

# INTERNATIONAL BROTHERHOOD OF TEAMSTERS

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## MEMORANDUM

**To:** Yellow Corp. Local Unions (including YRC Freight, Holland, New Penn and Reddaway)

**From:** John A. Murphy, National Freight Director and Co-Chair, TNFINC

**Date:** June 2, 2025

**Re:** Yellow Corporation Bankruptcy Update

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### **TO ALL LOCAL UNIONS HAVING MEMBERS EMPLOYED OR FORMERLY EMPLOYED BY YELLOW CORPORATION AFFILIATES**

This Memorandum is an important update to the Yellow Bankruptcy proceedings. Included below is a summary of the Yellow Bankruptcy Proceedings to date and information about what to expect moving forward. Please review this memo carefully.

#### **I. YELLOW CORPORATION BANKRUPTCY SUMMARY**

Yellow Corporation and its operating companies ("Yellow") filed for bankruptcy in the District of Delaware Bankruptcy Court on August 6, 2023. The International Union and TNFINC (the "Union") entered an appearance in the case on behalf of Local Teamster Unions whose members hold claims against Yellow's operating companies—YRC Inc., USF Holland, LLC, New Penn Motor Express, LLC, and USF Reddaway, Inc. Claims filed by the Union include contract claims for vacation pay, sick pay, and other paid time, as well as grievance pay. Health and Welfare and Pension Funds have entered their own appearances in the case and represent claims for unpaid pension, health and welfare fund contributions.

At the beginning of the bankruptcy proceeding, the Union was appointed to the Unsecured Creditors' Committee along with eight other entities holding large unsecured claims. Central States Pension Fund and New York State Teamsters Conference are also members of the Unsecured Creditors' Committee. The Unsecured Creditors' Committee's role is to represent the interests of all general unsecured creditors as a check and balance to the actions of the Debtor in the bankruptcy.

Upon filing for bankruptcy, Yellow announced it would liquidate its assets. The goal of any bankruptcy liquidation is to sell assets and maximize value for creditors. The proceeds

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garnered from asset sales are then used to pay creditors what they are owed, according to a statutory framework. The sales of assets and satisfaction of claims have taken significant time. The actions the Union has taken in pursuit of satisfaction of member claims, and the unresolved case issues are described in detail below.

## **II. PROOF OF CLAIM FILING PROCESS**

To receive payment from a bankruptcy entity creditors must file a proof of their claim, detailing the value and basis of their claim. On November 12, 2023, the Union filed four proofs of claim against Yellow's four operating companies on behalf of all bargaining unit members formerly employed by the operating companies.<sup>1</sup> The Union demanded payment of members' accrued unused vacation, sick, and personal time, as well as unpaid grievances. The Union demanded damages pursuant to the Worker Adjustment and Retraining Act ("WARN Act") and its state analogues, which requires an employer give 60-days' notice to employees before initiating a plant closing or mass layoff. The Union demanded payment of certain other damages. The Union, as exclusive bargaining representative, is able to act on members' behalf with regard to these claims. the Union cannot act on members' behalf in regard to any other claims, such as workers' compensation.

Regarding the WARN Act, not every bargaining unit member affected by the Yellow bankruptcy will be eligible to receive potential WARN Act damages based on the members' tenure with Yellow, the size of their work location, and their state of residence and employment.

Some bargaining unit members filed their own proofs of claim. Filing your own proof of claim will not cause double-recovery; rather, the Union is working with Yellow to reconcile an individual proof of claim with the Union's proof of claim to ensure maximum value goes to the member.<sup>2</sup>

## **III. WARN ACT OBJECTION**

On March 12, 2024, Yellow objected to the Union's WARN Act claims. In its objection, Yellow argued to the Bankruptcy Court that Yellow does not owe WARN Act damages because it qualifies for certain legal exceptions to the WARN Act's requirement that employers give 60-days' notice of a mass layoff. Specifically, Yellow argued that it did not owe notice to employees because 1) Yellow was not an "employer" at the time it shut down and therefore it was not required to comply with the WARN Act, 2) if Yellow was required to comply with the WARN Act, it should be excepted from compliance because its shutdown was unforeseeable, and 3) Yellow should be excepted from compliance because it was seeking financing 60-days prior to the shutdown and could not give notice of the shutdown without risking such financing.

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<sup>1</sup> The Union's four proofs of claim are available for download at <https://dm.epiq11.com/case/yellowcorporation/claims> by searching "IBT and TNFINC".

<sup>2</sup> If you are a member who filed an individual proof of claim, you will be receiving a letter from the Union asking for additional information in the near future. The Union requires additional information only from members who filed their own proofs of claim in order to reconcile the individuals' claim with the Unions' claim filed on their behalf.

The Union filed a response on behalf of all bargaining unit members, arguing that Yellow did not give its former employees 60-days' notice of its shutdown, and therefore owed damages to bargaining unit members.

Over the next year, Yellow and the Union litigated the issue of whether Yellow owes WARN Act damages to bargaining unit members. The litigation culminated with a trial on January 21-23, 2025.<sup>3</sup> On February 26, 2025, the Bankruptcy Judge issued a memorandum decision ruling in favor of Yellow, stating that Yellow was not an employer when it shut down and therefore was not required to give 60-days' notice of the shutdown. The Judge ruled that Yellow did not owe bargaining unit members any damages.

The Union appealed the decision to the District Court of Delaware. On May 9, 2025 the Union filed its opening brief with the District Court, arguing that the Bankruptcy Judge made an error when it held that Yellow was not an employer at the time it shut down its operations. The Union agreed with the Bankruptcy Judge that the notice given by Yellow to the Union was deficient, and did not satisfy the requirements of the WARN Act. The Union argued that whether or not Yellow was an employer should be judged from the time Yellow should have given its employees notice of an impending shutdown—in late May, 2023. The Union argued that Yellow should be liable for a full 60-days of pay to employees.

On a global scale, the Union believes the Court's reading of the WARN Act can render it meaningless by allowing employers to avoid liability all together by waiting until after they have shut down operations before notifying their employees that they are being terminated. Teamster members should not be subject to a different standard than other Yellow employees simply because our members worked loyally until the bitter end.

Yellow will respond to the Union's appeal arguments, and the Union will have the opportunity to reply. Briefing will complete in July, 2025. Whether members' receive WARN Act damages remains an open issue, and the Bankruptcy Judge's ruling is not final given the Union's active appeal. Unfortunately, the Union cannot offer a prediction as to when the WARN Act issue will resolve. After briefing completes, the District Court Judge assigned to the case may take whatever time necessary to render a decision.

#### **IV. CONTRACT CLAIM RECONCILIATION**

Yellow has not objected to the Union's contract based claims. Rather, Yellow and the Union are working jointly to reconcile the Union's records of owed vacation, sick, personal, and grievance pay to members with Yellow's records. The reconciliation process is ongoing.

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<sup>3</sup> Two other groups of plaintiffs reached a settlement with Yellow regarding their WARN Act claims. The first plaintiffs' group is a collection of non-union employees. The second plaintiffs' group is a collection of some Teamster union members that chose to hire and pay their own counsel as well as some non-union employees. Regarding the titles of news articles you may see—the Union has not settled with Yellow. News that the Union has either settled with or prevailed against Yellow regarding its WARN Act claims will come directly from TNFNC to locals and members.

Importantly, the Judge's ruling and the Union's forthcoming appeal should not affect its ongoing efforts to reconcile member claims related to unpaid vacation or sick time with Yellow, nor the timing of Yellow's payment to members of their contract-based claims. The Union will continue to pursue and advocate for members' claims to ensure that members receive the compensation they are owed under contract and under law.

## **V. SALE UPDATE**

Since filing for bankruptcy, Yellow has pursued liquidation of its assets. To date, Yellow has garnered approximately \$2 billion in proceeds from sale of its assets. With the proceeds, Yellow has satisfied 100% of its secured debt, which totaled about \$1.2 billion.

Yellow still owes \$1.3 billion to \$2.7 billion in unsecured claims. It is expected that several hundred-million dollars will be available for distribution to unsecured creditors, but the final distributable value is unknown as Yellow continues to liquidate a few remaining properties and rolling stock.

## **VI. PLAN OF LIQUIDATION**

Before payments from Yellow's estate can be distributed to unsecured creditors, Yellow must confirm a Plan of Reorganization, also known as a Plan of Liquidation ("Plan"), is presented to unsecured creditors, voted on by creditors, and ultimately confirmed by the Bankruptcy Court. A Plan of Liquidation describes the distributable value available for unsecured creditors and the scheduled order of payments to unsecured creditors.

On November 22, 2024, Yellow submitted a Plan to the Delaware Bankruptcy Court. Yellow revised the Plan several times over the subsequent months, requiring a similar revision and extension of voting deadlines. Ultimately, no vote of unsecured creditors took place regarding this Plan. On March 28, 2025, the Unsecured Creditors' Committee and Yellow filed a Joint Plan of Liquidation ("Joint Plan") which, along with explaining the distributable value and schedule of payments to creditors, also outlined a settlement structure between several Multi-Employer Pension Plans ("MEPPs") and Yellow.

Because the Joint Plan seemed to satisfy both Yellow and a majority of unsecured creditors' goals, Yellow and the Unsecured Creditors Committee asked the Judge not to issue any subsequent rulings related to ongoing litigation between Yellow and the MEPPs, based on concern that a ruling from the Judge could destroy the settlement within the Joint Plan. Equity holder, MFN Partners, LLP, argued against the Joint Plan to the Court, urging the Judge to issue a ruling regarding the ongoing MEPP litigation.

The Judge ultimately issued a statement regarding the ongoing MEPP litigation, which included a substantially different view of the MEPP litigation than the settlement contemplated within the Joint Plan. Based on the Judge's statement and view of the case, neither Yellow nor the Unsecured Creditors' Committee is pursuing the Joint Plan. Rather, Yellow, the Unsecured Creditors' Committee, and the MEPPs are engaging in further discussion about a potential revised Joint Plan.

While a Plan structure is in flux, the Union's directive to locals and members who may have filed proofs of claim remains the same: You do not need to respond to or take any action concerning any plan of liquidation; You do not need to cast a vote for or against any Plan. The Union is representing locals and members in their contract (vacation, sick, other paid-time-off, and grievances) and WARN claims against Yellow. The Union will vote on your behalf either for or against any Plan put before the Court. The Union will make a decision on whether to support the Plan if the Union believes the plan facilitates the best possible recovery for employees and according to its duty of fair representation to all bargaining unit members.

Because a Plan of liquidation is in flux, the timeline of payment from Yellow's estate to bargaining unit members is also in flux. Previously, the Union believed that payments could be made to bargaining unit members during the summer, 2025. As soon as the Union is able to predict a new timeline, it will alert you.

## **VII. NEXT STEPS AND TIMELINE MOVING FORWARD**

The Union continues to reconcile contract claims with Yellow. The Union continues to pursue its appeal of the Bankruptcy Judge's WARN Act decision. The WARN Act, should the Union prevail at the District Court level, at maximum awards 60-days of pay to as damages. For most members of the bargaining unit, 60-days of pay totals about \$11,000.00/person. This figure does not account for normal withholdings. The contract claims consisting of accrued and unused paid-time-off and unsettled grievances varies significantly from member to member. However, most members hold claims of about \$5,000.00 total based on their contract. This figure does not account for normal withholdings.

A portion of former employee claims is given a "priority" position by the Bankruptcy Code. Specifically, the amount of an employee's claim that was accrued within 6-months of the bankruptcy filing must be paid in full, up to a cap of \$15,150.00. Any claim owed to employees that was accrued outside of 6 months prior to the bankruptcy filing is not priority and is not guaranteed to be paid. Bargaining unit members should understand that the repayment they may receive from Yellow could sit anywhere from a few hundred dollars to \$15,150.00, but not significantly more than that. Each member's situation, claims, and potential recovery is different. The Union cannot guarantee a particular outcome for any one member; but the Union is working diligently to maximize the recovery for all members.

The Union cannot offer a timeline of payment moving forward. Previously the Union believed payments to members could be made beginning summer, 2025. However, given the significant uncertainty of when a plan of liquidation may be confirmed, the Union cannot provide a revised payment expectation.

Once a plan of liquidation is confirmed by the Bankruptcy Court, it is highly likely that Yellow will utilize its existent electronic payroll system to pay members. Therefore, members should keep their bank accounts open that it had linked to Yellow's direct deposit system.

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If you have already closed your bank account, you should keep your addresses updated with their applicable Local Teamster Union. Estate disbursements will go directly to the individual employee, requiring either Yellow or the IBT to have the most recent accurate address on file of members.