

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended December 31, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission file number 0-12255

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

Delaware	48-0948788
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10777 Barkley, P.O. Box 7563, Overland Park, Kansas	66207
-----	-----
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (913) 967-4300

Securities registered pursuant to Section 12(b) of the Act:

NONE

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$1 Par Value
Preferred Stock Purchase Rights

(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 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

The aggregate market value of the voting stock held by nonaffiliates of the registrant at February 29, 1996 was \$310,920,379.

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

Class	Outstanding at February 29, 1996
-----	-----
Common Stock, \$1 Par Value	28,105,797 shares

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference into the Form 10-K:
1) 1995 Annual Report to Shareholders - Parts II and IV

2) Proxy Statement dated March 12, 1996 - Part III

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Yellow Corporation
Form 10-K
Year Ended December 31, 1995

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PART I

Item 1. Business.

(a) Yellow Corporation and its wholly-owned subsidiaries are collectively

referred to as "the company". The company provides transportation services primarily to the less-than-truckload (LTL) market throughout North America. There were no material changes in the method of conducting business by the company in 1995. During 1995, the operations of Yellow Logistics Services, Inc., an integrated logistics management subsidiary, were realigned and CSI/Reeves, Inc., a specialty carpet hauler, was sold. Additionally, the company's subsidiaries expanded geographically, improved their service offerings and implemented cost control efforts during the year as described below.

- (b) The operation of the company is conducted through one predominant industry segment, which is the interstate transportation of general commodity freight, primarily LTL, by motor vehicle.
- (c) Yellow Corporation is a holding company providing freight transportation services through its subsidiaries, Yellow Freight System, Inc. (Yellow Freight), Preston Trucking Company, Inc. (Preston Trucking), Saia Motor Freight Line, Inc. (Saia), WestEx, Inc. (WestEx) and Yellow Technology Services, Inc. (Yellow Technology). The company employed an average of 34,700 persons in 1995.

Yellow Freight, the company's principal subsidiary, had operating revenue of \$2.36 billion in 1995 (77% of the company's total revenue) and is based in Overland Park, Kansas. It is the nation's largest provider of LTL transportation services. It provides national and regional two-day service as well as international service to Mexico, Canada and, via alliances, Europe and the Asia/Pacific region.

Preston Trucking is primarily a regional LTL carrier serving the Northeast and upper Midwest markets of the United States. Preston Trucking markets the SuperRegion - one and two-day service in an expanded geographic region. Preston Trucking had operating revenue of \$411 million in 1995 (13% of the company's total revenue) and is headquartered in Preston, Maryland.

Saia is a regional LTL carrier that provides overnight and second-day service in eleven Southeastern states. It had operating revenue of \$210 million in 1995 (7% of the company's total revenue) and is relocating its headquarters from Houma, Louisiana to Atlanta, Georgia in April 1996.

WestEx provides one and two-day service in California, Arizona and New Mexico as well as parts of Nevada and Texas. WestEx had operating revenue of \$17 million in 1995 and is headquartered in Phoenix, Arizona.

Yellow Technology supports the company's subsidiaries - primarily Yellow Freight - with information technology. It ensures access to advanced information systems to meet the informational demands of transportation customers. Its headquarters are in Overland Park, Kansas.

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Item 1. Business. (cont.)

The operations of the freight transportation companies are partially regulated by the Interstate Commerce Commission (ICC) and state regulatory bodies. As a result of legislation passed in 1994, the entry and rates for the intrastate operations of all transportation companies became deregulated January 1, 1995. With the December 1995 passage of The ICC Termination Act of 1995, the ICC went out of existence on January 1, 1996. The remaining functions regulating transportation companies are transferred to the Department of Transportation. The company's competition includes contract motor carriers, private fleets, railroads, other motor carriers and small shipment carriers. No single carrier has a dominant share of the motor freight market.

The company operates in a highly price-sensitive and competitive industry, making pricing, customer service and cost control major competitive factors. Traditionally, rate increases have been implemented to offset increases in labor and other operating costs. The motor carrier subsidiaries have implemented rate increases of between 4.0% and 5.0% during the first quarter of 1995 to cover increases in operating costs. The full impact of rate increases is not realized immediately as a result of pricing that is on a contract basis and can only be increased when the contract is renewed or renegotiated. During 1995, the company experienced industry overcapacity and a faltering economy

that caused severe price discounting. Price increases were more than offset by discounting, leading to reduced margins and an operating loss for the year.

Yellow Freight's revenue for 1995 increased 6.4% over 1994 on a tonnage increase of 7.7%. The increase in revenue primarily resulted from the recovery of lost revenue due to the 24-day labor strike in 1994 by the International Brotherhood of Teamsters (Teamsters) against Yellow Freight. Despite significant service enhancements and other cost increases, prices declined for the year resulting in an operating ratio deterioration from 99.2 in 1994 to 100.1 in 1995. A January 1995 tariff increase of approximately 5.0%, which applied to about half of Yellow Freight's customers, and attempts to increase contract term rates on remaining customers were more than offset by price discounting. Overall, LTL revenue per hundredweight declined 1.5% from 1994 to 1995.

Prices declined and volumes, adjusted for the 1994 strike, remained relatively static, yet operating costs increased. Approximately 67% of Yellow Freight's costs pertain to salaries, wages and benefits. On April 1, 1995, union wages and benefits increased approximately 3.2%. In addition, Yellow Freight incurred higher expenses in the third and fourth quarters when it implemented a transit time improvement program to enhance its competitive position in the market. These transit time improvements were made possible by an on-going network development program, that in the last three years has reduced the number of terminals at Yellow Freight from 608 to 448 while still maintaining full market coverage. For 1995 compared to 1994, transit times improved by approximately one day, resulting in higher costs associated with a 5.7% lower load average and a 14.0% increase in total linehaul miles. Some cost savings were obtained by an increase in direct loadings which reduced rehandlings by 8.7%. Additional savings were achieved through an

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Item 1. Business. (cont.)

increased use of rail transportation from 13.1% of total miles in 1994 to 17.5% in 1995 and the elimination of forced overtime for dockworkers, both provisions of the 1994 labor contract. While Yellow Freight is working to lessen the cost premiums of the improved service, it is likely that this new service will carry a higher ongoing cost structure. Through reengineering and the use of new technology, Yellow Freight began achieving administrative cost reductions in 1995 by consolidating customer service and cashiering functions from its individual terminals to two centralized locations.

Preston Trucking's revenue in 1995 decreased 1.3% from 1994 and the operating ratio remained relatively constant at 101.4 in 1995 compared to 101.3 in 1994. The 1994 performance was subject to severe winter weather, impacts from the second quarter strike, including benefits from an early return to work, and shipper uncertainty concerning a wage reduction process, all of which did not recur in 1995. However, 1995 was subject to severe industry-wide price discounting as well as a relatively greater labor cost increase. Under the terms of Preston Trucking's wage reduction program approved in 1994, union wages and benefits increased approximately 4.9% on April 1, 1995. The higher wage increase resulted from Preston Trucking employees receiving both the industry wage and benefit increases as well as a step-down in the wage reduction from 7.0% to 5.0%. Improved productivity, positive cargo claims experience and reductions in purchased transportation expense contributed to offsetting the higher wage and benefit costs.

Saia's revenue grew 17.7% in 1995 compared to 1994 due to geographical expansions in Texas, Tennessee and Georgia in mid-1994 and North and South Carolina in mid-1995. Saia's operating ratio increased to 96.3 in 1995 from 93.5 in 1994. Saia was impacted by industry price discounting, but the margin deterioration was primarily caused by increased wages and the expense impacts of the expansion activities including lighter initial business densities in the new markets. The deregulation of intrastate markets in January 1995 also increased competition in Louisiana and Texas, where Saia had held operating rights advantages. This was partially offset by new access for Saia in various other states' intrastate markets.

During 1995 WestEx commenced an expansion from its traditional Arizona and New Mexico market into the state of California. Holding company expenses in 1995 were comparable to 1994 levels.

Working capital increased by \$56 million during 1995, primarily due to increases in accounts receivable and refundable income taxes. The increased accounts receivable were a result of both market forces and transition implementation issues related to a new system for customer billing and stating at Yellow Freight.

Total debt increased by \$106 million during 1995. Borrowings were used to fund most of the net capital expenditures during the year (\$140 million) as the working capital growth offset a large portion of cash flows from other operating activities. The additional debt was funded by the company's commercial paper program, whose authorized maximum was

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Item 1. Business. (cont.)

increased to \$150 million, and by the issuance of medium-term notes. During 1995 the company entered into a \$200 million multi-year bank credit agreement, replacing a \$100 million agreement, to provide additional liquidity backup for the commercial paper program and for other borrowing needs.

Future Outlook

The company has initiated processes to improve earnings performance and financial position in 1996 and future years. The motor carrier subsidiaries have implemented general LTL rate increases in January 1996 in excess of 5.8% and will also seek improved pricing in negotiations with contract customers during 1996. While the company expects pricing to remain highly competitive, it is cautiously optimistic that the extent of destructive price discounting that prevailed in 1995 will not recur in 1996, particularly in view of the service enhancements and the need for virtually all trucking sectors to improve their shareholder returns. The company is encouraged that recent announcements by competitors of reduced capital expenditure plans and the curtailing of expansions will begin to moderate the industry's overcapacity in 1996. However, the severe winter weather experienced in the first quarter of 1996 is expected to have an adverse impact on first quarter results of operations.

The company strives to control operating costs by maintaining efficient operations, optimum capacity utilization and strict budgetary controls. Increased technology investments are expected to reduce costs and increase productivity while providing improved information benefits for customers.

Yellow Freight's cost reduction and transit time improvement initiatives begun in 1995 are expected to benefit their competitive position in the future. The cost reduction programs are projected to save \$75 million in 1996 and include administrative staff reductions and operational efficiency improvements. Yellow Freight believes its transit time improvements will enhance its price negotiating posture as well as benefit business volumes through better customer retention and generating new business. Additionally, Yellow Freight will continue efforts to decrease the cost premiums associated with the improved service and will pursue other network development opportunities. On April 1, 1996 Yellow Freight's wages and benefits will increase approximately 3.8% under the terms of the industry collective bargaining agreement which extends through March 31, 1998. A portion of this increase is expected to be offset by continuing to leverage advantages of the 1994 labor agreement. Yellow Freight believes that significant opportunities are still available to further reduce costs and increase service through ongoing technological and reengineering investments.

Preston Trucking plans to improve its performance due to pricing gains and a plan approved in February 1996 by its union employees to freeze wages at current levels through the remaining term of the industry collective bargaining agreement. This wage freeze not only maintains the existing 5.0% reduction from full-scale pay levels but also avoids the scheduled wage increases due April 1 of both 1996 and 1997. However, health, welfare and pension benefit costs will increase by 9.0% on April 1, 1996 and 8.2% on April 1, 1997.

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Item 1. Business. (cont.)

Saia plans to improve 1996 performance through pricing gains and density benefits from additional business and improved cost efficiency. No significant

expansions are planned for 1996. WestEx plans to improve its performance through increased business density benefits although a profit is not expected until 1997. Holding company expenses are expected to be significantly lower in 1996, mainly due to cost reduction initiatives. The company recently announced the appointment of A. Maurice Myers as its new President and CEO (see Part I - Executive Officers of the Registrant and Part IV Item 14(b) - Reports on Form 8-K).

Early in 1996 a major rating agency lowered its rating on the company's commercial paper. While management intends to continue to finance short-term working capital needs primarily with the issuance of commercial paper, the lower rating may require the company to draw on its bank credit agreement or other market alternatives from time to time. This change is not expected to have a material impact on interest expense.

Management anticipates the company's liquidity and financial position will improve significantly in 1996 for several reasons. First, planned capital expenditures for 1996 are only \$65 million as the company intends to improve its asset utilization through transit time improvements and more efficient operations including the greater use of rail transportation. Also, receivables are expected to decline as additional efforts are made to accelerate customer collections and a large income tax refund is due to be received during the year. In addition, the company suspended its dividend in July 1995 after paying \$.47 per share or \$13 million during the year. No dividends are expected to be paid in 1996. Finally, operating results should improve in 1996 as a result of cost reduction efforts, transit time improvements and better industry conditions.

Success of the above improvement initiatives will be dependent on the strength of the economy, competitive conditions including pricing stability and the ability to hold down costs.

Item 2. Properties.

The freight transportation companies each operate a network of freight terminal facilities. At December 31, 1995, the company operated a total of 628 freight terminals located in 50 states, Puerto Rico, parts of Canada and Mexico. Of this total, 296 were owned terminals and 332 were leased, generally for terms of three years or less. The number of vehicle back-in doors totaled 19,120, of which 14,298 were at owned terminals and 4,822 were at leased terminals. The freight terminals vary in size ranging from one to three doors at small local terminals, up to 304 doors at Yellow Freight's largest consolidation and distribution terminal. Substantially all of the larger terminals, containing the greatest number of doors, are owned. In addition, the company and most of its subsidiaries own and occupy general office buildings in their headquarters city.

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Item 2. Properties. (cont.)

At December 31, 1995, the company's subsidiaries operated the following number of linehaul units: tractors - 5,259, 27' and 28' trailers - 34,288 and 45' and 48' trailers - 6,107. The number of city units operated were: trucks and tractors - 7,944 and trailers - 5,603.

The above facilities and equipment are used in the company's predominant industry, the interstate transportation of general commodity freight. The company's facilities and equipment are adequate to meet current business requirements, except as noted below concerning revenue equipment "growth" unit purchases. Net capital expenditures in 1995 totaled \$140 million and were split evenly between revenue equipment and other equipment (primarily information technology to support Yellow Freight's improvements in customer service and freight management). About two-thirds of the net capital spending was for Yellow Freight. Revenue equipment expenditures were made primarily for replacement units at Yellow Freight and Preston Trucking and for growth units at Saia and WestEx.

The company expects moderate growth in 1996 and has projected no significant changes to its operational capacity. Projected net capital expenditures for

1996 are \$65 million. Net revenue equipment expenditures of \$27 million for 1996 are primarily for replacement units at Yellow Freight and Preston Trucking and for growth units at Saia and WestEx. The other capital expenditures of \$38 million will again be primarily for information technology to support Yellow Freight's improvements in customer service and freight management.

Item 3. Legal Proceedings.

The information set forth under the caption "Commitments and Contingencies" in the Notes to Consolidated Financial Statements on page 23 of the registrant's Annual Report to Shareholders for the year ended December 31, 1995, is incorporated by reference under Item 14 herein.

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

None.

Executive Officers of the Registrant

The names, ages and positions of the executive officers of the company as of March 31, 1996 are listed below. Officers are appointed annually by the Board of Directors at their meeting which immediately follows the annual meeting of shareholders.

Name ----	Age ---	Position(s) Held -----
A. Maurice Myers	55	President and Chief Executive Officer of the company (since March 1996); President and Chief Operating Officer of America West Airlines, Inc. (January 1994 - December 1995); President and Chief Executive Officer of Aloha Air Group, Inc. (prior to January 1994)
M. Reid Armstrong	58	President of Yellow Freight (since May 1992); Executive Vice President of the company and of Yellow Freight (December 1991 - May 1992); Senior Vice President of Yellow Freight (prior to December 1991)
Robert L. Bostick	55	Senior Vice President - Operations Administration of Yellow Freight (since April 1995); Senior Vice President - Operations of Yellow Freight (October 1992 - April 1995); Vice President - Operations of Yellow Freight (May 1992 - October 1992); Vice President - Transportation and Safety of Yellow Freight (April 1991 - May 1992); Vice President - Linehaul Operations of Yellow Freight (prior to April 1991)
J. Kevin Grimsley	48	Senior Vice President - Marketing/Sales of Yellow Freight (since January 1994); Vice President - Marketing of Yellow Freight (April 1993 - January 1994); Division Vice President of Yellow Freight (prior to April 1993)
William F. Martin, Jr.	48	Senior Vice President - Legal/Corporate Secretary of the company (since December 1993); Vice President and Secretary of the company (October 1991 - December 1993); Vice President and Secretary of Yellow Freight (October 1991 - May 1992); Vice President and Assistant Secretary of the company and Yellow Freight (prior to October 1991)

Executive Officers of the Registrant (cont.)

Name ----	Age ---	Position(s) Held -----
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Gail A. Parris	44	President of Yellow Technology (since April 1995); Senior Vice President - Administration of Yellow Freight (April 1993 - April 1995); Vice President - Controller of Yellow Freight (prior to April 1993)
Leo H. Suggs	56	President of Preston Corporation, a subsidiary of the company (since February 1993); Senior Vice President - Corporate Development of the company (November 1992 - February 1993); Senior Vice President - Operations Administration of Yellow Freight (December 1991 - November 1992); Vice President - Operations Administration of Yellow Freight (June 1991 - December 1991); Vice President - Quality and Labor Relations of Yellow Freight (prior to June 1991)
H. A. Trucksess, III	46	Treasurer of the company (since December 1995); Senior Vice President - Finance and Chief Financial Officer of the company (since June 1994); Vice President and Chief Financial Officer of Preston Corporation (June 1992 - June 1994); Senior Vice President, Chief Operating Officer and Chief Financial Officer of JTL Holding Company (prior to July 1991)

The terms of each officer of the company designated above are scheduled to expire April 25, 1996. The terms of each officer of the subsidiary companies are scheduled to expire on the date of the next annual meeting of shareholders of that company. No family relationships exist between any of the executive officers named above.

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PART II

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters.

The information set forth under the caption "Common Stock" on page 27 of the registrant's Annual Report to Shareholders for the year ended December 31, 1995, is incorporated by reference under Item 14 herein.

Item 6. Selected Financial Data.

The information set forth under the caption "Financial Summary" on pages 12 and 13 of the registrant's Annual Report to Shareholders for the year ended December 31, 1995, is incorporated by reference under Item 14 herein.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

"Management's Discussion and Analysis of Financial Condition and Results of Operations," appearing on pages 6 through 11 of the registrant's Annual Report to Shareholders for the year ended December 31, 1995, is incorporated by reference under Item 14 herein.

Item 8. Financial Statements and Supplementary Data.

The financial statements and supplementary information, appearing on pages 14 through 27 of the registrant's Annual Report to Shareholders for the year ended December 31, 1995, are incorporated by reference under Item 14 herein.

Item 9. Disagreements on Accounting and Financial Disclosure.

None.

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PART III

Item 10. Directors and Executive Officers of the Registrant.

The information regarding Directors of the registrant has previously been reported in the registrant's definitive proxy statement, filed pursuant to Regulation 14A, and is incorporated by reference. For information with respect to the executive officers of the registrant, see "Executive Officers of the Registrant" at the end of Part I of this report.

Item 11. Executive Compensation.

This information has previously been reported in the registrant's definitive proxy statement, filed pursuant to Regulation 14A, and is incorporated by reference. The compensation of A. Maurice Myers, whose election as President and CEO occurred following the dissemination of the definitive proxy statement, is the subject of an Employment Agreement between Mr. Myers and the company, a copy of which is attached to Exhibit 10 and the terms of which are incorporated by reference. As also reported in the proxy statement, the company has agreed to severance payments over a determined time period for certain executive officers who have resigned from the company. With respect to former President and CEO George E. Powell III, the company has reached an understanding with Mr. Powell that he shall receive severance payments at his current salary level for a period of one and one-half years from the effective date of his resignation. During this one and one-half year period, Mr. Powell will continue to be eligible for certain fringe benefits and will continue vesting under the company's Defined Benefit Pension Plan. With respect to Robert W. Burdick, former Senior Vice President, the company has entered into a Separation Agreement, a copy of which is attached to Exhibit 10 and the terms of which are incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

This information has previously been reported in the registrant's definitive proxy statement, filed pursuant to Regulation 14A, and is incorporated by reference.

Item 13. Certain Relationships and Related Transactions.

This information has previously been reported in the registrant's definitive proxy statement, filed pursuant to Regulation 14A, and is incorporated by reference.

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PART IV

Item 14. Exhibits, Financial Statement Schedule, and Reports on Form 8-K.

(a) (1) Financial Statements

The following information appearing in the 1995 Annual Report to Shareholders is incorporated by reference in this Form 10-K Annual Report as Exhibit (13):

	Page

Management's Discussion and Analysis of Financial Condition and Results of Operations	6-11
Financial Summary	12-13
Consolidated Financial Statements	14-26
Report of Independent Public Accountants	26
Quarterly Financial Information	27
Common Stock	27

With the exception of the aforementioned information, the 1995 Annual

Report to Shareholders is not deemed filed as part of this report. Financial statements other than those listed are omitted for the reason that they are not required or are not applicable. The following additional financial data should be read in conjunction with the consolidated financial statements in such 1995 Annual Report to Shareholders.

(a)	(2) Financial Statement Schedule	Page

	Report of Independent Public Accountants on Financial Statement Schedule	15
	For the years ended December 31, 1995, 1994 and 1993:	
	Schedule II Valuation and Qualifying Accounts	16
	Schedules other than those listed are omitted for the reason that they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto.	

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(a) (3) Exhibits

- (10) - Executive Officers' Agreements.
- (13) - 1995 Annual Report to Shareholders.
- (24) - Consent of Independent Public Accountants.
- (27) - Financial Data Schedule (for SEC use only).

The remaining exhibits required by Item 7 of Regulation S-K are omitted for the reason that they are not applicable or have previously been filed.

(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, 47, who was named to his current position in 1992, agreed to remain until a replacement candidate is selected and will be involved in identifying his successor. That selection 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. Myers has substantial airline industry experience where he most recently served as President and Chief Operating Officer of America West Airlines and helped lead the airline's financial turnaround. Prior to joining America West in 1994, Myers served as President and CEO of Aloha Air Group based in Honolulu. Myers joined Aloha in 1983 after holding various marketing and financial positions with Continental Airlines, Merrill Lynch & Company and Ford Motor Company.

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Report of Independent Public
Accountants on Financial Statement Schedule

To the Shareholders of Yellow Corporation:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements included in Yellow Corporation and Subsidiaries' annual report to shareholders incorporated by reference in this Form 10-K, and have issued our report thereon dated January 31, 1996. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in the index above (Schedule II) is the responsibility of the company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Kansas City, Missouri,
January 31, 1996

Schedule II

Yellow Corporation and Subsidiaries
Valuation and Qualifying Accounts
For the Years Ended December 31, 1995, 1994 and 1993

COL. A	COL. B	COL. C	COL. D	COL. E	
Description	Balance, Beginning Of Period	Additions		Deductions- Describe (1)	Balance, End Of Period
		-1- Charged To Costs And Expenses	-2- Charged To Other Accounts- Describe		

(In Thousands)

Year ended December 31, 1995:

Deducted from asset account -

Allowance for uncollectible accounts	\$13,082	\$13,855	\$ -	\$10,156	\$16,781
	=====	=====	=====	=====	=====

Year ended December 31, 1994:

Deducted from asset account- Allowance for uncollectible accounts	\$10,674	\$ 9,375	\$ -	\$ 6,967	\$13,082
	=====	=====	=====	=====	=====

Year ended December 31, 1993:

Deducted from asset account- Allowance for uncollectible accounts	\$ 8,558	\$ 8,521	\$2,504 (2)	\$ 8,909	\$10,674
	=====	=====	=====	=====	=====

- (1) Primarily uncollectible accounts written off - net of recoveries.
- (2) Addition from Preston Corporation and subsidiaries acquired in February 1993.

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Signatures

Pursuant to the requirements of Section 13 or 15(d) 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

BY: /s/ George E. Powell, Jr.

George E. Powell, Jr.
Chairman of the Board of Directors

March 25, 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ H. A. Trucksess, III	Senior Vice President -	March 25, 1996

H. A. Trucksess, III	Finance/ Chief Financial Officer and Treasurer	

/s/ George E. Powell III	Director	March 25, 1996

George E. Powell III		

/s/ M. Reid Armstrong

Director

March 25, 1996

M. Reid Armstrong

/s/ David H. Hughes

Director

March 25, 1996

David H. Hughes

/s/ William L. Trubeck

Director

March 25, 1996

William L. Trubeck

Executive Officers'

Agreements

EMPLOYMENT AGREEMENT

AGREEMENT, made this 20th day of March, 1996, by and between
YELLOW CORPORATION, a Delaware corporation ("Yellow"), and A. MAURICE MYERS
(the "Executive").

W I T N E S S E T H

WHEREAS, the Board of Directors of Yellow has approved the
employment of the Executive on the terms and conditions set forth in this
Agreement; and

WHEREAS, the Executive is willing, for the consideration
provided, to enter into employment with Yellow on the terms and conditions set
forth in this Agreement;

NOW, THEREFORE, the parties, intending to be legally bound,
agree as follows:

1. Employment. Yellow hereby agrees to employ the
Executive, and the Executive hereby accepts such employment, upon the terms
and conditions set forth in this Agreement.

2. Term. The term of this Agreement shall be the period
commencing on the date hereof (the "Effective Date") and ending on date of
termination of the Executive's employment

determined pursuant to Section 5, 6 or 7, whichever shall be applicable.

3. Position and Duties. The Executive shall serve as

President and Chief Executive Officer of Yellow effective as of the Effective Date, and shall have such responsibilities and authority as commensurate with such offices and as may from time to time be prescribed by or pursuant to Yellow's By-laws. The Executive shall devote substantially all of his working time and efforts to the business and affairs of the Company, provided, however, that the Executive may, with prior approval of Yellow's Board of Directors, (a) serve on corporate, civic or charitable boards or committees, and (b) deliver lectures, fulfill speaking engagements or teach at educational institutions, and the Executive may manage his personal investments, so long as such activities do not interfere materially with his responsibilities under this Agreement. The Executive shall be a member of the Board of Directors of Yellow effective as of the Effective Date.

4. Compensation.

During the period of the Executive's employment, Yellow shall provide the Executive with the following compensation and other benefits:

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(a) Base Salary. Yellow shall pay to the Executive base salary at the initial rate of \$550,000 per annum, which shall be payable in accordance with the standard payroll practices of Yellow. Such base salary rate shall be reviewed annually in accordance with Yellow's normal policies beginning in calendar year 1997; provided, however, that at no time during the term of this Agreement shall the Executive's base salary be decreased from the rate then in effect except (i) in connection with across-the-board reductions similarly affecting substantially all senior executives of Yellow or (ii) with the written consent of the Executive.

(b) Bonus. The Executive shall participate in a bonus program maintained by Yellow pursuant to which a target award in the amount of 60% of the Executive's base salary with a maximum of 100% of base salary shall be established for the Executive in respect of each fiscal year of Yellow commencing with 1996, provided that payment under such award shall be conditioned upon satisfaction of the target. The criteria for establishment of the target and the parameters for payments at, above or below the target shall be determined annually by the Compensation Committee of the Board of Directors of Yellow. The Compensation Committee shall consult with the Executive prior to establishing the target. At least 80% of the criteria

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established by the Compensation Committee which would result in a payment of 60% of base salary to the Executive shall be based on specific measurements of financial performance of Yellow during the applicable fiscal year and the remaining percentage may be based on non-financial criteria.

(c) Stock Options. Simultaneously with the execution of this Agreement, Yellow has granted to the Executive, effective as of the Effective Date, an option to purchase 400,000 shares of Common Stock of Yellow with an option term of ten years and an option price per share equal to the closing price of a share of Common Stock of Yellow as reported on the NASDAQ National Market System on the day before the date of release of the public announcement of the Executive's election as Chief Executive Officer of Yellow (if such stock traded on that date or, if not, on the next preceding date on which such stock traded); provided, however, that such option shall vest and become

exercisable at the rate of (i) 50% on the first anniversary of the Effective Date; (ii) 25% on the second anniversary of the Effective Date; and (iii) 25% on the third anniversary of the Effective Date. On the first anniversary of the Effective Date, the Executive shall be granted an option to purchase 170,000 shares of Common Stock of Yellow with an option term of ten years and an option price per share equal to

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the closing price of a share of Common Stock of Yellow as reported on the NASDAQ National Market System on the date of grant (if such stock traded on that date or, if not, on the next preceding date on which such stock traded); provided, however, that such option shall vest and become exercisable at the rate of (i) 50% on the first anniversary of the date of grant, (ii) 25% on the second anniversary of the date of grant, and (iii) 25% on the third anniversary of the date of grant. With respect to succeeding years, the Compensation Committee of the Board of Directors of Yellow shall determine the number of stock options, if any, to be granted to the Executive and the terms and conditions of any such options.

(d) Supplemental Retirement Benefits. Yellow shall enter into a supplemental retirement benefit agreement with the Executive pursuant to which the Executive shall receive from Yellow upon his termination of employment with Yellow (and subject to the vesting provision hereinafter set forth), the difference between (i) the benefits that he would have received under the Yellow Freight Office, Clerical, Sales and Supervisory Personnel Pension Plan (the "Pension Plan") if the service credited for benefit accrual purposes under the Pension Plan were 20 years plus his actual such service, if any, after his Normal Retirement Date (as defined under the Pension Plan)

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credited under the Pension Plan and (ii) the benefits actually payable to the Executive under the Pension Plan. The Executive shall vest in the supplemental retirement benefit described in this subsection (d) at the rate of 20% per year commencing on the first anniversary of the Effective Date (so that he would become 100% vested on the fifth anniversary of the Effective Date), provided, however, that the Executive shall forfeit any unvested portion in the event of the termination of his employment prior to becoming 100% vested. Notwithstanding the foregoing, the Executive shall immediately become 100% vested in the event of the termination of his employment under circumstances entitling the Executive to benefits pursuant to Section 8. The supplemental retirement benefit described in this subsection (d) shall be payable monthly commencing as of the last day of the month following the month of termination of the Executive's employment and shall continue until the Executive's death. Upon the Executive's death, if he is survived by and still married to the person who was his spouse on the Effective Date, the same monthly supplemental retirement benefit shall continue to said surviving spouse until her death. If the Executive at the time of his death is either not survived by or not married to the person who was his spouse on the

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Effective Date, no further supplemental retirement benefits shall be payable under this subsection (d) following his death.

(e) Other Benefits. In addition to the compensation and benefits otherwise specified in this Agreement, the Executive (and, if provided for under the applicable plan or program, his spouse) shall be entitled to participate in, and to receive benefits under, Yellow's employee benefit plans and programs that are or may be available to senior executives generally and on terms and conditions that are no less favorable than those generally applicable to other senior executives of Yellow. At no time during the term of this Agreement shall the Executive's participation in or benefits received under such plans and programs be decreased except (i) in connection with across-the-board reductions similarly affecting substantially all senior executives of Yellow or (ii) with the written consent of the Executive. The Executive shall be treated as having satisfied any otherwise applicable waiting period requirement for coverage under Yellow's disability insurance plan, effective as of the Effective Date. For the three-month period beginning on the Effective Date (the normal waiting period under Yellow's health insurance program), Yellow shall reimburse the Executive for any medical payments on behalf of himself and his spouse that would otherwise be covered under

Yellow's health insurance program. In addition, Yellow shall pay to the Executive an additional amount (the "Gross-Up Reimbursement Payment") such that the net amount retained by the Executive from the amount reimbursed pursuant to the preceding sentence of this subsection (e) (the "Medical Reimbursement") and the Gross-Up Reimbursement Payment, after reduction for any Federal, state and local income and employment tax on the Medical Reimbursement and the Gross-Up Reimbursement Payment, shall be equal to the Medical Reimbursement. For purposes of determining the Gross-Up Reimbursement Payment, the Executive shall be deemed to pay Federal income taxes at the highest marginal rate of Federal income taxation in the calendar year in which the Gross-Up Reimbursement Payment is to be made and state and local income taxes at the highest marginal rate of taxation to which such payment could be subject based upon the state and locality of the Executive's residence or employment, net of the maximum deduction in Federal income taxes which could be obtained from deduction of such state and local taxes. In addition, for purposes of determining the amount of the Gross-Up Reimbursement Payment, Yellow shall make a determination of the amount of any employment taxes required on the Gross-Up Reimbursement Payment.

(f) Expenses. The Executive shall be entitled to prompt reimbursement of all reasonable expenses incurred by him in performing services hereunder, provided he properly accounts therefore in accordance with Yellow's policies.

(g) Office and Services Furnished. Yellow shall furnish the Executive with office space, secretarial assistance and such other facilities and services as shall be suitable to the Executive's position and adequate for the performance of his duties hereunder.

5. Termination of Employment by Yellow.

(a) Cause. Yellow may terminate the Executive's employment for Cause if the Executive willfully engages in conduct which is materially and demonstrably injurious to Yellow or if the Executive willfully engages in an act or acts of dishonesty resulting in material personal gain to the Executive at the expense of Yellow. Yellow shall exercise its right to terminate the Executive's employment for Cause by (i) giving him written notice of termination at least 30 days before the date of such termination specifying in reasonable detail the circumstances constituting such Cause; and (ii) delivering to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership

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of the Board of Directors (except the Executive), after reasonable notice to the Executive and an opportunity for the Executive and his counsel to be heard before the Board of Directors, finding that the Executive has engaged in the conduct set forth in this subsection (a). In the event of such termination of the Executive's employment for Cause, the Executive shall be entitled to receive (i) his base salary pursuant to Section 4(a) and any other compensation and benefits to the extent actually earned pursuant to this Agreement or any benefit plan or program of Yellow as of the date of such termination at the normal time for payment of such salary, compensation or benefits and (ii) any amounts owing under Section 4(f). In addition, in the event of such termination of the Executive's employment for Cause, all outstanding options held by the Executive at the effective date of such termination which had not already been exercised shall be forfeited. Except as provided in Section 9, the Executive shall receive no other compensation or benefits from Yellow.

(b) Disability. If the Executive incurs a Permanent and Total Disability, as defined below, Yellow may terminate the Executive's employment by giving him written notice of termination at least 30 days before the date of such termination. In the event of such termination of the Executive's employment

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because of Permanent and Total Disability, (i) the Executive shall be entitled to receive his base salary pursuant to Section 4(a) and any other compensation and benefits to the extent actually earned by the Executive pursuant to this Agreement or any benefit plan or program of Yellow as of the date of such termination of employment at the normal time for payment of such salary, compensation or benefits, and any amounts owing under Section 4(f), and (ii) all outstanding stock options held by the Executive at the time of his termination of employment shall become immediately exercisable at that time, and the Executive shall have one year from the date of such termination of employment to exercise any or all of such outstanding options (but not beyond the term of such option). For purposes of this Agreement, the Executive shall be considered to have incurred a Permanent and Total Disability if he is unable to engage in any substantial gainful employment by reason of any materially determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. The existence of such Permanent and Total Disability shall be evidenced by such medical certification as the Secretary of Yellow shall require and shall be subject to the

approval of the Compensation Committee or the Board of Directors of Yellow.

(c) Without Cause. Yellow may terminate the Executive's employment at any time and for any reason, other than for Cause or because of Permanent and Total Disability, by giving him a written notice of termination to that effect at least 30 days before the date of termination. In the event of such termination of the Executive's employment without Cause, the Executive shall be entitled to the benefits described in Section 8.

6. Termination of Employment by the Executive.

(a) Good Reason. The Executive may terminate his employment for Good Reason by giving Yellow a written notice of termination at least 30 days before the date of such termination specifying in reasonable detail the circumstances constituting such Good Reason. In the event of the Executive's termination of his employment for Good Reason, the Executive shall be entitled to the benefits described in Section 8. For purposes of this Agreement, Good Reason shall mean the failure of Yellow in any material way either (i) to pay or provide to the Executive the compensation and benefits that he is entitled to receive pursuant to this Agreement by the later of (A) 60 days

after the applicable due date or (B) 30 days after the Executive's written demand for payment, or (ii) to maintain the titles, positions and duties of the Executive commensurate with those titles and positions and as required by this Agreement except with the Executive's written consent.

(b) Following Change of Control. The Executive may terminate his employment at any time within the three-month period which begins six months after a Change of Control of the Company by giving Yellow a written notice of such termination at least 30 days before the date of termination. In the event of the Executive's termination of employment within such three-month period, the Executive shall be entitled to the benefits described in Section 8. For purposes of this Agreement, a Change of Control of Yellow shall be deemed to have taken place if: (i) a third person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, purchases or otherwise acquires shares of Yellow after the date hereof and as a result thereof becomes the beneficial owner of shares of Yellow having 20% or more of the total number of votes that may be cast for the election of directors of Yellow; or (ii) as the result of, or in connection with any cash tender or exchange offer, merger or other Business Combination, or contested election, or any combination of the foregoing

transactions, the Continuing Directors shall cease to constitute a majority of the Board of Directors of Yellow or any successor to Yellow. For this purpose, (i) Business Combination means any transaction which is referred to in any one or more of clauses (a) through (e) of Section 1 of Subparagraph A of Article Seventh of the Certificate of Incorporation of Yellow, and (ii)

Continuing Director means a director of Yellow who meets the definition of Continuing Director contained in Section 7 of Subparagraph C of Article Seventh of the Certificate of Incorporation of Yellow.

(c) Other. The Executive may terminate his employment at any time and for any reason, other than pursuant to subsection (a) or (b) above, by giving Yellow a written notice of termination to that effect at least 30 days before the date of termination. In the event of the Executive's termination of his employment pursuant to this subsection (c), the Executive shall be entitled to receive (i) his base salary pursuant to Section 4(a) and any other compensation and benefits to the extent actually earned by the Executive pursuant to this Agreement or any benefit plan or program of Yellow as of the date of such termination at the normal time for payment of such salary, compensation or benefits, and (ii) any amounts owing under Section 4(f). In addition, in the event of the Executive's

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termination of his employment pursuant to this subsection (c), (i) all outstanding options held by the Executive at the time of such termination which had not already become exercisable shall be forfeited, and (ii) all outstanding options held by the Executive at the time of such termination which had already become exercisable shall expire 90 days after the date of such termination (or, if earlier, upon the expiration of the term of the option). Except as provided in Section 9, the Executive shall receive no other compensation or benefits from Yellow.

7. Termination of Employment By Death. In the event of the death of the Executive during the course of his employment hereunder, (i) the Executive's estate shall be entitled to receive his base salary pursuant to Section 4(a) and any other compensation and benefits to the extent actually earned by the Executive pursuant to this Agreement or any other benefit plan or program of Yellow as of the date of such termination at the normal time for payment of such salary, compensation or benefits, and any amounts owing under Section 4(f), (ii) any death benefit due under the Pension Plan and under Section 4(d) upon the Executive's death shall be paid to the Executive's beneficiary under the applicable plan, and (iii) all outstanding stock options held by the Executive at the time of his death shall become immediately exercisable upon

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his death, and the Executive's spouse or, if predeceased, the Executive's estate, shall have one year from the date of his death to exercise any or all of such outstanding options (but not beyond the term of such option).

8. Benefits Upon Termination Without Cause, For Good

Reason, or Following Change of Control. If the Executive's employment with Yellow shall terminate (i) because of termination by Yellow pursuant to Section 5(c) other than for Cause or because of Permanent and Total Disability, (ii) because of termination by the Executive for Good Reason pursuant to Section 6(a), or (iii) because of termination by the Executive within the three-month period which begins six months after a Change of Control of Yellow pursuant to Section 6(b), the Executive shall be entitled to the following:

(a) Yellow shall pay to the Executive his base salary pursuant to Section 4(a) and any other compensation and benefits to the extent actually earned by the Executive under this Agreement or any benefit plan or program of Yellow as of the date of such termination at the normal time for payment of such salary, compensation or benefits.

(b) Yellow shall pay the Executive any amounts owing under Section 4(f).

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(c) Yellow shall pay to the Executive as a severance benefit an amount equal to twice the sum of (i) his annual rate of base salary immediately preceding his termination of employment, and (ii) the target bonus payable pursuant to subsection (d) below. Such severance benefit shall be paid in a lump sum within 30 days after the date of such termination of employment.

(d) Yellow shall pay to the Executive his target bonus under Yellow's target bonus plan for the fiscal year in which his termination of employment occurs as if the target had been exactly met. Such payment shall be made in a lump sum within 30 days after the date of such termination of employment, and the Executive shall have no right to any further bonuses under said program.

(e) The Executive shall become 100% vested in all benefits accrued to the date of termination of his employment but not previously paid under the Pension Plan, the supplemental retirement benefit pursuant to Section 4(d), and Yellow's qualified and nonqualified defined contribution plans. Payment of benefits under such plans shall be made at the time and in the manner determined under the applicable plan.

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(f) During the period of 24 months beginning on the date of the Executive's termination of employment, the Executive (and, if applicable under the applicable plan or program, his spouse) shall remain covered by the employee benefit plans and programs that covered him immediately prior to his termination of employment as if he had remained in employment for such period, provided, however, that there shall be excluded for this purpose any plan or program providing payment for time not worked (including without limitation holiday, vacation, and long- and short-term disability). In the event that the Executive's participation in any such employee benefit plan or program is barred, Yellow shall arrange to provide the Executive with substantially similar benefits. Any medical insurance coverage for such two-year period pursuant to this subsection (f) shall become secondary upon the earlier of (i) the date on which the Executive begins to be covered by comparable medical coverage provided by a new employer, or (ii) the earliest date upon which the Executive becomes eligible for Medicare or a comparable Government insurance program.

(g) All outstanding stock options held by the Executive at the time of termination of his employment shall become fully exercisable upon such termination of employment and may be exercised for the balance of the term of such option.

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(h) If any payment or benefit received by or in respect of the Executive under this Agreement or any other plan, arrangement or agreement with Yellow (determined without regard to any additional payments required under this subsection (h) and Appendix A of this Agreement) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or any similar tax that may hereafter be imposed) or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, being hereinafter collectively referred to as the "Excise Tax"), Yellow shall pay to the Executive with respect to such Payment at the time specified in Appendix A an additional amount (the "Gross-up Payment") such that the net amount retained by the Executive from the Payment and the Gross-up Payment, after reduction for any Excise Tax upon the payment and any Federal, state and local income and employment tax and Excise Tax upon the Gross-up Payment, shall be equal to the Payment. The calculation and payment of the Gross-up Payment shall be subject to the provisions of Appendix A.

9. Entitlement To Other Benefits. Except as provided in this Agreement, this Agreement shall not be construed

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as limiting in any way any rights or benefits that the Executive may have pursuant to any other plan or program of Yellow.

10. Relocation Benefits. Yellow shall pay all reasonable costs of relocation of the Executive and his family to the Kansas City area, provided, however, that Yellow shall pay for temporary housing up to a maximum of \$3,500 per month until the earlier of (i) the Executive's permanent relocation to the Kansas City area or (ii) the sale of the Executive's current residence in Phoenix. In addition, Yellow shall pay to the Executive an additional amount (the "Gross-Up Relocation Payment") such that the net amount retained by the Executive from the amount payable pursuant to this Section 10 determined without regard to this sentence (the "Relocation Payment") and the Gross-Up Relocation Payment, after reduction for any Federal, state and local income and employment tax on the Relocation Payment and the Gross-Up Relocation Payment, shall be equal to the Relocation Payment. For purposes of determining the Gross-Up Relocation Payment, the Executive shall be deemed to pay Federal income taxes at the highest marginal rate of Federal income taxation in the calendar year in which the Gross-Up Relocation Payment is to be made and state and local income taxes at the highest marginal rate of taxation to which such payment could be subject based upon the state and locality of

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the Executive's residence or employment, net of the maximum reduction in Federal income taxes which could be obtained from deduction of such state and local taxes. In addition, for purposes of determining the amount of the Gross-Up Relocation Payment, Yellow shall make a determination of the amount of any employment taxes required to be paid on the Gross-Up Relocation Payment.

11. Legal Expenses of Preparing this Agreement. Yellow shall pay all of the Executive's reasonable attorneys' fees and related expenses involved in the negotiation and preparation of this Agreement.

12. Arbitration.

(a) Arbitration of Disputes. Any dispute between the parties hereto arising out of, in connection with, or relating to this Agreement 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 only as to failure 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

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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 5 or 7 potential arbitrators. In the event the parties do not agree upon an arbitrator, each party shall, in turn, strike one arbitrator from the list, Yellow having the first strike, until only one arbitrator remains, who shall arbitrate the dispute. The parties shall have the opportunity to conduct reasonable discovery as determined by the arbitrator, and the arbitration hearing shall be conducted within 30 to 60 days of the selection of an arbitrator or at the earliest date thereafter that the arbitrator is available or as otherwise set by the arbitrator.

(b) Indemnification. If arbitration occurs as provided for herein and the Executive is awarded more than Yellow has asserted is due him or otherwise substantially prevails therein, Yellow shall reimburse the Executive for his reasonable attorneys' fees, costs and disbursements incurred in such arbitration and hereby agrees to pay interest on any money award obtained by the Executive from the date payment should have been made until the date payment is made, calculated at

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the prime interest rate of Boatmen's First National Bank of Kansas City, N.A., Kansas City, Missouri, in effect from time to time from the date that payment(s) to him should have been made under this Agreement. If the Executive enforces the arbitration award in court, Yellow shall reimburse the Executive for his reasonable attorneys' fees, costs and disbursements incurred in such enforcement.

13. Confidential Information. The Executive shall retain in confidence any confidential information known to him concerning Yellow, its subsidiaries, and their respective businesses until such information is publicly disclosed. This provision shall survive the termination of the Executive's employment for any reason under this Agreement.

14. Indemnification under Bylaws. Yellow shall provide the Executive with rights to indemnification by Yellow that are no less favorable to the Executive than those set forth in Article V of Yellow's Bylaws as in effect as of the Effective Date.

15. Successors. This Agreement shall be binding upon and inure to the benefit of the Executive and his estate and Yellow and any successor of Yellow, but neither this

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Agreement nor any rights arising hereunder may be assigned or pledged by the Executive.

16. Severability. Any provision in this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating or affecting the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

17. Notices. All notices required or permitted to be given under this Agreement shall be given in writing and shall be deemed sufficiently given if delivered by hand or mailed by registered mail, return receipt requested, to his residence in the case of the Executive and to its principal executive offices in the case of Yellow. Either party may by giving written notice to the other party in accordance with this Section 17 change the address at which it is to receive notices hereunder.

18. Controlling Law. This Agreement shall in all respects be governed by and construed in accordance with the laws of the State of Delaware.

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19. Changes to Agreement. This Agreement may not be changed orally but only in a writing, signed by the party against whom enforcement is sought.

20. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement on the 20th day of March, 1996.

EXECUTIVE:

YELLOW CORPORATION

A. Maurice Myers

By: _____
William F. Martin, Jr.

ATTEST:

By: _____
L.D. Berkowitz

Appendix A

Gross-up Payments

The following provisions shall be applicable with respect to the Gross-Up Payments described in Section 8(h) of this Agreement.

(a) For purposes of determining whether any of the Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) all of the Payments received or to be received shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax unless, in the opinion of tax counsel selected by Yellow, the Payments (in whole or in part) do not constitute parachute payments, including by reason of Section 280G(b)(4)(A) of the Code, or excess parachute payments (as determined after application of Section 280G(b)(4)(B) of the Code), and (ii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by independent auditors selected by Yellow in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay Federal income taxes at the highest marginal rate of Federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation to which such payment could be subject based upon the state and locality of the Executive's residence or employment, net of the maximum reduction in Federal income taxes which could be obtained from deduction of such state and local taxes. In addition, for purposes of determining the amount of the Gross-Up Payment, Yellow shall make a determination of the amount of any employment taxes required to be paid on the Gross-Up Payment. In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time the Gross-up Payment is made, the Executive shall repay Yellow, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Gross-up Payment attributable to such reduction (plus the portion of the Gross-up Payment attributable to the Excise Tax and Federal and state and local income and employment tax imposed on the portion of the Gross-up Payment being repaid by the Executive if such repayment results in a reduction in

Excise Tax and/or a Federal and state and local income or employment tax deduction), plus interest on the amount of such repayment at the Federal short-term rate as defined in Section 1274(d)(1)(C)(i) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time the Gross-up Payment is made (including by reason of any payments the existence or amount of which cannot be determined at the time of the Gross-up Payment), Yellow shall make an additional gross-up payment in respect of such excess (plus any interest, penalties or additions payable with respect to such excess) at the time that the amount of such excess is finally determined. Notwithstanding the foregoing, Yellow shall withhold from any payment due to the Executive the amount required by law to be so withheld under Federal, state or local wage or employment tax withholding requirements or otherwise (including without limitation Section 4999 of the Code), and shall pay over to the appropriate government authorities the amount so withheld.

(b) The Gross-up Payment with respect to a Payment shall

be paid not later than the thirtieth day following the date of the Payment; provided, however, that if the amount of such Gross-up Payment or portion thereof cannot be finally determined on or before such day, Yellow shall pay to the Executive on such date an estimate, as determined in good faith by Yellow, of the amount of such payments and shall pay the remainder of such payments (together with interest at the Federal short-term rate provided in Section 1274(d)(1)(C)(i) of the Code) as soon as the amount thereof can be determined. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by Yellow to the Executive, payable on the fifth day after demand by Yellow (together with interest at the Federal short-term rate provided in Section 1274(d)(1)(C)(i) of the Code). At the time that payments are made under Section 8(h) and this Appendix A, Yellow shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations, including, without limitation, any opinions or other advice Yellow has received from outside counsel, auditors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).

SEPARATION AGREEMENT AND COMPLETE RELEASE

This Separation Agreement and Complete Release ("Agreement") is made this 17th day of November, 1995, by Robert W. Burdick (hereinafter "Bob Burdick") and Yellow Corporation, a Delaware corporation, its predecessors, successors, subsidiaries, affiliates, assigns, officers, directors, agents and employees (hereinafter collectively referred to as "Yellow").

WHEREAS, Bob Burdick has indicated a willingness to resign as Senior Vice President, Corporate Development and Public Affairs of Yellow effective November 30, 1995; and

WHEREAS, Bob Burdick and Yellow desire to settle fully and finally all issues between them, including, but not in any way limited to, any disputes that might arise out of Bob Burdick's employment with Yellow and termination of that employment; and

WHEREAS, Bob Burdick has had access to confidential and proprietary information and knowledge about Yellow's business and business practices, including, but not limited to, Yellow's personnel and their capabilities, operating capabilities, operating plans, corporate strategy, strategic alliances, marketing strategy and systems' capabilities (hereinafter collectively referred to as "Company Information"), the use or disclosure of which would be contrary to the interests of Yellow; and

WHEREAS, in consideration of Bob Burdick's agreeing not to divulge any "Company Information," and in consideration of his releasing Yellow from certain claims and for the other considerations herein indicated, Yellow is willing to provide Bob Burdick with the payments, benefits and perquisites provided below; and

WHEREAS, Bob Burdick desires to enter into this Agreement for the considerations herein indicated;

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements contained herein, the parties hereto agree as follows:

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1. Bob Burdick will submit his written resignation as Senior Vice President, Corporate Development and Public Affairs of Yellow effective November 30, 1995, in the form attached hereto as Exhibit A.

Yellow will permit Bob Burdick to remain on its payroll with the status of an employee at a compensation rate of \$18,338.77 per month from November 30, 1995 (a) until such time as Bob Burdick obtains "other employment" (as defined herein); (b) through January 31, 1998, inclusive; or (c) until such time as Bob Burdick breaches this Agreement, whichever occurs first. In the event that Bob Burdick obtains "other employment" as defined herein, his status as an employee of Yellow shall cease as of the commencement date of such "other employment," and Yellow shall pay to Bob Burdick within ten days of such commencement date, in a lump sum, fifty (50) percent of the compensation that would have been due Bob Burdick from the commencement date of such "other employment" to January 31, 1998, measured at a compensation rate of \$18,338.77 per month. Bob Burdick's car allowance shall cease effective November 30, 1995. Bob Burdick shall not be entitled to any bonus or incentive compensation payment from Yellow for any year that he remains an employee under this Agreement. Bob Burdick acknowledges that the opportunity to remain on Yellow's payroll after resignation involves a considerable financial benefit to which he is not already entitled and that is not owed to him as compensation for work or

services performed by him, but is granted by Yellow as consideration for Bob Burdick's execution of this Agreement.

"Other employment," as used in this Agreement shall include self-employment or employment by any firm or entity other than Yellow, whether as an employee, officer, director, partner, independent contractor, owner or consultant which meets the following minimum conditions:

(a) If a salaried position, whether full or part-time, a salary of \$110,000 per year. Computation of said salary shall include deferred compensation, bonus award, car allowance, and any other monetary

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compensation in lieu of salary. In the event that Bob Burdick accepts a salaried position which does not qualify as "other employment" under the conditions outlined above, Yellow will permit Bob Burdick to remain on its payroll with the status of employee for the term set forth in this paragraph, but Bob Burdick shall receive each month from Yellow only the difference between \$18,338.77 and his monthly gross earnings from such salaried employment computed on the basis outlined above. Bob Burdick shall submit to Yellow's Senior Vice President and Secretary documentation each month of his gross earnings from such salaried employment, and Yellow shall pay Bob Burdick the difference between such gross earnings and \$18,338.77 each month with withholding calculated on the earnings from Yellow after deduction for such salaried employment. The foregoing shall constitute an exception to the payment of salary by Yellow to Bob Burdick on a semi-monthly basis as outlined in Paragraph 3 above.

(b) If self-employment or employment on an output, fee, hourly or consultant basis, employment which results in gross earnings to Bob Burdick of an average of at least \$9,170 in any three consecutive months. Once such \$9,170 threshold is reached in any three-month period, Bob Burdick shall be regarded as having obtained "other employment" as of the last of the three consecutive months without further consideration of Bob Burdick's earnings in subsequent months. For the purpose of computing such earnings, services by Bob Burdick shall be regarded as earned in the month in which the work is performed. In the event that Bob Burdick enters self-employment which does not qualify as "other employment" under the conditions outlined above, Yellow will permit Bob Burdick to remain on its payroll with the status of employee for the term set forth in this paragraph, but Bob Burdick shall only receive each month from Yellow the sum of \$18,338.77 less that portion of Bob Burdick's monthly gross

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earnings from self-employment which exceeds \$5,000. Bob Burdick shall submit to Yellow's Senior Vice President and Secretary documentation each month of his gross earnings from such self-employment and Yellow shall pay Bob Burdick the difference between that portion of Bob Burdick's monthly gross earnings that exceeds \$5,000 and his salary from Yellow of \$18,338.77 each month with withholding calculated on the earnings from Yellow after deduction for such employment. The foregoing shall constitute an exception to the payment of salary by Yellow to Bob Burdick on a semi-monthly basis as outlined in Paragraph 3 above.

Any fringe benefit of Yellow for which Bob Burdick would be eligible as an employee which is based or calculated on Bob Burdick's earnings from Yellow

shall be based or calculated on such earnings after deduction of gross earnings from any employment not constituting "other employment." Yellow's medical, dental and vision plans shall cover Bob Burdick while Bob Burdick is engaged in employment not constituting "other employment" only if and to the extent that such employment does not match or equal Yellow's coverage. Any failure of Bob Burdick to report to Yellow earnings within 60 days after the receipt of said earnings from any employment, including "other employment" as defined herein or employment not constituting "other employment," shall constitute a breach of this Agreement with the consequences outlined in Paragraph 5, herein subject to the concepts of materiality outlined in Paragraph 5.

3. During such time following resignation as Bob Burdick remains on Yellow's payroll with the status of an employee at a compensation rate of \$18,337.77 per month, such compensation, minus normal deductions, shall be paid semi-monthly. In addition to such compensation, so long as Bob Burdick remains on Yellow's payroll with the status of an employee, as discussed in Paragraph 2 above, the following additional benefits apply:

(a) Bob Burdick shall be entitled to continued vesting under the Yellow's Defined Benefit Pension Plan;

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(b) Bob Burdick shall be entitled to all other applicable fringe benefits of a non-officer, salaried employee of Yellow, including medical and insurance coverages, except that Bob Burdick shall not be entitled to those benefits that provide payment for time not worked which include holiday, vacation, short and long-term disability.

4. Yellow will reimburse reasonable outplacement costs for Bob Burdick up to a maximum amount of \$12,000, for a maximum period of four months of full service assistance, to be paid to an agency designated by Yellow and approved by Bob Burdick. Yellow will pay the actual charges for Arthur Andersen & Co.'s preparation of Bob Burdick's personal income tax return for the tax year 1995, if Yellow provides the same service to its senior officers for 1995. No tax return preparation will be provided by Yellow for the tax years 1996-1998. Yellow shall permit Bob Burdick to retain the car phone presently installed in his car, with all monthly billings to be switched to Bob Burdick effective December 1, 1995.

5. Bob Burdick agrees that the provisions and conditions of this Agreement survive the payments to be made to him by Yellow hereunder. Any material breach of the provisions of this Agreement by Bob Burdick, after receipt of written notice by Bob Burdick from Yellow and the failure by Bob Burdick to completely cure said material breach, shall result in the forfeiture by Bob Burdick of his right to any financial payments, benefits, or perquisites payable under this Agreement after the occurrence of the material breach and the failure to timely cure said material breach, and Yellow shall further be entitled to reimbursement by Bob Burdick of all payments made to Bob Burdick after the occurrence of the material breach plus all costs, including attorneys' fees, incurred by Yellow in asserting its right to such reimbursement.

6. Upon Bob Burdick's resignation as Senior Vice President, he shall return to Yellow any documents or other information relating to Yellow (regardless of their source), including "Company Information" and all related reports, files, memoranda, records, tapes, microfilm and other documents, including duplicates or copies, in his possession or under his control.

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7. Bob Burdick understands and agrees that "Company Information"

acquired during the course of his employment, will remain confidential at all times following execution of this Agreement; that he will not disclose or communicate such "Company Information" to any individual or entity not a party to this Agreement, including family members, and that he will not make use of "Company Information" on his own behalf, or on behalf of a family member, or aid or encourage any family member to do so. Bob Burdick specifically agrees that any disclosure of "Company Information" by a family member, or by an individual or entity who has obtained such information from Bob Burdick or a family member, shall be regarded as a breach of this Agreement by Bob Burdick.

8. Bob Burdick represents and agrees that he will not make any derogatory, disparaging or false statements intended to harm the business or personal reputation of Yellow, its directors, officers and employees.

9. Except for claims made by Bob Burdick for amounts due to him under this Agreement (an "Agreement Claim"), Bob Burdick acknowledges and represents that he will not file any charges, complaints, or lawsuits against Yellow with any governmental agency or any court which arise out of his employment with Yellow; that he waives any right to bring a lawsuit relating thereto, and waives the right to recover wages or damages in any lawsuit brought by the Equal Employment Opportunity Commission or any third party on his behalf relating thereto.

10. As a material inducement to Yellow to enter into this Agreement, Bob Burdick represents and agrees to irrevocably and unconditionally release, quit, and forever discharge Yellow and each of its directors, officers, employees, representatives, attorneys, parents, affiliates (and any agents, directors, officers, employees, representatives, and attorneys of such parent companies, and affiliates), and all persons acting by, through or in concert with any of them (collectively "Releasees") , or any of them, from any and all charges, complaints, claims (other than an Agreement Claim), controversies,

damages, actions, causes of actions, suits, costs, losses, debts, and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, including, but not limited to, rights under federal, state or local laws prohibiting age or other forms of discrimination including the Age Discrimination in Employment Act and claims growing out of any legal restrictions on Yellow's right to terminate its employees, which Bob Burdick now has, owns, or holds, or now claims to have, own, or hold, or which Bob Burdick at any time heretofore has owned, or held, or which Bob Burdick claimed to have, own, or hold against each or any of the Releases.

11. Bob Burdick acknowledges that the filing by him of any charge, complaint or lawsuit as described in Paragraph 9 above constitutes a breach of this Agreement. Should such a breach occur, all rights to future payments and benefits due under this Agreement are forfeited and Yellow shall be entitled to reimbursement from Bob Burdick of all monies paid under this Agreement prior to such breach.

12. Bob Burdick represents and agrees that he will keep the terms and amount of this Agreement completely confidential and he will not hereafter disclose such terms and amounts to anyone except his spouse; his private attorneys, his tax consultants, and any individuals requiring personal financial information; provided that they agree to keep said information confidential and not disclose it to others.

13. Yellow represents and agrees that it will keep the terms and amounts of this Agreement completely confidential and that it will not hereafter disclose any information concerning this Agreement to anyone except its private attorneys and other key company officials requiring this information in fulfilling the responsibility of their position on Yellow's behalf; provided that they agree to keep said information confidential and not disclose it to others.

14. Bob Burdick represents and agrees that he has been given at least 21 days time to consider whether to enter into this Agreement, that he has been advised and encouraged to consult an attorney, that he fully

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understands his right to discuss all aspects of this Agreement with his private attorney, that to the extent if any that he desires, he has availed himself of his right, that he has carefully read and fully understands all the provisions of this Agreement, and that he is voluntarily and knowingly entering into this Agreement.

15. Bob Burdick represents and acknowledges he has been informed that for a period of seven (7) days following the date this Agreement is executed, he has a right to revoke this Agreement. If he does not revoke this Agreement during this seven (7) day period, it shall become effective and enforceable.

16. Bob Burdick represents and acknowledges that in executing this Agreement he does not rely, and has not relied, upon any representation or statement not set forth herein made by any of the Releasees or by any of the Releasees' agents, representatives, or attorneys with regard to the subject matter, basis or effect of this Agreement.

17. This Agreement sets forth the entire agreement between the parties hereto and fully supersedes any and all prior agreements or understandings between the parties hereto pertaining to the subject matter hereof.

18. In the event of Bob Burdick's death prior to the completion of the payment to Bob Burdick of any monetary compensation called for hereunder and provided further that Bob Burdick has not breached any of the provisions of this Agreement prior to his death, Yellow shall pay any further monetary compensation due to Bob Burdick's estate on a lump sum basis within ten days after his estate is opened. Provided, however, if Bob Burdick has given Yellow written beneficiary designations during his lifetime then such monetary compensation due under Paragraph 18 at his death shall be paid to the beneficiary designated in such written beneficiary designation.

19. This Agreement is made in the State of Kansas and shall be construed pursuant to the laws thereof.

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20. This Agreement shall be binding on the representatives, heirs, successors, and assigns of the parties hereto, including any successor or successors in bankruptcy or similar proceedings.

21. This Agreement cannot be changed, modified, or amended in any respect except by written instrument signed by all parties.

22. The provisions of this Agreement are several, if any part of it is found to be unenforceable, the other paragraphs shall remain fully validated and enforceable.

IN WITNESS WHEREOF, this Agreement was executed on the day and year first above written.

YELLOW CORPORATION

ATTEST:

William F. Martin, Jr.
Secretary

By _____
George E. Powell III
President

Yellow Corporation

1995 Annual Report

to Shareholders

IMPROVING THE SERVICE YELLOW CORPORATION
1995 ANNUAL REPORT

YELLOW CORPORATION

Yellow Corporation is a holding company with operating subsidiaries specializing in national, regional, and international less-than-truckload transportation.

YELLOW FREIGHT SYSTEM, INC.

Yellow Freight System, headquartered in Overland Park, KS is the corporation's largest subsidiary with 1995 operating revenue of \$2.4 billion. As the largest provider of less-than-truckload services in the nation, Yellow Freight System employs 24,700 people throughout a network of 445 facilities. It provides national and regional two-day service as well as international service to Mexico, Canada and, via alliances, Europe and the Asia/Pacific region.

PRESTON TRUCKING COMPANY, INC.

Preston Trucking Company, headquartered in Preston, MD provides regional less-than-truckload services in the upper Midwest and Northeast. A network of 75 terminals throughout this geo-graphic region is operated by 5,400 employees. Preston markets the SuperRegion (TM)--one and two-day service in an expanded geo-graphic region. It recorded 1995 operating revenue of \$411 million.

SAIA MOTOR FREIGHT LINE, INC.

Saia Motor Freight Line, will relocate its headquarters to Atlanta, GA from Houma, LA in April. Its regional less-than-truckload market consists of eleven states in the south where it operates 73 terminals and employs 3,500 people. Saia offers comprehensive overnight and two-day service in its market and recorded operating revenue of \$210 million in 1995.

WESTEX, INC.

WestEx, the newest regional carrier in the corporate family is headquartered in Phoenix, AZ and provides one and two-day service in California, Arizona and New Mexico as well as parts of Nevada and Texas. WestEx employs 440 people and recorded 1995 operating revenue of \$17 million.

YELLOW TECHNOLOGY SERVICES, INC.

Yellow Technology Services, headquartered in Overland Park, KS employs 360 people and ensures that the operating companies--primarily Yellow Freight System--have access to advanced information systems to meet the informational demands of transportation customers.

FINANCIAL HIGHLIGHTS
Yellow Corporation and Subsidiaries

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(Amounts in thousands except per share data)

	1995	1994	1993 (a)
Operating revenue	\$3,056,640	\$2,867,492	\$2,856,505
Income (loss) from operations	(21,588)	11,011	53,893
Income (loss) before extraordinary item	(30,122)	(3,848)	18,801
Net income (loss)	(30,122)	(7,906)	18,801
Per share data:			
Income (loss) before extraordinary item	(1.07)	(.14)	.67
Net income (loss)	(1.07)	(.28)	.67
Cash dividends	.47	.94	.94
Total debt	353,573	247,760	226,503
Shareholders' equity	422,677	460,843	486,453

(a) 1993 amounts include the operating results of Preston Corporation effective March 1, 1993. The 1993 results also include a network development charge of \$11.2 million after taxes and a charge of \$1.6 million to reflect the impact of a higher tax rate on the company's deferred tax liabilities.

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LETTER TO SHAREHOLDERS
Company Performance

For the less-than-truckload transportation industry, 1995 was arguably the worst year since it was deregulated in 1980. Barely recovered from the financial blow dealt by the 24-day Teamsters' strike in 1994, the industry faced overcapacity and a faltering economy that

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triggered the most extreme price discounting in a decade. The result was a

financial stall for the entire industry segment.

Yellow Corporation was significantly impacted by these circumstances, recording a loss of \$30.1 million, or \$1.07 per share, in 1995, compared to a loss of \$7.9 million, or \$.28 per share, in 1994.

In mid-year the Yellow Corporation Board of Directors suspended the company dividend until a return to consistent profitability is attained and trimmed previously planned capital expenditures. The company's principal subsidiary, Yellow Freight, began to work aggressively on a focused plan to address three key issues: transit time improvement, expense reduction and price improvement. The regional companies, Preston, Saia and WestEx, completed previously planned expansions, turning their attention to margin improvement.

IMPROVING THE SERVICE

Yellow Freight System, which contributes nearly 80 percent of corporate revenue, progressed its extensive technological reengineering program. That effort, in combination with an ongoing terminal consolidation program, created the foundation for sweeping transit time improvements in the last half of the year. Yellow's two new services... Further, FasterTM and 2-Day USA,TM shaved delivery times of one or more days off 70 percent of the shipments delivered by the company. By the end of the year, Yellow Freight--a national LTL carrier--was delivering up to 40 percent of its shipments in two days or less with the most comprehensive transit time reduction program in the industry.

Clearly, these improvements required considerable investment. Keeping promises to customers for better transit times, trucks were frequently required to leave terminals with partial loads because it was simply "time to go", resulting in lower load averages and higher labor costs. Some costs were offset by reduced shipment handling resulting from increased direct loading. Furthermore, as customer awareness of these new services grew and employees embraced the new "time-sensitive" attitude, the company added more business and began correcting operational inefficiencies. While these new services are expected to elevate ongoing costs, the company expects a net benefit from improved prices and volume.

To support the new services, Yellow Freight opened two state-of-the-art customer service centers during the year replacing terminal-based customer service functions. This centralization enabled the company to lower fixed overhead costs while instituting the most convenient, responsive customer service in the industry. More than 200 highly trained representatives provide customers a way to expedite their business requests 24 hours a day, seven days a week.

The investment in transit time improvement combined with weak industry fundamentals negatively impacted Yellow Freight's overall financial performance, yet it exceeded the performance of principal competitors throughout much of the year.

Preston Trucking Company, the company's second largest operation--a regional LTL provider serving the northeast and central states--experienced pressures similar to Yellow Freight from the economy and price discounting. Yet it provided consistently superior on-time service throughout the year. Bolstered by this service performance, Preston added North Carolina to its well-received SuperRegionTM which provides customers with one and two-day transit times over an expanded geographic region. During its 15 months of operation, the SuperRegionTM has reduced transit time by 12 percent while length of haul has increased 18 percent. Preston anticipates improved revenue in 1996 from its new guaranteed, expedited service for time-sensitive shipments and new direct service to Canada. Market circumstances kept Preston's financial performance in the red in 1995, but its trends outpaced many competitors--a tribute to management's attention to cost control and employee commitment to the customer.

Saia Motor Freight, serving the southern tier of the United States, was a small but valuable contributor to the corporation in 1995. As one of two non-union, regional carriers in the family, Saia saw over 17 percent revenue growth as it recorded full-year benefits from 1994 expansion activity, broadened service in the state of Texas and entered the states of North and South Carolina. While expansion costs and pricing pressures squeezed operating margins, Saia continued its high service performance and recorded a profitable year.

California was the 1995 target for WestEx, the company's newest non-union regional subsidiary. It expanded throughout California providing overnight intrastate service and two-day service between that state and the southwest.

Twelve facilities were opened in California and Reno, Nevada, expanding the terminal network to three states and portions of Nevada and Texas. WestEx is similar to a start-up operation, and as such, is a small contributor to overall corporate revenue. Nevertheless, it grew according to plan and is expected to be profitable in 1997.

IMPROVING THE COST

All Yellow companies delivered service improvements in 1995, but in the highly competitive transportation arena these achievements mean little without internal expense reduction. It simply isn't good enough any more to have the best service. You have to have the best service and be highly cost-efficient.

In the third quarter, Yellow Freight initiated a rigorous cost reduction process that is expected to save \$75 million in 1996. Adjustments were made in the administrative, finance, and sales and marketing areas in December. Linehaul and terminal operations will be the focus of efficiency and productivity improvements this year. The company took a one-time, 1995 fourth quarter charge of \$6.6 million, or \$.23 per share, related to the implementation of these cost reduction programs, realignment of the company's logistics operations and other nonrecurring expenses primarily relating to severance costs.

Among the cost improvement efforts at Preston was a majority vote by union employees in February to continue their current five percent wage reduction and forego scheduled April 1 increases for the duration of the current National Master Freight Agreement, which will expire the end of March 1998. This demonstration of employee commitment is expected to generate more than \$15 million in savings in 1996.

Saia and WestEx will turn their attention to performance improvement as each company focuses on harvesting business from the expansion activities of 1995. The revenue anticipated in 1996 will improve lane density for the carriers resulting in more efficient operations. Additionally, each company has the opportunity to reduce expenses as they apply greater cost control in terminal and linehaul operations. We expect revenue increases combined with cost containment to produce improved margins for these companies in the coming year.

IMPROVING THE PRICE

Overcapacity has plagued the LTL industry, if not all trucking modes, and triggered severe price discounting that has eroded profits. Much of the industry reacted to this erosion by further discounting rates to protect market share. The Yellow companies opted for a more long-term strategy--improve the product and lower internal costs, thereby improving the value customers receive. With these efforts underway, the companies are now prepared to negotiate better prices for their services which will help improve profitability.

In January, rate increases were announced, representing a step toward closing the gap between the price Yellow companies charge their customers and the value they offer. For example, over the past ten years the Consumer Price Index grew by nearly 50 percent

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while the average price per hundred weight for Yellow's companies, adjusted for freight mix changes, remained nearly the same. We are committed to price improvement, in view of our service enhancements and the need to improve shareholder returns.

CHANGE AND COMMITMENT

After twenty-five years of service to the organization, President and CEO George E. Powell III announced in January his intention to resign. At this writing the Board of Directors is awaiting the results of a search for a successor, which we are confident will be concluded shortly.

The outlook for 1996 will be initially marred by the winter blizzards that idled operations for a few days in various parts of the country and slowed the movement of freight. Weather complications can be costly and distracting, but the focus of our management and employees remains sharp. We will build on 1995. We will maximize the investment in service improvements, further scrutinize expenses and attain better prices for our services.

Though change is sure to become the hallmark of 1996, our commitment to improve the business performance of our companies is a constant, as is our goal of generating positive returns for shareholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

1995 vs. 1994

Operating revenue for Yellow Corporation (the company) totaled \$3.06 billion in 1995, up 6.6% from \$2.87 billion in 1994. The increase in revenue primarily resulted from the recovery of lost revenue due to the 24-day labor strike in 1994 by the International Brotherhood of Teamsters (Teamsters) against the company's primary subsidiary, Yellow Freight System, Inc. (Yellow Freight). Excluding the impact of the strike, operating revenue increased only nominally due to other volume gains being substantially offset by lower prices. The lower prices resulted from competitive discounting and industry overcapacity.

The company had a net loss of \$30.1 million, or \$1.07 per share, compared to the strike-induced net loss of \$7.9 million, or \$.28 per share, last year. The 1995 loss resulted from the deterioration in prices and a variety of cost increases. The cost increases varied by operating subsidiary, but in general involved the following areas: annual labor cost increases; increased expenses resulting from service enhancements; corporate development costs including business expansions at Saia Motor Freight Line, Inc. (Saia) and WestEx, Inc. (WestEx); and certain nonrecurring costs.

Yellow Freight's revenue was \$2.36 billion, an increase of 6.4% over 1994. Yellow Freight experienced a deterioration in its operating ratio from 99.2 in 1994 to 100.1 in 1995. Tonnage increased 7.7%, demonstrating the recovery of business from the strike-impacted 1994 levels. Despite significant service enhancements and other cost increases, prices declined for the year. A January 1995 tariff increase of approximately 5.0%, which applied to about half of Yellow Freight's customers, and attempts to increase contract term rates on remaining customers were more than offset by price discounting. Overall, less-than-truckload (LTL) revenue per hundredweight declined 1.5% from \$15.77 in 1994 to \$15.53 in 1995.

Prices declined and volumes, adjusted for the 1994 strike, remained relatively static, yet operating costs increased. Approximately 67% of Yellow Freight's costs pertain

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to salaries, wages and benefits. On April 1, 1995, union wages and benefits increased approximately 3.2%. In addition, Yellow Freight incurred higher expenses in the third and fourth quarters when it implemented a transit time improvement program to enhance its competitive position in the market. These transit time improvements were made possible by an on-going network development program, that in the last three years has reduced the number of terminals at Yellow Freight from 608 to 448 while still maintaining full market coverage. For 1995 compared to 1994, transit times improved by approximately one day, resulting in higher costs associated with a 5.7% lower load average and a 14.0% increase in total linehaul miles. Some cost savings were obtained by an increase in direct loadings which reduced rehandlings by 8.7%. Additional savings were achieved through an increased use of rail transportation from 13.1% of total miles in 1994 to 17.5% in 1995 and the elimination of forced overtime for dockworkers, both provisions of the 1994 labor contract. While Yellow Freight is working to lessen the cost premiums of the improved service, it is likely that this new service will carry a higher ongoing cost structure. However, Yellow Freight intends to receive future benefits through improved pricing, better customer service and business volume growth. Through reengineering and the use of new technology, Yellow Freight began achieving administrative cost reductions in 1995 by consolidating customer service and cashing functions from its individual terminals to two centralized locations.

Preston Trucking Company, Inc. (Preston Trucking) had revenue of \$411.2 million, a decrease of 1.3% from 1994. Preston Trucking's operating ratio in 1995 was 101.4 compared to 101.3 in 1994. The 1994 performance was subject to severe winter weather, impacts from the second quarter strike, including benefits from an early return to work, and shipper uncertainty concerning a wage reduction process (see 1994 vs. 1993 discussion), all of which did not recur in 1995. However, 1995 was subject to severe industry-wide price discounting as well as a relatively greater labor cost increase. Under the terms of Preston Trucking's wage reduction program approved in 1994, union

wages and benefits increased approximately 4.9% on April 1, 1995. The higher wage increase resulted from Preston Trucking employees receiving both the contractual wage and benefit increases as well as a step-down in the wage reduction from 7.0% to 5.0%. Improved productivity, positive cargo claims experience and reductions in purchased transportation expense contributed to offsetting the higher wage and benefit costs.

Saia revenue grew 17.7% to \$209.6 million due to geographical expansions in Texas, Tennessee and Georgia in mid-1994 and North and South Carolina in mid-1995. Saia's operating ratio increased to 96.3 in 1995 from 93.5 in 1994. Saia was impacted by industry price discounting, but the margin deterioration was primarily caused by increased wages and the expense impacts of the expansion activities including lighter initial business densities in the new markets. The deregulation of intrastate markets in January 1995 also increased competition in Louisiana and Texas, where Saia held operating rights advantages. This was partially offset by new access for Saia in various other states' intrastate markets.

The remaining operating entities of the company comprise less than 3% of consolidated revenue and include Yellow Logistics Services, Inc. (Yellow Logistics), CSI/ Reeves, Inc. (CSI), WestEx and the Yellow Corporation holding company. During 1995, Yellow Logistics was realigned and CSI was sold. WestEx commenced an expansion from its traditional Arizona and New Mexico market into the state of California, but remains immaterial to overall company results. Holding company expenses were comparable to 1994 levels.

Corporate interest expense increased from \$18.4 million in 1994 to \$23.4 million in 1995 due to increased debt levels, primarily resulting from lower net income, increased working capital requirements, and capital expenditures. The working capital impacts on interest expense primarily pertained to increased accounts receivable days outstanding at Yellow Freight due to both market forces and transition implementation issues related to a new system for customer billing and stating.

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The fourth quarter 1995 results included nonrecurring charges of \$6.6 million after income taxes pertaining to implementation of cost reduction programs, the realignment of Yellow Logistics and other expenses primarily related to severance costs.

1994 vs. 1993

Operating revenue for the company totaled \$2.87 billion in 1994, an increase of \$11.0 million from 1993. The flat revenue was due to a 24-day national labor strike in April by the Teamsters against Yellow Freight, which essentially offset other revenue increases. The strike also impacted most of Yellow Freight's major unionized competitors. The company realized \$85 million more revenue from the inclusion of Preston Corporation (Preston) for twelve months in 1994 versus ten months in 1993. An additional \$105 million of increased revenue was generated by full-year growth at the subsidiaries, exclusive of the labor strike impact. This revenue growth came from rate increases and geographic expansion and was split evenly between Yellow Freight and the other subsidiaries as a group.

The company had a net loss of \$7.9 million, or \$.28 per share, in 1994, compared to net income of \$18.8 million, or \$.67 per share in 1993. The 1994 net loss resulted primarily from the labor strike which reduced earnings by an estimated \$1.24 per share. A special charge of \$4.1 million after taxes, or \$.14 per share, to write-off the value of intrastate operating rights, also negatively impacted 1994 results. This write-off was necessitated by federal legislation that deregulated the entry and rates for intrastate operations of all transportation companies. Net income in 1993 included an \$11.2 million, or \$.40 per share, charge for network development at Yellow Freight as well as a reduction of \$1.6 million, or \$.06 per share, from the impact of the statutory increase in the U.S. federal tax rate on the company's deferred tax liabilities.

As a result of the labor strike, Yellow Freight experienced a 5.8% decrease in revenue for 1994 (\$2.22 billion) versus 1993 (\$2.36 billion). Rate increases in January 1994 were offset by a 6.6% decrease in tonnage levels and a 12.3% decline in the number of shipments handled from 1993. However, the new four-year labor contract provides Yellow Freight greater operational flexibility while giving Teamster employees increased wages, benefits and job security. The increased flexibility means that Yellow Freight has the ability to lower operating costs by gaining the right to use more rail transportation

and dock casual workers whose rate of pay is fixed during the contract. In return, the carriers agreed to a 14% increase in wages and benefits over the four-year contract term.

Yellow Freight's earnings were also negatively impacted by severe winter weather experienced in the first quarter of 1994 which caused significant business disruptions and higher operating expenses. Salaries, wages and employees' benefits expense as a percentage of revenue was essentially the same in 1994 and 1993. Slightly lower employee levels were offset by wage and benefit increases of approximately 3% effective April 1 under the new labor agreement. Operating expenses and supplies increased as a percent of revenue, primarily due to the fixed component of certain of these costs and increases in equipment maintenance and general expenses. In the third quarter, Yellow Freight implemented a change of linehaul operations, which allows substantially more freight to be transported via rail. This change, which was made possible by the new labor agreement, will hold down operating costs, reduce capital expenditures for revenue equipment and improve service for customers. Purchased transportation costs were higher in 1994 as a result of this increased rail usage in the third and fourth quarters.

Preston Trucking had revenue of \$416.8 million in 1994, an annualized revenue increase of 4.9% compared to 1993. However, their operating margin deteriorated slightly during the year as a result of severe winter weather in the Northeast during the first quarter, the impact of the second quarter strike and shipper uncertainty concerning approval of the wage reduction agreement described below. Preston Trucking saw a dramatic increase in

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revenue during the second quarter of 1994 as they returned to work under an interim agreement with the Teamsters after only six days on strike. The increased business adversely affected service performance and costs, reducing profitability in the latter part of the second quarter and into the third quarter. In mid-1994, the Teamster employees of Preston Trucking approved a plan to reduce wages in return for a share of profits if certain operating results are achieved. The plan lessened pay by 7.0% from standard wages under the new contract for the period April 1, 1994 to March 31, 1995 and by 5.0% for the period April 1, 1995 to March 31, 1996. Pay levels would return to standard contract wages on April 1, 1996. This plan replaced a one year, 9.0% wage reduction approved in March 1993, shortly after Preston Trucking was acquired by the company. Significant service improvements were achieved in the fourth quarter through the implementation of a new regional concept featuring a 170-door distribution center near Cleveland, Ohio. Called the SuperRegion,™ it provides reduced transit times and superior service across an expanded geographic area. This service began attracting new revenue during the quarter.

Saia maintained an operating ratio of 92.0 in 1994 as it expanded geographically in Texas, Tennessee and Georgia. Start up costs for these expansions burdened 1994 operating expenses while benefits were realized in 1995 and are expected to continue in subsequent years. Saia, with revenue of \$137.8 million in 1994, achieved a 14.7% increase in revenue compared to 1993 due to growth and second quarter benefits from the labor strike. Smalley Transportation Company (Smalley) continued to improve its operating ratio, 98.8 for 1994, while maintaining 4.4% revenue growth to \$40.3 million. Effective January 1, 1995, Smalley was merged into Saia to offer customers more comprehensive regional coverage and to reduce costs. Merger-related costs in 1994 are estimated to have negatively impacted Saia and Smalley's operating expenses by \$1 million.

1993 vs. 1992

Operating revenue for the company totaled \$2.86 billion in 1993 versus \$2.26 billion in 1992, an increase of 26.2%. A significant portion of the increase in 1993 revenue (\$500 million) is attributable to the March 1, 1993 acquisition of Preston. The remaining revenue growth came from increases in rates and the number of shipments handled as well as contributions from new services started in 1992. Yellow Freight had revenue of \$2.36 billion in 1993, up 4.2% from 1992, with a 4.9% increase in total tonnage. Tonnage levels in 1993 were essentially the same as 1990 due to the growth in the economy during that period, offset by Yellow Freight's commitment to improving account profitability and resisting discounting.

Net income for 1993 was \$18.8 million, or \$.67 per share, compared to 1992 net income of \$29.5 million, or \$1.05 per share. Earnings for 1993 reflect an \$11.2 million, or \$.40 per share, charge for network development at Yellow Freight as well as a reduction of \$1.6 million, or \$.06 per share, from the

impact of the statutory increase in the U.S. federal tax rate on the company's deferred tax liabilities. Net income for 1992 was reduced \$11.5 million, or \$.41 per share, due to a change in the company's revenue recognition policy.

Earnings declined in 1993 largely because of competitive pricing pressures, especially in the first half of the year, and severe winter weather across the nation in the first quarter. The operations of the Preston subsidiaries had a small negative impact on earnings in 1993, although they showed steady improvement during the year and contributed \$.02 per share to fourth quarter earnings.

The company's operating ratio was 98.1 in 1993 compared to 96.3 in 1992. Purchased transportation increased as a percentage of revenue due to increased use of rail transportation and the Preston subsidiaries' heavier usage of purchased transportation. Salaries, wages and employees' benefits decreased as a percent of revenue despite wage and benefit increases of approximately 3% effective April 1 for Teamster employees. This

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is due to a wage reduction of 9.0% effective April 1 for employees of Preston Trucking, a small decrease in the total number of employees and a reduction in workers' compensation expense. Due to moderate capital expenditures during the last three years and more efficient use of equipment, depreciation expense also decreased as a percent of revenue. This resulted in higher equipment maintenance costs which negated a portion of the depreciation expense savings.

During 1993, Yellow Freight instituted an extensive network development process by consolidating and realigning terminals to improve customer service and reduce costs. A charge of \$18.0 million, or \$11.2 million after taxes, was recorded for the costs to close certain facilities and dispose of excess property.

FUTURE OUTLOOK

The company has initiated processes to improve earnings performance and financial position in 1996 and future years. The subsidiaries implemented general LTL rate increases in January 1996 in amounts averaging in excess of 5.8% and will also seek improved pricing in negotiations with contract customers during the year. While the company expects pricing to remain highly competitive, it is cautiously optimistic that the extent of destructive price discounting that prevailed in 1995 will not recur in 1996, particularly in view of the service enhancements and the need for virtually all trucking sectors to improve their shareholder returns.

In addition to pricing improvements, Yellow Freight intends to strengthen performance through cost reduction initiatives and increased benefits from the 1995 transit time improvements. The cost reduction programs are projected to save \$75 million in 1996 and include administrative staff reductions and operational efficiency improvements. Yellow Freight believes its transit time improvements will enhance its price negotiating posture as well as benefit business volumes through better customer retention and generating new business. Additionally, Yellow Freight will continue to decrease the cost premiums associated with the improved service and will pursue other network development opportunities. On April 1, Yellow Freight's wages and benefits will increase approximately 3.8% under the terms of the industry collective bargaining agreement which extends through March 31, 1998. A portion of this increase is expected to be offset by continuing to leverage advantages of the 1994 labor agreement. Yellow Freight believes that significant opportunities are still available to further reduce costs and increase service through ongoing technological and reengineering investments.

Preston Trucking plans to improve its performance due to pricing gains and a plan approved in February 1996 by its union employees to freeze wages at current levels through the remaining term of the industry collective bargaining agreement. This wage freeze not only maintains the existing 5.0% reduction from full-scale pay levels but also avoids the scheduled wage increases due April 1 of both 1996 and 1997. However, health, welfare and pension benefit costs will increase by 9.0% on April 1, 1996 and 8.2% on April 1, 1997.

Saia plans to improve 1996 performance through pricing gains and density benefits from additional business and improved cost efficiency. No significant expansions are planned for 1996. Similarly, WestEx plans to improve its performance through increased business density benefits although a profit is not expected until 1997.

Holding company expenses are expected to be significantly lower than prior year, mainly due to cost reduction initiatives. The company has previously announced the pending resignation of its current president and CEO. The company

believes this announcement has had no significant adverse impact on its financial condition or results of operations. A search for a successor is in process and is expected to be completed shortly.

Success of the improvement initiatives will be dependent on the strength of the economy, competitive conditions including pricing stability, the ability to hold down costs

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and the promptness of the management transition. The company is encouraged that recent announcements by competitors of reduced capital expenditure plans and the curtailing of expansions will begin to moderate the industry's overcapacity in 1996. However, the severe winter weather experienced in the first quarter of 1996 is expected to have an adverse impact on first quarter results of operations.

OTHER

In March 1995, the Financial Accounting Standards Board issued its Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, which requires adoption in 1996. The company has not yet determined the impact the adoption will have on its financial condition or results of operations.

The company uses heating oil swap and fixed price diesel fuel agreements to manage a portion of its exposure to fluctuating diesel prices. Approximately 50% of the company's anticipated annual fuel usage is covered by such agreements. Under the heating oil swap and option agreements, the company receives or makes payments based on the difference between a fixed and a variable price for heating oil. Historically, the fair values of the hedge positions have not been materially different from the purchase price. Gains and losses on the agreements are recognized as a component of fuel expense when the corresponding fuel is purchased.

The effective income tax rate was (33.1)% in 1995, 14.0% in 1994 and 46.8% in 1993. The notes to consolidated financial statements contain an analysis of the income tax provision and the effective income tax rate.

FINANCIAL CONDITION

The company's liquidity needs arise primarily from capital investment in new equipment and information technology, and funding working capital requirements.

Working capital increased from a deficit of \$13.5 million in 1994 to a positive \$42.2 million in 1995. Both prepaid expenses and checks outstanding were significantly increased by the establishment of a Voluntary Employees' Beneficiary Association (VEBA) near year-end 1995. The VEBA was used to partially prefund certain benefit expenditures for the company's contract employees. Other significant working capital changes were increases in accounts receivable and refundable income taxes. Capital expenditures in 1995 totaled \$140.3 million, down from \$150.9 million in 1994. About two-thirds of these expenditures were made for the benefit of Yellow Freight. The 1995 total was lower than originally planned because management reduced capital expenditures during the year as economic and industry conditions weakened. Projected expenditures for 1996 will be for information technology and replacement of revenue equipment. Actual and projected net capital expenditures are summarized below (in millions):

	Projected		Actual	
	1996	1995	1994	1993
Land and structures	\$ --	\$ (3)	\$ 3	\$ 12
Revenue equipment	27	74	98	34
Other	38	69	50	21
Total	\$65	\$140	\$151	\$67

Capital expenditures are usually financed by internally generated funds, with depreciation totaling \$135.3 million in 1995 and \$134.0 million in 1994. Funds provided

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by operations, however, were much lower in 1995 at \$44.2 million compared to \$157.4 million in 1994. This was due to a higher net loss in 1995, an increase in accounts receivable and an increase in refundable income taxes.

As a result of the low levels of cash generated by operations in 1995, total debt levels increased by \$105.8 million. The additional debt was funded by the company's commercial paper program, whose authorized maximum was increased to \$150 million, and by the issuance of medium-term notes. During 1995 the company entered into a \$200 million multi-year bank credit agreement, replacing a \$100 million agreement, to provide additional liquidity backup for the commercial paper program and for other borrowing needs.

Early in 1996 a major rating agency lowered its rating on the company's commercial paper. While management intends to continue to finance short-term working capital needs primarily with the issuance of commercial paper, the lower rating may require the company to draw on its bank credit agreement from time to time. This change is not expected to have a material impact on interest expense.

Management anticipates the company's liquidity and financial position will improve significantly in 1996 for several reasons. First, planned capital expenditures for 1996 are only \$65 million as the company intends to improve its asset utilization through transit time improvements and more efficient operations including the greater use of rail transportation. Also, receivables are expected to decline as additional efforts are made to accelerate customer collections and a large income tax refund is due to be received during the year. In addition, the company suspended its dividend in July 1995. No dividends are expected to be paid in 1996. Dividend payments of \$.47 per share (\$13 million) were made in 1995 and \$.94 per share (\$26 million) in 1994 and 1993. Finally, operating results should improve in 1996 as a result of cost reduction efforts, transit time improvements and better industry conditions. Management expects a substantial reduction in total debt outstanding by year-end.

FINANCIAL SUMMARY

Yellow Corporation and Subsidiaries

(Amounts in thousands except per share data)

	1995	1994	1993 (a)	1992
FOR THE YEAR:				
Operating revenue	\$3,056,640	\$2,867,492	\$2,856,505	\$2,262,676
Income (loss) from operations	(21,588)	11,011	53,893	82,814
Depreciation	135,265	133,970	132,371	118,419
Interest expense	23,395	18,433	17,668	12,150
Income (loss) before income taxes	(45,021)	(3,375)	35,358	65,393
Income (loss) before extraordinary items and cumulative effect of accounting changes	(30,122)	(3,848)	18,801	41,040
Net income (loss)	(30,122)	(7,906)	18,801	29,540
Net cash from operating activities	44,166	157,448	138,802	139,438
Capital expenditures, net	140,254	150,940	66,786	78,651
AT YEAR-END:				
Net property and equipment	921,848	918,101	892,600	803,779
Total assets	1,434,897	1,307,221	1,265,654	1,061,012
Long-term debt	341,648	240,019	214,176	123,027
Total debt	353,573	247,760	226,503	134,077

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Shareholders' equity	422,677	460,843	486,453	485,496
MEASUREMENTS:				
Per share data:				
Income (loss) before extraordinary items and cumulative effect of accounting changes	(1.07)	(.14)	.67	1.46
Net income (loss)	(1.07)	(.28)	.67	1.05
Cash dividends	.47	.94	.94	.94
Shareholders' equity	15.04	16.40	17.31	17.28
Total debt as a % of total capitalization	45.5%	35.0%	31.8%	21.6%
Return on average shareholders' equity	(6.8)%	(1.7)%	3.9%	6.1%
Market price range:				
High	24 3/8	30 1/4	29 7/8	32 3/8
Low	11 7/8	16 3/4	16 7/8	21 3/4
Average number of employees	34,700	33,400	35,000	26,800

(a) 1993 amounts include the operating results of Preston Corporation effective March 1, 1993. The 1993 results also include a network development charge of \$11.2 million after taxes and a charge of \$1.6 million to reflect the impact of a higher tax rate on the company's deferred tax liabilities.

1991	1990	1989(b)	1988	1987	1986	1985
\$2,344,143	\$2,302,421	\$2,219,755	\$2,016,466	\$1,759,992	\$1,713,731	\$1,530,313
56,907	119,774	48,041	117,786	78,089	135,619	106,424
124,687	128,134	123,268	108,353	98,982	86,850	75,771
14,159	15,763	15,452	12,254	9,172	7,441	10,290
40,348	101,905	26,533	104,997	64,360	123,259	95,493
26,654	65,319	18,585	68,962	41,284	67,084	55,536
26,654	65,319	47,785	68,962	41,284	69,719	55,536
146,954	219,463	179,481	204,943	140,163	169,745	156,153
104,668	162,316	182,232	180,587	152,684	176,622	143,842
842,849	862,272	829,447	774,642	702,664	649,552	554,233
1,097,771	1,116,005	1,081,665	1,020,724	923,867	862,359	747,904
145,584	163,703	186,680	168,902	126,241	75,390	66,581
156,707	174,169	192,067	174,223	144,189	112,253	82,961
475,869	468,944	438,588	408,986	392,923	376,370	321,871
.95	2.31	.65	2.40	1.44	2.35	1.95
.95	2.31	1.66	2.40	1.44	2.44	1.95
.94	.82	.73	.66	.62	.58	.52
16.94	16.70	15.24	14.21	13.82	13.14	11.27
24.8%	27.1%	30.5%	29.9%	26.8%	23.0%	20.5%
5.6%	14.4%	11.3%	17.2%	10.7%	20.0%	18.5%
33 1/2	31 1/4	32 7/8	34	42 1/2	41 1/8	29 1/2
23 3/4	18 3/4	23 7/8	23 7/8	20 7/8	27 1/2	15 7/8
28,700	28,900	29,200	27,200	25,500	23,400	20,750

(b) 1989 results include an increase in reserves for workers' compensation and other reserves of \$27.7 million after taxes.

CONSOLIDATED BALANCE SHEETS
Yellow Corporation and Subsidiaries
December 31, 1995 and 1994
(Amounts in thousands except share data)

ASSETS	1995	1994
CURRENT ASSETS:		
Cash	\$25,861	\$17,613
Short-term investments	5,414	7,305
Accounts receivable, less allowances of \$16,781 and \$13,082	323,814	295,332
Fuel and operating supplies	16,909	21,381
Refundable income taxes	49,529	-
Deferred income taxes	-	1,586
Prepaid expenses	63,483	19,323
Total current assets	485,010	362,540
PROPERTY AND EQUIPMENT:		
Land	137,112	141,134
Structures	611,284	613,530
Revenue equipment	969,960	938,243
Other	271,033	214,475
	1,989,389	1,907,382
Less - Accumulated depreciation	1,067,541	989,281
Net property and equipment	921,848	918,101
OTHER ASSETS	28,039	26,580
	\$1,434,897	\$1,307,221

The notes to consolidated financial statements are an integral part of these balance sheets.

LIABILITIES AND SHAREHOLDERS' EQUITY	1995	1994
CURRENT LIABILITIES:		
Unsecured bank credit lines	\$9,000	\$ -
Checks outstanding	72,667	23,706
Accounts payable	81,986	94,706
Wages, vacations and employees' benefits	134,178	118,364
Deferred income taxes	19,818	-
Claims and insurance accruals	79,853	84,823
Other current and accrued liabilities	42,369	46,651
Current maturities of long-term debt	2,925	7,741
Total current liabilities	442,796	375,991
OTHER LIABILITIES:		
Long-term debt	341,648	240,019
Deferred income taxes	56,032	54,481
Claims, insurance and other	171,744	175,887
Total other liabilities	569,424	470,387
SHAREHOLDERS' EQUITY:		
Series A \$10 Preferred stock, \$1 par value - authorized 750,000 shares, none issued	-	-
Preferred stock, \$1 par value - authorized 4,250,000 shares, none issued	-	-
Common stock, \$1 par value - authorized 120,000,000 shares, issued 28,857,537 shares	28,858	28,858
Capital surplus	6,678	6,678
Retained earnings	404,761	447,887
Shares held by Stock Sharing Plan	-	(4,961)
Treasury stock, at cost (751,740 and 751,674 shares)	(17,620)	(17,619)
Total shareholders' equity	422,677	460,843
	\$ 1,434,897	\$ 1,307,221

STATEMENTS OF CONSOLIDATED INCOME
YELLOW CORPORATION AND SUBSIDIARIES
FOR THE YEARS ENDED DECEMBER 31
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

	1995	1994	1993
OPERATING REVENUE	\$3,056,640	\$2,867,492	\$2,856,505
OPERATING EXPENSES:			
Salaries, wages and employees' benefits	2,051,277	1,918,406	1,919,197
Operating expenses and supplies	473,356	433,789	410,679
Operating taxes and licenses	115,120	110,004	104,588
Claims and insurance	70,376	76,953	70,206
Communications and utilities	44,412	41,064	38,643
Depreciation	135,265	133,970	132,371
Purchased transportation	188,422	142,295	108,928
Network development	-	-	18,000
Total operating expenses	3,078,228	2,856,481	2,802,612
INCOME (LOSS) FROM OPERATIONS	(21,588)	11,011	53,893

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NONOPERATING (INCOME) EXPENSES:			
Interest expense	23,395	18,433	17,668
Interest income	(2,100)	(2,202)	(1,446)
Other, net	2,138	(1,845)	2,313
Nonoperating expenses, net	23,433	14,386	18,535
INCOME (LOSS) BEFORE INCOME TAXES	(45,021)	(3,375)	35,358
INCOME TAX PROVISION (BENEFIT)	(14,899)	473	16,557
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(30,122)	(3,848)	18,801
EXTRAORDINARY ITEM - WRITE-OFF OPERATING RIGHTS	-	(4,058)	-
NET INCOME (LOSS)	\$(30,122)	\$(7,906)	\$18,801
AVERAGE COMMON SHARES OUTSTANDING	28,106	28,107	28,105
EARNINGS (LOSS) PER SHARE:			
Income (loss) before extraordinary item	\$(1.07)	\$(.14)	\$.67
Extraordinary item - write-off operating rights	-	(.14)	-
Net income (loss)	\$(1.07)	\$(.28)	\$.67

The notes to consolidated financial statements are an integral part of these statements.

STATEMENTS OF CONSOLIDATED CASH FLOWS
Yellow Corporation and Subsidiaries
For the Years Ended December 31
(Amounts in thousands)

	1995	1994	1993
OPERATING ACTIVITIES:			
Net income (loss)	\$(30,122)	\$(7,906)	\$18,801
Noncash items included in income (loss):			
Depreciation	135,265	133,970	132,371
Network development	-	-	18,000
Write-off operating rights	-	4,058	-
Deferred income tax provision (benefit)	29,641	4,147	(10,819)
Changes in assets and liabilities, net of acquisitions and dispositions:			
Accounts receivable	(34,064)	(17,263)	(27,095)
Accounts payable and checks outstanding	40,273	46,060	1,113
Other working capital items	(82,593)	(13,477)	9,227
Claims, insurance and other	(3,437)	12,007	(277)
Other, net	(10,797)	(4,148)	(2,519)
Net cash from operating activities	44,166	157,448	138,802
INVESTING ACTIVITIES:			
Acquisition of property and equipment	(163,426)	(182,885)	(76,886)
Proceeds from disposal of property and equipment	23,172	31,945	10,100
Purchases of short-term investments	(7,759)	(8,957)	(8,086)
Proceeds from maturities of short-term investments	9,650	8,429	14,693
Proceeds from sale of CSI/Reeves, Inc., net	5,106	-	-
Acquisitions, net of cash acquired	-	(6,244)	(23,898)

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Net cash used in investing activities (133,257) (157,712) (84,077)

FINANCING ACTIVITIES:			
Proceeds from unsecured bank credit lines, net	9,000	-	-
Commercial paper borrowings, net	69,510	33,981	24,968
Proceeds from issuance of long-term debt	56,497	14,000	37,250
Repayment of long-term debt	(24,457)	(17,701)	(95,553)
Cash dividends paid to shareholders	(13,210)	(26,416)	(26,405)
Other, net	(1)	76	(64)
Net cash from (used in) financing activities	97,339	3,940	(59,804)
NET INCREASE (DECREASE) IN CASH			
CASH, BEGINNING OF YEAR	8,248	3,676	(5,079)
CASH, END OF YEAR	\$25,861	\$17,613	\$13,937
SUPPLEMENTAL CASH FLOW INFORMATION:			
Income taxes paid	\$10,793	\$1,245	\$25,354
Interest paid	\$21,018	\$18,103	\$17,715

The notes to consolidated financial statements are an integral part of these statements.

STATEMENTS OF CONSOLIDATED
SHAREHOLDERS' EQUITY
Yellow Corporation and Subsidiaries
(Amounts in thousands except share data)

	Common Stock	Capital Surplus	Retained Earnings	Shares Held by Stock Sharing Plan	Treasury Stock
BALANCE, DECEMBER 31, 1992	\$28,846	\$6,248	\$492,196	\$(24,350)	\$(17,444)
Net income	-	-	18,801	-	-
Cash dividends, \$.94 per share	-	-	(26,405)	-	-
Exercise of stock options, 3,820 shares	4	60	-	-	-
Amortization of unearned compensation	-	161	-	-	-
Reduction of Stock Sharing Plan debt guarantee	-	-	-	9,470	-
Purchase of treasury stock	-	-	-	-	(128)
Foreign equity translation adjustment	-	-	(1,006)	-	-
BALANCE, DECEMBER 31, 1993	28,850	6,469	483,586	(14,880)	(17,572)
Net loss	-	-	(7,906)	-	-

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Cash dividends, \$.94 per share	-	-	(26,416)	-	-
Exercise of stock options, 7,700 shares	8	117	-	-	-
Amortization of unearned compensation	-	92	-	-	-
Reduction of Stock Sharing Plan debt guarantee	-	-	-	9,919	-
Purchase of treasury stock	-	-	-	-	(47)
Foreign equity translation adjustment	-	-	(1,377)	-	-
BALANCE, DECEMBER 31, 1994	28,858	6,678	447,887	(4,961)	(17,619)
Net loss	-	-	(30,122)	-	-
Cash dividends, \$.47 per share	-	-	(13,210)	-	-
Reduction of Stock Sharing Plan debt guarantee	-	-	-	4,961	-
Purchase of treasury stock	-	-	-	-	(1)
Foreign equity translation adjustment	-	-	206	-	-
BALANCE, DECEMBER 31, 1995	\$28,858	\$6,678	\$404,761	\$-	\$(17,620)

The notes to consolidated financial statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Yellow Corporation and Subsidiaries

PRINCIPLES OF CONSOLIDATION AND SUMMARY OF ACCOUNTING POLICIES

The accompanying consolidated financial statements include the accounts of Yellow Corporation and its wholly-owned subsidiaries (the company). All

significant intercompany accounts and transactions have been eliminated in consolidation. Management makes estimates and assumptions which affect the amounts reported in the financial statements and footnotes. Actual results could differ from those estimates.

The company provides transportation services primarily to the less-than-truckload (LTL) market throughout North America. Principal operating subsidiaries are Yellow Freight System, Inc. (Yellow Freight), Preston Trucking Company, Inc. (Preston Trucking) and Saia Motor Freight Line, Inc. (Saia).

Major accounting policies and practices used in the preparation of the accompanying financial statements not covered in other notes to consolidated financial statements are as follows:

- - Cash includes demand deposits and highly liquid investments purchased with original maturities of three months or less. All other investments, with maturities less than

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one year, are classified as short-term investments and are stated at cost which approximates market. The company had cash and short-term investments held in Canada of US\$24.9 million at December 31, 1995 and US\$18.5 million at December 31, 1994.

- - Fuel is carried at cost. The company uses heating oil swap and fixed price agreements to manage a portion of its exposure to fluctuating diesel prices. Under the heating oil swap and option agreements the company receives or makes payments based on the difference between a fixed and a variable price for heating oil. These agreements provide protection from rising fuel prices, but limit the ability to benefit from price decreases below the purchase price of the agreement. At December 31, 1995 the company had agreements with financial institutions and oil companies to exchange payments on 83.3 million gallons at a fixed cost averaging \$.50 per gallon over the next 14 months, representing 50% of anticipated fuel usage. At December 31, 1994 the company had agreements on 61.9 million gallons at a fixed cost averaging \$.50 per gallon over the next 11 months, representing 50% of anticipated fuel usage. Based on quoted market prices, the fair value of the hedge position at December 31, 1995 and 1994 was \$2.0 million and \$.2 million above its purchase price. Gains and losses on the agreements are recognized as a component of fuel expense when the corresponding fuel is purchased.

- - Property and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method based on the following service lives:

	Years
Structures	10-40
Revenue equipment	5-10
Other operating property	2-10

- - Maintenance and repairs are charged to operations currently; replacements and improvements are capitalized. When revenue equipment is traded, the basis of the new equipment is reduced when the trade-in allowance exceeds the basis of the old equipment. The gain or loss for all other dispositions is reflected in other nonoperating (income) expense.

- - The company had previously announced plans to invest over \$100 million in technology over a three year period. The investment was designed to enable significant improvements in the customer service and freight management areas. The investment consists primarily of advanced communications equipment and related software. As of December 31, 1995, the company had invested over \$54 million in the projects. Of that amount \$22 million has been placed into service. The remaining \$32 million represents other systems applications in various stages of completion. It is management's intent to continue the projects; however, economic conditions may restrict the full implementation on a system-wide basis in the near term. A substantial delay in implementation may materially reduce the value of a portion of the investment.

- - Acquisitions have been accounted for by the purchase method. Earnings of the acquired companies are included in the accompanying consolidated financial statements since the date of acquisition. The excess of the purchase price over net assets acquired is included with other long-term assets and is being

amortized over 20 years using the straight-line method.

- - Claims and insurance accruals, both current and long-term, reflect the estimated cost of claims for workers' compensation, cargo loss and damage, and bodily injury and property damage not covered by insurance. These costs are included in claims and insurance expense except for workers' compensation which is included in employees' benefits expense.

- - Reserves for workers' compensation are based upon actuarial analyses prepared by independent actuaries and are discounted to present value using a risk-free rate. The risk-

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free rate is the U.S. Treasury rate for maturities that match the expected pay-out of workers' compensation liabilities. The process of determining reserve requirements utilizes historical trends and involves an evaluation of claim frequency, severity and other factors. The effect of future inflation for both medical costs and lost wages is implicitly considered in the actuarial analyses. Adjustments to previously established reserves, if required, are included in operating results.

At December 31, 1995 and 1994, estimated future payments for workers' compensation claims aggregated \$164.9 million and \$162.0 million. The present value of these estimated future payments was \$142.6 million at December 31, 1995 and \$139.8 million at December 31, 1994.

- - Revenue is recognized on a percentage completion basis while expenses are recognized as incurred.

- - Certain reclassifications have been made to the prior year consolidated financial statements to conform with current presentation.

ACQUISITIONS

In November 1994 the company acquired Johnson's Freightlines (renamed WestEx), a Phoenix, AZ-based regional LTL carrier.

In February 1993 the company acquired the stock of Preston Corporation (Preston) for \$25.3 million, including related expenses. Preston's total debt at the date of acquisition was \$135.0 million, of which \$78.1 million was repaid with funds advanced to Preston by the company. The company recorded fair values at the date of acquisition of \$246.3 million for assets acquired and \$232.4 million for liabilities assumed, resulting in an excess of the purchase price over net assets acquired of \$11.4 million.

The accompanying consolidated financial statements include the results of Preston effective March 1, 1993. Assuming the acquisition of Preston had occurred on January 1, 1993, the company's unaudited results of operations for the twelve months ended December 31, 1993 would have reported operating revenue of \$2.94 billion. Income before the cumulative effect of accounting change would have been \$12.7 million, or \$.45 per share, and net income would have been \$11.6 million, or \$.41 per share. These results are not necessarily indicative of what would have occurred if the Preston acquisition had been consummated at the beginning of 1993, nor are they necessarily indicative of future results.

DEBT

At December 31, debt consisted of the following (in thousands):

	1995	1994
Unsecured bank credit lines	\$9,000	\$ -
Commercial paper	128,459	58,949
Medium-term notes	148,500	114,250
Stock Sharing Plan debt guarantee	-	4,961
Industrial development bonds	32,100	32,100
Capital leases and other	10,124	12,334
Subordinated debentures	25,390	25,166
Total debt	353,573	247,760
Less - Unsecured bank credit lines	9,000	-

Current maturities	2,925	7,741
Total long-term debt	\$341,648	\$240,019

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On June 23, 1995, the company entered into a five- year \$200 million credit agreement with a group of banks. Interest is based, at the company's option, on competitive bidding among the banks, at a fixed increment over the London interbank offered rate, or at the agent bank's base rate. There are no compensating balances required but a facility fee is charged. Under the terms of the credit agreement, the company must maintain a minimum consolidated tangible net worth and annual cash flow, as defined in the agreement, must be at least a specified ratio of total debt. There were no borrowings under credit agreements in 1995 or 1994, and at December 31, 1995, the company was in compliance with all terms of the credit agreement.

The company maintains credit availability under the credit agreement to support the commercial paper program and provide additional borrowing capacity. Accordingly, commercial paper and medium-term notes maturing within one year, and intended to be refinanced, are classified as long-term. The weighted average interest rates on commercial paper outstanding at December 31, 1995 and 1994 were 6.2% and 6.4%. Medium-term notes have scheduled maturities through 2008 with interest rates ranging from 5.7% to 9.3%.

The company has loan guarantees, mortgages and lease contracts in connection with the issuance of industrial development bonds used to acquire, construct or expand terminal facilities. Interest rates on some issues are variable and rates currently range from 3.6% to 8.0%, with principal payments due through 2016.

Certain subsidiaries lease operating equipment under capital leases with scheduled maturities through 1998 and interest rates ranging from 9.0% to 9.9%.

The subordinated debentures have an interest rate of 7.0% and are due in installments from 1997 to 2011.

The aggregate amounts of principal maturities of long-term debt (excluding commercial paper and medium-term notes due within one year) for the next five years are as follows: 1996 - \$2,925,000, 1997 - \$14,748,000, 1998 - \$4,063,000, 1999 - \$2,849,000, 2000 - \$30,956,000.

The company has short-term unsecured credit lines with domestic and foreign banks totaling \$205 million. There are no compensating balance requirements or fees associated with these credit lines and the lines can be cancelled by either the banks or the company at any time. At December 31, 1995, \$9.0 million was outstanding under these lines with a weighted average interest rate of 6.0%.

Based on the borrowing rates currently available to the company for debt with similar terms and remaining maturities, the fair value of total debt at December 31, 1995 and 1994 was approximately \$355 million and \$242 million.

SPECIAL CHARGES

In the third quarter of 1994, the company recorded a charge to earnings of \$6.7 million, or \$4.1 million after taxes. This charge, recorded as an extraordinary item, was to write-off the book value of its intrastate operating rights. The non-cash charge resulted from the passage of legislation in 1994 which deregulated the entry and rates for intrastate operations of all transportation companies.

In the second quarter of 1993, the company's primary subsidiary, Yellow Freight, recorded a charge of \$18.0 million, or \$11.2 million after taxes, for the costs to close certain facilities and dispose of excess property.

INCOME TAXES

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The company accounts for income taxes in accordance with the liability

method. Deferred income taxes are determined based upon the difference between the book and the tax basis of the company's assets and liabilities. Deferred taxes are provided at the enacted tax rates expected to be in effect when these differences reverse.

Deferred tax liabilities (assets) are comprised of the following at December 31 (in thousands):

	1995	1994
Depreciation	\$128,810	\$118,469
Employee benefits	19,357	2,148
Prepays	19,022	19,555
Revenue	7,038	6,040
Other	5,489	9,338
Gross liabilities	179,716	155,550
Claims and insurance	(84,779)	(84,425)
Bad debts	(7,554)	(5,466)
Other	(11,533)	(12,764)
Gross assets	(103,866)	(102,655)
Net liability	\$75,850	\$52,895

The income tax provision (benefit) is computed based on the following amounts of income (loss) before income taxes (in thousands):

	1995	1994	1993
Domestic	\$ (51,120)	\$ (7,276)	\$31,175
Foreign	6,099	3,901	4,183
Total income (loss) before income taxes	\$ (45,021)	\$ (3,375)	\$35,358

The income tax provision (benefit) consists of the following (in thousands):

	1995	1994	1993
Current:			
U.S. federal	\$ (40,370)	\$ (4,158)	\$21,407
State	(7,094)	(1,870)	4,814
Foreign	2,924	2,354	2,216
Total current	(44,540)	(3,674)	28,437
Deferred:			
U.S. federal	24,703	4,235	(9,214)
State	4,645	768	(3,244)
Foreign	293	(856)	-
Change in U.S. federal tax rate	-	-	1,639
Total deferred	29,641	4,147	(10,819)
Investment tax credit amortization	-	-	(1,061)
Total provision (benefit)	\$ (14,899)	\$ 473	\$ 16,557

A reconciliation between income taxes at the federal statutory rate (35%) and the consolidated provision (benefit) follows:

	1995	1994	1993
Provision (benefit) at federal statutory rate	\$ (15,757)	\$ (1,181)	\$12,375
State income taxes, net	(1,592)	(716)	1,021
Change in U.S. federal tax rate	-	-	1,639
Foreign tax rate differential	1,082	133	752
Nondeductible business expenses	3,103	2,571	1,331
Amortization of investment tax credits	-	-	(1,061)
Other, net	(1,735)	(334)	500
Total provision (benefit)	\$ (14,899)	\$473	\$16,557
Effective tax rate	(33.1)%	14.0%	46.8%

COMMITMENTS AND CONTINGENCIES

The company leases certain terminals and equipment. At December 31, 1995, the company was committed under noncancellable lease agreements requiring minimum annual rentals aggregating \$82.7 million payable as follows: 1996 - \$32.1 million, 1997 - \$18.1 million, 1998 - \$10.8 million, 1999 - \$5.5 million, 2000 - \$3.3 million and thereafter, \$12.9 million.

Projected 1996 net capital expenditures are \$65 million, of which \$14 million was committed at December 31, 1995.

Various claims and legal actions are pending against the company. It is the opinion of management that these matters will have no significant impact upon the financial condition or results of operations of the company.

EMPLOYEE BENEFITS

Certain subsidiaries provide defined benefit pension plans for employees not covered by collective bargaining agreements. The benefits are based on years of service and the employees' final average earnings. The company's funding policy is to contribute the minimum required tax-deductible contribution for the year. The plans' assets consist primarily of U.S. Government and equity securities.

The following tables set forth the plans' funded status and components of net pension cost (in thousands):

Funded status at December 31:	1995	1994
Actuarial present value of benefits at current salary levels and service rendered to date:		
Vested benefits	\$148,691	\$114,788
Non-vested benefits	1,042	1,624
Accumulated benefit obligation	149,733	116,412
Effect of anticipated future salary increases	25,824	22,165
Projected benefit obligation	175,557	138,577
Plan assets at fair value	141,442	118,080
Plan assets less than projected benefit obligation	(34,115)	(20,497)
Unrecognized net loss	8,618	4,153
Unrecognized initial net asset being amortized over 17 years	(18,058)	(20,445)
Pension cost accrued, not funded	\$ (43,555)	\$ (36,789)

Net pension cost:	1995	1994	1993
Service cost - benefits earned during the period	\$7,412	\$8,313	\$6,919
Interest cost on projected benefit obligation	12,429	11,109	9,954
Actual return on plan assets	(27,205)	393	(8,177)
Amortization of unrecognized net assets	(2,420)	(2,197)	(2,393)
Net deferral	16,550	(10,818)	(1,683)
Net pension cost	\$6,766	\$6,800	\$4,620

Assumptions used in the accounting at December 31:	1995	1994	1993
Discount rate	7.5%	8.5%	7.5%
Rate of increase in compensation levels	5.0%	4.0%	5.5%
Expected rate of return on assets	9.0%	9.0%	9.0%

The company contributes to multi-employer health, welfare and pension plans for employees covered by collective bargaining agreements. The health and welfare plans provide health care and disability benefits to active employees and retirees. The pension plans provide defined benefits to retired participants. The company charged to expense and contributed the following amounts to these plans (in thousands):

	1995	1994	1993
Health and welfare	\$160,512	\$142,695	\$138,448
Pension	142,906	129,321	126,449
Total	\$303,418	\$272,016	\$264,897

Under current legislation regarding multi-employer pension plans, a termination, withdrawal or partial withdrawal from any multi-employer plan that is in an under-funded status would render the company liable for a proportionate share of such multi-employer plans' unfunded vested liabilities. This potential unfunded pension liability applies equally to the company's unionized competitors who contribute to multi-employer plans. Based on the limited information available from plan administrators, which the company cannot independently validate, the company believes that its portion of the contingent liability would be material to its financial condition and results of operations. The company's unionized subsidiaries have no intention of taking any action that would subject the company to obligations under the legislation.

The company had a Stock Sharing Plan for employees of participating domestic affiliates not covered by collective bargaining agreements. In 1995 this plan merged into another company defined contribution plan. Company contributions combined with plan earnings were used to meet the plan's debt service requirements. Expense was recorded as funds were contributed or committed to be contributed. During 1995, the final debt payment was made and the remaining shares were allocated to participants in accordance with the principal and interest method as defined by the Internal Revenue Code. Expenses and dividends related to the Stock Sharing Plan were (in thousands):

	1995	1994	1993
Employees' benefits expense	\$4,241	\$6,735	\$-
Interest expense	195	979	1,746
Total expense	\$4,436	\$7,714	\$1,746
Dividends	\$693	\$1,456	\$1,532

Certain subsidiaries also sponsor defined contribution plans, primarily for employees not covered by collective bargaining agreements. The plans principally consist of noncontributory profit sharing plans and contributory 401(k) savings plans. Company contributions to the profit sharing plans are discretionary and are determined annually by the Board of Directors of each participating company. Contributions for each of the three years in the period ended December 31, 1995 were not material to the operations of the company.

The company has reserved 800,000 shares of its common stock for issuance to key employees under a stock option incentive plan. This plan permits three types of awards: grants of stock options, both qualified and nonqualified, grants of stock options coupled with a grant of stock appreciation rights, and grants of restricted stock awards. At December 31, 1995 there were 791,114 shares available for future grants and no options were outstanding.

SERIES A \$10 PREFERRED STOCK AND RIGHTS

Each share of the company's common stock carries with it one preferred stock purchase right. Under certain circumstances, each right may be exercised to purchase 1/100th of a share of Series A \$10 Preferred stock at an exercise price of \$120, subject to adjustment. The rights, which are nonvoting, expire on December 8, 1996 and may be redeemed by the company at a price of \$.05 per right at any time prior to ten days after public announcement of the acquisition of 20% or more of the outstanding common stock. During 1995, the company's Board of Directors voted not to renew the rights upon their scheduled 1996 expiration.

If a person acquires 20% of the company's voting stock or if certain other transactions occur, each right not owned by a 20% shareholder will entitle the holder to purchase at the exercise price a number of shares of the common stock of the company or, depending on the nature of the transaction, the stock of an acquiring company, having a market value equal to twice the exercise price of such right.

Dividends and voting rights on each 1/100th share of the Series A \$10 Preferred stock will be equal to that of one share of common stock.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS To The Shareholders of Yellow Corporation:

We have audited the accompanying consolidated balance sheets of Yellow Corporation (a Delaware corporation) and Subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of income, cash flows and shareholders' equity for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yellow Corporation and Subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Kansas City, Missouri
January 31, 1996

SUPPLEMENTARY INFORMATION

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(Amounts in thousands except per share data)

	First Quarter	Second Quarter	Third Quarter (a)	Fourth Quarter (a)
1995				
Operating revenue	\$764,998	\$773,825	\$771,965	\$745,852
Income (loss) from operations	8,601	5,866	(12,366)	(23,689)
Net income (loss)	3,198	1,039	(11,634)	(22,725)
Earnings (loss) per share	.11	.04	(.41)	(.81)
1994	(b)	(c)	(d)	
Operating revenue	\$748,159	\$592,211	\$769,259	\$757,863
Income (loss) from operations	(4,418)	(30,049)	27,176	18,302
Income (loss) before extraordinary item	(6,384)	(21,876)	13,204	11,208
Net income (loss)	(6,384)	(21,876)	9,146	11,208
Earnings per share:				
Income (loss) before extraordinary item	(.23)	(.78)	.47	.40
Net income (loss)	(.23)	(.78)	.33	.40

(a) Includes the impact of price discounting and excess industry capacity which severely diminished operating margins.

(b) Includes the effect of severe winter weather which caused significant business disruptions and higher operating expenses.

(c) Includes the effect of the 24-day Teamster strike at Yellow Freight.

(d) Includes an extraordinary item of \$4.1 million after taxes to write-off intrastate operating rights.

COMMON STOCK

Yellow Corporation's stock is held by approximately 3,400 shareholders of record. The company's only class of stock outstanding is common stock, traded in over-the-counter markets. Trading activity averaged about 130,000 shares per day during the year, down from 218,000 shares per day in 1994. Prices are quoted by the National Association of Securities Dealers Automatic Quotation System National Market (NASDAQ-NMS) under the symbol YELL.

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Quarter Ended	High	Low	Dividends Per Share	Dividends 1994	High	Low	Per Share
1995							
March 31	24 3/8	15 7/8	\$.235	March 31	30 1/4	23 1/2	\$.235
June 30	20 1/8	15 7/8	.235	June 30	24 1/8	16 3/4	.235
September 30	20	13 1/2	-	September 30	21 5/8	17	.235
December 31	13 7/8	11 7/8	-	December 31	24 1/4	18 1/4	.235
			\$.470				\$.940

SENIOR OFFICERS

YELLOW CORPORATION

George E. Powell III
President and Chief Executive Officer
William F. Martin
Senior Vice President - Legal/Corporate Secretary
H.A. Trucksess, III
Senior Vice President - Finance/
Chief Financial Officer and Treasurer

YELLOW FREIGHT SYSTEM, INC.

M. Reid Armstrong
President
Robert L. Bostick
Senior Vice President - Operations Administration
J. Kevin Grimsley
Senior Vice President - Marketing and Sales
Ralph P. Nowell
Senior Vice President - Operations
C. Kermit Scarborough
Senior Vice President - Human Resources

PRESTON TRUCKING COMPANY, INC.

Leo H. Suggs
President
J. Sean Callahan
Senior Vice President - Finance and Administration
Gordon S. MacKenzie
Senior Vice President - Operations
Nicholas J. Marino
Senior Vice President - Sales and Marketing

SAIA MOTOR FREIGHT LINE, INC.

Jimmy D. Crisp
President

WESTEX, INC.

Frank E. Myers
President

YELLOW TECHNOLOGY SERVICES, INC.

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Gail A. Parris
President

BOARD OF DIRECTORS

GEORGE E. POWELL, JR.

Director since 1952
Chairman of the Board of the Company

KLAUS E. AGTHE

Director since 1984
Director, VIAG North America

M. REID ARMSTRONG

Director since 1992
President of Yellow Freight System, Inc.

HOWARD M. DEAN *

Director since 1987
Chairman and Chief Executive Officer of
Dean Foods Company

DAVID H. HUGHES *

Director since 1973

Retired Vice Chairman of Hallmark Cards, Inc.

RONALD T. LEMAY

Director since 1994
President and Chief Operating Officer of
Sprint Corporation

JOHN C. MCKELVEY

Director since 1977
President and Chief Executive Officer of
Midwest Research Institute

GEORGE E. POWELL III

Director since 1984
President and Chief Executive Officer of the Company

WILLIAM L. TRUBECK *

Director since 1994
Senior Vice President and Chief Financial
Officer of SPX Corporation

WILLIAM F. MARTIN

Secretary to the Board

* Member, Audit Committee

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CORPORATE INFORMATION

YELLOW CORPORATION

P.O. Box 7563
Overland Park, Kansas 66207
(913) 967-4300

INDEPENDENT PUBLIC ACCOUNTANTS

Arthur Andersen LLP
Kansas City, Missouri

TRANSFER AGENT AND REGISTRAR

Chemical Mellon Shareholder Services, L.L.C.
P.O. Box 590
Ridgefield Park, NJ 07660
(800) 526-0801

ANNUAL MEETING

April 25, 1996, at 9:30 a.m.
Radisson Hotel of Overland Park
I-35 & 87th Street
Overland Park, Kansas 66214

10-K REPORT

Please write to:
Treasurer, Yellow Corporation

YELLOW CORPORATION

P.O. BOX 7563
OVERLAND PARK, KANSAS 66207

PRINTED IN THE U.S.A. #505

Consent of Independent Public Accountants

As independent public accountants, we hereby consent to the incorporation of our reports included and incorporated by reference in this Form 10-K, into the company's previously filed Form S-8 Registration Statement File No. 33-47946.

ARTHUR ANDERSEN LLP

Kansas City, Missouri,
March 25, 1996

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