

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

FORM 10-Q

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

For the quarterly period ended June 30, 1996

OR

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

Commission File Number 0-1088

KELLY SERVICES, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE

38-1510762

(State or other jurisdiction
of incorporation or organization)

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

999 WEST BIG BEAVER ROAD, TROY, MICHIGAN 48084

(Address of principal executive offices)
(Zip Code)

(810) 362-4444

(Registrant's telephone number, including area code)

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

At August 2, 1996, 34,473,121 shares of Class A and 3,583,605 shares of Class B common stock of the Registrant were outstanding.

KELLY SERVICES, INC. AND SUBSIDIARIES

	Page Number -----
PART I. FINANCIAL INFORMATION	
Statements of Earnings	3
Balance Sheets	4
Statements of Stockholders' Equity	5
Statements of Cash Flows	6
Management's Discussion and Analysis of Results of Operations and Financial Condition	7
 PART II. OTHER INFORMATION	 10
Signature	12
Index to Exhibits Required by Item 601, Regulation S-K	13

KELLY SERVICES, INC. AND SUBSIDIARIES

STATEMENTS OF EARNINGS
(UNAUDITED)

(In thousands of dollars except per share items)

	13 Weeks Ended		26 Weeks Ended	
	June 30, 1996	July 2, 1995	June 30, 1996	July 2, 1995
Sales of services	\$804,262	\$652,417	\$1,538,193	\$1,273,102
Cost of services	652,007	519,739	1,248,252	1,018,406
Gross profit	152,255	132,678	289,941	254,696
Selling, general and administrative expenses	124,259	107,789	241,997	212,094
Earnings from operations	27,996	24,889	47,944	42,602
Interest income	1,142	2,321	2,687	4,710
Earnings before income taxes	29,138	27,210	50,631	47,312
Income taxes:				
Federal	9,270	8,505	16,055	14,895
State and other	2,420	2,045	4,225	3,495
Total income taxes	11,690	10,550	20,280	18,390
Net earnings	\$ 17,448	\$ 16,660	\$ 30,351	\$ 28,922
Earnings per share	\$.46	\$.44	\$.80	\$.76
Dividends per share	\$.21	\$.20	\$.41	\$.38
Average shares outstanding (thousands)	38,041	37,987	38,029	37,977

KELLY SERVICES, INC. AND SUBSIDIARIES

BALANCE SHEETS AS OF JUNE 30, 1996 AND DECEMBER 31, 1995
(UNAUDITED)
(In thousands of dollars)

ASSETS	1996	1995

CURRENT ASSETS:		
Cash and equivalents	\$ 16,278	\$ 52,811
Short-term investments	62,455	74,737
Accounts receivable, less allowances of \$10,505 and \$6,950, respectively	487,312	397,534
Prepaid expenses and other current assets	38,474	33,520
	-----	-----
Total current assets	604,519	558,602
PROPERTY AND EQUIPMENT:		
Land and buildings	35,187	35,153
Equipment, furniture and leasehold improvements	121,099	113,521
Accumulated depreciation	(73,835)	(64,286)
	-----	-----
Total property and equipment	82,451	84,388
INTANGIBLES AND OTHER ASSETS	79,622	75,697
	-----	-----
TOTAL ASSETS	\$766,592	\$718,687
	=====	=====
LIABILITIES & STOCKHOLDERS' EQUITY		

CURRENT LIABILITIES:		
Accounts payable	\$ 77,554	\$ 53,013
Payroll and related taxes	135,697	118,996
Accrued insurance	51,224	51,309
Income and other taxes	12,781	19,265
	-----	-----
Total current liabilities	277,256	242,583
STOCKHOLDERS' EQUITY:		
Capital stock, \$1 par value	40,116	40,116
Treasury stock, 2,060 shares in 1996 and 2,101 shares in 1995, respectively, at cost	(6,205)	(6,327)
Paid-in capital	8,194	7,215
Earnings invested in the business	447,231	435,100
	-----	-----
Total stockholders' equity	489,336	476,104
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$766,592	\$718,687
	=====	=====

KELLY SERVICES, INC. AND SUBSIDIARIES

STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(In thousands of dollars)

	13 Weeks Ended		26 Weeks Ended	
	June 30, 1996	July 2, 1995	June 30, 1996	July 2, 1995
Capital Stock				
Class A common stock				
Balance at beginning of period	\$ 36,512	\$ 36,510	\$ 36,512	\$ 36,507
Conversions from Class B	15	1	15	4
Balance at end of period	36,527	36,511	36,527	36,511
Class B common stock				
Balance at beginning of period	3,604	3,606	3,604	3,609
Conversions to Class A	(15)	(1)	(15)	(4)
Balance at end of period	3,589	3,605	3,589	3,605
Treasury Stock				
Balance at beginning of period	(6,314)	(6,216)	(6,327)	(6,186)
Exercise of stock options	50	--	59	(30)
Restricted stock awards	59	35	63	35
Balance at end of period	(6,205)	(6,181)	(6,205)	(6,181)
Paid-in Capital				
Balance at beginning of period	7,324	6,210	7,215	5,868
Exercise of stock options	390	131	462	473
Restricted stock awards	480	297	517	297
Balance at end of period	8,194	6,638	8,194	6,638
Earnings Invested in the Business				
Balance at beginning of period	439,103	402,592	435,100	391,718
Net earnings	17,448	16,660	30,351	28,922
Cash dividends	(7,991)	(7,599)	(15,594)	(14,433)
Equity adjustment for foreign currency translation (cumulative charge of \$505 in 1996 and credit of \$3,425 in 1995)	(1,329)	(613)	(2,626)	4,833
Balance at end of period	447,231	411,040	447,231	411,040
Stockholders' Equity at end of period	\$489,336	\$451,613	\$489,336	\$451,613

KELLY SERVICES, INC. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(UNAUDITED)

FOR THE 26 WEEKS ENDED JUNE 30, 1996 AND JULY 2, 1995

(In thousands of dollars)

	1996	1995
	-----	-----
Cash flows from operating activities:		
Net earnings	\$30,351	\$28,922
Noncash adjustments:		
Depreciation and amortization	12,911	10,619
Changes in certain working capital components	(61,221)	(21,891)
Net cash from operating activities	(17,959)	17,650
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(10,053)	(14,907)
Proceeds from sales and maturities of short-term investments	561,375	613,074
Purchases of short-term investments	(549,093)	(584,739)
Increase in intangibles and other assets	(6,310)	(15,664)
Net cash from investing activities	(4,081)	(2,236)
	-----	-----
Cash flows from financing activities:		
Dividend payments	(15,594)	(14,433)
Exercise of stock options and restricted stock awards	1,101	775
Net cash from financing activities	(14,493)	(13,658)
	-----	-----
Net change in cash and equivalents	(36,533)	1,756
Cash and equivalents at beginning of period	52,811	49,207
	-----	-----
Cash and equivalents at end of period	\$16,278	\$50,963
	=====	=====

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

Results of Operations:

Second Quarter

Sales of services in the second quarter of 1996 were \$804,262,000, an increase of 23.3% from the same period in 1995. Domestic sales grew in excess of 20%, and reflects growth in the staffing business and significant expansion in our staff leasing services. International sales continued to grow at double digit rates.

Cost of services, consisting of payroll and related costs of employees assigned to customers, increased 25.4% in the second quarter as compared to the same period in 1995. Average hourly wage rates and related costs from U.S. operations have increased from 1995 at a rate somewhat higher than the general inflation rate due to a tightening labor market.

Gross profit of \$152,255,000 was 14.8% higher than 1995, while the Company-wide gross profit rates declined from 20.3% in 1995 to 18.9% in 1996. Growth in the staff leasing business, with its inherently lower margins, along with the upward pressure on wage rates noted above and growth of sales with our very large customers, where contracts require special pricing and additional implementation costs, all had the effect of reducing the consolidated gross profit rate.

Selling, general and administrative expenses were \$124,259,000 in the second quarter, an increase of 15.3% over the same period in 1995. As a percent of sales, the spending rate averaged 15.5%, compared to 16.5% in last year's second quarter.

Earnings before income taxes were \$29,138,000, an increase of 7.1%, compared to pretax earnings of \$27,210,000 for the same period in 1995. The pretax margin was 3.6%, a .6 percentage point decrease from the second quarter of 1995. Lower interest income represented .2 percentage point of the decline while the net of the lower gross margin rate and lower expense spending rate accounted for the remaining .4 percentage point of the decrease.

Income taxes were 40.1% of pretax income. This was 1.3 percentage point over the applicable tax rate for the second quarter of 1995 due to increased state tax rates, reduced tax-exempt income and the expiration of tax credits against federal income tax liability earned through the targeted jobs tax credit program.

Net earnings were \$17,448,000 in the second quarter of 1996, an increase of 4.7% over the second quarter of 1995. Earnings per share were \$.46 compared to the \$.44 in the same period last year.

Year-to-Date

Sales of services totaled \$1,538,193,000 during the first six months of 1996, an increase of 20.8% over 1995. This increase reflects continued growth in the volume of domestic and international sales.

Cost of services of \$1,248,252,000 was 22.6% higher than last year, reflecting domestic and international volume growth and increases in payroll costs due to a tightening U.S. labor market.

Gross profit increased 13.8% in 1996 due to strong increased sales volume, but at lower gross profit rates on sales. The gross profit rate was 18.8% for the first six months of 1996 compared to 20.0% for 1995. This decline reflects competitive constraints on price increases in U.S. service lines, growth of sales with our very large customers and higher volume growth in the staff leasing business.

Selling, general and administrative expenses of \$241,997,000 were 14.1% higher than last year. The spending rate was 15.7% of sales, 1.0 percentage point below last year's rate. Expenses continue to be closely monitored in response to tightening margins in both U.S. and overseas markets.

Earnings before taxes were \$50,631,000, an increase of 7.0% over 1995. These earnings averaged a pretax margin of 3.3%, or .4 percentage point decrease over 1995. Lower interest income accounts for half of this decline, and the net of lower gross margin rates, offset by a decreased expense spending rate, accounted for the remainder. Income taxes were 40.1% of pretax earnings and were 1.2 percentage point higher than last year's first half income tax rate. The absence of the targeted jobs tax credit, increased state and local rates and increased foreign tax rates account for this change.

Net earnings were \$30,351,000, or 4.9% higher than the first six months of 1995. Earnings per share were \$.80 compared to \$.76 last year.

Financial Condition

Assets totaled \$766,592,000 at June 30, 1996, an increase of 6.7% over the \$718,687,000 at December 31, 1995. Working capital increased \$11,244,000 during the six-month period. The components of working capital, notably accounts receivable, have changed due to increased business activity. The current ratio was 2.2 at June 30, 1996, a decline of .1 percentage point since December 31, 1995.

The quarterly dividend rate applicable to Class A and Class B shares outstanding was increased to \$.21 per share in the second quarter of 1996. This compares to a dividend rate of \$.20 per share in the second quarter of 1995.

Management believes the financial condition of the Company continues to be strong, which enables it to fund working capital requirements and long-term growth opportunities from internal resources.

Companies for which this report is filed are: Kelly Services, Inc. and its subsidiaries, Kelly Assisted Living Services, Inc., Kelly Properties, Inc., Kelly Professional and Technical Services, Inc., Kelly Services (Canada), Ltd., Les Services Kelly (Quebec) Inc., Lenore Simpson Personnel, Ltd., Societe Services Kelly, Kelly Professional Services (France), Inc., Kelly Services (UK), Ltd., Kelly Services (Ireland), Ltd., Kelly Services (Australia), Ltd., Kelly Services (New Zealand), Ltd., Kelly Services (Nederland), B.V., Kelly Services of Denmark, Inc., OK Personnel Service Holding SA, Kelly de Mexico, S.A. de C.V., Kelly Services Norge A.S., KSI Acquisition Corp., Kelly Pinpoint, Inc., Your Staff, Inc., The Wallace Law Registry, Inc., Kelly Services France S.A., Bourse Du Travail Temporaire 2000, Kelly Formation S.A.R.L. and Kelly Services Luxembourg S.A.R.L.

The information furnished reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the results of operations for the period in this filing.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Reference is made to Item 3, Legal Proceedings, of the Company's Annual Report on Form 10-K for the year ended December 31, 1995 and to the description therein of the proposed imposition by the Internal Revenue Service of an accumulated earnings tax in connection with an audit of the Company's consolidated federal tax liability for the years 1988, 1989 and 1990. As disclosed in Item 1, Legal Proceedings, of the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1996, this assessment was waived in its entirety by the Internal Revenue Service in April, 1996.

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

- (a) The annual meeting of stockholders of registrant was held May 21, 1996.
- (b) The nominees for director, as listed in the Company's proxy statement dated April 22, 1996, were elected. The directors whose terms of office continued after the meeting are also listed in the proxy statement.
- (c) A brief description and the results of the matters voted upon at the meeting follow.

(1) Election of the following directors:

	Shares Voted "For" -----	Shares Voted "Withhold" -----
W. R. Kelly	3,494,348	3,730
B. J. White	3,494,247	3,831

(2) Approval of amendment to the Certificate of Incorporation to increase the size of the Board of Directors:

Shares voted "For"	3,428,489
Shares voted "Against"	54,742
Shares voted "Abstain"	14,847

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

- (3) Approval of Amended and Restated Performance Incentive Plan including performance-based criteria for performance awards for senior executive officers:

Shares voted "For"	3,449,750
Shares voted "Against"	9,156
Shares voted "Abstain"	14,470

- (4) Ratification of the selection of Price Waterhouse LLP as the Company's independent auditors:

Shares voted "For"	3,494,051
Shares voted "Against"	1,800
Shares voted "Abstain"	2,227

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

- (a) See Index to Exhibits required by Item 601, Regulation S-K, set forth on page 13 of this filing.
- (b) No reports on Form 8-K were filed during the quarter for which this report is filed.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KELLY SERVICES, INC.

Date: August 13, 1996

/s/ P. K. Geiger
P. K. Geiger

Senior Vice President and
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

INDEX TO EXHIBITS
REQUIRED BY ITEM 601,
REGULATION S-K

Exhibit No. -----	Description -----	Document -----
3.1	Certificate of Amendment of Certificate of Incorporation dated June 14, 1996 and filed with the Secretary of State, State of Delaware, on June 20, 1996. (Reference is made to Exhibit A to the Definitive Proxy for the fiscal year ended December 31, 1995, filed with the Commission in April, 1996, which is incorporated herein by reference.)	
3.2	Complete copy of the Certificate of Incorporation, as amended.	2
4	Rights of security holders are defined in Articles Fourth, Fifth, Seventh, Eighth, Ninth, Tenth, Eleventh, Twelfth, Thirteenth, Fourteenth and Fifteenth of the Certificate of Incorporation, Exhibit 3.2.	
27	Financial Data Schedule	3

COMPOSITE
CERTIFICATE OF INCORPORATION
OF
KELLY SERVICES, INC.

ARTICLE FIRST

The name of the corporation is Kelly Services,
Inc.

ARTICLE SECOND

Its principal office in the State of Delaware is located at No. 100 West Tenth Street, in the City of Wilmington, County of New Castle. The name and address of its resident agent is The Corporation Trust Company, No. 100 West Tenth Street, Wilmington, Delaware.

ARTICLE THIRD

The nature of the business, or objects or purposes to be transacted, promoted, or carried on are:

To furnish office, clerical, supervisory and consultant services.

To manufacture, purchase or otherwise acquire, invest in, own, mortgage, pledge, sell, assign and transfer or otherwise dispose of, trade, deal in and deal with goods, wares and merchandise and personal property of every class and description.

To acquire, and pay for in cash, stock or bonds of this corporation or otherwise, the good will, rights, assets and property, and to undertake or assume the whole or any part of the obligations or liabilities of any person, firm, association or corporation.

To acquire, hold, use, sell, assign, lease, grant licenses in respect of, mortgage or otherwise dispose of letters patent of the United States or any foreign country, patent rights, licenses and privileges, inventions, improvements and processes, copyrights, trademarks and trade names, relating to or useful in connection with any business of this corporation.

To acquire by purchase, subscription or otherwise, and to receive, hold, own, guarantee, sell, assign, exchange, transfer, mortgage, pledge or otherwise dispose of or deal in and with any of the shares of the capital stock, or any voting trust certificates in respect of the shares of

capital stock, scrip, warrants, rights, bonds, debentures, notes, trust receipts, and other securities, obligations, choses in action and evidences of indebtedness or interest issued or created by any corporations, joint stock companies, syndicates, associations, firms, trusts or persons, public or private, or by the government of the United States of America, or by any foreign government, or by any state, territory, province, municipality or other political subdivision or by any governmental agency, and as owner thereof to possess and exercise all the rights, powers and privileges of ownership, including the right to execute consents and vote thereon, and to do any and all acts and things necessary or advisable for the preservation, protection, improvement and enhancement in value thereof.

To enter into, make and perform contracts of every kind and description with any person, firm, association, corporation, municipality, county, state, body politic or government or colony or dependency thereof.

To borrow or raise moneys for any of the purposes of the corporation and, from time to time, without limit as to amount to draw, make, accept, endorse, execute and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable or non-negotiable instruments and evidences of indebtedness, and to secure the payment of any thereof and of the interest thereon by mortgage upon or pledge, conveyance or assignment in trust of the whole or any part of the property of the corporation, whether at the time owned or thereafter acquired, and to sell, pledge or otherwise dispose of such bonds or other obligations of the corporation for its corporate purposes.

To loan to any person, firm, or corporation any of its surplus funds, either with or without security.

To purchase, hold, sell and transfer the shares of its own capital stock; provided it shall not use its funds or property for the purchase of its own shares of capital stock when such use would cause any impairment of its capital except as otherwise permitted by law, and provided further that shares of its own capital stock belonging to it shall not be voted upon directly or indirectly.

To operate a private trade school and business school in the State of Michigan after obtaining the necessary license for such operation for the instruction of students in various office skills, including, but not by way of limitation, instruction in the use of various office equipment and machines.

To have one or more offices, to carry on all or any of its operations and business and without restriction or limit as to amount to purchase or otherwise acquire, hold, own, mortgage, sell, convey, or otherwise dispose of real and personal property of every class and description in any of the States, Districts, Territories or Colonies of the United States, and in any and all foreign countries, subject to the laws of such State, District, Territory, Colony or Country.

In general, to carry on any other business in connection with the foregoing, and to have and exercise all the powers conferred by the laws of Delaware upon corporations formed under the General Corporation Law of the State of Delaware, and to do any or all of the things hereinbefore set forth to the same extent as natural persons might or could do.

The objects and purposes specified in the foregoing clauses shall, except where otherwise expressed, be in nowise limited or restricted by reference to, or inference from, the terms of any other clause in this certificate of incorporation, but the objects and purposes specified in each of the foregoing clauses of this article shall be regarded as independent objects and purposes.

ARTICLE FOURTH

Division A

(a) The total number of shares of stock which the corporation shall have authority to issue is 110,000,000 shares, the par value of each of the shares is \$1.00, amounting in the aggregate to \$110,000,000, and the shares are divided into two classes consisting of 100,000,000 shares of Class A Common Stock and 10,000,000 shares of Class B Common Stock.

(b) Each of the 7,021,879 issued shares of Common Stock of the Corporation is hereby reclassified and changed into one and one-half (1-1/2) shares of Class A Common Stock and one-half (1/2) share of Class B Common Stock, provided that no fractional shares of Class A Common Stock or Class B Common Stock shall be issued, but in the case of each holder of issued Common Stock who would otherwise be entitled to a fractional share of Class A Common Stock and Class B Common Stock, the fractional shares shall be combined into a whole share of Class B Common Stock.

Division B

The designations, preferences and relative, participating, optional or other special rights and the qualifications, limitations or restrictions in respect of the shares of each class are as follows:

(a) Dividends. Holders of the Class A Common

Stock and the Class B Common Stock shall be entitled to receive dividends, out of funds legally available therefor, when and as declared by the Board of Directors, subject only to the limitations that (1) no cash dividend payable on the shares of the Class B Common Stock shall be declared unless the Board of Directors shall concurrently declare a cash dividend on the shares of the Class A Common Stock at a rate which is not less than the rate of the cash dividend payable on the shares of the Class B Common Stock (but a cash dividend may be declared on the Class A Common Stock without declaring a cash dividend on the Class B Common Stock), and (2) no dividend payable in shares of the Class B Common Stock shall be declared on the Class A Common Stock (but a dividend payable in shares of Class A Common Stock may be declared on the Class A Common Stock or the Class B Common Stock and a dividend payable in shares of Class B Common Stock may be declared on the Class B Common Stock).

(b) Voting Rights. Except on matters where their

vote is required by Delaware law, the holders of the Class A Common Stock shall not be entitled to vote on any matter coming before any meeting of stockholders. The holders of the Class B Common Stock shall be entitled to one vote per share upon each matter coming before any meeting of stockholders.

(c) Conversion of Class B Common Stock.

1. Shares of Class B Common Stock shall be convertible, at the option of the respective holders thereof, at any time, into fully paid and non-assessable shares of Class A Common Stock on the basis of one share of Class A Common Stock for each share of Class B Common Stock.

2. No payment or adjustment with respect to dividends on shares of the Class A Common Stock or on the Class B Common Stock shall be made in connection with any conversion of shares of Class B Common Stock into shares of Class A Common Stock.

3. The holders of a certificate or certificates for Class B Common Stock, in order to effect the conversion of shares represented thereby, shall surrender the certificate or certificates to the corporation or to the Transfer Agent for the shares of the Class B Common Stock, with request for conversion. If the shares of the Class A Common Stock issuable upon conversion are to be issued in a name other than that in which the shares of the Class B Common Stock to be converted are registered, the certificate or certificates shall be duly endorsed for transfer or accompanied by a duly executed stock transfer power, and shall also be accompanied by the necessary stock transfer stamps or equivalent funds.

Upon surrender of the certificate or certificates, the corporation shall issue and deliver or cause to be issued and delivered to the person entitled thereto a certificate or certificates for the number of full shares of the Class A Common Stock issuable upon conversion. The corporation shall pay all original issue taxes, if any, payable upon the issue of shares of the Class A Common Stock issued upon any conversion.

The conversion shall be deemed to have been effected on the date of the surrender of the certificate or certificates of shares of the Class B Common Stock, and the person in whose name the certificate or certificates of the shares of the Class A Common Stock issuable upon conversion are to be issued shall be deemed to be the holder of record of the shares as of that date.

4. If there should be any capital reorganization or any reclassification of the Class A Common Stock, the shares of the Class B Common Stock shall thereafter have the right to be converted into the number of shares of stock or other securities or property of the corporation to which outstanding shares of the Class A Common Stock would have been entitled upon the effective date of the reorganization or reclassification. The Board of Directors shall make an appropriate adjustment in the application of the provisions of this paragraph (c) with respect to the conversion rights of the holders of the shares of the Class B Common Stock after the reorganization or reclassification, to the end that the provisions shall be applicable, as nearly as reasonably may be, in respect to any shares or other securities or property thereafter issuable or deliverable upon the conversion of shares of the

Class B Common Stock. The provisions of this sub-paragraph shall not apply to a reorganization or reclassification involving merely a subdivision or combination of outstanding shares of the Class A Common Stock.

5. In case the corporation shall be consolidated with or merged into any other corporation or shall sell or transfer its property and business as or substantially as an entirety, then the stock or other securities or other property, including cash, issuable or deliverable in connection with such consolidation, merger or sale in respect of each share of the Class A Common Stock then outstanding, shall thereafter, for the purposes of the conversion rights of the Class B Common Stock, be deemed the equivalent of one share of Class A Common Stock. Upon the exercise of conversion rights, holders of Class B Common Stock shall be entitled to receive on an equivalent basis and at the same rate and on the other terms and conditions set forth in this paragraph (c), the stock or other securities or property, including cash, deemed to be the equivalent of Class A Common Stock. Lawful provisions to this effect shall be made a part of and condition to the consolidation, merger or sale.

6. In case the corporation shall propose (i) to effect any reclassification of the Class A Common Stock or any capital reorganization involving a change in the Class A Common Stock, other than a reclassification or reorganization involving merely a subdivision or combination of outstanding shares of the Class A Common Stock, or (ii) to consolidate with or merger into another corporation, or to sell or transfer its property and business as or substantially as an entirety, then, in each such case, the corporation shall file with each Transfer Agent for the shares of the Class B Common Stock and shall mail to the holders of record of the shares at their respective addresses then appearing on the records of the corporation a statement, signed by an officer of the corporation, with respect to the proposed action, the statement to be so filed and mailed at least 30 days prior to the record date for holders of the Class A Common Stock for the purposes thereof. The statement shall set forth such facts with respect to the proposed action as shall be reasonably necessary to inform each Transfer Agent for the shares of the Class B Common Stock and the holders of those shares as to the effect of the action upon the conversion rights of the holders.

7. The corporation shall at all times have authorized but unissued, or in its treasury, a number of shares of the Class A Common Stock sufficient for the conversion of all shares of the Class B Common Stock from time to time outstanding.

8. In case the shares of the Class A Common Stock or the Class B Common Stock at any time outstanding shall, by reclassification or otherwise, be subdivided into a greater number of shares or combined into a lesser number of shares, the shares of Class B Common Stock or Class A Common Stock, respectively, then outstanding shall, at the same time, be subdivided or combined, as the case may be, on the same basis.

(d) Preemptive Rights. Holders of the Class A

Common Stock shall have no preemptive right to subscribe to any securities issued by the corporation. Holders of the Class B Common Stock shall have the preemptive right to subscribe to additional shares of Class B Common Stock, or any other voting stock or any security convertible into Class B Common Stock or other voting stock, hereafter issued by the corporation.

(e) Liquidation Preferences.

1. In the event of dissolution, liquidation or winding up of the corporation, whether voluntary or involuntary, holders of the Class A Common Stock and of the Class B Common Stock shall be entitled to payment out of the assets of the corporation ratably in accordance with the number of shares held by them respectively.

2. Neither a consolidation nor a merger of the corporation with or into any other corporation, nor a merger of any other corporation into the corporation, nor the purchase or other acquisition by the corporation of all or a part of the outstanding shares of any class or classes of its stock, nor the sale or transfer of the property and business of the corporation, as or substantially as an entirety, shall be considered a dissolution, liquidation or winding up of the corporation within the meaning of the foregoing provisions.

ARTICLE FIFTH

The business, property and affairs of this corporation shall be managed by a Board of Directors consisting of no fewer than five (5) and no more than nine (9) members, the exact number to be determined from time to time by resolution of the Board of Directors. The directors shall be classified with respect to the term for which they shall severally hold office by dividing them into three classes, as nearly equal in number as may be, the classes to hold office for successive terms of three years, respectively, but all directors of the corporation shall hold office until their successors are elected and qualified. The Board of Directors may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by the by-laws directed or required to be exercised or done by the stockholders.

Newly created directorships resulting from any increase in the authorized number of directors and vacancies in the Board of Directors from death, resignation, retirement, disqualification, removal from office or other cause, shall be filled by a majority vote of the directors then in office, and directors so chosen shall hold office for a term expiring at the annual meeting at which the term of the class to which they shall have been elected expires. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Any director, or the entire Board of Directors, may be removed at any time, but only for cause. The affirmative vote of the holders of 75% of the voting power of all of the stock of this corporation entitled to vote in elections of directors shall be required to remove a director from office. The stockholders of the corporation are expressly prohibited from cumulating their votes in any election of directors of the corporation.

ARTICLE SIXTH

The names and places of residence of the incorporators are as follows:

NAMES	RESIDENCES
L. E. Gray	Wilmington, Delaware
S. M. Brown	Wilmington, Delaware
A. D. Atwell	Wilmington, Delaware

ARTICLE SEVENTH

By-laws of the corporation may be adopted, amended or repealed by the affirmative vote of a majority of the total number of directors or by the affirmative vote of the holders of 75% of the voting power of all of the stock of this corporation entitled to vote in elections of directors. The by-laws may contain any provision for the regulation and management of the affairs of the corporation and the rights or powers of its stockholders, directors, officers, or employees not inconsistent with the laws of the State of Delaware.

ARTICLE EIGHTH

(a) Except as set forth in paragraph (d) of this Article, the affirmative vote of the holders of 75% of the voting power of all of the stock of this corporation entitled to vote in elections of directors shall be required:

(i) for a merger or consolidation of this corporation or any subsidiary thereof with or into any other corporation, or

(ii) for any sale or lease of all or any substantial part of the assets of this corporation or any subsidiary thereof to any other corporation, person or other entity, or

(iii) for any sale or lease to this corporation or any subsidiary thereof of any assets (except assets having an aggregate fair market value of less than \$5,000,000) in exchange for voting securities (or securities convertible into voting securities or options, warrants or rights to purchase voting securities or securities convertible into voting securities) of this corporation or any subsidiary by any other corporation, person or other entity,

if as of the record date for the determination of stockholders entitled to notice thereof and to vote thereon the other corporation, person or other entity which is party to the transaction is the beneficial owner, directly or indirectly, of 5% or more in number of shares of the outstanding shares of any class of stock of this corporation entitled to vote in elections of directors.

(b) For purposes of this Article, any corporation, person or other entity shall be deemed to be the beneficial owner of any shares of stock of this corporation,

(i) which it owns directly, whether or not of record; or

(ii) which it has the right to acquire pursuant to any agreement or understanding or upon exercise of conversion rights, warrants or options or otherwise, whether or not presently exercisable; or

(iii) which are beneficially owned, directly or indirectly (including shares deemed to be owned through application of clause (ii) above) by an "affiliate" or "associate" as those terms are defined herein; or

(iv) which are beneficially owned, directly or indirectly by any other corporation, person or entity (including any shares which the other corporation, person or entity has the right to acquire pursuant to any agreement or understanding or upon exercise of conversion rights, warrants or options or otherwise, whether or not presently exercisable) with which it or its "affiliates" or "associates" has any agreement or arrangement or understanding for the purpose of acquiring, holding, voting or disposing of stock of this corporation.

For the purpose of this Article EIGHTH, the outstanding shares of stock of this corporation shall include shares deemed owned through the application of clauses (b)(ii), (iii) and (iv) above, but shall not include any other shares which may be issuable pursuant to any agreement or upon exercise of conversion rights, warrants, options or otherwise.

For the purposes of this Article EIGHTH, the term "affiliate" shall mean any person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the corporation, person or other entity. The term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, directly

or indirectly, of the power to direct or cause the direction of the management and policies of the corporation, person or other entity, whether through the ownership of voting securities, by contract, or otherwise.

For the purposes of this Article EIGHTH, the term "associate" shall mean (1) any corporation or organization (other than this corporation or a majority-owned subsidiary of this corporation) of which the corporation, person or other entity is an officer or partner or is, directly or indirectly, the beneficial owner of 10% or more of any class of equity securities; (2) any trust or other estate in which the corporation, person or other entity has a substantial beneficial interest or as to which the corporation, person or other entity serves as a trustee or in a similar fiduciary capacity; and (3) any relative or spouse of a person, or any relative of a spouse, who has the same home as the person or who is a director or officer of this corporation or any of its subsidiaries.

(c) The Board of Directors shall have the power and duty to determine for the purpose of this Article EIGHTH on the basis of information known to the Board of Directors of this corporation, whether

(i) the other corporation, person or other entity beneficially owns more than 5% in number of shares of the outstanding shares of any class of stock of this corporation entitled to vote in elections of directors;

(ii) a corporation, person or other entity is an "affiliate" or "associate" (as defined in paragraph (b) above) of another; and

(iii) the assets being acquired by this corporation, or any subsidiary thereof, have an aggregate fair market value of less than \$5,000,000.

Any such determination shall be conclusive and binding for all purposes of this Article EIGHTH.

(d) The provisions of this Article EIGHTH shall not apply to any merger or other transaction referred to in this Article EIGHTH with any corporation, person or other entity if (1) the Board of Directors of this corporation has approved a memorandum of understanding with the other corporation, person or other entity with respect to the

transaction prior to the time that the other corporation, person or other entity shall have become a beneficial owner of more than 5% in number of shares of the outstanding shares of stock of any class of this corporation entitled to vote in elections of directors; or (2) the transaction is otherwise approved by the Board of Directors of this corporation, provided that a majority of the members of the Board of Directors voting for the approval of the transaction were duly elected and acting members of the Board of Directors prior to the time that the other corporation, person or other entity shall have become a beneficial owner of more than 5% in number of shares of the outstanding shares of stock of any class of this corporation entitled to vote in elections of directors. In addition, the provisions of this Article EIGHTH shall not apply to any merger or other transaction referred to in this Article EIGHTH with a subsidiary (which terms shall mean a corporation of which a majority of the outstanding shares of stock entitled to vote in elections of directors is owned by this corporation directly, and/or indirectly through one or more other subsidiaries).

ARTICLE NINTH

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized:

To fix the amount to be reserved as working capital over and above its capital stock paid in, to authorize and cause to be executed mortgages and liens upon the real and personal property of this corporation.

From time to time to determine whether and to what extent, and at what times and places, and under what conditions and regulations, the accounts and books of this corporation (other than the stock ledger), or any of them, shall be open to inspection of stockholders; and no stockholder shall have any right of inspecting any account, book or document of this corporation except as conferred by statute unless authorized by a resolution of the stockholders or directors.

By resolution or resolutions, passed by a majority of the whole board to designate one or more committees, each committee to consist of two or more of the directors of the corporation, which, to the extent provided in said resolution or resolutions, or in the by-laws of this

corporation, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of this corporation, and may have power to authorize the sale of this corporation to be affixed to all papers which may require it. The Committee or committees shall have the name or names as may be stated in the by-laws of this corporation or as may be determined from time to time by resolution adopted by the Board of Directors.

This corporation may, in its by-laws confer powers upon its directors in addition to the foregoing, and in addition to the powers and authorities expressly conferred upon them by the statute.

Both stockholders and directors shall have power, if the by-laws so provide, to hold their meetings and to have one or more offices within or without the State of Delaware, and to keep the books of this corporation (subject to the provisions of the statutes), outside of the State of Delaware at such places as may be from time to time designated by the Board of Directors.

ARTICLE TENTH

Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this corporation under the provisions of Section 3883 of the Revised Code of 1915 of said State, or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of Section 43 of the General Corporation Law of the State of Delaware, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said Court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the Court to which

the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

ARTICLE ELEVENTH

The Board of Directors of this corporation, when evaluating any offer of another party to (a) make a tender or exchange offer for any equity security of this corporation; (b) merge or consolidate this corporation with another corporation; or (c) purchase or otherwise acquire all or substantially all of the properties and assets of this corporation, shall, in connection with the exercise of its judgment in determining what is in the best interest of this corporation and its stockholders, give due consideration to such factors as the Board of Directors determined to be relevant, including without limitation, the social, legal, and economic effects of the proposed transaction upon employees, customers, suppliers, and other affected persons, firms and corporations and on the communities in which this corporation and its subsidiaries operate or are located.

ARTICLE TWELFTH

No action required or permitted to be taken at any annual or special meeting of the stockholders of this corporation may be taken without a meeting and the power of stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

ARTICLE THIRTEENTH

No director of the corporation shall be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty by such director as a director; provided, however, that this Article THIRTEENTH shall not eliminate or limit liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. The foregoing provisions of this Article THIRTEENTH shall

not eliminate the liability of a director for any act or omission occurring prior to the date on which this Article THIRTEENTH becomes effective. No amendment or repeal of this Article THIRTEENTH shall apply to or have any effect on the liability or alleged liability of any director of the corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

ARTICLE FOURTEENTH

Special meetings of the stockholders of this corporation for any purpose or purposes may be called at any time by the Board of Directors or by a committee of the Board of Directors which has been duly designated by the Board of Directors and whose powers and authority, as provided in a resolution of the Board of Directors or in the by-laws of this corporation, include the power to call such meetings, but such special meetings may not be called by any other person or persons.

ARTICLE FIFTEENTH

This corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation. Notwithstanding any other provision of the Certificate of Incorporation or the by-laws of this corporation (and in addition to any other vote that may be required by law, this Certificate of Incorporation, or by the by-laws of this corporation), the affirmative vote of the holders of 75% of the voting power of all stock of this corporation entitled to vote in elections of directors shall be required to amend, alter, change, or repeal Article FIFTH, SEVENTH, EIGHTH, NINTH, ELEVENTH, TWELFTH, THIRTEENTH, FOURTEENTH and FIFTEENTH of this Certificate of Incorporation.

WE, THE UNDERSIGNED, being each of the incorporators hereinbefore named for the purpose of forming a corporation in pursuance of the General Corporation Law of the State of Delaware, do make this certificate, hereby declaring and certifying that the facts herein stated are true, and accordingly have hereunto set our hands and seals this 26th day of August, A. D. 1952.

s/ L.E. Gray (SEAL)

s/ S.M. Brown (SEAL)

s/ A.D. Atwell (SEAL)

As Amended June 20, 1996

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
BALANCE SHEET AND STATEMENT OF EARNINGS AND IS QUALIFIED IN ITS ENTIRETY
BY REFERENCE TO SUCH FINANCIAL STATEMENTS

1,000

6-MOS	DEC-29-1996	
	JUN-30-1996	
		16,278
		62,455
		497,817
		10,505
		0
	604,519	156,286
		73,835
		766,592
	277,256	0
	0	0
		40,116
		449,220
766,592		0
	1,538,193	0
		1,248,252
		0
		0
		50,631
		20,280
	30,351	0
		0
		0
		30,351
		.80
		0