

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-12255

YELLOW CORPORATION  
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(Exact name of registrant as specified in its charter)

Delaware  
-----

(State or other jurisdiction of  
incorporation or organization)

48-0948788  
-----

(I.R.S. Employer  
Identification No.)

10777 Barkley, P.O. Box 7563, Overland Park, Kansas  
-----

(Address of principal executive offices)

66207  
-----

(Zip Code)

(913) 967-4300  
-----

(Registrant's telephone number, including area code)

No Changes  
-----

(Former name, former address and former fiscal year, if changed since last  
report)

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days.

Yes  No   
--- ---

Indicate the number of shares outstanding of each of the issuer's classes of  
common stock, as of the latest practicable date.

Class -----	Outstanding at April 30, 1996 -----
Common Stock, \$1 Par Value	28,105,797 shares

## YELLOW CORPORATION

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## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEETS

Yellow Corporation and Subsidiaries  
 March 31, 1996 and December 31, 1995  
 (Amounts in thousands except share data)  
 (Unaudited)

	March 31 1996	December 31 1995
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash	\$ 15,725	\$ 25,861
Short-term investments	-	5,414
Accounts receivable	331,484	323,814
Refundable income taxes	49,351	49,529
Prepaid expenses and other	63,832	80,392
	-----	-----
Total current assets	460,392	485,010
	-----	-----
PROPERTY AND EQUIPMENT:		
Cost	1,984,937	1,989,389
Less - Accumulated depreciation	1,091,910	1,067,541
	-----	-----
Net property and equipment	893,027	921,848
	-----	-----
OTHER ASSETS		
	26,699	28,039
	-----	-----
	\$1,380,118	\$1,434,897
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Unsecured bank credit lines	\$ 25,000	\$ 9,000
Accounts payable and checks outstanding	102,077	154,653
Wages and employees' benefits	144,647	134,178
Other current liabilities	143,955	142,040
Current maturities of long-term debt	2,911	2,925
	-----	-----
Total current liabilities	418,590	442,796
	-----	-----
OTHER LIABILITIES:		
Long-term debt	327,442	341,648
Deferred income taxes	54,227	56,032
Claims, insurance and other	171,500	171,744
	-----	-----
Total other liabilities	553,169	569,424
	-----	-----
SHAREHOLDERS' EQUITY:		
Common stock, \$1 par value	28,858	28,858
Capital surplus	6,678	6,678
Retained earnings	390,443	404,761
Treasury stock	(17,620)	(17,620)

Total shareholders' equity	----- 408,359 -----	----- 422,677 -----
	=====	=====
	\$1,380,118	\$1,434,897
	=====	=====

The accompanying notes are an integral part of these statements.

STATEMENTS OF CONSOLIDATED INCOME  
Yellow Corporation and Subsidiaries  
For the Three Months Ended March 31, 1996 and 1995  
(Amounts in thousands except per share data)  
(Unaudited)

	1996	1995
	-----	-----
OPERATING REVENUE	\$ 741,678	\$ 764,998
	-----	-----
OPERATING EXPENSES:		
Salaries, wages and benefits	500,280	502,097
Operating expenses and supplies	118,280	115,838
Operating taxes and licenses	29,617	28,959
Claims and insurance	17,351	20,414
Communications and utilities	11,325	11,469
Depreciation	33,502	34,106
Purchased transportation	39,474	43,514
	-----	-----
Total operating expenses	749,829	756,397
	-----	-----
INCOME (LOSS) FROM OPERATIONS	(8,151)	8,601
	-----	-----
NONOPERATING (INCOME) EXPENSES:		
Interest expense	6,852	5,057
Other, net	823	(2,282)
	-----	-----
Nonoperating expenses, net	7,675	2,775
	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES	(15,826)	5,826
INCOME TAX PROVISION (BENEFIT)	(1,575)	2,628
	-----	-----
NET INCOME (LOSS)	\$ (14,251)	\$ 3,198
	=====	=====
AVERAGE COMMON SHARES OUTSTANDING	28,106	28,106
	=====	=====
EARNINGS (LOSS) PER SHARE	\$ (.51)	\$ .11
	=====	=====

The accompanying notes are an integral part of these statements.

STATEMENTS OF CONSOLIDATED CASH FLOWS  
Yellow Corporation and Subsidiaries  
For the Three Months Ended March 31, 1996 and 1995  
(Amounts in thousands)  
(Unaudited)

	1996	1995
	-----	-----
<b>OPERATING ACTIVITIES:</b>		
Net cash from (used in) operating activities	\$ (10,174)	\$ 6,019
	-----	-----
<b>INVESTING ACTIVITIES:</b>		
Acquisition of property and equipment	(9,520)	(54,006)
Proceeds from disposal of property and equipment	2,419	7,019
Purchases of short-term investments	(1,684)	(2,959)
Proceeds from maturities of short-term investments	7,098	3,026
	-----	-----
Net cash used in investing activities	(1,687)	(46,920)
	-----	-----
<b>FINANCING ACTIVITIES:</b>		
Proceeds from unsecured bank credit lines, net	16,000	10,000
Commercial paper borrowings, net	(13,644)	38,852
Repayment of long-term debt	(631)	(662)
Cash dividends paid to shareholders	-	(6,605)
	-----	-----
Net cash from financing activities	1,725	41,585
	-----	-----
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(10,136)</b>	<b>684</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>25,861</b>	<b>17,613</b>
	-----	-----
<b>CASH, END OF PERIOD</b>	<b>\$ 15,725</b>	<b>\$ 18,297</b>
	=====	=====
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Income taxes paid	\$ 977	\$ 3,647
	=====	=====
Interest paid	\$ 3,293	\$ 2,173
	=====	=====

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Yellow Corporation and Subsidiaries

1. The accompanying consolidated financial statements include the accounts of Yellow Corporation and its wholly-owned subsidiaries (the company) and have been prepared by the company, without audit by independent public accountants, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, all normal recurring adjustments necessary for a fair statement of the results of operations for the interim periods included herein have been made. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from these statements pursuant to such rules and regulations. Accordingly, the accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements included in the company's 1995 Annual Report to Shareholders.
2. The company provides freight transportation services primarily to the less-than-truckload (LTL) market in North America through its subsidiaries, Yellow Freight System, Inc. (Yellow Freight), Preston Trucking Company, Inc. (Preston Trucking), Saia Motor Freight Line, Inc. (Saia) and WestEx, Inc. (WestEx). Yellow Technology Services, Inc. (Yellow Technology) supports the company's subsidiaries - primarily Yellow Freight - with information technology. Yellow Freight, the company's principal subsidiary, comprises approximately 77% of total revenue while Preston Trucking comprises approximately 14% and Saia comprises approximately 8%.
3. Effective January 1, 1996, the company adopted the Financial Accounting Standards Board Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. The adoption did not have a material impact on the financial condition or results of operations of the company.

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

FINANCIAL CONDITION

March 31, 1996 Compared to December 31, 1995

Working capital remained relatively constant during the first three months of 1996, resulting in a \$41.8 million positive working capital position at March 31, 1996 compared to \$42.2 million at December 31, 1995. Accounts receivable growth was moderate during the period as increased revenue levels at the end of the respective periods of comparison were mostly offset by improvement in days sales outstanding, primarily at Yellow Freight.

## FINANCIAL CONDITION (continued)

Total debt remained essentially unchanged during the first three months of 1996, showing a \$1.8 million increase compared to December 31, 1995 levels. Bank credit line borrowings were used during the period to replace a portion of the commercial paper borrowings. Working capital and capital spending needs were funded by a cash dividend from Canadian operations of \$23.0 million. In April, the company received a federal tax refund of \$45 million which was used to pay down debt and improve the balance sheet. Net capital expenditures for the first three months of 1996 were \$7.1 million. It is anticipated that the remaining net capital spending for 1996 will be approximately \$57 million.

## RESULTS OF OPERATIONS

## Comparison of Three Months Ended March 31, 1996 and 1995

Yellow Corporation reported a net loss for the quarter of \$14.3 million, or \$.51 per share, including a non-recurring charge to the income tax provision of \$6.7 million, or \$.24 per share. This compares to net income of \$3.2 million, or \$.11 per share, in the first quarter of 1995. First quarter 1996 operating revenue was \$741.7 million, down 3.0%, from the \$765.0 million recorded during the same period last year. The loss, excluding the tax charge, was \$7.6 million, or \$.27 per share, and was in line with Wall Street expectations. The tax charge resulted from a cash dividend from Canadian operations of \$23.0 million, which was used to pay down debt.

Yellow Freight recorded operating revenue of \$576.1 million in the first quarter of 1996 compared to \$592.0 million in the first quarter of 1995, a decrease of 2.7%. This decrease was caused mainly by a 1.6% decline in the number of shipments handled and a 3.5% reduction in LTL tonnage. Pricing levels in the first quarter of 1996 were relatively static compared to the first quarter of 1995 as a result of price discounting in 1995 that more than offset the January 1996 rate increases.

Yellow Freight had an operating loss of \$2.3 million in the first quarter of 1996 compared to operating income of \$9.1 million in the first quarter of 1995. Yellow Freight's operating ratio of 100.4 reflects increases in fixed costs, primarily the April 1, 1995 contract wage and benefit increases of 3.2%, as well as costs associated with the series of severe winter storms experienced in the first quarter of 1996. Higher costs also resulted from a decrease in the system load average attributable to a transit time improvement program implemented in the third quarter of 1995. Yellow Freight cost and pricing improvement initiatives proceeded according to plan resulting in some margin improvement. However, first quarter benefits were more than offset by the weather-related costs. Additional cost improvement at Yellow Freight is expected throughout the year even though contract wage and benefit increases of 3.8% went into effect April 1, 1996.

Preston Trucking recorded operating revenue of \$98.4 million in the first quarter of 1996 compared to \$103.4 million in the first quarter of 1995, a decrease of 4.8%. Decreases in the number of shipments handled

## RESULTS OF OPERATIONS (continued)

and LTL weight/shipment caused the lower revenue levels. Despite a January 1996 price increase, pricing levels in the first quarter of 1996 were relatively static compared to the first quarter of 1995 as a result of price discounting in 1995.

Preston Trucking had an operating loss of \$5.1 million in the first quarter of 1996 compared to operating income of \$1.7 million in the first quarter of 1995. 1996 results include a 4.9% increase in contract wages and benefits on April 1, 1995. The relatively greater labor cost increase resulted from a wage reduction program approved in 1994 whereby employees received the contractual wage and benefit increases as well as a step-down in the wage reduction from 7.0% to 5.0%. During the first quarter of 1996, Preston employees agreed to freeze wages in lieu of the standard contract increase scheduled for April 1, 1996. Preston's operating performance also suffered extreme adverse impacts from the severe winter weather as its service area is concentrated in the Northeast and upper Midwest, yet on-time service remained superior resulting in continued market share gains.

Saia recorded operating revenue of \$60.7 million in the first quarter of 1996 compared to \$49.2 million in the first quarter of 1995, an increase of 23.3%. This growth was caused by an increase in shipment volume of 23.0% reflecting increased tonnage of 18% compared to the first quarter 1995, due largely to expansion activities. Saia had operating income of \$3.1 million in the first quarter of 1996 compared to operating income of \$2.7 million in the first quarter of 1995. Saia's operating ratio was 94.9 compared to 94.6 in 1995. WestEx's expansion plan is on schedule and the business is expected to become profitable in 1997.

## PART II - OTHER INFORMATION

## Item 4. Submission of Matters to a Vote of Security Holders

(a) Annual Meeting of Stockholders on April 25, 1996

(b) The following directors were elected with the indicated number of votes set forth below.

	For	Withheld
	-----	-----
Klaus E. Agthe	18,528,370	2,630,496
Howard M. Dean	18,528,507	2,630,359
George E. Powell III	20,930,241	228,625

The following directors did not stand for election and continued in office as a director after the Annual Meeting of Stockholders: M. Reid Armstrong, David H. Hughes, Ronald T. LeMay, John C. McKelvey, A. Maurice Myers, George E. Powell, Jr. and William L. Trubeck.

(c) An amendment to the Certificate of Incorporation eliminating the classification of the Board of Directors and reducing the minimum number of directors from nine to five was voted on and approved at the meeting by the following vote. For: 17,540,113, Against: 1,200,900, Abstention: 43,268, No-vote: 2,374,585.

## PART II - OTHER INFORMATION (Continued)

## Item 4. Submission of Matters to a Vote of Security Holders (continued)

A plan to pay fifty percent of the Board and Committee retainers of non-employee directors in company stock restricted for three years was voted on and approved at the meeting by the following vote. For: 20,380,191, Against: 326,637, Abstention: 85,902, No-vote: 366,136.

The appointment of Arthur Andersen LLP as independent public accountants of the company for 1996 was voted on and approved at the meeting by the following vote. For: 20,976,693, Against: 140,042, Abstention: 42,131.

## Item 5. Other Information

On April 25, 1996, the Board of Directors designated the following individuals as executive officers of the company. A. Maurice Myers, President and Chief Executive Officer of the company, M. Reid Armstrong, President of Yellow Freight, William F. Martin, Jr., Senior Vice President - Legal/Corporate Secretary of the company and H. A. Trucksess, III, Senior Vice President - Finance/Chief Financial Officer and Treasurer.

On April 25, 1996, the company announced at its Annual Shareholders meeting that George E. Powell, Jr. will retire as Chairman of the Board of Directors effective June 30 upon the attainment of the normal Board retirement age of 70. Powell will become Chairman Emeritus. A. Maurice Myers, recently appointed to the post of President and Chief Executive Officer, is appointed by the Board as Chairman effective upon Powell's retirement.

## Item 6. Exhibits and Reports on Form 8-K

## (a) Exhibits

- (3) - Amendment of Articles of Incorporation occasioned by declassification of the Board of Directors.
- (10) - Executive Officers' Agreement
- (27) - Financial Data Schedule (for SEC use only)

## (b) Reports on Form 8-K

On January 24, 1996 a Form 8-K was filed under Item 5, Other Events, which reported that the company announced on January 17, 1996, that its President and CEO, George E. Powell III, intended to resign. Powell agreed to remain until a replacement candidate is selected and will be involved in identifying his successor which is expected in the next few months. Powell will also continue his current Board term and stand for reelection when that term expires in April concurrent with the Annual Shareholders meeting. His father, George E. Powell, Jr. will remain as Chairman of the Board of Directors.

On March 22, 1996 a Form 8-K was filed under Item 5, Other Events, which reported that the company announced on March 20, 1996 that A. Maurice Myers will become its new President and CEO. Myers was also appointed to the Board of Directors.

## SIGNATURES

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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.

## YELLOW CORPORATION

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Registrant

Date: May 10, 1996

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/s/ A. Maurice Myers

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A. Maurice Myers  
President and Chief Executive  
Officer

Date: May 10, 1996

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/s/ H. A. Trucksess, III

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H. A. Trucksess, III  
Senior Vice President - Finance/  
Chief Financial Officer & Treasurer

CERTIFICATE OF INCORPORATION  
OF  
YELLOW CORPORATION

(As amended through April 25, 1996)

FIRST: The name of the corporation is Yellow Corporation.

SECOND: The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street in the City of Wilmington, County of New Castle. The name of the registered agent of the Corporation at such address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of capital stock of all classifications which the Corporation shall have authority to issue is One Hundred Twenty Five Million (125,000,000) shares, consisting of One Hundred Twenty Million (120,000,000) shares of Common Stock having a par value of \$1 per share and Five Million (5,000,000) shares of Preferred Stock having a par value of \$1 per share.

(a) Shares of the Preferred Stock may be issued in one or more series at such time or times and for such consideration or considerations as the Board of Directors may determine. All shares of any one series shall be of equal rank and identical in all respects.

(b) Authority is hereby expressly granted to the Board of Directors to fix from time to time, by resolution or resolutions providing for the issue of any series of Preferred stock, the designation of such series and the powers,

preferences and rights of the shares of such series, and the qualification, limitations or restrictions thereof, including the following:

(1) The number of shares constituting that series and the distinctive designation of that series;

(2) The dividend rate on the shares of that series and the time of payment thereof, whether dividends shall be cumulative, and if so, the date or dates which any cumulative dividends shall commence to accrue, and the relative rights of priority, if any, of payment of dividends on shares of that series over shares of any other series;

(3) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

(4) Whether that series shall have conversion privileges, and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(5) Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(6) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and if so, the terms and amount of such sinking fund;

(7) The rights of the shares of that series in the event of merger, acquisition, voluntary or involuntary liquidation, dissolution, distribution of assets or winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of that series over shares of any other series;

(8) Whether the issuance of any additional shares of such series, or of any shares of any other series, shall be subject to restrictions as to issuance, or as to the powers, preferences or rights of any such other series; and

(9) Any other preferences, privileges and powers and relative, participating, optional or other special rights and qualifications, limitations or restrictions of such series, as the Board of Directors may deem advisable and as shall not be inconsistent with the provisions of this Certificate of Incorporation and to the full extent now or hereafter permitted by the laws of Delaware.

Dividends on outstanding share of Preferred Stock shall be paid or declared and set apart for payment, before any dividends shall be paid or declared and set apart for payment on the common shares with respect to the same dividend period.

If upon any voluntary or involuntary liquidation, dissolution, distribution of assets or winding up of the Corporation, the assets available for distribution to holders of shares of Preferred Stock of all series shall be insufficient to pay such holders the full preferential amount to which they are entitled, then such assets shall be distributed ratably among the shares of all series of Preferred Stock in accordance with the respective preferential amounts (including unpaid cumulative dividends, if any) payable with respect thereto.

FIFTH: The business and affairs of the Corporation shall be managed by the Board of directors consisting of not less than 5 nor more than 15 persons. The exact number of directors within the limitations specified in the preceding sentence shall be fixed from time to time by the Board of Directors pursuant to a resolution adopted by a majority of the entire Board of Directors. The directors need not be elected by ballot unless required by the Bylaws of the Corporation.

The Board of Directors shall be elected annually at the annual meeting of stockholders and the members of the Board so elected shall serve one-year terms to expire at the following annual meeting of stockholders. Each director shall hold office for the term for which he is elected or appointed and until his successor shall be elected and qualified or until his death, or until he shall resign.

Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled by a majority vote of the directors then in office, and directors so chosen shall hold office for a term expiring at the next annual meeting of stockholders. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

No director of the corporation shall be removed from his office as a director by vote or other action of shareholders or otherwise unless the director to be removed has been convicted of a felony by a court of competent jurisdiction and such conviction is no longer subject to direct appeal or unless the director to be removed has been adjudged by a court of competent jurisdiction to be mentally incompetent or to be liable for negligence or misconduct in the

performance of his duty to the corporation and such adjudication is no longer subject to direct appeal.

SIXTH: In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to adopt, amend or repeal the bylaws.

SEVENTH:

A. 1. In addition to any affirmative vote required by law or under any other provision of this Certificate of Incorporation, and except as otherwise expressly provided in subparagraph B:

a. any merger or consolidation of the Corporation of any subsidiary (as hereinafter defined) with or into (i) any Substantial Stockholder (as hereinafter defined) or (ii) any other corporation (whether or not itself a Substantial Stockholder which, after such merger or consolidation, would be an Affiliate (as hereinafter defined) of a Substantial Stockholder, or

b. any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of related transactions) to or with (i) any Substantial Stockholder or (ii) an Affiliate of a Substantial Stockholder of any assets of the Corporation or any Subsidiary having an aggregate fair market value of \$5,000,000 or more, or

c. the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of related transactions) of any securities of the Corporation or any Subsidiary to (i) any Substantial Stockholder or (ii) any other corporation (whether or

not itself a Substantial Stockholder) which, after such issuance or transfer, would be an Affiliate of a Substantial Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate fair market value of \$5,000,000 or more, or

d. the adoption of any plan or proposal for the liquidation of dissolution of the Corporation proposed by or on behalf of a Substantial Stockholder or an Affiliate of a Substantial Stockholder, or

e. any reclassification of securities (including any reverse stock split), recapitalization, reorganization, merger or consolidation of the Corporation with any of its Subsidiaries or any similar transaction (whether or not with or into or otherwise involving a Substantial Stockholder or an Affiliate of a Substantial Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Substantial Stockholder or by an Affiliate of a Substantial Stockholder, shall require the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, considered for the purpose of this Article Seventh as one class ("Voting Shares"). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that some lesser percentage may be required, or that some lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

2. The term "business combination" as used in this Article Seventh shall mean any transaction which is referred to in any one or more clauses (a) through (e) of Section 1 of this Subparagraph A.

B. The provisions of Subparagraph A of this Article Seventh shall not be applicable to any particular business combination, and such business combination shall require only such affirmative vote as is required by law and any other provision of this Certificate of Incorporation, if all of the conditions specified in either of the following paragraphs 1 and 2 are met:

1. The business combination shall have been approved by a majority of the "Continuing Directors" (as hereinafter defined).

2. All of the following conditions shall have been met:

a. The ratio of:

(1) the aggregate amount of the cash and the fair market value of other consideration to be received per share by holders of common stock of the Corporation ("Common Stock") in such business combination,

to

(2) the market price of the Common Stock immediately prior to the public announcement of the proposal of such business combination, is at least as great as the ratio of

(i) the highest per share price (including brokerage commissions, transfer taxes and soliciting dealers' fees) which such Substantial Stockholder has paid for any shares of Common Stock acquired by it within the five year period prior to the business combination,

to

(ii) the market price of the Common Stock immediately prior to the initial acquisition by such Substantial Stockholder of any Common Stock;

b. The aggregate amount of the cash and fair market value of other consideration to be received per share by holders of Common Stock in such business combination

(1) is not less than the highest per share price (including brokerage commissions, transfer taxes and soliciting dealers' fees) paid by such Substantial Stockholder in acquiring any of its holdings of Common Stock, and

(2) is not less than the earnings per share of Common Stock for the four full consecutive fiscal quarters immediately preceding the record date for solicitation of votes on such business combination multiplied by the then price/earnings multiple (if any) of such Substantial Stockholder as customarily computed and reported in the financial community;

c. The aggregate amount of the cash and the fair market value as of the date of the consummation of the business combination of consideration other than cash to be received per share by holders of shares of any other class of outstanding capital stock of the Corporation shall be at least equal to the highest of the following (it being intended that the requirements of this paragraph B.2.c. shall be required to be met with respect to every class of outstanding capital stock of the Corporation whether or not the Substantial Stockholder has previously acquired any shares of a particular class of capital stock):

(1) (if applicable) the highest per share (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Substantial Stockholder for any shares of such class of capital stock acquired by it (1) within the five year period immediately prior to the first public announcement of the proposal of the business combination (the "Announcement Date") or (2) in the transaction in which it became a Substantial Stockholder, whichever is higher.

(2) (if applicable) the highest preferential amount per share to which the holders of shares of such class of capital stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation;

(3) the fair market value per share of such class of capital stock (which may be determined by a majority of the Continuing Directors) on the Announcement Date or on the date on which the Substantial Stockholder became a Substantial Stockholder (the "Determination Date"), whichever is higher; and

(4) (if applicable) the price per share equal to the fair market value per share of such class of capital stock determined pursuant to Paragraph B.2.c. (3) above, multiplied by the ratio of (1) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Substantial Stockholder for any shares of such class of capital stock acquired by it within the five-year period immediately prior to the Announcement Date to (2) the fair market value per share of such class of capital stock on the first day in such five-year period upon

which the Substantial Stockholder acquired any shares of such class of Voting Shares.

d. The consideration to be received by holders of the Corporation's capital stock of the Corporation in such business combination shall be in cash or in the same form and of the same kind as the consideration paid by the Substantial Stockholder in acquiring the shares of Stock already owned by it;

e. After such Substantial Stockholder has acquired ownership of not less than 10% of the then outstanding Voting Shares (a "10% interest") and prior to the consummation of such business combination;

(1) the Substantial Stockholder shall have taken steps to ensure that the Corporation's Board of Directors included at all times representation by Continuing Director(s) (as hereinafter defined) proportionate to the ratio that the Voting Shares which from time to time are owned by persons other than the Substantial Stockholder ("Public Holders") bear to all Voting Shares outstanding at such respective times (with a continuing director to occupy any resulting fractional board position);

(2) there shall have been no reduction in the rate of dividends payable on the Common Stock except as may have been approved by majority vote of the Continuing Directors;

(3) such Substantial Stockholder shall not have acquired any newly issued shares of capital stock of the Corporation, directly or indirectly, from the Corporation (except upon conversion of convertible securities acquired by it prior to

obtaining a 10% Interest or as a result of a pro rata stock dividend or stock split; and

(4) such Substantial Stockholder shall not have acquired any additional shares of the Corporation's outstanding Common Stock or securities convertible into or exchangeable for Common Stock except as a part of the transaction which resulted in such Substantial Stockholder acquiring its 10% Interest:

f. Prior to the consummation of such business combination, such Substantial Stockholder shall not have (i) received the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or tax credits provided by the Corporation; or (ii) made any major change in the Corporation's business or equity capital structure without the approval of a majority of the Continuing Directors; and

g. A proxy statement responsive to the requirements of the Securities Exchange Act of 1934 shall have been mailed to all holders of voting Shares for the purpose of soliciting stockholder approval of such business combination. Such proxy statement shall contain at the front thereof, in a prominent place, any recommendations as to the advisability (or inadvisability) of the business combination which the Continuing Directors, or any of them, may have furnished in writing and, if deemed advisable by a majority of the Continuing Directors, an opinion of reputable investment banking firm as to the fairness (or lack of fairness) of the terms of such business combination, from the point of view of the holders of Voting Shares other than the Substantial Stockholder (such investment banking firm to be selected by a majority of the Continuing Directors, to be furnished with all information it reasonably requests and

to be paid a reasonable fee for its services upon receipt by the Corporation of such opinion).

C. For the purposes of this Article Seventh:

1. A "person" shall mean any individual, firm, corporation or other entity.

2. "Substantial Stockholder" shall mean, in respect of any business combination, any person (other than the Corporation or any Subsidiary) who or which, as of the record date for the determination of stockholders entitled to notice of and to vote on such business combination, or as of the time of the vote on such business combination, or immediately prior to the consummation of any such transaction,

a. is the beneficial owner, directly or indirectly, of not less than 10% of the Voting Shares, or

b. is an Affiliate of the Corporation and at any time within five years prior thereto was the beneficial owner, directly or indirectly, of not less than 10% of the then outstanding Voting Shares, or

c. is an assignee of or has otherwise succeeded to any shares of capital stock of the Corporation which were at any time within five years prior thereto beneficially owned by any Substantial Stockholder, and such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

3. A person shall be the "beneficial owner" of any Voting Shares:

a. which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially own, directly or indirectly, or

b. which such person or any of its Affiliates or Associates has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants, or options, or otherwise, or (ii) the right to vote pursuant to any agreement, arrangement or understanding or

c. which are beneficially owned, directly or indirectly, by any other person with which such first mentioned person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of capital stock of the Corporation.

4. The outstanding Voting Shares shall include shares deemed owned through application of Section 3 above but shall not include any other Voting Shares which may be issuable pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise.

5. "Continuing Director" shall mean a person who was a director prior to June 1, 1983 or who was a member of the Board of Directors of the Corporation elected by the Public Holders prior to the date as of which the Substantial Stockholder acquired 10% of the then outstanding Voting Shares, or a person designated (before his initial

election as a director) as a continuing director by a majority of the then continuing directors.

6. "Other consideration to be received" shall mean Common Stock of the Corporation retained by its Public Holders in the event of a business combination in which the Corporation is the surviving corporation.

7. "Affiliate" and "Associate" shall have the respective meanings given those terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1982.

8. "Subsidiary" means any corporation of which a majority of any class of equity security (as defined in Rule 3a11-1 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1982) is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Substantial Stockholders set forth in Section 2 of this subparagraph c, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

D. A majority of the Continuing Directors shall have the power and duty to determine for the purposes of this Article Seventh, on the basis of information known to them, (a) the number of Voting Shares beneficially owned by any person, (b) whether a person is an Affiliate or Associate of another, (c) whether a person has an agreement, arrangement or understanding with another as to the matters referred to in section 3 of subparagraph C, or (d) whether the assets subject to any business combination have an aggregate fair market value of \$5,000,000 or more.

E. Nothing contained in Article Seventh shall be construed to relieve any Substantial Stockholder from any fiduciary obligation imposed by law.

EIGHTH: The Corporation reserves the right to amend, alter, change or repeal any provision consigned in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation. Notwithstanding anything to the contrary contained in this Certificate of Incorporation or the Bylaws of the Corporation ( and notwithstanding the fact that a lesser percentage may be specified by law, this Certificate of Incorporation or the Bylaws of the Corporation), the affirmative vote of the holders of at least 80% of the voting power of the then outstanding Voting Shares shall be required to amend, alter, change or repeal, or to adopt any provision inconsistent with, Articles Fifth, Seventh, Tenth, Twelfth and this Article Eighth of this Certificate of Incorporation, provided that such 80% vote shall not be required for any amendment, alteration, change or repeal recommended to the stockholders by majority of the Continuing Directors, as defined in Article Seventh.

NINTH: The holders of a majority of the Common Stock issued, outstanding, and entitled to vote at the time a determination is made, present in person, or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business.

TENTH: Any action required or permitted to be taken by the shareholders of the Corporation must effected at a duly called annual or special meeting of shareholders of the Corporation and may not be effected by any consent in writing by such shareholders. Special meetings of shareholders of the Corporation may be called only by the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors or by the

Chairman of the Board or President, upon not less than 10 nor more than 60 days' written notice.

ELEVENTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of section 279 of Title 8 or the Delaware Code order a meeting of the creditors or class or creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

TWELFTH: The Bylaws of the Corporation may be amended or repealed, or new bylaws may be adopted (a) by the affirmative vote of seventy-five percent of the voting power of the then outstanding Voting Shares; provided that the notice of such meeting of stockholders whether regular or special, shall specify as one of the purposes thereof the making of such amendment or repeal; or (b) by

the affirmative vote of the majority of the Board of Directors at any regular or special meeting.

THIRTEENTH: The incorporator is Stephen P. Murphy, whose mailing address is P.O. Box 7270, Overland Park, KS 66207.

FOURTEENTH: A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, as the same exists or hereafter may be amended, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation law hereafter is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the corporation, in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by the amended Delaware General Corporation Law. Any repeal or modification of this paragraph by the stockholders of the corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director of the corporation existing at the time of such repeal or modification.

## SEPARATION AGREEMENT AND MUTUAL RELEASE OF CLAIMS

This agreement is effective the 31st day of March, 1996 by and between George E. Powell III (hereinafter "George Powell") and Yellow Corporation, its predecessors, subsidiaries, affiliates, assigns, officers, directors, agents and employees (hereinafter jointly referenced as "Company") is entered into in order to set forth the terms and conditions upon which George Powell's employment with the Company will be terminated. In exchange for the mutual promises contained herein, the parties agree as follows:

1. George Powell will submit his written resignation as President and Chief Executive Officer and as Director of any subsidiary of the Company effective March 31, 1996 in the form attached hereto as "Exhibit A".

2. Commencing April 1, 1996, the Company will pay George Powell \$36,667 per month through September 30, 1997 in bi-monthly installments. The parties agree that the Company shall withhold from such payments the appropriate deductions required by law. In the event of George Powell's death before the last installment is paid, any remaining installments will be paid to his spouse. In the event George Powell and his spouse die before the last installment is paid, any remaining installments will be paid to the estate of the last survivor of the two, or if there is no last survivor, to George Powell's estate.

3. From April 1, 1996 through September 30, 1997, George Powell's health insurance will continue to be provided and paid for by the Company on the same basis as any other employee, provided, however, that such coverage will cease if George Powell becomes otherwise employed during such period and is covered by comparable coverage paid for by such other employer. If the coverage from such other employer does not match the Company's coverage, the Company's coverage shall be secondary to that of the other employer and the Company will be responsible only for the difference in coverage between that of the Company and the other employer. Through September 30, 1997, George Powell shall also continue to vest under the Company's defined Benefit Pension Plan and shall also be entitled to continued participation in the Company's non-medical insurance coverages, except those insurance coverages that provide payment for time not worked which includes holiday, vacation, short and long-term disability. George Powell's car allowance shall discontinue as of the effective date of his resignation as President and Chief Executive Officer of the Company. George Powell shall not be entitled to any bonus or incentive compensation that is awarded after the effective date of his resignation as President and Chief Executive Officer.

4. The Company will provide tax return preparation services for George Powell for calendar year 1996 and 1997, if the Company continues to provide the same service to its senior officers for 1996 and 1997. George Powell will return all Company property in his position as of the effective date of his resignation as President and Chief Executive Officer, with the exception of the car phone presently installed in his car, which George Powell may retain with all monthly billings to be switched to George Powell effective April 1, 1996.

5. The Company will reimburse George Powell for career assessment services with DeFrain Mayer Lee Burgess, L.C.C. up to a maximum amount of \$2,750. The Company standard individual financial planning benefit (up to \$3,000 per calendar year) for senior officers shall be available to George Powell through September 30, 1997 severance payment period.

6. For the period from the effective date of George Powell's resignation as President and Chief Executive Officer of the Company through September 30, 1997, George Powell agrees not to form or acquire, in whole or in part, or participate in any manner as partner, employee, officer, independent contractor or consultant with any entity or concern that is now or should become during that period engaged in the interstate or intrastate transportation of general commodities by motor vehicle operating between points in the United States, Canada or Mexico.

7. George Powell waives and releases for himself and anyone claiming through him, his administrators, successors and assigns, fully and forever, any claim against the Company, its subsidiaries, affiliates, their predecessors, successors, officers, directors, agents, representatives, attorneys or employees, of any kind whatsoever for any action or any inaction, loss, expense, or any damage of whatever nature arising from any circumstance or occurrence from the beginning of time until the date of signing this agreement. Without limiting the foregoing, George Powell specifically waives any claim arising out of the Age Discrimination in Employment Act relating in any way to his employment with the Company or the termination thereof. The only exception to the aforementioned waiver and release will be claims by George Powell under any right arising under this agreement.

8. George Powell further agrees that he will never disclose to anyone, except an authorized representative of the Company, as required by law, any confidential or proprietary information about the Company, its customers, its manufacturing, production, or other operational processes, its products, costs, or other financial information, or any other information he should not have released or publicized to persons outside the Company during George Powell's employment. George Powell will not denigrate the Company, its products, its services, its management or Board of Directors. This paragraph will not apply to the disclosure of general information about the Company of a kind normally disclosed to prospective employers or to any information of a routine rather than confidential, derogatory or proprietary nature.

9. The provisions of this agreement are severable, and if any part of it is found to be unenforceable or in contravention of some applicable law or regulation, including the Employee Retirement Income Security Act, or if any payment or benefit hereunder would result in any disqualification or detriment to any benefit plan of the Company, such provision will be deemed not to exist but the other provisions will remain fully valid and enforceable. In the event any provision is deemed not to exist by reason of this provision, the parties agree that the Company will pay to George Powell an equivalent amount in cash.

10. George Powell agrees that he will not disclose any information concerning this agreement to anyone except his private attorneys, his spouse, financial advisors and tax consultants, and only then if such individuals agree to keep the information confidential. The Company agrees that it will not disclose any information concerning this agreement to anyone except Company officials requiring this information in fulfilling their duties to the Company, except to the extent required by law or any applicable SEC regulations.

11. The Company represents and agrees that neither it nor its directors or officers will make any derogatory, disparaging or false statements intended to harm the business or personal reputation of George Powell. George Powell represents and agrees that he will not make any derogatory, disparaging or false statements intended to harm the business or personal reputation of the Company, its directors, officers or employees.

12. George Powell agrees that should he breach any of the material provisions of this agreement, he shall forfeit his right to any further payments, benefits, or perquisites payable under this agreement and he shall reimburse the Company for all payments received after he breached any of said provisions. The question of whether such breach has occurred is subject to arbitration pursuant to paragraph 13. If the arbitrator rules that the Company wrongfully withheld such payment, then he may order the Company to make such payments plus interest on each payment at the prime rate, accrued from the time each such payment should have been made.

13. Any dispute between the parties hereto arising out of, in connection with, or relating to this agreement and its specific subject matter or the breach thereof shall be settled by arbitration in Overland Park, Kansas in accordance with the rules then in effect of the American Arbitration Association ("AAA"). Arbitration shall be the exclusive remedy for any such dispute except in the event either party fails to abide by an arbitration award rendered hereunder. Regardless of whether or not both parties hereto participate in the arbitration proceeding, any arbitration award rendered hereunder shall be final and binding on each party hereto and judgment upon the award rendered may be entered in any court having jurisdiction thereof.

The party seeking arbitration shall notify the other party in writing and request the AAA to submit a list of seven potential arbitrators. In the event the parties do not agree upon an arbitrator, each party shall, in turn, strike one arbitrator from the list, George Powell having the first strike, until only one arbitrator remains, who shall arbitrate the dispute. The arbitration hearing shall be conducted within 30 days of the selection of an arbitrator or at the earliest date thereafter that the arbitrator is available.

14. This agreement shall be construed pursuant to the laws of the State of Kansas.

15. George Powell has been advised, and he understands, that he has the right to consult, and should consult, an attorney before signing this document. Further, the parties agree that George Powell has been offered at least 21 days within which to consider the agreement.

16. George Powell states that he has read this document and in signing the agreement and release has relied upon no promise or promise of benefit not expressly set forth herein. He agrees that he is entitled to no benefit under this agreement except as specifically and expressly set forth herein.

17. After signing this agreement, for a period of seven days, George Powell may revoke this agreement, and it shall not be enforceable or effective until after the passing of such seven days.

YELLOW CORPORATION

BY \_\_\_\_\_

ATTEST:

\_\_\_\_\_

\_\_\_\_\_  
George E. Powell III

Dated: \_\_\_\_\_

3-MOS  
DEC-31-1996  
JAN-01-1996  
MAR-31-1996  
15,725  
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331,484  
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0  
460,392  
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