjustments to revenue and accounts receivable for billing adjustments and collectability.

For shipments in transit, we record revenue based on the percentage of service completed as of the period end and recognize delivery costs as incurred. The percentage of service completed for each shipment is based on how far along in the shipment cycle each shipment is in relation to standard transit days. Standard transit days are defined as our published service days between origin zip code and destination zip code. The total revenue earned is accumulated for all shipments in transit at a particular period end and recorded as operating revenue.

Given the nature of our transportation services, future adjustments may arise which creates variability when establishing the transaction price used to recognize revenue. We have a high volume of performance obligations with similar characteristics, therefore we primarily use historical trends to arrive at estimated reserves. For rerate reserves, which are common for LTL carriers, we assign pricing to bills of lading at the time of shipment based primarily on the weight, general classification of the product, the shipping destination and individual customer discounts. This process is referred to as rating. At various points throughout our process, incorrect ratings could be identified based on many factors, including weight and commodity verifications. Although the majority of rerating occurs in the same month as the original rating, a portion occurs during the following periods. For the reserve for uncollectible accounts, we primarily use historical write-off experience but may also consider customer-specific factors, overall collection trends and economic conditions as part of our ongoing monitoring of credit.

We considered the disclosure requirements for revenue disaggregation guidance in ASC Topic 606 and noted that our segments disaggregate our revenues based on geographic and time-based factors as our Regional Transportation segment carriers operate in a smaller geographic footprint and have a shorter length of haul as compared to our YRC Freight segment.   No other criteria listed in the guidance or through our review process was considered to be meaningful for financial statement users. As such, we conclude that no further disaggregation of revenues is necessary. Refer to the “Business Segments” footnote to the consolidated financial statements for more details.

Newly Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, Revenue from Contracts with Customers. The new standard became effective for the Company for its annual reporting period beginning January 1, 2018, recognizing the cumulative effect using a modified retrospective approach. There was no cumulative effect adjustment recorded. The Company has completed the implementation including the impacts of new expanded disclosure requirements and the impacts on the Company’s internal control over financial reporting and has included updates to our disclosures herein.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows, to clarify the guidance on how companies present restricted cash and restricted cash equivalents in the statement of cash flows. As a result, the Company no longer presents transfers

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between cash and cash equivalents and restricted cash in the statement of cash flows. The new standard became effective for the Company for its annual reporting period beginning January 1, 2018, and was adopted using a retrospective transition approach. The statement of consolidated cash flows has been updated to reflect the presentation of beginning and ending cash to include "Cash and cash equivalents" as well as "Restricted amounts held in escrow" and removed changes in restricted escrows as a component of investing activities.

In March 2017, the FASB issued ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which requires companies to present the service cost component of net benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. All other components of net benefit cost are presented outside of any subtotal for operating income, if one is presented. The new standard was effective and implemented for the Company for its annual reporting period beginning January 1, 2018, with retrospective application.

Impact of Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, Leases, which requires lessees to recognize a right-to-use asset and a lease obligation for all leases. Additional qualitative and quantitative disclosures, including significant judgments made by management, will be required. The new standard will become effective for the Company for its annual reporting period beginning January 1, 2019, including interim periods within that reporting period. The Company will adopt the standard using a modified retrospective approach with the effective date of the standard as the date of initial application.

Upon adoption, the Company plans to elect the package of three practical expedients which allows entities to not reassess initial direct costs, lease classification for existing or expired leases, and lease definition for existing or expired contracts as of the effective date of January 1, 2019. Additionally, the Company does not plan to elect the hindsight method practical expedient which would allow us to reassess lease terms and impairment. For leases with a term of twelve months or less, the Company plans to make an accounting policy election in which the right of use lease asset and lease liability will not be recognized on the consolidated balance sheet. The Company does not plan to separate lease and non-lease components for its revenue equipment and real property leases.

Using a cross functional team, the Company has identified a software solution to measure and record right-of-use asset and liability balances and has entered a majority of the existing leases into the solution. The Company will continue to evaluate contractual lease obligations and refine our understanding of the accounting impacts and the necessary updates to our internal controls over financial reporting from the adoption of the new standard. We expect the adoption of this standard will have a material impact on the consolidated financial statements through the recognition of significant right-of-use assets and liabilities. The income statement impact continues to be evaluated.

In February 2018, the FASB issued ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, in response to the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), to provide the option to reclassify certain tax effects out of other comprehensive income and to retained earnings. The Company elected not to apply this reclassification option as it will not have a material impact on our consolidated financial statements.

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3. Debt and Financing

Our outstanding debt as of June 30, 2018 consisted of the following:

As of June 30, 2018 (in millions)	Par Value	Discount	Debt Issuance Costs	Book Value	Stated Interest Rate	Average Effective Interest Rate
Term Loan	$586.5	$ (9.1)	$ (7.4)	$570.0	10.6 % [(a)]	11.0 %
ABL Facility	—	—	—	—	N/A	N/A
Secured Second A&R CDA	26.9	—	(0.1)	26.8	7.0-18.3%	7.9 %
Unsecured Second A&R CDA	48.2	—	(0.3)	47.9	7.0-18.3%	7.9 %
Lease financing obligations	249.1	—	(0.6)	248.5	8.7-18.2%	12.0 %
Total debt	$910.7	$ (9.1)	$ (8.4)	$893.2		
Current maturities of Term Loan	(18.0)	—	—	(18.0)		
Current maturities of lease financing obligations	(9.0)	—	—	(9.0)		
Current maturities of Unsecured Second A&R CDA	$(1.5)	$ —	$ —	$(1.5)		
Long-term debt	$882.2	$ (9.1)	$ (8.4)	$864.7		

(a) Variable interest rate of 1, 3 or 6-month LIBOR, with a floor of 1.0%, plus a fixed margin of 8.50%.

ABL Facility Availability

Our principal sources of liquidity are cash and cash equivalents, available borrowings under our asset-based loan facility (the
"ABL Facility") and any prospective net cash flow from operations. As of June 30, 2018, our availability under our ABL Facility was $74.7 million, which is derived by reducing the amount that may be advanced against eligible receivables plus eligible borrowing base cash by certain reserves imposed by the ABL Agent and our $351.5 million of outstanding letters of credit. Our Managed Accessibility was $32.1 million, which is the measure of availability management uses based on the ABL requirement to maintain availability in an amount at least equal to or above 10% of the collateral line cap. Our cash and cash equivalents and Managed Accessibility were $190.8 million as of June 30, 2018.

Credit Facility Covenants

The credit agreement (the "Term Loan Agreement") governing our term loan facility (the "Term Loan") has certain financial covenants, that, among other things, restrict certain capital expenditures and require us to comply with a maximum total leverage ratio covenant (defined as Consolidated Total Debt divided by Consolidated Adjusted EBITDA as defined below).

Our total maximum leverage ratio covenants are as follows:

Four Consecutive Fiscal Quarters Ending	Maximum Total Leverage Ratio	Four Consecutive Fiscal Quarters Ending	Maximum Total Leverage Ratio
June 30, 2018	3.50 to 1.00	March 31, 2020	3.00 to 1.00
September 30, 2018	3.50 to 1.00	June 30, 2020	3.00 to 1.00
December 31, 2018	3.50 to 1.00	September 30, 2020	2.75 to 1.00
March 31, 2019	3.25 to 1.00	December 31, 2020	2.75 to 1.00
June 30, 2019	3.25 to 1.00	March 31, 2021	2.75 to 1.00
September 30, 2019	3.25 to 1.00	June 30, 2021 and thereafter	2.50 to 1.00
December 31, 2019	3.00 to 1.00		

Consolidated Adjusted EBITDA, defined in our Term Loan Agreement as “Consolidated EBITDA,” is a measure that reflects our earnings before interest, taxes, depreciation, and amortization expense, and is further adjusted for, among other things, letter of credit fees, equity-based compensation expense, net gains or losses on property disposals, restructuring charges, transaction costs related to issuances of debt, non-recurring consulting fees, expenses associated with certain lump sum payments to our union employees and the gains or losses from permitted dispositions and discontinued operations. Consolidated Total Debt, as defined

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in our Term Loan Agreement, is the aggregate principal amount of indebtedness outstanding. Our total leverage ratio for the four consecutive fiscal quarters ending June 30, 2018 was 3.18 to 1.00.

Impacts to our consolidated financial statements due to the implementation of ASC 842, Leases, on January 1, 2019 will not impact our compliance with the financial covenants included in our Term Loan Agreement as changes in generally accepted accounting principles subsequent to the date of the agreement are not required to be implemented for purposes of covenant calculations.

We believe that our results of operations will be sufficient to allow us to comply with the covenants in the Term Loan Agreement, fund our operations, increase working capital as necessary to support our planned revenue growth and fund capital expenditures for at least the next twelve months. Our ability to satisfy our liquidity needs and meet future stepped-up covenants beyond the next twelve months is dependent upon our ability to achieve operating results that reflect improvement over our 2017 results. Means for improving our profitability may include streamlining our support structure and networks, as well as ongoing successful implementation and realization of pricing, productivity and efficiency initiatives, in addition to increased volume and shipments, and increasing capital expenditures, some of which are outside of our control.

Fair Value Measurement

The book value and estimated fair values of our long-term debt, including current maturities and other financial instruments, are summarized as follows:

	June 30, 2018		December 31, 2017	
(in millions)	Book Value	Fair value	Book Value	Fair value
Term Loan	$570.0	$ 595.8	$576.8	$ 596.9
Lease financing obligations	248.5	248.1	254.6	257.7
Second A&R CDA	74.7	76.3	74.7	75.3
Total debt	$893.2	$ 920.2	$906.1	$ 929.9

The fair values of the Term Loan and the Second Amended and Restated Contribution Deferral Agreement (the “Second A&R CDA”) were estimated based on observable prices (level two inputs for fair value measurements). The fair value of the lease financing obligations is estimated using a publicly-traded secured loan with similar characteristics (level three input for fair value measurement).

4. Employee Benefits

Qualified and Nonqualified Defined Benefit Pension Plans

The following table presents the components of our Company-sponsored pension plan costs for the three and six months ended June 30:

	Three Months		Six Months	
(in millions)	2018	2017	2018	2017
Service cost	$0.1	$1.3	$0.2	$2.6
Interest cost	10.9	12.8	21.8	25.6
Expected return on plan assets	(15.1)	(14.8)	(30.2)	(29.6)

Amortization of prior service credit	(0.1)	—	(0.2)	—
Amortization of prior net pension loss	3.7	3.9	7.4	7.8
Total net periodic pension cost	$(0.5)	$3.2	$(1.0)	$6.4

We expect to contribute $15.4 million to our Company-sponsored pension plans in 2018, of which we have contributed $2.3 million through June 30, 2018.

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5. Income Taxes

Our effective tax rate for the three and six months ended June 30, 2018 was 41.9% and 92.6%, respectively, compared to 15.9% and 7.4% for the three and six months ended June 30, 2017, respectively. The significant items impacting the 2018 rates include a provision for net state and foreign taxes, foreign withholding taxes related to dividends from a foreign subsidiary, certain permanent items, and a change in the valuation allowance established for the net deferred tax asset balance projected for December 31, 2018. The significant items impacting the 2017 rates include a provision for federal alternative minimum tax, a net state and foreign tax provision, certain permanent items, and a change in the valuation allowance established for the net deferred tax asset balance that had been projected for December 31, 2017. We recognize valuation allowances o